

# COVER SHEET

1 5 3 9 3

S.E.C. Registration Number

H O U S E O F I N V E S T M E N T S I N C .

(Company's Full Name)

9 / F L O O R G R E P A L I F E B U I L D I N G 2 2 1

S E N . G I L P U Y A T A V E N U E M A K A T I

(Business Address: No. Street City/ Town/ Province)

Atty. Lalaine P. Monserate

Contact Person

8815-96-36

Company Telephone Number

0 9 3 0

Month Day  
Quarter Ending

SEC

1 7 - C

FORM TYPE

1 2 2 3

Month Year  
Fiscal Year Ending

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles  
Number / Section

Total No. Of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION  
AMENDMENT SEC FORM 17-C  
CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2 (c) THEREUNDER

1. Date of Report: July 21, 2023
2. SEC Identification Number 15393
3. BIR Tax Identification No. 000-463-069-000
4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.
5. Makati, Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:   
(SEC Use Only)
7. 9<sup>th</sup> Floor, GPL Building, 219 Sen. Gil Puyat Avenue, Makati City 1200  
Address of principal office Postal Code
8. (632) 8815-9636  
Registrant's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC.

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding and Amount of Debt Outstanding	Par value
Common Shares	776,465,281	1.50
Debt Outstanding	No debt	

Indicate the item numbers reported herein:

*(Please see attached letter.)*

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HOUSE OF INVESTMENTS, INC.  
Registrant

  
**MA. ESPERANZA F. JOVEN**  
First Vice President -

Finance



Ref: RFJ/HI-2023/0082  
July 21, 2023

**SECURITIES AND EXCHANGE COMMISSION**

THE SEC Headquarters  
7907 Makati Avenue, Salcedo Village  
Brgy. Bel-Air, Makati City 1209

**Attention:** **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**  
Director, Corporate Governance and Finance Dept.

**Madam:**

In compliance with the disclosure requirements of the Commission, our Company hereby informs the SEC that the following were discussed and approved by the Stockholders of House of Investments, Inc. in the Annual Stockholders and Organizational Meetings of House of Investments, Inc. held on the date as indicated above via virtual meeting:

**A. Annual Stockholders' Meeting**

1. Minutes of the annual meeting of the Stockholders held on August 10, 2022.
2. 2022 Audited Consolidated Financial Statements and Management Report of House of Investments, Inc. and its Subsidiaries.
3. The following were elected members of the BOD for the Year 2023-2024

*Regular Directors*

1. Mrs. Helen Y. Dee
2. Mr. Lorenzo V. Tan
3. Atty. Wilfrido E. Sanchez
4. Ms. Yvonne S. Yuchengco
5. Mr. Medel T. Nera
6. Mr. Gil A. Buenaventura

*Independent Directors*

1. Mr. Juan B. Santos
  2. Dr. Roberto F. de Ocampo O.B.E.
  3. Mr. Carlos G. Dominguez
  4. Mr. Francisco H. Licuanan
  5. Mr. John Mark S. Frondoso
4. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2022, which includes, among others, those that involve the day to day operations, administrations and management of corporate affairs.
  5. Re-appointment of SGV & Co., as External Auditor for the year ending 2023.
  6. Approval of the majority of the minority stockholders present and represented at the annual meeting of the stockholders held on 21 July 2023: (1) approve the issuance of a total of 692,836,949 Common Shares (the "Shares") to: (i) Pan Malayan Management and Investment Corporation ("PMMIC") in

respect of 397,703,801 Common Shares in the Corporation; and (ii) GPL Holdings, Inc. (“GPLHI”) in respect of 295,133,148 Common Shares in the Corporation, subject to the approval by the Securities and Exchange Commission of the Corporation’s application for increase in the authorized capital stock, at a subscription price of Twenty Two and 71,111/100,000 Pesos (₱22.71111) per share, or a total subscription price of Fifteen Billion Seven Hundred Thirty Five Million Ninety Six Thousand One Hundred Sixty and 80/100 Pesos (₱15,735,096,160.80); and (2) accordingly, waive the requirement of The Philippine Stock Exchange, Inc. to conduct a rights or public offering of the Shares subscribed by PMMIC and GPLHI.

7. Increase in the company’s authorized capital stock and the corresponding amendment to article seventh of the company’s amended articles of incorporation
8. All items in the agenda that need Stockholders Approval were Confirmed and Ratified.

**B. Organizational Board of Directors Meeting**

**1. Appointment of the following Company Officers:**

Ms. Helen Y. Dee	- Chairperson
Mr. Lorenzo V. Tan	- President and Chief Executive Officer
Ms. Gema O. Cheng	- Executive Vice President – Chief Operating Officer, Chief Financial Officer & Treasurer
Mr. Alexander Anthony G. Galang	- First Senior Vice President – Internal Audit
Mr. Joselito D. Estrella	- Senior Vice President – Chief Information Officer
Mr. John Phillippe S. Fetalvero	- Senior Vice President – Operations Head, Cars Group
Ms. Ruth C. Francisco	- Senior Vice President – Chief Risk Officer
Ms. Ma. Esperanza F. Joven	- First Vice President – Finance
Ms. Maria Elisa E. de Lara	- First Vice President – Internal Audit
Ms. Maria Teresa T. Bautista	- Vice President – Controller
Ms. Sonia P. Villegas	- Vice President – Human Resources and Admin
Mr. Gerard G. Magadia	- Vice President – General Manager, Procurement Shared Services
Mr. Julio Jude Teodoro D. Montinola	- Vice President – Property
Atty. Lalaine P. Monserate	- Vice President – Legal and Compliance
Ms. Chona B. Cacho	- Vice President – IT Audit Cluster
Atty. Samuel V. Torres	- Corporate Secretary
Atty Ma. Elvira Bernadette G. Gonzales	- Assistant Corporate Secretary

**2. The following committees were also created and the following persons were appointed:**

**Executive Committee**

Mrs. Helen Y. Dee	- Chairperson
Mr. Lorenzo V. Tan	- Member
Mr. Juan B. Santos	- Member and Lead Independent Director
Mr. Carlos G. Dominguez	- Member
Mr. Gil A. Buenaventura	- Member

**Remuneration Committee**

Mr. Gil A. Buenaventura	- Chairman
Atty. Wilfrido E. Sanchez	- Member
Mr. Carlos G. Dominguez	- Member

**Board Risk Oversight Committee**

Mr. Juan B. Santos	- Chairman
Mr. John Mark S. Frondoso	- Member
Mr. Gil A. Buenaventura	- Member



**Corporate Governance, Nominations and Related Party Transactions Committee**

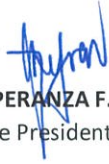
Mr. John Mark S. Frondoso	-	Chairman
Dr. Roberto F. de Ocampo	-	Member
Mr. Francisco H. Licuanan	-	Member

**Audit Committee**

Dr. Roberto F. de Ocampo	-	Chairman
Mr. Juan B. Santos	-	Member
Mr. Medel T. Nera	-	Member

Thank you.

Very truly yours,



**MA. ESPERANZA F. JOVEN**  
First Vice President - Finance

## Certification

I, Ma. Esperanza F. Joven, the First Vice President for Finance of HOUSE OF INVESTMENTS, INC. ("HI"), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC registration number 15393 and with principal office at 9F Grepalife Building 221 Sen. Gil J. Puyat Avenue Makati City, on oath state:

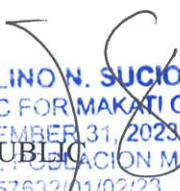
- 1) That I have caused this SEC Form 17-C to be prepared on behalf of HI;
- 2) That I have read and understood its contents which are true and correct based on my own personal knowledge and/or on authentic records;
- 3) That the company, HI, will comply with the requirements set forth in SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
- 4) That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
- 5) That the e-mail account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hand this 21th day of July, 2023.

  
**MA. ESPERANZA F. JOVEN**  
FVP – Finance

SUBSCRIBED AND SWORN to before me this 21 JUL 2023, in MAKATI CITY City,  
Philippines.

Doc. No. 136  
Page No. 28  
Book No. 73  
Series of 2023

  
**ATTY. JOSELIN N. SUCION**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
NOTARY PUBLIC  
2746 ZENaida ST., COLACION MAKATI  
IBP NO. 257632/01/02/23  
PTR NO. 956203/01/03/23  
MCLE COMPLAINT NO. VII-0013028/04/14/2025  
ROLL NO. 60799  
APPOINTMENT NO. M-078



REPUBLIC OF THE PHILIPPINES  
**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills  
City of Mandaluyong, Metro Manila

COMPANY REG. NO. 49714

**CERTIFICATE OF FILING  
OF  
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

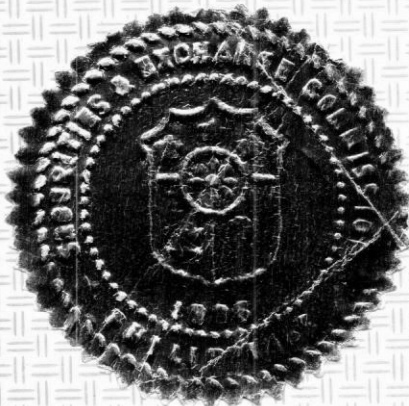
**MICO EQUITIES INC.**

[Amending Article III thereof.]

copy annexed, adopted on August 01, 2014 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 2nd day of March, Twenty Fifteen.



  
**FERDINAND B. SALES**

Director

Company Registration and Monitoring Department



**AMENDED ARTICLES OF INCORPORATION  
OF  
MICO EQUITIES, INC.**

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**KNOW ALL MEN BY THESE PRESENTS:**

THAT WE, all of whom are of legal age, citizens and residents of the Philippines, have on this date voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines:

**AND WE HEREBY CERTIFY:**

**ARTICLE I**

That the name of the corporation shall be "MICO EQUITIES, INC." (As amended, January 29, 1973)

**ARTICLE II**

That the purpose or purposes for which said corporation is created are:

**PRIMARY**

To acquire, purchase, own, hold, mortgage, pledge, exchange, sell, transfer or otherwise deal in securities, stocks, and bonds, or other personal properties, and to acquire, purchase, own, hold, operate, develop, lease, mortgage, exchange, sell, transfer or otherwise deal in real properties, without however engaging in stock brokerage business; provided that the corporation shall not engage in the business of being a broker/dealer in securities a Government Securities Eligible Dealer (GSED), an investment company/mutual fund company. (As amended, August 1, 2007.)

**SECONDARY**

1. To act as manager or agent in respect to the establishment, promotion, operation, management, and/or business of any person, corporation, association, or entity, excluding however the management of funds, securities, portfolios or similar assets for said person or firms;



2. To promote, cause to be organized, and aid by way of guaranty or otherwise, any corporation, association, partnership, syndicate or entity, domestic or foreign, located in or organized under the laws of any country, any security of which is held directly or indirectly by or for the corporation, or in the business, or welfare of which the corporation shall have any interest; and in connection therewith but without necessarily performing the regular functions of a surety company, to guarantee or become surety for the performance of any undertaking or obligation of any of the foregoing, and to guarantee by indorsement or otherwise the payment of the principal of, or interest or dividends on, any such security, and generally to do any acts or things designed to protect, preserve, improve, or enhance the value of any such security;
3. To undertake and transact all kinds of business relating to the gathering and distribution of financial and/or investment data, information and statistics throughout the world;
4. To conduct researchers, investigations and examinations of businesses and enterprises of every kind and description throughout the world with the aim of securing information and particulars for the investment and employment of capital;
5. To carry on the business of exporter and importer, as principal, factor, agent or commission merchant in respect to buying, selling, trading, or dealing in any kinds of goods, as well as to carry on the business of warehousing, merchandising and general commercial brokerage, except stock brokerage;
6. To buy, own, sell or otherwise deal in any and all merchandise of whatever kind and nature which may be deemed desirable in the general mercantile business;
7. To purchase and own office equipment, machineries, and movable properties for income and to sell, assign, mortgage or otherwise dispose of such properties;
8. To borrow money from banks and other institutions and to contract obligations upon such terms and conditions as may be approved by the Board of Directors for any and all purposes of the corporation; and to secure and guarantee such loans and contractual obligations by mortgage, deed of trust, assignment, charge or lien upon all or part of the properties and assets of the corporation;
9. To act as general agents, and/or underwriters, for all kinds of insurance, life and non-life, as well as for bonds and all types of insurance undertakings. (as approved on August 7, 1981)

**GENERALLY**, to do and perform those various acts and things which are necessary, proper and incidental to the business purposes herein above defined, doing and performing all things which may be reasonably necessary, proper and convenient to carry out the purposes for which this corporation is formed or any incident thereof and exercising any and all rights, powers and attributes of other like corporations in general and especially of corporations of like nature organized under and by virtue of the laws of the Philippines.

ARTICLE III

That the place where the principal office of the corporation is to be located or established shall be at 4/F Yuchengco Tower I, No. 500 Quintin Paredes Street, Binondo, Manila, Metro Manila, Philippines. (As amended on August 01, 2014).

ARTICLE IV

That the term for which said corporation is to exist if FIFTY (50) YEARS from and after the date of incorporation.

ARTICLE V

That the names, nationalities and residence of the incorporators are herein below itemized as follows:

<u>Names</u>	<u>Nationality</u>	<u>Residence</u>
Carlos P. Romulo	Filipino	
Alfonso Yuchengco	Filipino	
Helen Y. Dee		
Alberto M. Meer	Filipino	
George F. Lee	Filipino	

ARTICLE VI

That the number of directors of the said corporation shall be five (5) and that the names and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided for by the By-Laws are as follows: (As amended on September 9, 1986)

<u>Names</u>	<u>Residence</u>
1. Alfonso Yuchengco	
2. Alberto M. Meer	
3. George Des Se Kiat	
4. Carlos P. Romulo	
5. Helen Y. Dee	

## ARTICLE VII

The amount of the authorized capital stock of said corporation is **ONE BILLION PESOS (P1,000, 000,000.00)**, Philippines Currency, and said capital stock is dividend into **TEN MILLION (10,000,000)** shares with a par value of **ONE HUNDRED PESOS (P100.00)** each. That no transfer of share or interest which will reduce the ownership of Filipino citizen to less than the required percentage of the capital stock shall be allowed or permitted to be recorded in the proper books, and this restriction shall also be indicated in all stock certificates. (As amended on August 08, 2011)

## ARTICLE VIII

That the amount of capital stock which has been actually subscribed is **TEN MILLION SIX HUNDRED FOURTEEN THOUSAND EIGHT HUNDRED PESOS (P10, 614,800.00)**, and the following persons have subscribed for the number of shares and amount of capital stocks out after their respective names:

<u>Name</u>	<u>No. of Shares</u>	<u>Amount of Capital Stock</u> <u>Subscribed</u>
1. Pan Malayan Management & Investment Corporation	54,341	P 5,434,100.00
2. Estate of Hao Tay	14,350	1,435,000.00
3. Alfonso Yuchengco	12,936	1,293,600.00
4. Great Pacific Life Assurance Corporation	7,126	712,600.00
5. Rustan Investment & Management Corporation	4,732	473,200.00
6. Yu Chu Investment Corp.	3,990	399,000.00
7. Antonio delas Alas	2,366	236,600.00
8. RCBC	1,400	140,000.00
9. P.E. Domingo & Co., Inc.	980	98,000.00
10. Enrique T. Yuchengco, Inc.	784	78,400.00
11. B.I.A., Inc.	693	69,300.00
12. George F. Lee	630	63,000.00
13. Romeo Villonco	504	50,400.00
14. Chester G. Babat	343	34,300.00
15. Estate of Dy Pac	259	25,900.00
16. Augusto M. Barcelon	224	22,400.00
17. Alberto M. Meer	210	21,000.00
18. Raymundo Crystal	175	17,500.00
19. Aurora Hernandez	56	5,600.00
20. P.E Domingo	21	2,100.00
21. Helen Y. Dee	7	700.00
22. Emeterio Roa, Sr.	7	700.00
23. Geaorge Dee Se Kiat	7	700.00
24. Carlos P. Romulo	7	700.00

106,148

P 10,614,800.00

That the following persons have paid on the shares of capital stock for which they have subscribed the amounts set out after their respective names:

<u>Name</u>	<u>Amount Paid on Subscription</u>
1. Pan Malayan Management & Investment Corporation	P 5,343,100.00
2. Estate of Hap Tay	1,435,000.00
3. Alfonso Yuchengco	1,293,600.00
4. Great Pacific Life Assurance Corporation	712,600.00
5. Rustan Investment & Management Corporation	473,200.00
6. Yu Chu Investment Corporation	399,000.00
7. Antonio delas Alas	236,600.00
8. RCBC (Trust Account No. 075)	140,000.00
9. P.E. Domingo & Co., Inc.	98,000.00
10. Enrique T. Yuchengco, Inc.	78,400.00
11. B.I.A., Inc.	69,300.00
12. George F. Lee	63,000.00
13. Romeo Villonco	50,400.00
14. Estate of Dy Pac	25,900.00
15. Chester G. Babat	34,300.00
16. Augusto M. Barcelon	22,400.00
17. Alberto M. Meer	21,000.00
18. Raymundo Crystal	17,500.00
19. Aurora Hernandez	5,600.00
20. P.E Domingo	2,100.00
21. Helen Y. Dee	700.00
22. Emeterio Roa, Sr.	700.00
23. Geaorge Dee Se Kiat	700.00
24. Carlos P. Romulo	700.00
	<hr/>
	P 10,614,800.00
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#### ARTICLE X

That **MONA LISA Y. ABAYA** has been elected by the subscribers as Treasurer of the corporation to act as such until her successor is duly elected and qualified in accordance with the by laws, and that as such treasurer, she has been authorized to receive for the corporation and to receipt in its name for all subscription paid in by said subscribers.

**IN WITNESS WHEREOF**, we have hereunto set our hands this 28<sup>th</sup> day of June, 1972, in the City of Manila, Philippines.



(SGD) CARLOS P. ROMULO  
T.A.N. 2569-619-6

(SGD) ALFONSO T. YUCHENGCO  
T.A.N. 1624-780-1

(SGD) HELEN Y. DEE  
T.A.N. 1178-225-7

(SGD) ALBERTO M. MEER  
T.A.N. 3002-593-6

With Marital Consent:

(SGD) PETER S. DEE  
T.A.N. 1178-225-7

**SIGNED IN THE PRESENCE OF:**

(SGD) MARCELO DY

(SGD) ROLANDO S. PATAWARAN

REPUBLIC OF THE PHILIPPINES)  
CITY OF MANILA )s.s.

BEFORE ME, the undersigned for and in the City of Manila, Philippines, personally appeared the following with their respective Residence Certificate, to wit:

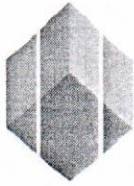
<u>Name</u>	<u>Residence Certificates</u> <u>Number</u>	<u>Date</u>	<u>Place</u>
Carlos P. Romulo	A-5094001	1-6-72	Manila
Alfonso Yuchengco	A-3726586	1-21-72	Makati, Rizal
Helen Y. Dee	A-45285	1-7-72	Manila
George F. Lee	A-4798120	1-3-72	Makati, Rizal
Alberto M. Meer	A-3710501	1-7-72	Makati, Rizal

all known to me and to known to be the very same persons whose names appeared as the incorporators of the foregoing Articles of Incorporation and all of them have individually acknowledge to me that the same is their free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 28<sup>th</sup> day of June, 1972, in the City of Manila, Philippines.

Doc. No. 3272  
Page No. 56  
Book no. 38  
Series of 1972.

(SGD) CEFERINO A. BAQUIZAL  
Notary Public  
Until December 31, 1982  
PTR#5523085 1-79-72 Manila



REPUBLIC OF THE PHILIPPINES  
SECURITIES AND EXCHANGE COMMISSION  
Ground Floor, Secretariat Building, PICC  
City Of Pasay, Metro Manila

COMPANY REG. NO. 49714

CERTIFICATE OF FILING  
OF  
AMENDED BY-LAWS

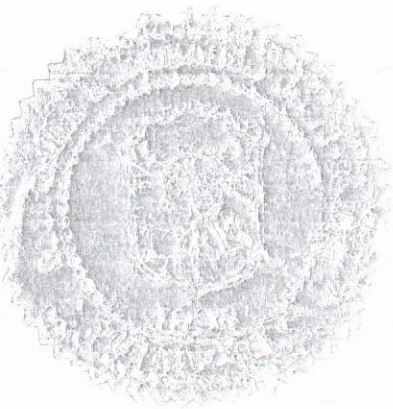
KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

**MICO EQUITIES INC.**

copy annexed, adopted on December 05, 2016 by majority vote of the Board of Directors and on February 17, 2017 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 48 of the Corporation Code of the Philippines Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 3rd day of May, Twenty Seventeen.



  
FERDINAND B. SALES  
Director

Company Registration and Monitoring Department





AMENDED BY-LAWS

OF

MICO EQUITIES, INC.

ARTICLE I

CERTIFICATE OF STOCK AND THEIR TRANSFER

SECTION 1. – Each stockholder shall be entitled to one or more certificate/s of stock showing the number of fully paid shares registered in his name. It shall be signed by the President and countersigned by the Secretary of the Company and sealed with its corporate seal. The certificates of stock shall be issued in consecutive order and upon the stub of each certificate shall be entered the number of the certificate, date of issue, number of shares, name of stockholder, address and such other pertinent data that may be necessary. The stub shall be signed by the stockholder upon issuance to him of the corresponding certificate and shall be considered, for all purposes of the corporation, as a valid receipt therefore from the stockholder. The necessary documentary stamps for each certificate of stock shall be borne by the stockholder, purchaser or transferee.

SECTION 2. – Every certificate surrendered for exchange or transfer shall be cancelled and affixed to the original stub in the certificate book and no new certificate shall be issued unless and until the old certificates have been so cancelled and returned to the corporation, or satisfactory proof of their loss is presented.

SECTION 3. – Certificates of stock may be sold, transferred or hypothecated by endorsement or separate deed, but the corporation shall not consider any transfer effective except as between the parties until the endorsed certificate is submitted for cancellation and a new one issued in the name of the transferee.

SECTION 4. – All certificates submitted for transfer to another name shall be marked "CANCELLED" by the Secretary and attached to its corresponding stub whereon the following data shall be shown:

- a) The date when the shares were transferred
- b) To whom transferred
- c) Number of shares transferred

d) Number or numbers of the new certificate or certificates

SECTION 5. – Duplicate certificate of stock may be issued in lieu of any certificate or certificates alleged to have been lost or destroyed, only upon compliance with the requirement of Republic Act No. 201.

SECTION 6. – No transfer of certificate shall be entered on the Stock Register of the corporation within ten (10) days prior to any stockholders meeting.

SECTION 7. – The Stock Book or Register shall be available for inspection by any stockholder during the office hours of the Corporation.

SECTION 8. – No interest shall run on unpaid subscription until delinquent.

## ARTICLE II

### STOCKHOLDERS' MEETING

SECTION 1. – The annual meetings of the stockholders of the company shall be held in the principal office of the company in Metro-Manila, Philippines on the second Monday of July and if this is a holiday, on the following business day. (As amended on August 18, 1980)

SECTION 2. – Special meetings of the stockholders may be called at the principal office of the company at any time by resolution of the Board of Directors or by order of the President or upon the written request of stockholders registered as the owners of one-third of the total outstanding stocks.

SECTION 3. – Notices of meeting, written or printed for every regular or special meeting of the stockholders shall be prepared and mailed to the registered post office address of each stockholder not less than ten (10) days prior to the date set for such meeting, and if for special meeting, such notice shall state the object or objects of the same. No failure or irregularity of notice of any meeting shall invalidate such meeting at which all the stockholders are present and voting without protest.

SECTION 4. – A quorum at any meeting of the stockholders shall consist of a majority of the subscribed capital stock of the company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except in



d) Number or numbers of the new certificate or certificates

SECTION 5. – Duplicate certificate of stock may be issued in lieu of any certificate or certificates alleged to have been lost or destroyed, only upon compliance with the requirement of Republic Act No. 201.

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## ARTICLE II

### STOCKHOLDERS' MEETING

SECTION 1. – The annual meetings of the stockholders of the company shall be held in the principal office of the company in Metro-Manila, Philippines on the second Monday of July and if this is a holiday, on the following business day. (As amended on August 18, 1980)

SECTION 2. – Special meetings of the stockholders may be called at the principal office of the company at any time by resolution of the Board of Directors or by order of the President or upon the written request of stockholders registered as the owners of one-third of the total outstanding stocks.

SECTION 3. – Notices of meeting, written or printed for every regular or special meeting of the stockholders shall be prepared and mailed to the registered post office address of each stockholder not less than ten (10) days prior to the date set for such meeting, and if for special meeting, such notice shall state the object or objects of the same. No failure or irregularity of notice of any meeting shall invalidate such meeting at which all the stockholders are present and voting without protest.

SECTION 4. – A quorum at any meeting of the stockholders shall consist of a majority of the subscribed capital stock of the company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except in

those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion.

SECTION 5. – Stockholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Secretary for inspection and recorded at or prior to the opening of the said meeting. No proxy bearing a signature which is not legally acknowledged shall be recognized at any meeting unless such signature is known and recognized by the Secretary of the meeting.

SECTION 6. – Election of directors shall be held at such annual meeting, shall be conducted in the manner provided by the Corporation Law of the Philippines, and with such formalities and manner as the officer presiding at the meeting shall then and there determine and provide.

SECTION 7. – Order of business at the annual meeting and as far as possible at all other meetings of the stockholders, shall be as follows:

1. Calling the roll
2. Secretary's proof of the due notice of the meeting
3. Reading and disposal of any unapproved minutes
4. Reports of officers, annual and otherwise
5. Election of Directors
6. Unfinished business
7. New business
8. Adjournment

### ARTICLE III

#### DIRECTORS

SECTION 1. – The business and property of the company shall be managed by a Board of Directors who shall be stockholders and who shall be elected annually by the stockholders for the term of one (1) year and shall serve until the election and acceptance of their duly qualified successor. The number of the first Board of Directors shall be five (5), but at any time during the existence of the corporation the stockholder may, in accordance with law, increase the number of directors to any number not exceeding eleven (11), or decrease the same to any number not less than five (5).

Any stockholder having at least one (1) share registered in his name may be elected director, provided, however, that no person shall be qualified or be eligible for nomination or election as director if such person



(a) is an antagonistic-competitor of the Corporation, or (b) has interests whether directly or indirectly, which are disadvantageous or inimical to the Corporation, or (c) is engaged in business that competes with or is antagonistic to that of the Corporation, its subsidiaries or affiliates. Without limiting the generality of the foregoing, a person shall be deemed to be an antagonistic-competitor of the Corporation or has interests which are disadvantageous or inimical to the Corporation:

(a) if he is a director, officer, manager, or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation or partnership which is an antagonistic-competitor of the Corporation;

(b) if he directly or indirectly, either by himself or through persons known to be associated with him, under his influence or control, has done or caused to be done acts deemed disadvantageous or inimical to the interest, business or goodwill of the Corporation;

(c) if he is an agent, trustee, partner, nominee, director, officer or employee of or if he is a spouse or relative within the 4<sup>th</sup> civil degree, either by consanguinity or affinity of, or a person controlling, controlled by or under common control with, any person set forth above.

A person shall be deemed to be so engaged in any business that competes with or is antagonistic to that of the Corporation, its subsidiaries or affiliates:

(a) if he is an employee, officer, manager or controlling person, or the owner (either of record or beneficially) of ten per cent (10%) or more of any outstanding class of shares, of any corporation (other than one in which the Corporation owns at least thirty per cent (30%) of the capital stock) or entity engaged in a business that the Board of Directors, by at least a majority vote, determines to be competitive or antagonistic to that of the Corporation or any of its subsidiaries or affiliates; or

(b) if he is an employee, officer, manager or controlling person, or the owner (either of record or beneficially) of ten per cent (10%) or more of any outstanding class of shares, of any corporation or entity engaged in any line of business of the Corporation or any of its subsidiaries or affiliates, when in the judgment of the Board of Directors, by at least a majority vote, the law against combinations



and restraint of trade shall be violated by such person's membership in the Board of Directors; or

(c) if the Board of Directors, in the exercise of its judgment in good faith, determines by at least a majority vote, that he is a nominee of any person set forth in (a) and (b) above.

Provided, in determining whether or not a person is a controlling, beneficial owner, or the nominee of another, the Board of Directors may take into account such factors as business and family relationships

The determination of whether a person is disqualified to become director under this Section shall be made by a Committee of three (3) disinterested persons to be appointed by the Board of Directors. The decision of the Committee shall be binding on the Corporation, if concurred in by at least two (2) members. (As adopted on February 17, 2017)

SECTION 2. – If any vacancy shall occur among the directors by death, resignation or otherwise, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. In case of vacancy in the Board, the remaining directors shall continue to act, but if, at any time, their number be reduced to less than a quorum, the directors shall call a special meeting of the stockholders for the purpose of filling such vacancies.

SECTION 3. – The regular annual meeting of the Board of Directors shall be held without notice, at the principal office of the company or at such other place in Metro Manila as the majority of the Directors may designate immediately after the annual meeting of the stockholders of the company.

SECTION 4. – Special meetings of the Board of Directors may be called by the Secretary upon order of the President or any two (2) members of the Board of Directors and notices shall be made in the most convenient manner not less than twenty-four hours before such special meeting and the notice shall set the object and purpose of the same. A special meeting may be held at any place designated by the call within Metro Manila. If any member of the Board outside Metro Manila, at the time the notice is required to be sent, the service of notice upon any person of sufficient discretion in his residence or in his office will be sufficient compliance.

SECTION 5. QUORUM. – A quorum at any meeting of the Directors shall consist of a majority of the entire membership of the Board. A majority of such quorum shall decide any question that may come before the meeting.



SECTION 6. – Each of the members of the Board of Directors shall be paid per diems for every regular and special meeting attended in an amount to be fixed by the stockholders.

SECTION 7. – Officers of the company, as provided in these By-Laws, shall be elected by the Board of directors at their first meeting after the election of the Directors.

SECTION 8. – The order of the business at any regular or special meeting of the Board of Directors shall be:

1. Calling the roll
2. Secretary's proof of due notice of meeting
3. Reading and disposal of any unapproved minutes
4. Reports of officers
5. Unfinished business
6. New business
7. Adjournment

#### ARTICLE III-A

##### EXECUTIVE COMMITTEE AND INVESTMENT COMMITTEE

SECTION 1. – There shall be an Executive Committee and an Investment Committee. The Executive Committee shall be composed of not less than three (3) members of the Board, to be appointed by the Board. The Investment Committee shall be composed of three (3) members to be designated by the Board but its members need not to come from the Board. The Chairman of both committees shall either be the Chairman of the Board or the President of the corporation.

SECTION 2. – Both the Executive Committee and the Investment Committee shall promulgate their own rules of procedure and shall meet in such place and date as provided by such rules or by resolution of the Board.

SECTION 3. – All actions of the Executive Committee and the Investment Committee shall be reported for confirmation to the Board of Directors at its meeting next succeeding such action. (As amended on July 10, 1989)

## ARTICLE IV

### OFFICERS

SECTION 1. – The officers of this corporation shall be a Chairman of the Board, a President, an Executive Vice-President, a Vice-President, a Secretary, an Assistant Secretary, a Treasurer, and such other officers as the Board of Directors from time to time shall create and elect. Any two or more officers, except those the functions and duties of which are incompatible, may be held by one person by resolution of the Board of Directors.

SECTION 2. – The Chairman of the Board shall preside at all meetings of the Board of Directors.

SECTION 3. – The President shall be a stockholder and Director of the Corporation and shall preside at all meetings of the stockholders and have charge of the general management of the business and affairs of the corporation, and shall perform all such other duties as are incident to his office or are properly required of him by the Board of Directors. He shall sign certificates, contracts, or other instruments of the corporation as are proper and necessary for the transaction of the ordinary business of the corporation.

SECTION 4. – The Executive Vice-President, if qualified, shall be vested all the powers and duties, and required to perform all the duties of the President during the absence or incapacity of the latter for any cause; he shall also exercise such powers and perform such duties as the Board of Directors may from time to time assign to him.

SECTION 5. – The Vice-President, if qualified, in case of disability or in the absence of the President and the Executive Vice-President, shall assume the office and duties of the President and the Executive Vice-President, provided, that when so directed at other times, he shall assume such specific duties of the president or the Executive Vice-President, as may be properly assigned to him in writing, or as may be required of him by the Board of Directors.

SECTION 6. – The Secretary, who shall be a citizen and resident of the Philippines, shall issue all notices of regular meetings of the stockholders and Board of Directors; keep the minutes of all meetings of the stockholders and Board of Directors; have charge of the corporate seal and records; sign, with the President, such instrument as require such signature; and make such reports, and perform such other duties as are incident to his office, or may be properly required of him by the Board of Directors.



SECTION 7. – In the absence of the Secretary, the Assistant Secretary shall perform all the functions and shall have all the powers of the Secretary. He shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

SECTION 8. – The Treasurer shall have charge of all the money of the corporation and shall keep regular books of account therefore. He shall sign or countersign such instrument as require his signature; perform all duties incident to his office and render such accounts, reports, and statements as may be properly required of him by the Board of Directors.

SECTION 9. – The funds of the Corporation may be withdrawn upon the signature of authority of any two officers of the corporation, who may be designated by the Board of Directors from time to time.

SECTION 10. – The officers of this company shall receive such compensation and salary as may be fixed by the Board of Directors.

## ARTICLE V

### DIVIDENDS AND FINANCE

SECTION 1. – The Fiscal Year of the company shall commence with the opening of the business on the first day of January of each calendar year and shall close on the 31<sup>st</sup> day of December of the same year.

SECTION 2. – Dividends shall be declared only from the surplus profit and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine.

SECTION 3. – Auditors shall be designated by the Board of Directors prior to the close of the business in such fiscal year, who shall audit and examine the books of account of the company, and shall certify to the Board of Directors and the shareholders the annual balance of said books which shall be prepared at the close of the said year under the direction of the Treasurer. No director or officer of the company and no firm or corporation of which such officer or director is a member, shall be eligible to discharge the duties of Auditor. The compensation of the Auditor shall be fixed by the Board of Directors.

SECTION 4. – Inspection of Accounts by any member of the Board of Directors in person may be made at any and all times, and such inspection may embrace all books, records and vouchers of the company.

Inspection of the books, accounts, and records of the company by the stockholders shall be limited to office hours of every business day.

SECTION 5. – The Board of Directors shall have the power to declare and grant bonuses from time to time as the finances of the corporation may justify.

#### ARTICLE VI

##### SEAL

SECTION 1. – The corporate seal of the company, unless otherwise ordered by the Board of Directors, shall be circular in form and bearing the words "MICO EQUITIES, INC., MANILA, PHILIPPINES" and in the middle thereof the words "INCORPORATED 1973".

#### ARTICLE VII

##### AMENDMENTS

SECTION 1. – These By-Laws may be amended, repealed or altered, in whole or in part, by a majority vote of the subscribed capital stock of the company at any regular meeting of the stockholders, or at any special meeting where such action has been announced in the call and notice of such meeting.

SECTION 2. – The Board of Directors may adopt additional rules in harmony with the foregoing By-Laws and their amendments, but shall not alter, modify or repeal the foregoing By-Laws and their amendments.

SECTION 3. – These By-Laws shall take effect immediately after its approval by the Securities and Exchange Commission.

Certified correct:

  
ATTY. SAMUEL V. TORRES

Corporate Secretary



REPUBLIKA NG PILIPINAS  
KAGAWARAN NG KALAKALAN AT INDUSTRIYA  
**Komisyon sa mga Panagot at Palitan**  
(SECURITIES AND EXCHANGE COMMISSION)  
MAYNILA

Reg. No. **49714**

TO ALL TO WHOM THESE PRESENTS MAY COME, GREETINGS:

WHEREAS, Articles of Incorporation duly signed and acknowledged for the  
organization of the **MICO FINANCIAL CORPORATION**

under and in accordance with the provisions of Act of the Philippine Commission  
Numbered Fourteen hundred and fifty-nine, enacted March first, Nineteen hun-  
dred and six, as amended by Acts of the Philippine Legislature, Numbered Fifteen  
hundred and six, Fifteen hundred and sixty-five, Sixteen hundred and thirty,  
Seventeen hundred and forty-four, Eighteen hundred and thirty-four, Eighteen  
hundred and ninety-five, Twenty hundred and three, Twenty hundred and twelve,  
Twenty hundred and thirty-seven, Twenty hundred and ninety-two, Twenty-one  
hundred, Twenty-one hundred and thirty-five, Twenty-four hundred and fifty-two,  
Twenty-seven hundred and twenty-eight, Twenty-seven hundred and ninety-two,  
Twenty-nine hundred, Twenty-nine hundred and ninety-four, Thirty-five hundred  
and eighteen, Thirty-six hundred and ten, Thirty-seven hundred and forty-one,  
Thirty-eight hundred and forty-nine and Thirty-eight hundred and fifty, and  
Commonwealth Acts Numbered Two hundred and eighty-seven, and Four hun-  
dred and thirty-seven, were presented for filing in this Commission on  
**September 4, 1972**

and a copy of which said Articles is hereto  
attached:

Now, THEREFORE, by virtue of the powers and duties vested in me by law, I  
hereby certify that the said Articles of Incorporation were, after due exami-  
nation to determine whether they are in accordance with law, duly registered in  
this Commission on the 9<sup>th</sup> day of January, Anno  
Domini, Nineteen hundred and seventy-three.

IN TESTIMONY WHEREOF, I have hereunto set my  
hand and caused the seal of this Commission to be  
affixed at Manila, Philippines, this 9<sup>th</sup> day  
of January, in the year of our Lord  
nineteen hundred and seventy-three.

**ARCADIO E. YABYABIN**

Securities and Exchange Commissioner







# SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines  
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

**Receiving:** Fernando Fernandez

**Receipt Date and Time:** September 21, 2022 03:41:33 PM

## Company Information

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**SEC Registration No.:** 0000049714

**Company Name:** MICO EQUITIES INC.

**Industry Classification:** K70200

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST1092120228777731

**Document Type:** General Information Sheet

**Document Code:** GIS

**Period Covered:** August 18, 2022

**Submission Type:** Annual Meeting

**Remarks:** None

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Acceptance of this document is subject to review of forms and contents

# GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2022

## STOCK CORPORATION

### GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

===== PLEASE PRINT LEGIBLY =====

<b>CORPORATE NAME:</b>		<b>DATE REGISTERED:</b>	
MICO EQUITIES, INC.		09-Jan-73	
<b>BUSINESS/TRADE NAME:</b>		<b>FISCAL YEAR END:</b>	
MICO EQUITIES, INC.		December 31	
<b>SEC REGISTRATION NUMBER:</b>		<b>CORPORATE TAX IDENTIFICATION NUMBER (TIN)</b>	
49714		296455	
<b>DATE OF ANNUAL MEETING PER BY-LAWS:</b>		<b>WEBSITE/URL ADDRESS:</b>	
Second Monday of July			
<b>ACTUAL DATE OF ANNUAL MEETING:</b>		<b>E-MAIL ADDRESS:</b>	
August 18, 2022			
<b>COMPLETE PRINCIPAL OFFICE ADDRESS:</b>		<b>FAX NUMBER:</b>	
4/F Yuchengco Tower I, 500 Quintin Paredes Street, Binondo, Manila, Metro Manila		8628-8-690	
<b>COMPLETE BUSINESS ADDRESS:</b>			
4/F Yuchengco Tower I, 500 Quintin Paredes Street, Binondo, Manila, Metro Manila			
<b>OFFICIAL E-MAIL ADDRESS</b>	<b>ALTERNATE E-MAIL ADDRESS</b>	<b>OFFICIAL MOBILE NUMBER</b>	<b>ALTERNATE MOBILE NO.</b>
corporateservices.mei@malayan.com	jpadilla@malayan.com	09989641085	0926-739-3293
<b>Sycip, Gorres, Velayo &amp; Company</b>		<b>1704-A (Group A)</b>	
<b>PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN:</b>		<b>INDUSTRY CLASSIFICATION:</b>	<b>GEOGRAPHICAL CODE:</b>
Holding Company of a Non-Life Insurance Company		Holding Company	1106

### ===== INTERCOMPANY AFFILIATIONS =====

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Pan Malayan Management & Investment Corporation	25516	6819 RCBC Plaza, Ayala Avenue, Makati City
SUBSIDIARY/AFFILIATE	SEC REGISTRATION NO.	ADDRESS
Malayan Insurance Company, Inc.	4218	Yuchengco Tower I, 500 Quintin Paredes Street, Binondo, Manila

NOTE: USE ADDITIONAL SHEET IF NECESSARY



## GENERAL INFORMATION SHEET

## STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====

Corporate Name: MICO EQUITIES, INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ☒ Yes ☐ No

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchange Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☒ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering or otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐

Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐

Jewelry dealers in precious stones, who, as a business, trade in precious stone

6.

Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☐ None of the above

Describe nature of business:

HOLDING COMPANY OF NON-LIFE INSURANCE

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS?

☒ Yes ☐ No



# GENERAL INFORMATION SHEET

## STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====

<b>CORPORATE NAME:</b>		<b>MICO EQUITIES, INC.</b>					
<b>CAPITAL STRUCTURE</b>							
<b>AUTHORIZED CAPITAL STOCK</b>							
	<b>TYPE OF SHARES *</b>	<b>NUMBER OF SHARES</b>	<b>PAR/STATED VALUE</b>	<b>AMOUNT (PhP) (No. of shares X Par/Stated Value)</b>			
	common	10,000,000	100.00	1,000,000,000.00			
<b>TOTAL</b>		<b>10,000,000</b>	<b>TOTAL P</b>		<b>1,000,000,000.00</b>		
<b>SUBSCRIBED CAPITAL</b>							
<b>FILIPINO</b>	<b>NO. OF STOCK-HOLDERS</b>	<b>TYPE OF SHARES *</b>	<b>NUMBER OF SHARES</b>	<b>NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **</b>	<b>PAR/STATED VALUE</b>	<b>AMOUNT (PhP)</b>	<b>% OF OWNERSHIP</b>
	13	common	5,386,584		100.00	538,658,400.00	89.78
<b>TOTAL</b>			<b>5,386,584</b>	<b>TOTAL P</b>		<b>538,658,400.00</b>	<b>89.78</b>
<b>FOREIGN (INDICATE BY NATIONALITY)</b>	<b>NO. OF STOCK-HOLDERS</b>	<b>TYPE OF SHARES *</b>	<b>NUMBER OF SHARES</b>	<b>NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **</b>	<b>PAR/STATED VALUE</b>	<b>AMOUNT (PhP)</b>	<b>% OF OWNERSHIP</b>
German	1	common	613,416		100.00	61,341,600.00	10.22
<b>Percentage of Foreign Equity :</b>			<b>TOTAL</b>	<b>613,416</b>	<b>TOTAL P</b>		<b>61,341,600.00</b>
					<b>TOTAL SUBSCRIBED P</b>		<b>600,000,000.00</b>
<b>PAID-UP CAPITAL</b>							
<b>FILIPINO</b>	<b>NO. OF STOCK-HOLDERS</b>	<b>TYPE OF SHARES *</b>	<b>NUMBER OF SHARES</b>	<b>PAR/STATED VALUE</b>	<b>AMOUNT (PhP)</b>	<b>% OF OWNERSHIP</b>	
	13	common	5,386,584	100.00	538,658,400.00	89.78	
<b>TOTAL</b>			<b>5,386,584</b>	<b>TOTAL P</b>		<b>538,658,400.00</b>	<b>89.78</b>
<b>FOREIGN (INDICATE BY NATIONALITY)</b>	<b>NO. OF STOCK-HOLDERS</b>	<b>TYPE OF SHARES *</b>	<b>NUMBER OF SHARES</b>	<b>PAR/STATED VALUE</b>	<b>AMOUNT (PhP)</b>	<b>% OF OWNERSHIP</b>	
German	1	common	613,416	100.00	61,341,600.00	10.22	
<b>10.22 %</b>			<b>TOTAL</b>	<b>613,416</b>	<b>TOTAL P</b>		<b>61,341,600.00</b>
					<b>TOTAL PAID-UP P</b>		<b>600,000,000.00</b>

NOTE: USE ADDITIONAL SHEET IF NECESSARY

\* Common, Preferred or other classification

\*\* Other than Directors, Officers, Shareholders owning 10% of outstanding shares.



# GENERAL INFORMATION SHEET

STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====

CORPORATE NAME: MICO EQUITIES, INC.

## DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. Helen Y. Dee [REDACTED]	Filipino	Y	C	F	Y	Chairperson	N/A	[REDACTED]
2. Yvonne S. Yuchengco [REDACTED]	Filipino	N	M	F	Y	President	N/A	[REDACTED]
3. Alfonso S. Yuchengco, Jr. [REDACTED]	Filipino	N	M	M	Y	N/A	N/A	[REDACTED]
4. Lorenzo V. Tan [REDACTED]	Filipino	N	M	M	Y	N/A	N/A	[REDACTED]
5. Alfonso S. Yuchengco, III [REDACTED]	Filipino	N	M	M	Y	N/A	N/A	[REDACTED]
6. Michele Marie Y. Dee [REDACTED]	Filipino	N	N/A	F	N	Treasurer	N/A	[REDACTED]
7. Samuel V. Torres [REDACTED]	Filipino	N	N/A	M	N	Corporate Secretary	N/A	[REDACTED]
8. Jose Martin A. Morente [REDACTED]	Filipino	N	N/A	M	N	Asst. Corporate Secretary	N/A	[REDACTED]
9.								
10.								
11.								
12.								
13.								
14.								
15.								

### INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

**GENERAL INFORMATION SHEET**  
STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====						
<b>CORPORATE NAME:</b> MICO EQUITES, INC.						
<b>TOTAL NUMBER OF STOCKHOLDERS:</b> 14			<b>NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:</b> 10			
<b>TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:</b>						
STOCKHOLDER'S INFORMATION						
NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER- SHIP	AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
1 Pan Malayan Management & Investment Corporation Filipino [REDACTED]		4,639,707	463,970,700.00			
				77.33%	463,556,100.00	
	<b>TOTAL</b>	<b>4,639,707</b>	<b>463,970,700.00</b>			
2. Munich Reinsurance Co. German [REDACTED]		613,416	61,341,600.00			
				10.22%	61,341,600.00	
	<b>TOTAL</b>	<b>613,416</b>	<b>61,341,600.00</b>			
3 Rizal Commercial Banking Corporation [REDACTED]		338,118	33,811,800.00			
				5.63%	33,811,800.00	
	<b>TOTAL</b>	<b>338,118</b>	<b>33,811,800.00</b>			
4. AY Holdings, Inc. Filipino [REDACTED]		247,703	24,770,300.00			
				4.13%	24,770,300.00	
	<b>TOTAL</b>	<b>247,703</b>	<b>24,770,300.00</b>			
5. Yu Chu Investment Corporation [REDACTED]		94,662	9,466,200.00			
				1.58%	9,466,200.00	
	<b>TOTAL</b>	<b>94,662</b>	<b>9,466,200.00</b>			
6. Enrique T. Yuchengco, Inc. Filipino [REDACTED]		48,162	4,816,200.00			
				0.80%	4,816,200.00	
	<b>TOTAL</b>	<b>48,162</b>	<b>4,816,200.00</b>			
7. Estate of Necitas Delas Alas Filipino [REDACTED]		7,074	707,400.00			
				0.12%	707,400.00	
	<b>TOTAL</b>	<b>7,074</b>	<b>707,400.00</b>			
8. Hydee Management & Investment Corporation Filipino [REDACTED]		5,772	577,200.00			
				0.10%	577,200.00	
	<b>TOTAL</b>	<b>5,772</b>	<b>577,200.00</b>			
<b>TOTAL AMOUNT OF SUBSCRIBED CAPITAL</b>				<b>100.00%</b>	<b>600,000,000.00</b>	
<b>TOTAL AMOUNT OF PAID-UP CAPITAL</b>						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

*Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.*



GENERAL INFORMATION SHEET  
STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====

<b>CORPORATE NAME:</b> MICO EQUITIES, INC.								
<b>TOTAL NUMBER OF STOCKHOLDERS:</b> 14			<b>NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:</b> 10					
<b>TOTAL ASSETS BASED ON LATEST AUDITED FS:</b>								
<b>STOCKHOLDER'S INFORMATION</b>								
NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER		
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER- SHIP				
9. BIA, Inc. Filipino [REDACTED]		4,782	478,200.00	0.08%	478,200.00			
<b>TOTAL</b>		<b>4,782</b>	<b>478,200.00</b>					
10. Helen Y. Dee Filipino [REDACTED]		600	60,000.00	0.01%	60,000.00			
<b>TOTAL</b>		<b>600</b>	<b>60,000.00</b>					
11. Alfonso S. Yuchengco, Jr. Filipino [REDACTED]		1	100.00		100.00			
<b>TOTAL</b>		<b>1</b>	<b>100.00</b>					
12. Yvonne S. Yuchengco Filipino [REDACTED]		1	100.00		100.00			
<b>TOTAL</b>		<b>1</b>	<b>100.00</b>					
13. Lorenzo V. Tan Filipino [REDACTED]		1	100.00		100.00			
<b>TOTAL</b>		<b>1</b>	<b>100.00</b>					
14. Alfonso S. Yuchengco, III Filipino [REDACTED]		1	100.00		100.00			
<b>TOTAL</b>		<b>1</b>	<b>100.00</b>					
<b>TOTAL AMOUNT OF SUBSCRIBED CAPITAL</b>				<b>100.00%</b>	<b>600,000,000.00</b>			
<b>TOTAL AMOUNT OF PAID-UP CAPITAL</b>								
INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS								
Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.								

GENERAL INFORMATION SHEET  
STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====

<b>CORPORATE NAME:</b>		MICO EQUITIES, INC.				
<b>TOTAL NUMBER OF STOCKHOLDERS:</b>		14		<b>NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:</b>		10
<b>TOTAL ASSETS BASED ON LATEST AUDITED FS:</b>						
<b>STOCKHOLDER'S INFORMATION</b>						
NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
15.						
	<b>TOTAL</b>					
16.						
	<b>TOTAL</b>					
17.						
	<b>TOTAL</b>					
18.						
	<b>TOTAL</b>					
19.						
	<b>TOTAL</b>					
20.						
	<b>TOTAL</b>					
21. OTHERS (Indicate the number of the remaining stockholders)						
	<b>TOTAL</b>					
<b>TOTAL AMOUNT OF SUBSCRIBED CAPITAL</b>				0.00%	<b>0.00</b>	
<b>TOTAL AMOUNT OF PAID-UP CAPITAL</b>						
INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS						
<i>Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.</i>						



# GENERAL INFORMATION SHEET

STOCK CORPORATION

===== PLEASE PRINT LEGIBLY =====			
<b>CORPORATE NAME:</b> MICO EQUITIES, INC			
<b>1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION</b>	<b>AMOUNT (PhP)</b>	<b>DATE OF BOARD RESOLUTION</b>	
<b>1.1 STOCKS</b>	N/A		
<b>1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)</b>	N/A		
<b>1.3 LOANS/ CREDITS/ ADVANCES</b>	N/A		
<b>1.4 GOVERNMENT TREASURY BILLS</b>	N/A		
<b>1.5 OTHERS</b>	N/A		
<b>2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)</b>	<b>DATE OF BOARD RESOLUTION</b>	<b>DATE OF STOCKHOLDERS RATIFICATION</b>	
	N/A	N/A	
<b>3. TREASURY SHARES</b>	<b>NO. OF SHARES</b>	<b>% AS TO THE TOTAL NO. OF SHARES ISSUED</b>	
	N/A		
<b>4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR</b>			
<b>5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:</b>			
<b>TYPE OF DIVIDEND</b>	<b>AMOUNT (PhP)</b>	<b>DATE DECLARED</b>	
<b>5.1 CASH</b>	100,000,000.00	09/23/2021	
<b>5.2 STOCK</b>	N/A	N/A	
<b>5.3 PROPERTY</b>	N/A	N/A	
<b>TOTAL</b>	<b>P</b>	N/A	
<b>6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:</b>			
<b>DATE</b>	<b>NO. OF SHARES</b>	<b>AMOUNT</b>	
<b>SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:</b>			
<b>NAME OF AGENCY:</b>	<b>SEC</b>	<b>B S P</b>	<b>I C</b>
<b>TYPE OF LICENSE/REGN.</b>	Certificate of Registration		
<b>DATE ISSUED:</b>	09-Jan-73		
<b>DATE STARTED OPERATIONS:</b>	09-Jan-73		
<b>TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)</b>	<b>TOTAL NO. OF OFFICERS</b>	<b>TOTAL NO. OF RANK &amp; FILE EMPLOYEES</b>	<b>TOTAL MANPOWER COMPLEMENT</b>
	5		

NOTE: USE ADDITIONAL SHEET IF NECESSARY

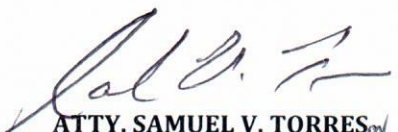
I, **Atty. Samuel V. Torres**, Corporate Secretary of **MICO EQUITIES, INC.**, declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.


I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

SEP 12 2022  
Done this \_\_\_\_ day of August, 2022 in CITY OF MANILA.

  
**ATTY. SAMUEL V. TORRES**  
(Signature over printed name)

**SUBSCRIBED AND SWORN TO** before me in CITY OF MANILA on SEP 12 2022 by affiant who personally appeared before me and exhibited to me his/her competent evidence of identity consisting of his Unlified Multi-Purpose ID bearing Nos                     

Doc No. 66  
Page No. 15  
Book No. XII  
Series of 2022.

  
**ATTY. HENRY D. ALASA**  
NOTARY PUBLIC  
NOTARY PUBLIC CITY OF MANILA  
NOTARIAL COMMISSION 2020-2022 Manila  
IBP NO. 178598 - 01/03/2022, PASIG  
PTR NO. 0060197 - 01/03/2022, MIA  
ROLL NO. 29679, TIN: 172-528-620  
MCLE COMPL. NO. VII-0000165 6/26/2019 Valid April 14, 2025  
URBAN DECA HOMES MANILA, B-2, UNIT 355, TONDOK, MIA.

# **MICO Equities, Inc. and Subsidiaries**

Consolidated Financial Statements  
December 31, 2021 and 2020

and

Independent Auditor's Report





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
MICO Equities, Inc.

### Opinion

We have audited the consolidated financial statements of MICO Equities, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

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

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



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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

SYCIP GORRES VELAYO & CO.



Veronica Mae A. Arce

Partner

CPA Certificate No. 0117208

Tax Identification No. 234-282-413

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0117208-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-135-2021, November 10, 2021, valid until November 9, 2024

PTR No. 8853465, January 3, 2022, Makati City

July 18, 2022





**MICO EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 4 and 27)	<b>₱2,303,455,624</b>	₱3,361,673,101
Short-term investments (Notes 5 and 27)	<b>5,370,518</b>	3,589,059
Insurance receivables - net (Notes 6 and 27)	<b>9,668,020,357</b>	8,095,800,751
Financial assets (Notes 7 and 27)		
Financial assets at fair value through profit or loss (FVTPL)	<b>1,299,101,171</b>	966,456,973
Financial assets at fair value through other comprehensive income (FVOCI)	<b>7,368,657,860</b>	7,283,910,040
Investment securities at amortized cost	<b>2,605,977,079</b>	1,336,337,680
Loans and receivables – net	<b>1,710,908,599</b>	1,710,999,989
Accrued income (Notes 8 and 27)	<b>80,989,185</b>	67,697,646
Deferred acquisition costs (Note 9)	<b>507,625,251</b>	531,828,565
Reinsurance assets (Notes 10 and 14)	<b>25,890,545,693</b>	17,250,965,018
Investment properties - net (Note 11)	<b>26,697,764</b>	26,764,652
Property and equipment - net (Note 12)	<b>280,940,023</b>	324,943,271
Right-of-use assets (Note 23)	<b>31,780,583</b>	55,476,671
Deferred tax assets - net (Note 24)	<b>309,080,241</b>	433,509,149
Other assets - net (Note 13)	<b>833,775,778</b>	665,195,350
	<b>₱52,922,925,726</b>	₱42,115,147,915
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Insurance contract liabilities (Note 14)	<b>₱30,800,369,608</b>	₱22,062,241,791
Insurance payables (Note 15)	<b>5,630,483,670</b>	5,443,748,673
Accounts payable, accrued expenses and other liabilities (Note 16)	<b>5,053,448,273</b>	4,072,033,766
Deferred reinsurance commissions (Note 9)	<b>335,623,354</b>	396,835,763
Pension liability - net (Note 17)	<b>288,171,543</b>	362,947,053
Lease contract liability (Note 23)	<b>33,492,127</b>	59,249,418
	<b>42,141,588,575</b>	32,397,056,464
<b>Equity</b>		
<b>Equity attributable to equity holders of the Parent Company</b>		
Capital stock (Note 18)	<b>600,000,000</b>	600,000,000
Revaluation reserve on financial assets through other comprehensive income (FVOCI) (Note 7)	<b>835,807,831</b>	466,295,227
Equity reserves (Note 18)	<b>710,377,862</b>	710,377,862
Other revaluation reserve (Note 18)	<b>23,466,647</b>	23,466,647
Remeasurement loss in pension obligation (Note 17)	<b>(140,779,991)</b>	(154,708,609)
Cumulative translation adjustments	<b>29,257,640</b>	(6,236,277)
Retained earnings	<b>6,903,896,153</b>	6,465,634,216
	<b>8,962,026,142</b>	8,104,829,066
Non-controlling interests (Note 2)	<b>1,819,311,009</b>	1,613,262,385
	<b>10,781,337,151</b>	9,718,091,451
	<b>₱52,922,925,726</b>	₱42,115,147,915

*See accompanying Notes to Consolidated Financial Statements.*



**MICO EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>INCOME</b>		
Gross premiums earned	<b>₱14,728,526,414</b>	₱13,908,370,553
Reinsurers' share of gross premiums earned	<b>(10,447,278,562)</b>	(9,729,254,853)
Net premiums earned (Notes 14 and 19)	<b>4,281,247,852</b>	4,179,115,700
Investment and other income - net (Note 20)	<b>759,799,332</b>	413,593,831
Commission income (Note 9)	<b>879,549,393</b>	914,703,225
Other income	<b>1,639,348,725</b>	1,328,297,056
Total income	<b>5,920,596,577</b>	5,507,412,756
<b>BENEFITS, CLAIMS AND EXPENSES</b>		
Gross insurance contract benefits and claims paid (Notes 14 and 21)	<b>5,023,530,374</b>	5,127,350,236
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 14 and 21)	<b>(3,096,810,819)</b>	(3,550,015,590)
Gross change in insurance contract liabilities (Note 21)	<b>7,890,003,744</b>	696,169,584
Reinsurers' share of gross change in insurance contract liabilities (Note 21)	<b>(7,825,015,146)</b>	(291,598,547)
Net insurance contract benefits and claims	<b>1,991,708,153</b>	1,981,905,683
Commission expense (Note 9)	<b>1,424,546,084</b>	1,413,788,579
General and administrative expenses (Note 22)	<b>1,300,775,242</b>	1,263,100,627
Other underwriting expense	<b>400,567,431</b>	369,909,138
Investment and other expense (Note 20)	<b>23,504,351</b>	37,735,301
Other expenses	<b>3,149,393,108</b>	3,084,533,645
Total benefits, claims and other expenses	<b>5,141,101,261</b>	5,066,439,328
<b>INCOME BEFORE INCOME TAX</b>	<b>779,495,316</b>	440,973,428
<b>PROVISION FOR INCOME TAX</b> (Note 24)	<b>166,030,336</b>	51,181,057
<b>NET INCOME</b>	<b>₱613,464,980</b>	₱389,792,371
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>₱506,459,613</b>	₱320,859,163
Non-controlling interests (Note 2)	<b>107,005,367</b>	68,933,208
	<b>₱613,464,980</b>	₱389,792,371

*See accompanying Notes to Consolidated Financial Statements.*



**MICO EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>NET INCOME</b>	<b>₱613,464,980</b>	<b>₱389,792,371</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that recycle to profit or loss in subsequent periods:</i>		
Net fair value reserves on debt securities at FVOCI - net of tax effect (Note 7)	<b>(44,135,167)</b>	40,621,956
Cumulative translation adjustment	<b>35,494,205</b>	(38,718,407)
<i>Items that will not recycle to profit or loss in subsequent periods:</i>		
Net fair value reserves on equity securities at FVOCI - net of tax effect (Note 7)	<b>541,147,977</b>	(85,984,462)
Remeasurement loss on net pension obligation - net of tax effect (Note 17)	<b>17,273,705</b>	(18,581,878)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱1,163,245,700</b>	<b>₱287,129,580</b>
<b>Total comprehensive income (loss) attributable to:</b>		
Equity holders of the Parent Company	<b>₱957,197,076</b>	₱215,881,362
Non-controlling interests (Note 2)	<b>206,048,624</b>	71,248,218
	<b>₱1,163,245,700</b>	<b>₱287,129,580</b>

*See accompanying Notes to Consolidated Financial Statements.*





# MICO EQUITIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent								Non-controlling Interests	
	Capital Stock (Note 18)	Revaluation Reserve on Financial Asset at FVOCI (Note 7)	Equity Reserve (Note 18)	Other Revaluation Reserve (Note 18)	Remeasurement Loss in Pension Obligation (Note 17)	Cumulative Translation Adjustments	Retained Earnings	Total	(Note 2)	Total
At January 1, 2021	₱600,000,000	₱466,295,227	₱710,377,862	₱23,466,647	(₱154,708,609)	(₱6,236,277)	₱6,465,634,216	₱8,104,829,066	₱1,613,262,385	₱9,718,091,451
Net income	—	—	—	—	—	—	506,459,613	506,459,613	107,005,367	613,464,980
Other comprehensive income (loss)	—	401,314,928	—	—	13,928,618	35,493,917	—	450,737,463	99,043,257	549,780,720
Total comprehensive income (loss)	—	401,314,928	—	—	13,928,618	35,493,917	506,459,613	957,197,076	206,048,624	1,163,245,700
Transfer of fair value reserve of equity instruments designated at FVOCI	—	(31,802,324)	—	—	—	—	31,802,324	—	—	—
Cash dividends declared	—	—	—	—	—	—	(100,000,000)	(100,000,000)	—	(100,000,000)
<b>At December 31, 2021</b>	<b>₱600,000,000</b>	<b>₱835,807,831</b>	<b>₱710,377,862</b>	<b>₱23,466,647</b>	<b>(₱140,779,991)</b>	<b>₱29,257,640</b>	<b>₱6,903,896,153</b>	<b>₱8,962,026,142</b>	<b>₱1,819,311,009</b>	<b>₱10,781,337,151</b>
At January 1, 2020	₱600,000,000	₱516,782,121	₱710,377,862	₱23,466,647	(₱139,115,053)	₱32,482,130	₱6,144,953,997	₱7,888,947,704	₱1,542,014,167	₱9,430,961,871
Net income	—	—	—	—	—	—	320,859,163	320,859,163	68,933,208	389,792,371
Other comprehensive income (loss)	—	(51,275,932)	—	—	(14,983,462)	(38,718,407)	—	(104,977,801)	2,315,010	(102,662,791)
Total comprehensive income (loss)	—	(51,275,932)	—	—	(14,983,462)	(38,718,407)	320,859,163	215,881,362	71,248,218	287,129,580
Transfer of fair value reserve of equity instruments designated at FVOCI	—	789,038	—	—	—	—	(789,038)	—	—	—
Remeasurement gain on defined benefit obligation recycled to retained earnings	—	—	—	—	(610,094)	—	610,094	—	—	—
<b>At December 31, 2020</b>	<b>₱600,000,000</b>	<b>₱466,295,227</b>	<b>₱710,377,862</b>	<b>₱23,466,647</b>	<b>(₱154,708,609)</b>	<b>(₱6,236,277)</b>	<b>₱6,465,634,216</b>	<b>₱8,104,829,066</b>	<b>₱1,613,262,385</b>	<b>₱9,718,091,451</b>

See accompanying Notes to Consolidated Financial Statements.



**MICO EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱779,495,316</b>	<b>₱440,973,428</b>
Adjustments for:		
Provisions for impairment losses - net of provisions (Note 22)	<b>7,615,987</b>	23,314,532
Depreciation and amortization (Notes 11, 12, 22 and 23)	<b>105,756,607</b>	119,006,134
Retirement expense (Note 17)	<b>74,336,097</b>	63,670,038
Interest expense on reinsurance funds held and lease liability (Notes 20 and 23)	<b>11,436,702</b>	22,507,122
Fair value gains on FVTPL (Note 20)	<b>(76,973,072)</b>	(73,245,378)
Unrealized foreign exchange (gains)/losses – net (Note 20)	<b>(223,081,621)</b>	110,080,759
Dividend income (Note 20)	<b>(155,950,465)</b>	(139,984,664)
Interest income (Note 20)	<b>(275,203,047)</b>	(268,436,589)
Loss (gain) on sale of (Notes 12, 13 and 20):		
Financial assets at FVTPL	<b>(2,658,963)</b>	10,470,874
Investment securities at amortized cost	<b>1,098,353</b>	–
Property and equipment	<b>(89,616)</b>	(18,678)
Real estate properties for sale	<b>(217,296)</b>	(209,091)
Financial assets at FVOCI	<b>(16,841,094)</b>	(33,334,104)
Provision for impairment losses on debt securities (Note 20)	<b>–</b>	5,199,783
Operating income before working capital changes	<b>228,723,888</b>	279,994,166
Decrease (increase) in:		
Insurance receivables	<b>(1,568,715,541)</b>	(1,644,309,285)
Loans and receivables	<b>14,506,815</b>	9,229,795
Accrued income	<b>(13,269,993)</b>	(1,894,134)
Deferred acquisition costs	<b>24,203,314</b>	38,369,456
Reinsurance assets	<b>(9,533,388,091)</b>	(2,591,815,106)
Other assets	<b>(51,197,350)</b>	(132,662,292)
Increase (decrease) in:		
Insurance contract liabilities	<b>9,628,791,715</b>	2,493,437,965
Insurance payables	<b>184,314,805</b>	2,495,937,429
Deferred reinsurance commissions	<b>(61,212,409)</b>	30,498,398
Accounts payable, accrued expenses and other liabilities	<b>988,339,032</b>	1,356,990,214
Net cash provided by (used in) operations	<b>(158,903,815)</b>	2,333,776,606
Income tax paid	<b>(48,480,937)</b>	(206,334,842)
Contributions paid to pension fund	<b>(126,080,000)</b>	(11,267,002)
Interest paid on reinsurance funds held and lease liability (Notes 20 and 23)	<b>(11,454,798)</b>	(22,507,124)
Net cash provided by (used in) operating activities	<b>(344,919,550)</b>	2,093,667,638

(Forward)



	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale or maturities of:		
Long-term commercial papers	<b>₱1,621,380,509</b>	₱1,517,266,046
Financial assets at FVTPL, FVOCI and amortized cost	<b>2,015,106,174</b>	1,971,748,467
Real estate properties for sale (Note 13)	<b>217,296</b>	552,098
Short-term investments (Note 5)	<b>3,589,059</b>	25,217,218
Property and equipment (Note 12)	<b>1,747,769</b>	18,678
Interest received	<b>275,459,978</b>	267,101,348
Dividends received	<b>155,950,465</b>	140,146,609
Acquisitions of:		
Financial assets at FVTPL, FVOCI and amortized cost	<b>(3,164,870,989)</b>	(2,624,278,084)
Long-term commercial papers	<b>(1,617,935,504)</b>	(1,651,380,509)
Property and equipment (Note 12)	<b>(31,345,347)</b>	(60,142,704)
Short-term investments (Note 5)	<b>(5,370,518)</b>	(3,589,059)
Net cash used in investing activities	<b>(746,071,108)</b>	(417,339,892)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment for lease liabilities (Note 23)	<b>(35,877,953)</b>	(43,966,277)
Dividends paid	<b>(89,484,240)</b>	—
Net cash used in financing activities	<b>(125,362,193)</b>	(43,966,277)
<b>EFFECT OF EXCHANGE RATE CHANGES ON</b>		
<b>CASH AND CASH EQUIVALENTS</b>	<b>158,135,374</b>	31,676,201
<b>NET INCREASE (DECREASE) IN CASH AND CASH</b>		
<b>EQUIVALENTS</b>	<b>(1,058,217,477)</b>	1,664,037,670
<b>CASH AND CASH EQUIVALENTS AT</b>		
<b>BEGINNING OF YEAR (Note 4)</b>	<b>3,361,673,101</b>	1,697,635,431
<b>CASH AND CASH EQUIVALENTS AT</b>		
<b>END OF YEAR</b>	<b>₱2,303,455,624</b>	₱3,361,673,101

*See accompanying Notes to Consolidated Financial Statements.*





# MICO EQUITIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

MICO Equities, Inc. (the Parent Company) is a domestic corporation which was incorporated on June 28, 1972 and duly registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1973 to invest in nonlife insurance companies.

On August 1, 2007, the Parent Company, as amended, started to acquire, own, mortgage, exchange, sell, deal in real properties; provided that the corporation shall not engage in the business of being a broker/dealer in securities, a Government Securities Eligible Dealer (GSED) or an investment company/mutual fund company.

The Parent Company's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC) with registered office address at 48th Floor, Yuchengco Tower 1, RCBC Plaza, 6819 Ayala Avenue, Makati City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly-owned and majority-owned subsidiaries:

	Place of Incorporation	Percentage of Ownership	
		2021	2020
Malayan Insurance Company, Inc. (MICO)	Philippines	80.6%	80.6%
Malayan International Insurance Corporation, Limited (MIIC):	Bahamas	100.0	100.0
Malayan Securities Corporation (MSC)	Philippines	100.0	100.0

MICO is 80.6348% owned subsidiary engaged in nonlife insurance business dealing with all kinds of insurance such as fire, marine, motorcar, personal accident, miscellaneous casualty, engineering, bonds and aviation, except life insurance.

MIIC is a wholly owned subsidiary engaged in general reinsurance and investment holding. On November 21, 2018, MIIC's subsidiaries have ceased its operations. In 2019, MIIC has liquidated its investments in subsidiaries.

MSC is a wholly owned subsidiary engaged in investing in equity and debt securities. MSC's corporate life ended December 18, 2017 while revocation of its certificate of registration with the Bureau of Internal Revenue was on October 30, 2018 and in the process of liquidation.

The accompanying consolidated financial statements of MICO Equities, Inc. and its subsidiaries (the Group) were approved and authorized for issue by the Board of Directors (BOD) on July 18, 2022.

### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit and loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have



been measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. For presentation purposes, other currencies are translated to the Parent Company's functional currency, except as indicated, all amounts are rounded off to the nearest peso. The consolidated financial statements are not intended for filing to the Securities and Exchange Commission and other regulatory bodies.

#### Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The Group has subsidiaries namely: Malayan Insurance Company Inc. (MICO), Malayan Securities Corporation (MSC) and Malayan International Insurance Corporation, Limited (MIIC). The Parent Company's ultimate parent, Pan Malayan Management and Investment Corporation (PMMIC), also prepares consolidated financial statements in accordance with PFRS, which is being filed at 2004A, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. It may also be obtained from PMMIC with registered office address at 48th Floor, Yuchengco Tower 1, RCBC Plaza, 6819 Ayala Avenue, Makati City.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the years ended December 31, 2021 and 2020.

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

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (NCIs) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are NCIs.

NCIs represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity.



As of December 31, 2021 and 2020, the summarized financial information attributable to non-controlling interests for significant subsidiary (MICO) follows:

	2021	2020
Total assets	<b>₱9,980,912,800</b>	₱7,589,994,759
Total liabilities	<b>8,161,601,791</b>	5,976,732,374
Net assets	<b>₱1,819,311,009</b>	₱1,613,262,385
<hr/>		
Total income	<b>₱1,133,971,640</b>	₱1,054,814,276
Total benefits, claims and expenses	<b>994,939,110</b>	975,998,328
Income before income tax	<b>139,032,530</b>	78,815,948
Provision for income tax	<b>32,027,163</b>	9,882,740
Net income	<b>107,005,367</b>	68,933,208
<i>Items that recycle to profit or loss in subsequent periods:</i>		
Fair value reserves on debt securities at FVOCI	<b>(7,100,486)</b>	4,910,159
<i>Items that will not recycle to profit or loss in subsequent periods:</i>		
Fair value reserves on equity securities at FVOCI	<b>102,798,367</b>	1,003,243
Remeasurement loss on pension obligation - net of tax effect	<b>3,345,376</b>	(3,598,392)
Total comprehensive income	<b>₱206,048,624</b>	₱71,248,218

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the NCIs are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company.

If the Parent Company loses control over a subsidiary it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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





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

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

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

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*  
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR):

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

The Group shall also disclose information about:

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

#### Future Changes in Accounting Policies

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

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*  
The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. It also clarified that contingent assets do not qualify for recognition at the acquisition date. The Group applies these amendments prospectively for annual reporting periods beginning on or after January 1, 2022.
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*  
The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.



The amendment are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contract – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

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

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2024*

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

The amendments clarify the following to specify the requirements for classifying liabilities as current or non-current:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right;
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.



*Effective beginning on or after January 1, 2025*

○ PFRS 17, *Insurance Contracts*

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

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial Reporting Standards Council amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Assessment is currently being made by the Group. The Group has established a project team with assistance from Actuarial, Finance, Risk, IT department and other various business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

*Deferred effectivity*

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

Product Classification

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired.

Use of Estimates, Assumptions and Judgments

The preparation of the consolidated financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets





and liabilities at the end of the reporting period as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments, refer to Note 3.

#### Cash and Cash Equivalents

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

#### Short-term Investments

These are placements in time deposits and other money market instruments with original maturities of more than three months but less than one year which are not restricted as to use.

#### Reinsurance assumed

The Group also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

#### Insurance Receivables

Premium receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in statement of income.

#### Financial Instruments

##### *Date of recognition*

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

##### *Initial recognition and subsequent measurement of financial instruments*

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: FVTPL, fair value through other comprehensive income (FVOCI), investment securities at amortized cost and loans and receivables.

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.



The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

#### *Determination of fair value*

The Group measures financial instrument at fair value at each reporting period.

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

#### *Fair value hierarchy*

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

#### *'Day 1' difference*

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



#### *Financial Assets at FVOCI*

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the consolidated statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the consolidated statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' under 'Investment and other income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Gain (loss) on sale of Financial assets at FVOCI under 'Investment and Other Income' in the consolidated statements of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for impairment losses' under 'General and administrative expenses' in the consolidated statements of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Dividend Income' under 'Investment and other income' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained Earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of financial position captions 'Cash and cash equivalents' (excluding cash on hand), 'Investment securities at amortized cost' and 'Loans and receivables'. After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. 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 (EIR). The amortization is included in 'Interest income' under 'Investment and other income' in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when these investments are derecognized or impaired, as well as through the amortization process.

The ECL are recognized in the consolidated statements of income under 'Provision for impairment losses' under 'General and administrative expenses'. The effects of revaluation on foreign currency denominated investments are recognized in the consolidated statements of income.





#### *Other financial liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument a whole amount separately determined as the fair value of the liability component on the date of issue.

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. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies primarily to insurance payables, accounts payable and accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit liability and income tax payable).

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Impairment of Financial Assets

##### *Expected credit loss methodology (ECL)*

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

PFRS 9 also allows the use of the loss rate approach in estimating ECL in cases where no complex portfolio is present for an entity. As a result, the Group applies the simplified approach wherein ECL allowances will be measured at an amount equal to lifetime ECL. The assessment of SICR that is solely based on the change in the risk of default is not applied under the loss rate approach and the loss rate based on historical trend is adjusted for current conditions and expectations over the future using the overlay.

The Group applies the simplified approach in its 'Insurance receivables' and applies general approach for the related debt investment securities which include 'Financial assets at FVOCI', 'Investment securities at amortized cost' and 'Loans and receivables'.



### *Staging assessment*

For non-credit-impaired financial instruments:

- Stage 1 comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

### *Significant increase in credit risk (SICR)*

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the security's credit rating, by any international or local rating agencies has deteriorated. In such event, lifetime ECL of the security involved will be measured.

### *ECL parameters and methodologies*

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is based on issuers' external credit rating and apply forecasting techniques using historical data to estimate the average cumulative default rates at a given point in time and workout forward-looking PD curve per rating grade projected using economic forecasts.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For the Group's financial assets, EAD represents their carrying values.

LGD is the amount that may not be recovered in the event of default and is modelled based on issuers' external credit rating. For issuers without internal nor external credit rating, LGD estimation is modeled using benchmarking approach where comparable companies having the same industry and similar financial characteristics as that of the issuer are considered.

### *Economic overlays*

The Group incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. The economic indicators considered were categorized into two sub-groups: global and local. For the global economic indicators, the following were considered: inflation rate, real gross domestic product (GDP), unemployment rate, US dollar index, and 10- and 2-year treasury yield. For the local economic indicators, the following were considered: Philippine composite index, Philippine inflation rate, Philippine real GDP, Asian to US dollar index, 10- and 2-year R2 benchmark rate, and USD/PHP exchange rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Overlay factors are modeled using Regression Analysis (backward elimination method).



## Derecognition of Financial Assets and Liabilities

### *Financial asset*

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

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group'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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### *Financial liability*

A financial liability is derecognized when the obligation under the liability has expired, or is discharged or cancelled. 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, and the difference in the respective carrying amounts is recognized in the statements of income.

## Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Group. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of "Insurance receivables".

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statements of income.

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

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.





When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability, which is presented as “Insurance payables” in the liabilities section of the statements of financial position, will be withheld and recognized as “Funds held for reinsurers” and included as part of the “Insurance” payables in the liabilities section of the statements of financial position. The amount withheld is generally released after a year. Funds held by ceding companies are accounted for in the same manner.

#### Deferred Acquisition Costs (DAC)

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract. The unamortized acquisition costs are shown as DAC in the assets section of the statements of financial position.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged against the statements of income. DAC is also considered in the liability adequacy test for each reporting period.

#### Investment Properties

Properties held for rental yields or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business is classified as investment property.

Investment properties are measured initially at cost, including transaction costs. These consist of land, buildings and construction in-progress. The land is carried at cost. The building is carried at cost, less accumulated depreciation and amortization and any accumulated impairment losses.

Depreciation is computed using the straight-line method over the estimated useful life of 40 years. The estimated useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment property.

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

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

#### Property and Equipment

Property and equipment, except for land, are stated at cost, net of accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment losses.



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

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Building and improvements	40
Building equipment	5
Office furniture, fixtures and equipment	5
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of 5 years, whichever is shorter.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Construction-in-progress is stated at cost less any impairment in value. The initial cost comprises its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use. Construction-in-progress is recognized under 'Other assets.'

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated statements of income in the year the asset is derecognized.

#### Right-of-Use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

	Years
Office space	2-4
Branch premises	2-4

Right-of-use assets are subject to impairment. (See Impairment of Non-financial Assets).



### Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

### Creditable Withholding Taxes (CWTs)

Creditable withholding pertains to the indirect tax paid by the Group that is withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under “Other assets” account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Group. If these CWTs are claimed as a refund, these will be recorded as a receivable under “Loans and receivables” account.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

### Impairment of Nonfinancial Assets

The Group assesses at each end of the reporting period whether there is an indication that investment properties, property and equipment and computer software may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



#### Value-added Tax (VAT)

The input value added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the sale of insurance policies and other goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payable and accrued expenses" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other assets" account.

#### Real Estate Properties for Sale

Real estate properties for sale are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs to sell. The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property.

#### Insurance Contract Liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

#### *Provision for Claims Reported and Incurred But Not Reported (IBNR) Losses*

Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

#### *Provision for Unearned Premiums*

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the consolidated statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

#### *Liability Adequacy Test*

At each end of the reporting period, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the consolidated





statements of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

#### Insurance Payables

Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

#### Pension Cost

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



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

#### Equity

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

Other revaluation reserve pertains to the appraisal increment on building relating to the Parent Company's previously held interest in Tokio Marine Malayan Insurance Co., Inc. (TMMIC) at the time of the business combination. The balance of the other revaluation reserve will be transferred to retained earnings when the building is disposed or derecognized.

Retained earnings include all the accumulated earnings of the Group, net of dividends declared.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

##### *Premiums Revenue*

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

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums as part of "Insurance Contract Liabilities" and presented in the liabilities section of the consolidated statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as deferred reinsurance premiums and shown as part of reinsurance assets in the consolidated statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

##### *Reinsurance commissions*

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" and presented in the Liabilities section of the consolidated statements of financial position.

##### *Dividend income*

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

##### *Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes



any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

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

#### *Rental income*

Rental income from investment properties are recognized on a straight-line basis over the term of the lease.

#### *Other income*

Income from other sources is recognized when earned.

#### Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants.

#### *Benefits and Claims*

Benefits and claims consist of benefits and claims paid to policyholders, and changes in the valuation of Insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

#### *Commission Expense*

Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition cost" in the assets section of the consolidated statements of financial position.

#### *Other underwriting expense*

Other underwriting expense pertains to the costs incurred by the Group prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews and other work that is deemed necessary to determine whether or not to accept the risks to be written. These costs are recognized as expense as they are incurred.

#### *Expenses*

General and administrative expense and other investment expense, except for lease agreements, are recognized as expense as they are incurred.

#### *Interest expense*

Interest expense is charged against operations as they are incurred.

#### Foreign Currency-denominated Transaction and Translation

The functional and presentation currency of the Group is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the



functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

The functional currency of the Group's subsidiary, MIIC, is in United States Dollar (USD). As at reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statements of income accounts are translated at monthly weighted average exchange rate.

The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of income.

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

#### Income Tax

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

##### *Deferred tax*

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





Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the consolidated statements of other comprehensive income.

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

#### Events after End of the Reporting Period

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

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### **3. Significant Accounting Judgments and Estimates**

The preparation of the accompanying consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

#### Judgments

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

#### *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the



defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings, if any, will have a material effect on the Group's financial position.

#### *Product classification*

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

The Group has determined that the insurance policies it issues have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

#### *Evaluation of business model in managing financial assets*

The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from payments of customers' claims, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Group evaluates in which business model financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

These disposals in the investment securities at amortized cost are consistent with the portfolios' business models with respect to the conditions and reasons for which the disposals were made as discussed above. Further, these disposals did not result in a change in business model and the remaining portfolio after the sale remains to be accounted for at amortized cost.

#### *Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the revenue and costs of the Group operations.



*Operating lease commitments - Group as lessee*

The Group entered into various property leases with various lessors. The Group determined that the lessors retain all the significant risks and rewards of ownership of the leased properties thus accounts for them as operating leases.

*Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity.

When properties comprise a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purpose, and these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making this judgment.

Management's Use of Estimates

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

*ECL of financial assets*

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The gross carrying amounts of financial assets subject to ECL as of December 31, 2021 and December 31, 2020 and the related allowance for credit losses are disclosed in Notes 6 and 7.

*Fair values of financial assets*

The Group carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect the statement of other comprehensive income.



The carrying values of financial assets at FVTPL, FVOCI and investment securities at amortized costs of December 31, 2021 and December 31, 2020 are disclosed in Note 7.

*Valuation of insurance contract liabilities*

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The IBNR provision of the Group has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which include: (a) paid chain ladder method (with and without Bornhuetter-Ferguson (BF) adjustments); (b) reported chain ladder method (with and without BF adjustments); and (c) expected loss ratio method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

The main assumptions underlying the estimation of the claims provision is that a Group's past claims development experience can be used to project future claims development and hence, ultimate claims costs. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

The carrying values of provision for claims reported and IBNR as of December 31, 2021 and 2020, are disclosed in Note 14.

*Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. See Note 24 for the related balances.

*Estimating pension obligation and other retirement benefits*

The determination of pension obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. In accordance with PAS 19, actual results that differ from the Group's assumptions are recognized immediately in other comprehensive income in the period in which they arise. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.





The carrying value of pension liability amounted to as of December 31, 2021 and 2020 are disclosed in Note 17.

*Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

*COVID-19 Pandemic*

The COVID-19 pandemic did not have a significant impact on the Group's business operations. The Group remain fully operational with no major disruptions recorded to date.

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Group's financial statements, the Group has assessed the impact of COVID-19 as follows:

- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of insurance receivables has not been identified.
- The market data used by the Group in other estimates (such as risk free borrowing rates and data of comparable companies) are the latest available data, which already include the economic effects of the pandemic.
- The Group has also considered the increase uncertainty in determining key assumptions within the assessment of future taxable income of the Group upon which recognition of the deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Group continues to monitor the risks and the ongoing impacts of COVID-19 on its business.

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#### 4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Petty cash fund	<b>₱1,695,751</b>	₱846,287
Cash in banks:		
Commercial banks and trust company (Note 27)	<b>1,350,903,847</b>	2,386,752,572
Thrift banks, rural banks and cooperatives	<b>1,029,508</b>	3,202,931
Short-term deposits (Note 27)	<b>950,834,937</b>	971,879,730
	<b>2,304,464,043</b>	3,362,681,520
Less: allowance for impairment losses	<b>(1,008,419)</b>	(1,008,419)
	<b>₱2,303,455,624</b>	₱3,361,673,101

Cash in banks earns annual interest at the respective bank rates.

Short-term deposits are placed for varying periods of up to three (3) months depending on the immediate cash requirements of the Group.



The range of annual interest rates of the short-term deposits follows:

	2021	2020
Philippine Peso	0.13% to 5.50%	0.25% to 4.81%
US Dollar	0.02% to 0.11%	0.0025% to 1.88%

Interest income on cash in banks and short-term deposits amounted to ₱9.55 million and ₱16.42 million in 2021 and 2020, respectively (Note 20).

The rollforward analysis of allowance for impairment losses on Cash and Cash Equivalents follow:

	2021	2020
Balance at beginning of period	₱1,008,419	₱–
Provisions recognized for the year (Note 20)	–	1,008,419
Balance at end of period	₱1,008,419	₱1,008,419

## 5. Short-term Investments

This account consists of time deposits with maturity of more than three months but less than one year from dates of placement and earns interest with annual rates ranging from 0.40% to 2.00% and 0.50% to 2.75% in 2021 and 2020, respectively.

## 6. Insurance Receivables - net

This account consists of:

	2021	2020
Due from policyholders, agents and brokers	₱7,360,367,374	₱7,030,358,132
Due from ceding companies:		
Facultative	110,290,725	154,630,300
Treaty	634,936,382	284,324,242
Funds held by ceding companies – treaty	374,714,704	172,977,016
Reinsurance recoverable on paid losses	1,385,217,284	657,240,062
	9,865,526,469	8,299,529,752
Less: allowance for impairment losses	(197,506,112)	(203,729,001)
	₱9,668,020,357	₱8,095,800,751

Due from policyholders, agents and brokers arise from unpaid premiums from policy holders and intermediaries. Due from ceding companies are premiums receivable for assumed business from other insurance and reinsurance companies.

The amount of funds held by ceding companies is a percentage of the premiums, as stipulated in the treaty contracts. The reinsurance recoverable on paid losses is the amount recoverable from the reinsurers and retrocessionaires in respect of claims already paid by the Group.



The following table shows aging information of insurance receivables:

December 31, 2021						
	< 30 days	31 > 60 days	61 > 90 days	91 > 120 days	> 120 days	Total
Due from policyholders, agents and brokers	₱657,054,526	₱1,429,666,961	₱406,065,114	₱562,379,566	₱4,305,201,207	₱7,360,367,374
Due from ceding companies:						
Facultative	31,953,148	18,881,865	5,068,583	11,462,218	42,924,911	110,290,725
Treaty	2,765,300	3,537,599	8,262,121	-	620,371,362	634,936,382
Funds held by ceding companies – treaty	2,904,387	88,389	185,148,902	21,300,961	165,272,065	374,714,704
Reinsurance recoverable on paid losses	125,675,938	218,452,614	111,949,927	34,168,132	894,970,673	1,385,217,284
<b>Total</b>	<b>₱820,353,299</b>	<b>₱1,670,627,428</b>	<b>₱716,494,647</b>	<b>₱629,310,877</b>	<b>₱6,028,740,218</b>	<b>₱9,865,526,469</b>

December 31, 2020						
	< 30 days	31 > 60 days	61 > 90 days	91 > 120 days	> 120 days	Total
Due from policyholders, agents and brokers	₱686,526,040	₱993,707,850	₱385,622,444	₱614,410,540	₱4,350,091,258	₱7,030,358,132
Due from ceding companies:						
Facultative	2,262,250	19,135,324	12,556,569	10,968,300	109,707,857	154,630,300
Treaty	9,250,634	5,310,301	14,211,123	1,934,925	253,617,259	284,324,242
Funds held by ceding companies – treaty	377,385	2,186	13,331,943	217,076	159,048,426	172,977,016
Reinsurance recoverable on paid losses	109,863,063	34,908,312	35,405,397	25,192,108	451,871,182	657,240,062
<b>Total</b>	<b>₱808,279,372</b>	<b>₱1,053,063,973</b>	<b>₱461,127,476</b>	<b>₱652,722,949</b>	<b>₱5,324,335,982</b>	<b>₱8,299,529,752</b>

The rollforward of allowance for impairment losses as of December 31, 2021 and 2020 follows:

2021						
	Due from policyholders, agents and brokers	Due from ceding companies - facultative	Due from ceding companies - treaty	Funds held by ceding companies	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	₱179,393,325	₱4,371,936	₱3,008,402	₱518,143	₱16,437,195	₱203,729,001
Impairment loss - net of reversals (Note 22)	7,615,987	-	(259)	26,577	-	7,642,305
Write-off	(13,865,194)	-	-	-	-	(13,865,194)
<b>Balance at end of year</b>	<b>₱173,144,118</b>	<b>₱4,371,936</b>	<b>₱3,008,143</b>	<b>₱544,720</b>	<b>₱16,437,195</b>	<b>₱197,506,112</b>
Individually impaired	₱24,265,402	₱871,936	₱-	₱-	₱1,208,307	₱26,345,645
Collectively impaired	148,878,716	3,500,000	3,008,143	544,720	15,228,888	171,160,467
<b>Total</b>	<b>₱173,144,118</b>	<b>₱4,371,936</b>	<b>₱3,008,143</b>	<b>₱544,720</b>	<b>₱16,437,195</b>	<b>₱197,506,112</b>

2020						
	Due from policyholders, agents and brokers	Due from ceding companies - facultative	Due from ceding companies - treaty	Funds held by ceding companies	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	₱171,379,113	₱4,371,936	₱3,221,779	₱-	₱14,715,416	₱193,688,244
Impairment loss - net of reversals (Note 22)	8,014,212	-	(213,377)	518,143	1,721,779	10,040,757
<b>Balance at end of year</b>	<b>₱179,393,325</b>	<b>₱4,371,936</b>	<b>₱3,008,402</b>	<b>₱518,143</b>	<b>₱16,437,195</b>	<b>₱203,729,001</b>
Individually impaired	₱48,070,428	₱871,936	₱-	₱-	₱1,208,307	₱50,150,671
Collectively impaired	131,322,897	3,500,000	3,008,402	518,143	15,228,888	153,578,330
<b>Total</b>	<b>₱179,393,325</b>	<b>₱4,371,936</b>	<b>₱3,008,402</b>	<b>₱518,143</b>	<b>₱16,437,195</b>	<b>₱203,729,001</b>

## 7. Financial Assets

The Group's financial assets, categorized based on subsequent measurement, follow:

	2021	2020
Financial assets at fair value through profit or loss (FVTPL)	₱1,299,101,171	₱966,456,973
Financial assets at fair value through other comprehensive income (FVOCI)	7,368,657,860	7,283,910,040
Investment securities at amortized cost	2,605,977,079	1,336,337,680
Loans and receivables – net	1,710,908,599	1,710,999,989
	<b>₱12,984,644,709</b>	<b>₱11,297,704,682</b>



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

a) *Financial assets at FVTPL*

This account is detailed as follows:

	2021	2020
<b>Financial assets at FVTPL</b>		
Listed equity securities - common shares	<b>₱325,498,482</b>	₱288,893,339
Funds	<b>534,535,462</b>	438,522,741
Private debt securities	<b>439,067,227</b>	239,040,893
	<b>₱1,299,101,171</b>	₱966,456,973

The Group's private debt securities consist of fixed term debt instruments with annual interest rates ranging from 3.50% to 7.00% and from 3.90% to 6.88% as of December 31, 2021 and 2020, respectively, and have maturities ranging from 2022 to 2069 and 2021 to 2049 as of December 31, 2021 and 2020, respectively.

b) *Financial assets at FVOCI*

This account is detailed as follows:

	2021	2020
<b>Financial assets at FVOCI</b>		
Listed equity securities:		
Common shares	<b>₱4,398,592,729</b>	₱3,837,521,317
Preferred shares	<b>30,992,440</b>	33,962,440
Unlisted equity securities:		
Common shares	<b>319,150,847</b>	292,878,749
Preferred shares	<b>17,540</b>	17,540
Government debt securities:		
Local currency	<b>744,487,347</b>	540,310,590
Foreign currency	<b>191,721,105</b>	582,956,827
Private debt securities	<b>1,683,695,852</b>	1,996,262,577
	<b>₱7,368,657,860</b>	₱7,283,910,040

The equity securities are irrevocably designated at FVOCI as these are held for long term strategic purpose rather than trading.

The Group's government debt securities include fixed rate treasury notes, retail treasury bonds and ROPs that bear interest rates per annum ranging from 2.38% to 6.25% and maturities ranging from 2022 to 2025 as of December 31, 2021 and 2020.

The Group's private debt securities consist of fixed term debt instruments with annual interest rates ranging from 1.30% to 8.75% and from 1.75% to 8.75% as of December 31, 2021 and 2020, respectively, and have maturities ranging from 2022 to 2046 and 2021 to 2046 as of December 31, 2021 and 2020, respectively.





The rollforward analysis of the revaluation reserve on FVOCI financial assets follow:

	2021	2020
Balance at beginning of year	₱677,843,750	₱722,227,723
Realized fair value losses (gains) transferred to retained earnings	(36,965,070)	978,533
Realized gains (losses) transferred to profit or loss	2,340,806	(8,908)
Tax effect of net fair value gains	6,068,115	(10,713,087)
Fair value gains (losses) recognized in OCI	486,285,026	(29,411,387)
Changes on allowance on credit losses (Note 20)	—	(1,513,510)
Effect of foreign exchange	2,318,863	(3,715,614)
Balance at end of year	₱1,137,891,490	₱677,843,750
<b>Attributable to:</b>		
Equity holders of the Parent Company	₱835,807,831	₱466,295,227
Non-controlling interests	302,083,659	211,548,523
	₱1,137,891,490	₱677,843,750

c) *Investment securities at amortized cost*

This account is detailed as follows:

	2021	2020
<b>Investments securities at amortized cost</b>		
Government debt securities:		
Local currency	₱2,218,630,121	₱757,947,800
Foreign currency	101,412,362	72,235,058
Private debt securities	286,718,195	506,938,421
	2,606,760,678	1,337,121,279
Less: allowance for credit losses	(783,599)	(783,599)
	₱2,605,977,079	₱1,336,337,680

In accordance with the provisions of the Insurance Code (the Code), government securities amounting to ₱373.43 million and ₱493.43 million, respectively, are deposited with the Insurance Commission (IC) as security for the benefit of policyholders and creditors of the Group as of December 31, 2021 and 2020.

The Group's government debt securities include fixed rate treasury notes, retail treasury bonds and ROPs that bear interest rates per annum ranging from 1.65% to 8.00% and from 1.65% to 6.38% as of December 31, 2021 and 2020, respectively, and have maturities ranging from 2022 to 2037 and 2021 to 2037 as of December 31, 2021 and 2020, respectively.

The Group's private debt securities consist of fixed term debt instruments with annual interest rates ranging from 3.00% to 6.75% as of December 31, 2021 and 2020, and have maturities ranging from 2022 to 2049 and 2021 to 2049 as of December 31, 2021 and 2020, respectively.

The rollforward analysis of allowance for credit losses on Investment Securities at amortized cost follow:

	2021	2020
Balance at beginning of period	₱783,599	₱459,984
Provision recognized for the year (Note 22)	—	323,615
Balance at end of period	₱783,599	₱783,599



d) *Loans and receivables - net*

This account consists of:

	2021	2020
Long-term commercial papers (Note 27)	<b>₱1,617,935,504</b>	₱1,621,380,509
Accounts receivable	<b>60,201,473</b>	55,263,956
Fixed deposits (Note 27)	<b>30,000,000</b>	30,000,000
Notes receivable (Note 27)	<b>7,380,183</b>	10,064,520
Cash advances	<b>1,961,550</b>	891,994
Security fund	<b>909,737</b>	909,737
	<b>1,718,388,447</b>	1,718,510,716
Less: allowance for impairment losses	<b>(7,479,848)</b>	(7,510,727)
	<b>₱1,710,908,599</b>	₱1,710,999,989

Long-term commercial papers pertain to the Group's investments in unquoted private debt securities and corporate notes with annual interest rates ranging from 2.46% to 7.82% and from 2.50% to 7.82% as of December 31, 2021 and 2020, respectively, and have maturities ranging from 2022 to 2028 and 2021 to 2028 as of December 31, 2021 and 2020, respectively.

The Group's fixed deposits have annual interest rates of 3.75% and 4.00% as of December 31, 2021 and 2020, respectively.

The Group provides for the 50% of the cost of the car and motor plans extended to its managers and officers as part of their benefits. The employee's share is recorded as Notes receivable which is collected through salary deductions for a period of five (5) years with annual interest rates of 8.00% for car loans and 8.50% for motor loans.

As of December 31, 2021 and 2020, the Group's accounts receivable and notes receivable with an aggregate carrying value of ₱3.15 million were specifically determined as impaired and were fully provided with allowance.

The rollforward analysis of allowance for impairment loss on loans and receivables follow:

	2021	2020
Balance at beginning of period	<b>₱7,510,727</b>	₱5,125,609
Provision recognized for the year (Note 22)	<b>(30,879)</b>	2,385,118
Balance at end of period	<b>₱7,479,848</b>	₱7,510,727

## 8. **Accrued Income**

This account consists of:

	2021	2020
Accrued interest income on:		
Investment securities at amortized cost	<b>₱33,350,543</b>	₱10,508,012
Financial assets at FVOCI	<b>25,839,167</b>	36,586,873
Long-term commercial papers	<b>10,301,764</b>	10,422,012

(Forward)



	2021	2020
Financial assets at FVTPL	<b>₱5,909,318</b>	₱3,980,163
Cash and cash equivalents	<b>1,367,223</b>	1,104,350
Funds held by ceding companies - treaty	<b>541,985</b>	411,875
Security fund	<b>145,853</b>	145,853
Accrued rent income	<b>3,371,388</b>	3,371,388
Accrued dividend income (Note 27)	<b>161,944</b>	1,167,120
	<b>₱80,989,185</b>	₱67,697,646

## 9. Deferred Acquisition Costs - net

The details of deferred acquisition costs net of deferred reinsurance commissions follow:

	2021	2020
Deferred acquisition costs		
Balance at beginning of year	<b>₱531,828,565</b>	₱570,198,021
Cost deferred during the year	<b>1,400,342,770</b>	1,375,419,123
Amortized during the year	<b>(1,424,546,084)</b>	(1,413,788,579)
Balance at end of year	<b>507,625,251</b>	531,828,565
Deferred reinsurance commissions		
Balance at beginning of year	<b>396,835,763</b>	366,337,365
Income deferred during the year	<b>818,336,984</b>	945,201,623
Amortized during the year	<b>(879,549,393)</b>	(914,703,225)
Balance at end of year	<b>335,623,354</b>	396,835,763
	<b>₱172,001,897</b>	₱134,992,802

## 10. Reinsurance Assets

This account consists of:

	2021	2020
Reinsurance recoverable on unpaid losses (Note 14)	<b>₱21,333,905,400</b>	₱13,438,005,619
Deferred reinsurance premiums (Note 14)	<b>4,556,640,293</b>	3,812,959,399
	<b>₱25,890,545,693</b>	₱17,250,965,018

Reinsurance recoverable on unpaid losses represents balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

The related reinsurance premiums ceded that pertain to the unexpired periods at end of the reporting period are accounted for as deferred reinsurance premiums.



## 11. Investment Properties - net

The rollforward analysis of this account follows:

	2021		
	Land	Buildings	Total
<b>Cost</b>			
At beginning and end of year	₱25,700,011	₱2,812,241	₱28,512,252
<b>Accumulated depreciation and amortization</b>			
At beginning of year	–	1,747,600	1,747,600
Depreciation and amortization (Note 22)	–	66,888	66,888
At end of year	–	1,814,488	1,814,488
<b>Net book value</b>	<b>₱25,700,011</b>	<b>₱997,753</b>	<b>₱26,697,764</b>

	2020		
	Land	Buildings	Total
<b>Cost</b>			
At beginning and end of year	₱25,700,011	₱2,812,241	₱28,512,252
<b>Accumulated depreciation and amortization</b>			
At beginning of year	–	1,680,712	1,680,712
Depreciation and amortization (Note 22)	–	66,888	66,888
At end of year	–	1,747,600	1,747,600
<b>Net book value</b>	<b>₱25,700,011</b>	<b>₱1,064,641</b>	<b>₱26,764,652</b>

Rental income from investment properties recognized in the Group statements of income amounted to ₱8.51 million and ₱10.98 million in 2021 and 2020, respectively (Note 20). There were no direct operating expenses arising from investment properties.

Buildings have fair values of ₱3.95 million as of December 31, 2021 and 2020, respectively. Parcels of land with book value of ₱25.70 million have fair value amounting to ₱162.37 million as of December 31, 2021 and 2020, respectively. The fair values of the investment properties were determined by independent professionally qualified appraisers.

The fair value of the land and buildings were arrived using the *Market Data Approach*. In this approach, the value of the land and buildings are based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.





## 12. Property and Equipment - net

The rollforward analysis of this account as of December 31, 2021 and 2020 follows:

	2021					
	Land	Building, Equipment and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
At beginning of year	₱1,916,175	₱254,356,824	₱674,786,201	₱145,355,473	₱174,355,988	₱1,250,770,661
Additions	–	12,946	19,809,489	9,719,184	2,842,883	32,384,502
Disposals	–	–	(8,723,733)	(2,283,103)	–	(11,006,836)
At end of year	1,916,175	254,369,770	685,871,957	152,791,554	177,198,871	1,272,148,327
<b>Accumulated depreciation and amortization</b>						
At beginning of year	–	135,096,387	549,087,026	126,587,092	115,056,885	925,827,390
Depreciation and amortization (Note 22)	–	9,489,889	31,417,275	12,948,213	20,874,220	74,729,597
Disposals	–	–	(7,065,580)	(2,283,103)	–	(9,348,683)
At end of year	–	144,586,276	573,438,721	137,252,202	135,931,105	991,208,304
<b>Net book value</b>	<b>₱1,916,175</b>	<b>₱109,783,494</b>	<b>₱112,433,236</b>	<b>₱15,539,352</b>	<b>₱41,267,766</b>	<b>₱280,940,023</b>

	2020					
	Land	Building, Equipment and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
At beginning of year	₱1,736,662	₱249,223,690	₱641,067,750	₱137,042,444	₱162,527,357	₱1,191,597,903
Additions	179,513	5,181,996	34,284,535	8,668,029	11,828,631	60,142,704
Disposals	–	(48,862)	(566,084)	(355,000)	–	(969,946)
At end of year	1,916,175	254,356,824	674,786,201	145,355,473	174,355,988	1,250,770,661
<b>Accumulated depreciation and amortization</b>						
At beginning of year	–	124,071,879	517,583,723	110,181,499	99,268,889	851,105,990
Depreciation and amortization (Note 22)	–	11,073,370	32,069,387	16,760,593	15,787,996	75,691,346
Disposals	–	(48,862)	(566,084)	(355,000)	–	(969,946)
At end of year	–	135,096,387	549,087,026	126,587,092	115,056,885	925,827,390
<b>Net book value</b>	<b>₱1,916,175</b>	<b>₱119,260,437</b>	<b>₱125,699,175</b>	<b>₱18,768,381</b>	<b>₱59,299,103</b>	<b>₱324,943,271</b>

The Group sold fully depreciated office furniture, fixtures and equipment with realized gain of ₱89,616 and ₱18,678 in 2021 and 2020, respectively.

There are no property and equipment items pledged or used as collateral to secure the liabilities of the Group.

## 13. Other Assets - net

This account consists of:

	2021	2020
Creditable withholding taxes (CWT)	₱924,072,841	₱752,096,315
Real estate properties for sale - at cost	72,384,644	72,741,111
Refundable deposits	19,775,791	19,687,021
Prepayments	11,870,493	19,581,627
Forms and supplies inventory	3,524,197	4,690,094
Input VAT	316,197	353,761
Miscellaneous assets	20,788,238	18,797,654
	<b>1,052,732,401</b>	<b>887,947,583</b>
Less allowance for impairment - CWT	<b>(218,956,623)</b>	<b>(222,752,233)</b>
	<b>₱833,775,778</b>	<b>₱665,195,350</b>



Creditable withholding tax pertains to the Group's tax withheld at source by its customers and is creditable against the income tax liability of the Group.

Allowance for impairment pertains to CWTs that are for reconciliation. In 2021, the Company has written off CWTs amounting to P3.79 million. The Group recognized provisions for impairment on CWT amounting to nil and ₱9.24 million in 2021 and 2020, respectively (Note 22).

Real estate properties for sale consist of investments in Malayan Plaza condominium units and memorial lots. As of December 31, 2021 and 2020, amounts of the real estate properties for sale are as follows:

	2021	2020
Malayan Plaza condominium units	<b>₱66,224,644</b>	₱66,581,111
Memorial lots	<b>6,160,000</b>	6,160,000
	<b>₱72,384,644</b>	₱72,741,111

₱0.22 million and ₱0.21, respectively (Note 20).

Refundable deposits comprise of security deposits as part of the Group's contract of lease.

Prepayments mainly comprise of renewal fee for the licenses of the Group's agents, group life insurance payments, billboard ads fee, fees for consulting agreements, membership renewal fees and other licenses owned by the Group.

Forms and supplies inventory pertain to the supplies used for office purposes.

Miscellaneous assets pertain to construction in progress that have not yet reached 90% of completion. These will be classified to PPE once the remaining percentage to complete is only 10%. Miscellaneous assets transferred to property and equipment amounted to ₱1.04 million and ₱3.64 million in 2021 and 2020, respectively.



#### 14. Insurance Contract Liabilities

Short-term insurance contract liabilities and reinsurers' share of liabilities may be analyzed as follows:

	2021			2020		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Provision for claims reported and loss adjustment	₱19,752,943,410	₱17,755,899,775	₱1,997,043,635	₱12,946,504,596	₱10,924,258,909	₱2,022,245,687
Provision for IBNR losses	4,355,839,351	3,578,005,625	777,833,726	3,196,105,105	2,513,746,710	682,358,395
Total claims reported and IBNR	24,108,782,761	21,333,905,400	2,774,877,361	16,142,609,701	13,438,005,619	2,704,604,082
Provision for unearned premiums	6,691,586,847	4,556,640,293	2,134,946,554	5,919,632,090	3,812,959,399	2,106,672,691
<b>Total insurance contract liabilities</b>	<b>₱30,800,369,608</b>	<b>₱25,890,545,693</b>	<b>₱4,909,823,915</b>	<b>₱22,062,241,791</b>	<b>₱17,250,965,018</b>	<b>₱4,811,276,773</b>



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

	Insurance Contract Liabilities	2021 Reinsurers' Share of Liabilities (Note 10)	Net	Insurance Contract Liabilities	2020 Reinsurers' Share of Liabilities (Note 10)	Net
Balance at beginning of year	₱16,142,609,701	₱13,438,005,619	₱2,704,604,082	₱13,649,171,736	₱11,353,307,507	₱2,295,864,229
Claims incurred during the year	11,754,315,474	9,858,355,427	1,895,960,047	5,023,675,631	3,234,319,951	1,789,355,680
Increase in IBNR	1,159,218,644	1,063,470,538	95,748,106	799,844,189	607,294,186	192,550,003
Total claims reported and claims IBNR	29,056,143,819	24,359,831,584	4,696,312,235	19,472,691,556	15,194,921,644	4,277,769,912
Claims paid during the year (Note 21)	(5,023,530,374)	(3,096,810,819)	(1,926,719,555)	(5,127,350,236)	(3,550,015,590)	(1,577,334,646)
Effect of foreign currency	76,169,316	70,884,635	5,284,681	1,797,268,381	1,793,099,565	4,168,816
Balance at end of year	₱24,108,782,761	₱21,333,905,400	₱2,774,877,361	₱16,142,609,701	₱13,438,005,619	₱2,704,604,082

Provision for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	2021 Reinsurers' Share of Liabilities (Note 10)	Net	Insurance Contract Liabilities	2020 Reinsurers' Share of Liabilities (Note 10)	Net
Balance at beginning of year	₱5,919,632,090	₱3,812,959,399	₱2,106,672,691	₱5,623,022,862	₱3,305,842,405	₱2,317,180,457
New policies written during the year (Note 19)	15,500,384,315	11,190,862,599	4,309,521,716	14,215,594,900	10,239,736,124	3,975,858,776
Premiums earned during the year (Note 19)	(14,728,526,414)	(10,447,278,562)	(4,281,247,852)	(13,908,370,553)	(9,729,254,853)	(4,179,115,700)
Effect of foreign currency	96,856	96,857	(1)	(10,615,119)	(3,364,277)	(7,250,842)
Balance at end of year	₱6,691,586,847	₱4,556,640,293	₱2,134,946,554	₱5,919,632,090	₱3,812,959,399	₱2,106,672,691

## 15. Insurance Payables

This account consists of:

	2021	2020
Due to reinsurers	₱3,569,082,604	₱3,619,662,884
Funds held for reinsurers	2,061,401,066	1,824,085,789
	₱5,630,483,670	₱5,443,748,673

The rollforward analysis of insurance payables follows:

	Due to Reinsurers	Funds held for reinsurers	Total
At January 1, 2020	₱1,937,521,087	₱1,010,290,157	₱2,947,811,244
Arising during the year	7,966,692,474	1,154,387,446	9,121,079,920
Paid during the year	(6,284,550,677)	(340,591,814)	(6,625,142,491)
At December 31, 2020	3,619,662,884	1,824,085,789	5,443,748,673
Arising during the year	8,498,890,555	2,834,278,235	11,333,168,790
Paid during the year	(8,549,470,835)	(2,596,962,958)	(11,146,433,793)
At December 31, 2021	₱3,569,082,604	₱2,061,401,066	₱5,630,483,670



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

This account consists of:

	2021	2020
Accounts payable	<b>₱2,359,765,880</b>	₱1,362,584,747
Commissions payable	<b>1,090,907,521</b>	979,306,133
Deferred output value-added tax (VAT)	<b>790,440,437</b>	763,965,772
Accrued taxes	<b>259,196,366</b>	240,220,352
Accrued expenses	<b>177,305,717</b>	227,553,357
Output VAT	<b>165,049,085</b>	144,410,975
Documentary stamp taxes payable	<b>75,069,241</b>	128,270,324
Surety deposits	<b>74,150,307</b>	179,974,178
Deposits payable	<b>12,783,087</b>	14,781,916
Dividend payable	<b>10,515,760</b>	-
Others	<b>38,264,872</b>	30,966,012
	<b>₱5,053,448,273</b>	₱4,072,033,766

All accounts payable and accrued expenses are due within one year.

Accounts payable pertain to unpaid purchases of goods and services from suppliers and collections from customers not yet identified and not yet applied to the corresponding receivables.

Commissions payable are unpaid commissions on the Group's direct business. These are due and payable to agents and brokers upon collection of the related premiums receivables.

Deferred output (VAT) is the calculated value-added tax (VAT) amount that is not due until the invoice is paid.

Accrued taxes include taxes withheld from staff and agents, fringe benefits taxes, local government tax, fire service tax and premium taxes.

Accrued expenses pertain to accrual of monthly expenditures of the Group. This includes expenses for utilities, allocated common expenses for the use of Y Tower I and II and other expenses that are necessary to carry out the operations of the Group.

Output VAT pertain to value-added tax payable of the Group on the sale of insurance policies and other goods and services.

Documentary Stamp Tax (DST) Payable pertain to DST on insurance contracts.

Surety Deposit pertain to deposits of clients as required in contract of surety with the Group.

Deposit Payable includes the premium deposit and miscellaneous deposit payable.

Dividend payable pertains to the balance of dividends declared by the Parent Company.

Others consists of unpaid benefits of employees, survey fees and service fees.





## 17. Pension liability - net

The Group has a defined benefit plan, covering substantially all of its employees, which requires contribution to be made to administered funds. The plan is administered by a local bank as trustee. The Group's trustee bank is RCBC. The transactions of the fund are being approved by the President of the Group.

The following tables summarize the components of net pension benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the retirement plan.

The net pension benefit expense recognized in the consolidated statements of income, under salaries, wages and allowances (Note 22), follows:

	2021	2020
Current service cost	<b>₱60,689,288</b>	₱49,498,514
Interest cost	<b>13,646,809</b>	14,171,524
Net benefit expense	<b>₱74,336,097</b>	₱63,670,038
Actual return on plan assets	<b>₱12,073,660</b>	₱3,825,503

The remeasurement effects recognized in the consolidated statements of comprehensive income follows:

	2021	2020
Actuarial gain (loss) on obligation	<b>(₱20,222,752)</b>	₱17,878,619
Return on assets (excluding amount included in net interest cost)	<b>(2,808,854)</b>	8,666,920
Tax effect	<b>5,757,901</b>	(7,963,661)
Total amount recognized in OCI	<b>(₱17,273,705)</b>	₱18,581,878

The net pension obligation of the Group follows:

	2021	2020
Present value of pension benefit obligation	<b>₱588,484,293</b>	₱609,351,439
Fair value of plan assets	<b>(300,312,750)</b>	(246,404,386)
	<b>₱288,171,543</b>	₱362,947,053

The reconciliation of the present value of the pension benefit obligation follows:

	2021	2020
Balance at beginning of year	<b>₱609,351,439</b>	₱534,347,617
Current service cost	<b>60,689,288</b>	49,498,514
Interest cost	<b>22,911,614</b>	26,663,950
Actuarial loss (gain)	<b>(20,222,752)</b>	17,878,619
Benefits paid	<b>(84,245,296)</b>	(19,037,261)
	<b>₱588,484,293</b>	₱609,351,439



The reconciliation of the fair value of the plan assets follows:

	2021	2020
Balance at beginning of year	₱246,404,386	₱250,349,142
Contributions by employer	126,080,000	11,267,003
Interest income	9,264,805	12,492,422
Actuarial gain (loss)	2,808,855	(8,666,920)
Benefits paid	(84,245,296)	(19,037,261)
Balance at end of year	₱300,312,750	₱246,404,386

The distribution of the plan assets as of December 31, 2021 and 2020 follows:

	2021	2020
Cash	₱122,054,045	₱69,918,169
Receivables	904,738	1,015,614
Investments in:		
Equity securities	88,066,646	83,315,687
Government securities	38,567,852	27,503,046
Other securities and debt instruments	52,073,966	66,006,489
	301,667,247	247,759,005
Less accrued trust fees and other payables	(1,354,497)	(1,354,619)
	₱300,312,750	₱246,404,386

The following presents the transactions of the Group's retirement fund with related parties:

Category	2021 Balance	2020 Balance	Terms	Conditions
<b><i>Other related parties</i></b>				
<b><i>RCBC</i></b>				
Time deposits	₱115,781,239	₱29,692,378	Interest bearing; on demand Interest rates at 0% to 4.43%; terms of 1 to 2 years	Unsecured; no impairment Unsecured; no impairment
Corporate bonds	8,672,315	82,115,464		Unsecured; no impairment
Common stocks	11,153,220	10,528,640	n.a.	
<b><i>HI</i></b>				
Common stocks	1,395,328	1,580,061	n.a.	Unsecured; no impairment

The principal actuarial assumptions used in determining plan assets and obligations are as follows:

	2021	2020
Salary increase rate	4.00%	4.00%
Discount rate	4.98%	3.76%

The overall expected return on plan assets is determined based on the market expectations prevailing as of December 31, 2021 and 2020 applicable to the period over which the obligation is to be settled.

The Group expects to contribute ₱65.00 million to the retirement fund in 2022.



### *Sensitivities*

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

#### **2021**

	<b>Change in variables</b>	<b>Impact on present value of defined benefit obligation Increase (Decrease)</b>	<b>Percentage change</b>
Discount rate	+0.5%	(P16,135,538)	(2.82%)
	-0.5%	18,989,075	3.13%
Salary increase rate	+1.0%	39,765,424	6.33%
	-1.0%	(29,008,992)	5.19%

#### **2020**

	<b>Change in variables</b>	<b>Impact on present value of defined benefit obligation Increase (Decrease)</b>	<b>Percentage change</b>
Discount rate	+0.5%	(P21,408,490)	(3.64%)
	-0.5%	25,382,841	4.00%
Salary increase rate	+1.0%	53,741,272	8.10%
	-1.0%	(39,115,418)	(6.86%)

The average future working years of service is 20 to 27 years.

The maturity analysis of the undiscounted benefit payments as of December 31, 2021 based on normal retirements (retirement age of 60 only) is as follows:

<b>Year of Retirement</b>	<b>2021</b>	<b>2020</b>
1 year and less	<b>P43,490,536</b>	P34,146,273
More than 1 year to 5 years	<b>129,549,163</b>	151,781,487
More than 5 to 10 years	<b>295,280,286</b>	279,583,102
More than 10 to 15 years	<b>433,828,310</b>	378,196,174
More than 15 to 20 years	<b>543,420,150</b>	541,385,599
More than 20 years	<b>3,293,213,121</b>	3,085,222,688

## **18. Equity**

The Group's capital stock consists of:

	<b>Shares</b>	<b>Amount</b>
Authorized: Common stock		
P100 par value	10,000,000	P1,000,000,000
Issued and outstanding:		
At beginning and end of year	6,000,000	P600,000,000



### Retained Earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱6.90 billion and ₱6.47 billion as of December 31, 2021 and 2020, respectively.

On September 23, 2021, the BOD of the Parent Company approved the declaration and payment from unappropriated retained earnings of ₱16.67 cash dividends per share with a total amount of ₱100 million to all issued and outstanding common shares of stockholders of record as of December 31, 2020. ₱89.48 million of which was paid in November 2021, ₱8.69 million in May 2022 and the remaining balance will be paid this year.

### Other Revaluation Reserve

On April 10, 2008, MICO's BOD and stockholders approved the articles of merger and plan of merger between TMMIC and MICO. TMMIC is a 50-50 joint venture company owned by MICO and Tokio Marine Asia Pte., Ltd. (Tokio Marine). On July 2, 2008, the SEC approved the articles and plan of merger. The effects of the merger were reckoned from January 1, 2008. The merger was accounted for as a business combination in accordance with PFRS 3. TMMIC and MICO became a single corporation, with MICO as the surviving corporation. TMMIC ceased to exist and its legal personality was terminated. As at the date of acquisition, the identifiable assets and liabilities of TMMIC have been measured at fair value resulting in a difference of ₱46.93 million against its carrying values. The difference between the carrying value and fair value pertains mainly to the increase in the appraised value of the building. MICO recorded the appraisal increase amounting to ₱23.47 million pertaining to its previously held interest as "Other revaluation reserve" in the equity section of the consolidated statement of financial position.

### Equity Reserve

On November 7, 2014, the Parent Company sold to Tokyo Marine Asia 737,660 shares or 8.7% shares for ₱1.03 billion that resulted to a gain of ₱1.02 billion. Since the change in ownership of the Parent Company over MICO is without loss of control, the gain of ₱710.38 million was recognized as 'Equity reserves' in the equity section of the consolidated statement of financial position.

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## 19. Net Premiums Earned

Gross premiums earned and reinsurers' share of gross premiums earned consist of the following:

	2021	2020
Gross premiums on insurance contracts (Note 14)	<b>₱15,500,384,315</b>	₱14,215,594,900
Gross change in provision for unearned premiums	<b>(771,857,901)</b>	(307,224,347)
<b>Gross premiums earned (Note 14)</b>	<b>14,728,526,414</b>	13,908,370,553
Reinsurers' share of gross premiums on insurance contracts (Note 14)	<b>11,190,862,599</b>	10,239,736,124
Reinsurers' share of gross change in provision for unearned premiums	<b>(743,584,037)</b>	(510,481,271)
<b>Reinsurers' share of gross premiums earned on insurance contracts (Note 14)</b>	<b>10,447,278,562</b>	9,729,254,853
<b>Net premiums earned</b>	<b>₱4,281,247,852</b>	₱4,179,115,700



## 20. Investment and Other Income and Investment and Other Expense

### *Investment and other income*

This account consists of:

	2021	2020
Dividend income (Note 27)	<b>₱155,950,465</b>	₱139,984,664
Interest income (Note 27):		
Financial assets at FVOCI	<b>80,094,156</b>	94,042,919
Investment securities at amortized cost	<b>76,355,939</b>	58,172,894
Long-term commercial papers	<b>74,113,930</b>	77,131,016
Financial assets at FVTPL	<b>21,542,385</b>	18,160,993
Notes receivables	<b>12,822,780</b>	3,242,568
Cash and cash equivalents (Note 4)	<b>9,552,399</b>	16,421,559
Funds held by ceding companies	<b>707,698</b>	871,646
Others	<b>13,760</b>	392,994
Gain (loss) on sale of:		
Financial assets at FVOCI	<b>6,535,986</b>	33,334,104
Financial assets at FVTPL	<b>2,658,963</b>	(10,470,874)
Real estate properties for sale (Note 13)	<b>217,296</b>	209,091
Property and equipment (Note 12)	<b>89,616</b>	18,678
Loss on early redemption of financial assets – net	<b>(902,383)</b>	–
Rental income (Notes 11 and 27)	<b>8,506,916</b>	10,984,347
Foreign currency exchange losses (gains)	<b>227,064,188</b>	(110,080,759)
Fair value gains on financial assets at FVTPL	<b>76,973,072</b>	73,245,378
Others	<b>7,502,166</b>	7,932,613
	<b>₱759,799,332</b>	₱413,593,831

### *Investment and other expense*

This account consists of the following:

	2021	2020
Investment expense	<b>₱12,067,649</b>	₱10,028,394
Changes in allowance for ECL - amortized (Notes 4 and 7)	–	5,199,783
Interest expense on reinsurance funds held and lease liability	<b>11,436,702</b>	22,507,124
	<b>₱23,504,351</b>	₱37,735,301

### *Foreign currency exchange losses (gains) – net*

	2021	2020
Realized foreign exchange	<b>(₱133,748,678)</b>	₱128,561,298
Unrealized foreign exchange	<b>360,812,866</b>	(238,642,057)
	<b>₱227,064,188</b>	(₱110,080,759)

In 2021 and 2020, the foreign exchange gain (loss) from non-deliverable foreign exchange forward contracts entered into by the Group to hedge its exposure on foreign currency risk amounted to (₱82.88) million loss and ₱144.69 million gain, respectively. On December 31, 2021 and December 31, 2020, the weighted average rate of exchange rate on these forward currency contracts are ₱48.98 and ₱51.41, respectively.





## 21. Insurance Contract Benefits and Claims Paid

Gross insurance contract benefits and claims paid consist of:

	2021	2020
Gross insurance contract benefits and claims paid:		
Direct insurance	<b>₱4,218,391,099</b>	₱4,691,962,728
Assumed reinsurance	<b>805,139,275</b>	435,387,508
Total gross insurance contract benefits and claims paid (Note 14)	<b>₱5,023,530,374</b>	₱5,127,350,236

Reinsurers' share of gross insurance contract benefits and claims paid consist of:

	2021	2020
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	<b>(₱2,767,712,736)</b>	(₱3,409,592,000)
Assumed reinsurance	<b>(329,098,083)</b>	(140,423,590)
Total reinsurers' share of gross insurance contract benefits and claims paid (Note 14)	<b>(₱3,096,810,819)</b>	(₱3,550,015,590)

Gross change in insurance contract liabilities consist of:

	2021	2020
Change in provision for claims reported:		
Direct insurance	<b>₱7,817,558,673</b>	(₱523,219,561)
Assumed reinsurance	<b>(1,086,773,573)</b>	419,544,956
Change in provision for IBNR	<b>1,159,218,644</b>	799,844,189
Total gross change in insurance contract liabilities (Note 14)	<b>₱7,890,003,744</b>	₱696,169,584

Reinsurers' shares of gross change in insurance contract liabilities consist of:

	2021	2020
Reinsurers' share of gross insurance contract liabilities:		
Direct insurance	<b>(₱7,944,335,482)</b>	(₱580,723,947)
Assumed reinsurance	<b>1,182,790,874</b>	(318,168,786)
Change in provision for IBNR	<b>(1,063,470,538)</b>	607,294,186
Total reinsurers' share of gross change in insurance contract liabilities (Note 14)	<b>(₱7,825,015,146)</b>	(₱291,598,547)



## 22. General and Administrative Expenses

This account consists of:

	2021	2020
Salaries, wages and allowances (Notes 17 and 27)	<b>₱770,870,783</b>	₱734,992,875
Depreciation and amortization (Notes 11, 12 and 23)	<b>105,756,607</b>	119,006,134
Advertising and promotions	<b>59,860,844</b>	57,638,108
Rent, light and water (Notes 23 and 27)	<b>57,287,054</b>	31,861,349
Professional fees	<b>47,524,612</b>	47,184,104
Repairs and maintenance	<b>42,340,553</b>	34,006,869
Postage, telephone and cable	<b>38,590,665</b>	38,631,524
Transportation and travel	<b>36,199,515</b>	35,690,955
Business development	<b>34,894,432</b>	23,249,315
Printing and office supplies	<b>22,039,292</b>	25,189,839
Entertainment, amusement and recreation	<b>20,729,509</b>	22,228,368
Taxes, licenses and fees	<b>15,954,609</b>	27,855,021
Provisions for impairment loss - net of reversals (Notes 6 and 13)	<b>7,615,987</b>	23,314,532
Donations and contributions	<b>4,491,116</b>	6,368,232
Insurance	<b>4,044,325</b>	4,976,550
Membership and association dues	<b>3,283,748</b>	3,019,991
Others	<b>29,291,591</b>	27,886,861
	<b>₱1,300,775,242</b>	₱1,263,100,627

Others include agency training and expenses, security and janitorial services and miscellaneous expenses.

## 23. Leases

### Group as Lessee

Set out below are the Group's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2021 and 2020:

### *Right-of-use Assets*

The rollforward analysis of the Group's ROU assets as at December 31, 2021 and 2020 follow:

	As of and for the year-ended December 31, 2021		
	Office Space	Branch and Others	Total
<b>Cost</b>			
Balance at beginning of period	<b>₱89,396,211</b>	<b>₱29,926,059</b>	<b>₱119,322,270</b>
Additions	—	7,264,034	7,264,034
Disposals	—	(22,291,132)	(22,291,132)
Balance at end of period	<b>89,396,211</b>	<b>14,898,961</b>	<b>104,295,172</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of period	<b>45,183,833</b>	<b>18,661,766</b>	<b>63,845,599</b>
Depreciation (Note 22)	<b>24,553,073</b>	<b>6,407,049</b>	<b>30,960,122</b>
Disposals	—	(22,291,132)	(22,291,132)
Balance at end of period	<b>69,736,906</b>	<b>2,777,683</b>	<b>72,514,589</b>
<b>Net book values at end of period</b>	<b>₱19,659,305</b>	<b>₱12,121,278</b>	<b>₱31,780,583</b>



	As of and for the year-ended December 31, 2020		
	Office Space	Branch and Others	Total
Cost			
Balance at beginning of period	₱89,396,211	₱17,535,655	₱106,931,866
Additions	—	12,390,404	12,390,404
Balance at end of period	89,396,211	29,926,059	119,322,270
Accumulated Depreciation			
Balance at beginning of period	17,219,902	3,377,797	20,597,699
Depreciation (Note 22)	27,963,931	15,283,969	43,247,900
Balance at end of period	45,183,833	18,661,766	63,845,599
Net book values at end of period	₱44,212,378	₱11,264,293	₱55,476,671

#### *Lease Liabilities*

The rollforward analysis of the Group's lease liabilities as at December 31, 2021 and 2020 follow:

	2021	2020
<b>As at January 1</b>	<b>₱59,249,418</b>	₱86,838,979
Additions	6,972,165	11,048,289
Interest expense	3,148,497	5,328,427
Payments	(35,877,953)	(43,966,277)
<b>As at December 31</b>	<b>₱33,492,127</b>	₱59,249,418

The future minimum lease commitments under operating lease are as follows:

	2021	2020
Within one year	₱3,384,050	₱5,822,755
After one year but not more than five years	5,018,629	1,431,040
	<b>₱8,402,679</b>	₱7,253,795

Depreciation are computed using the straight-line method over the estimated useful lives of the lease properties as follows:

	Years
Office space	2-4
Branch premises	2-4

The following are the amounts recognized in the statements of income:

	2021	2020
Depreciation expense of right-of-use asset	₱30,960,122	₱43,247,900
Expense relating to short-term lease (included in Rent, light and water) (Note 22)	2,469,220	3,273,789
Interest expense on lease liability	3,148,497	5,328,428
<b>Total</b>	<b>₱36,577,839</b>	₱51,850,117

#### Group as Lessor

The Group entered into various lease agreements for its office spaces. These leases generally have terms of one year, renewable every year.



## 24. Income Tax

The provision for income tax consists of:

	2021	2020
Final	<b>₱34,992,183</b>	₱38,225,356
Current	<b>13,488,755</b>	168,109,486
Deferred	<b>117,549,398</b>	(155,153,785)
	<b>₱166,030,336</b>	₱51,181,057

The Group's net deferred tax assets (liabilities) consist of:

	2021	2020
Deferred tax assets (liabilities):		
Provision for IBNR	<b>₱192,747,402</b>	₱202,651,389
Expected credit losses	<b>51,181,279</b>	63,292,297
Accrued expenses	<b>31,010,727</b>	18,455,233
Pension obligation	<b>23,996,685</b>	24,704,979
Unamortized past service cost	<b>14,138,170</b>	22,841,591
Right of use asset – net of lease liability	<b>1,513,238</b>	2,434,246
Unrealized foreign exchange loss (gains)	<b>(31,407,854)</b>	72,448,421
Fair value changes on financial assets FVTPL	<b>(10,358,230)</b>	(16,457,342)
	<b>272,821,417</b>	390,370,814
Deferred tax asset (liabilities) through equity:		
Remeasurement loss on defined benefit obligation	<b>64,391,379</b>	84,179,137
Revaluation reserve on financial assets at FVOCI	<b>(28,132,555)</b>	(41,040,802)
	<b>36,258,824</b>	43,138,335
	<b>₱309,080,241</b>	₱433,509,149

As of December 31, 2021 and 2020, the Group did not recognize the deferred tax assets on the following deductible temporary differences, carryforward of unused tax credits from excess of MCIT over RCIT, and unused NOLCO:

	2021	2020
Unrealized foreign exchange loss	<b>₱–</b>	₱133,638
Accrued expenses	<b>–</b>	109,505,140
	<b>₱–</b>	₱109,638,778

The related tax benefits will be recognized only as reassessment demonstrates that they are realizable. Realization is entirely dependent upon future taxable income.



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

	2021	2020
At statutory income tax rate	<b>₱314,214,382</b>	₱218,164,410
Adjustments for:		
Change in unrecognized deferred tax assets	<b>678,605</b>	17,041,530
Excess of 40% optional standard deduction against allowable deductions	<b>(577,364)</b>	8,069,465
Nondeductible expenses	<b>77,276,410</b>	7,681,416
Nontaxable income	<b>(158,778,458)</b>	(108,294,612)
Interest income exempt or already subjected to final tax	<b>(47,350,201)</b>	(55,541,565)
Dividend income	<b>(33,441,501)</b>	(35,939,587)
Effect of change in statutory tax rates	<b>14,008,463</b>	—
	<b>₱166,030,336</b>	₱51,181,057

## 25. Insurance and Financial Risk Management

### Insurance Risk

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis with retention limits varying by product line and territory. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group principally issues the following types of general insurance contracts: fire, motor car, personal accident, marine, engineering, bonds and miscellaneous casualty. The most significant risks arise from climate changes and natural disasters. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.





To further reduce the risk exposure, the Group requires strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims.

The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group also has limited its exposure level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Group's risk appetite as decided by management.

The tables below set out the concentration of the claims liabilities by type of contract (Note 14).

	2021		
	Gross	Reinsurers' Share	Net
Fire	₱17,780,064,392	₱16,240,212,243	₱1,539,852,149
Engineering	2,322,277,966	2,191,262,022	131,015,944
Marine cargo	2,681,011,445	2,526,893,041	154,118,404
Motor	628,024,080	23,022,124	605,001,956
Miscellaneous casualty	437,877,281	331,543,539	106,333,742
Bonds	13,567,977	4,225,735	9,342,242
Others	245,959,620	16,746,696	229,212,924
	<b>₱24,108,782,761</b>	<b>₱21,333,905,400</b>	<b>₱2,774,877,361</b>

	2020		
	Gross	Reinsurers' Share	Net
Fire	₱12,361,796,531	₱10,959,703,108	₱1,402,093,423
Engineering	1,380,161,024	1,246,326,128	133,834,896
Marine cargo	1,090,313,940	892,783,811	197,530,129
Motor	665,038,483	41,470,216	623,568,267
Miscellaneous casualty	367,759,030	277,614,234	90,144,796
Bonds	21,550,629	255,501	21,295,128
Others	255,990,064	19,852,621	236,137,443
	<b>₱16,142,609,701</b>	<b>₱13,438,005,619</b>	<b>₱2,704,604,082</b>

#### Key Assumptions

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

Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.



### *Sensitivities*

The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting dates.

The table below shows the impact of changes in certain important assumptions in general insurance business while other assumptions remain unchanged. The correlation of assumptions will have a significant effect in determining the claims but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on individual basis.

2021				
	Change in Assumptions %	Impact on Gross Insurance Contract Liabilities Increase (Decrease)	Impact on Net Insurance Contract Liabilities Increase (Decrease)	Impact on Income Before Income Tax Increase (Decrease)
Average claim costs	+5%	₱615,445,162	₱147,581,176	(₱147,581,176)
Average number of claims	+5%	598,072,136	143,415,197	(143,415,197)
2020				
	Change in Assumptions %	Impact on Gross Insurance Contract Liabilities Increase (Decrease)	Impact on Net Insurance Contract Liabilities Increase (Decrease)	Impact on Income Before Income Tax Increase (Decrease)
Average claim costs	+5%	₱208,893,101	₱92,700,900	(₱92,700,900)
Average number of claims	+5%	230,095,597	102,109,974	(102,109,974)

### *Claims Development Table*

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting dates, together with cumulative payments to date.

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

The risks vary significantly in relation to the location of the risk insured by the Group, type of risks insured and in respect of commercial and business interruption insurance by industry.



Gross insurance contract liabilities in 2021

Accident year	2011 and prior year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Accident year	P29,330,238,148	P3,791,554,152	P7,070,000,283	P5,057,797,064	P2,234,107,269	P2,789,504,843	P16,238,438,305	P5,149,877,779	P4,980,155,446	P6,924,129,835	P13,653,335,438	P13,653,335,438
One year later	28,669,651,218	4,050,487,543	10,127,361,391	4,085,569,866	2,429,229,751	2,229,708,119	18,329,953,903	4,305,957,270	5,217,162,712	7,089,827,891	–	7,089,827,891
Two years later	28,624,424,104	3,702,054,487	8,624,057,002	3,931,474,688	2,096,467,735	2,692,401,335	12,867,623,675	2,902,120,289	3,866,860,164	–	–	3,866,860,164
Three years later	28,561,558,014	3,589,873,965	8,399,506,389	3,741,211,239	2,372,360,919	2,465,196,729	11,410,652,737	3,065,384,559	–	–	–	3,065,384,559
Four years later	28,431,207,142	3,455,878,369	7,802,703,592	3,785,986,464	2,215,265,031	2,428,508,435	8,310,522,585	–	–	–	–	8,310,522,585
Five years later	28,243,108,898	3,421,508,725	8,322,645,506	3,689,685,289	2,155,936,914	2,394,707,591	–	–	–	–	–	2,394,707,591
Six years later	28,312,379,111	3,002,210,172	8,096,962,187	3,691,079,665	2,155,121,179	–	–	–	–	–	–	2,155,121,179
Seven years later	27,780,370,322	2,990,718,340	7,962,013,819	3,377,134,345	–	–	–	–	–	–	–	3,377,134,345
Eight years later	27,328,548,752	2,991,068,671	7,349,406,266	–	–	–	–	–	–	–	–	7,349,406,266
Nine years later	32,221,207,375	2,929,052,988	–	–	–	–	–	–	–	–	–	2,929,052,988
Ten years later	27,774,407,384	–	–	–	–	–	–	–	–	–	–	27,774,407,384
Current estimate of cumulative claims	27,774,407,384	2,929,052,988	7,349,406,266	3,377,134,345	2,155,121,179	2,394,707,591	8,310,522,585	3,065,384,559	3,866,860,164	7,089,827,891	13,653,335,438	81,965,760,390
Cumulative payments to date	27,519,865,353	2,837,331,094	5,316,195,904	3,095,378,918	2,112,470,910	2,322,015,179	8,248,995,933	2,092,048,897	2,739,009,149	931,054,114	642,612,178	57,856,977,629
Liability recognized	<b>P254,542,031</b>	<b>P91,721,894</b>	<b>P2,033,210,362</b>	<b>P281,755,427</b>	<b>P42,650,269</b>	<b>P72,692,412</b>	<b>P61,526,652</b>	<b>P973,335,662</b>	<b>P1,127,851,015</b>	<b>P6,158,773,777</b>	<b>P13,010,723,260</b>	<b>P24,108,782,761</b>

Net insurance contract liabilities in 2021

Accident year	2011 and prior year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Accident year	P12,310,440,178	P1,456,482,141	P1,207,632,302	P1,809,889,927	P1,802,789,125	P737,403,989	P1,035,908,691	P1,825,860,409	P1,727,128,442	P1,209,989,312	P1,522,823,993	P1,522,823,993
One year later	13,272,989,423	1,447,416,425	982,142,847	1,255,188,535	1,939,826,348	826,385,999	2,352,277,236	1,429,134,955	1,390,662,826	795,905,554	–	795,905,554
Two years later	13,345,597,383	1,269,597,273	1,116,480,433	1,146,969,626	1,676,093,009	706,368,437	1,622,943,907	1,233,370,938	1,054,655,343	–	–	1,054,655,343
Three years later	13,400,674,092	1,258,491,023	2,317,490,734	1,090,785,507	543,543,509	659,347,394	1,530,907,648	1,200,034,858	–	–	–	1,200,034,858
Four years later	13,286,239,646	1,244,676,368	2,146,320,012	115,238,442	497,479,985	669,843,794	1,497,014,130	–	–	–	–	1,497,014,130
Five years later	11,896,004,539	1,216,761,779	375,912,893	78,692,270	462,965,726	645,976,706	–	–	–	–	–	645,976,706
Six years later	11,899,454,965	186,553,007	314,784,642	72,271,059	461,912,291	–	–	–	–	–	–	461,912,291
Seven years later	10,987,123,149	177,759,686	243,343,666	66,793,009	–	–	–	–	–	–	–	66,793,009
Eight years later	9,581,393,012	176,922,195	199,206,903	–	–	–	–	–	–	–	–	199,206,903
Nine years later	10,071,987,573	172,343,002	–	–	–	–	–	–	–	–	–	172,343,002
Ten years later	8,928,864,199	–	–	–	–	–	–	–	–	–	–	8,928,864,199
Current estimate of cumulative claims	8,928,864,199	172,343,002	199,206,903	66,793,009	461,912,291	645,976,706	1,497,014,130	1,200,034,858	1,054,655,343	795,905,554	1,522,823,993	16,545,529,988
Cumulative payments to date	8,833,882,500	108,522,870	99,320,290	53,692,598	453,256,087	633,626,002	1,312,386,909	1,062,558,836	608,515,120	76,041,345	528,850,070	13,770,652,627
Liability recognized	<b>P94,981,699</b>	<b>P63,820,132</b>	<b>P99,886,613</b>	<b>P13,100,411</b>	<b>P8,656,204</b>	<b>P12,350,704</b>	<b>P184,627,221</b>	<b>P137,476,022</b>	<b>P446,140,223</b>	<b>P719,864,209</b>	<b>P993,973,923</b>	<b>P2,774,877,361</b>



Gross insurance contract liabilities in 2020

Accident year	2010 and prior year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	₱27,431,615,893	₱2,312,987,620	₱3,775,527,755	₱6,965,993,826	₱4,982,872,990	₱2,230,801,784	₱2,785,032,409	₱16,237,105,456	₱5,148,475,764	₱4,980,155,446	₱6,892,695,793	₱6,892,695,793
One year later	26,472,192,072	2,611,824,511	4,034,461,146	9,988,942,867	4,066,693,985	2,428,741,181	2,227,658,887	18,325,802,294	4,302,273,938	5,217,162,712	–	5,217,162,712
Two years later	26,486,593,133	2,552,196,336	3,686,028,090	8,538,167,833	3,913,595,071	2,096,015,544	2,690,389,303	12,864,325,752	2,901,716,311	–	–	2,901,716,311
Three years later	26,428,101,184	2,547,822,195	3,573,871,108	8,318,139,900	3,723,378,335	2,371,873,171	2,463,213,993	11,410,249,603	–	–	–	11,410,249,603
Four years later	26,339,726,188	2,504,316,911	3,440,048,305	7,721,351,573	3,769,134,168	2,214,781,164	2,428,226,958	–	–	–	–	2,428,226,958
Five years later	26,162,372,929	2,493,795,998	3,405,669,063	8,245,232,018	3,672,154,903	2,155,550,171	–	–	–	–	–	2,155,550,171
Six years later	26,249,434,745	2,476,652,157	2,986,452,865	8,016,896,776	3,672,591,327	–	–	–	–	–	–	3,672,591,327
Seven years later	25,657,001,861	2,537,497,533	2,974,999,248	7,877,796,593	–	–	–	–	–	–	–	7,877,796,593
Eight years later	25,207,388,013	2,535,099,016	2,975,333,261	–	–	–	–	–	–	–	–	2,975,333,261
Nine years later	30,100,953,916	2,534,530,252	–	–	–	–	–	–	–	–	–	2,534,530,252
Ten years later	27,918,365,370	–	–	–	–	–	–	–	–	–	–	27,918,365,370
Current estimate of cumulative claims	27,918,365,370	2,534,530,252	2,975,333,261	7,877,796,593	3,672,591,327	2,155,550,171	2,428,226,958	11,410,249,603	2,901,716,311	5,217,162,712	6,892,695,793	75,984,218,351
Cumulative payments to date	27,687,576,291	2,515,006,510	2,819,745,573	5,308,578,258	3,094,773,300	2,111,993,399	2,319,974,853	8,240,160,306	2,073,736,897	2,739,009,149	931,054,114	59,841,608,650
Liability recognized	₱230,789,079	₱19,523,742	₱155,587,688	₱2,569,218,335	₱577,818,027	₱43,556,772	₱108,252,105	₱3,170,089,297	₱827,979,414	₱2,478,153,563	₱5,961,641,679	₱16,142,609,701

Net insurance contract liabilities in 2020

Accident year	2010 and prior year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	₱10,832,641,382	₱1,566,752,392	₱1,449,877,921	₱1,205,311,522	₱1,808,444,725	₱1,801,885,082	₱736,465,504	₱1,034,815,987	₱1,825,270,217	₱1,727,128,442	₱1,209,989,319	₱1,209,989,319
One year later	11,561,564,293	1,877,868,639	1,440,812,205	976,891,742	1,254,459,207	1,939,337,778	824,336,767	2,348,125,627	1,425,912,935	1,390,662,826	–	1,390,662,826
Two years later	11,583,097,312	1,851,453,667	1,262,993,053	1,111,613,438	1,146,272,274	1,675,640,818	704,356,405	1,619,645,984	1,234,816,710	–	–	1,234,816,710
Three years later	11,640,169,431	1,849,458,257	1,251,910,340	2,313,037,790	1,090,097,012	543,055,761	657,375,628	1,529,792,621	–	–	–	1,529,792,621
Four years later	11,559,659,621	1,814,004,213	1,238,268,477	2,141,720,226	114,619,744	496,996,118	668,824,943	–	–	–	–	668,824,943
Five years later	10,180,548,097	1,803,758,151	1,210,344,291	371,370,856	78,028,908	462,560,014	–	–	–	–	–	462,560,014
Six years later	10,203,335,298	1,784,826,428	180,217,877	310,289,584	71,600,614	–	–	–	–	–	–	71,600,614
Seven years later	10,203,279,292	872,565,194	171,462,771	238,748,309	–	–	–	–	–	–	–	238,748,309
Eight years later	8,799,261,357	870,658,642	170,608,959	–	–	–	–	–	–	–	–	170,608,959
Nine years later	9,303,284,117	857,568,528	–	–	–	–	–	–	–	–	–	857,568,528
Ten years later	8,918,856,109	–	–	–	–	–	–	–	–	–	–	8,918,856,109
Current estimate of cumulative claims	8,918,856,109	857,568,528	170,608,959	238,748,309	71,600,614	462,560,014	668,824,943	1,529,792,621	1,234,816,710	1,390,662,826	1,209,989,319	16,754,028,952
Cumulative payments to date	8,839,372,838	844,099,184	100,359,574	95,405,898	53,087,028	452,778,576	631,596,646	1,303,551,281	1,044,617,380	608,515,120	76,041,345	14,049,424,870
Liability recognized	₱ 79,483,271	₱13,469,344	₱70,249,385	₱143,342,411	₱18,513,586	₱ 9,781,438	₱ 37,228,297	₱226,241,340	₱190,199,330	₱782,147,706	₱1,133,947,974	₱2,704,604,082



### Financial Risk

The Group is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

#### *Credit Risk*

Credit risk is a risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Prior to extending credit, the Group manages its credit risk by assessing credit quality of its counterparty.

The Group has a credit policy group that reviews all information about the counterparty which may include its statement of financial position, statements of income and other market information. The nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

Credit risk limit is also used to manage credit exposure which specifies exposure credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, net of impairment loss.

	2021	2020
<b>Financial assets at FVTPL:</b>		
Debt securities:		
Private debt securities	<b>₱439,067,227</b>	₱239,040,893
Equity securities:		
Listed equity securities	<b>325,498,482</b>	288,893,339
Funds	<b>534,535,462</b>	438,522,741
<b>Financial assets at FVOCI:</b>		
Listed equity securities:		
Common shares	<b>4,398,592,729</b>	3,837,521,317
Preferred shares	<b>30,992,440</b>	33,962,440
Unlisted equity securities:		
Common shares	<b>319,150,847</b>	292,878,749
Preferred shares	<b>17,540</b>	17,540
Government debt securities:		
Local currency	<b>744,487,347</b>	540,310,590
Foreign currency	<b>191,721,105</b>	582,956,827
Private debt securities	<b>1,683,695,852</b>	1,996,262,577
<b>Investments securities at amortized cost:</b>		
Government debt securities:		
Local currency	<b>2,218,293,967</b>	757,611,646
Foreign currency	<b>101,380,326</b>	72,203,022
Private debt securities	<b>286,302,786</b>	506,523,012

(Forward)





	2021	2020
<b>Cash and cash equivalents*</b>	<b>₱2,301,759,873</b>	<b>₱3,360,826,814</b>
<b>Short-term investments</b>	<b>5,370,518</b>	<b>3,589,059</b>
<b>Insurance receivables:</b>		
Due from policyholders, agents and brokers	7,187,223,256	6,850,964,807
Due from ceding companies:		
Facultative	105,918,789	150,258,364
Treaty	631,928,239	281,315,840
Funds held by ceding companies	374,169,984	172,458,873
Reinsurance recoverable on paid losses	1,368,780,089	640,802,867
<b>Loans and receivables:</b>		
Long-term commercial papers	1,613,604,143	1,617,049,148
Fixed deposits	30,000,000	30,000,000
Accounts receivable	58,150,863	53,182,467
Notes receivable	6,282,306	8,966,643
Cash advances	1,961,550	891,994
Security fund	909,737	909,737
<b>Accrued income:</b>		
Accrued interest income:		
Financial assets at FVOCI	25,839,167	36,586,873
Investment securities at amortized cost	33,350,543	10,508,012
Long-term commercial papers	10,301,764	10,422,012
Financial assets at FVTPL	5,909,318	3,980,163
Cash and cash equivalents	1,367,223	1,104,350
Funds held by ceding companies – treaty	541,985	411,875
Security fund	145,853	145,853
Accrued rent income	3,371,388	3,371,388
Accrued dividend income	161,944	1,167,120
	<b>₱25,040,784,642</b>	<b>₱22,825,618,952</b>

\*excludes petty cash fund amounting to ₱1.69 million and ₱0.85 million for 2021 and 2020, respectively

The following tables provide information regarding the credit risk exposure of the Group by classifying the financial assets according to the Group's credit ratings of the counter parties.

	2021				
	Neither past due nor impaired		Past due but	Impaired	Total
	High Grade	Medium Grade	not impaired		
<b>Financial assets at FVTPL</b>					
Listed equity securities:					
Common shares	₱325,498,482	₱–	₱–	₱–	₱325,498,482
Private debt securities	336,958,787	102,108,440	–	–	439,067,227
Funds	459,672,500	74,862,962	–	–	534,535,462
<b>Financial assets at FVOCI</b>					
Listed equity securities:					
Common shares	4,398,592,729	–	–	–	4,398,592,729
Preferred shares	30,992,440	–	–	–	30,992,440
Unlisted equity securities:					
Common shares	–	319,150,847	–	–	319,150,847
Preferred shares	–	17,540	–	–	17,540
Government debt securities:					
Local currency	744,487,347	–	–	–	744,487,347
Foreign currency	191,721,105	–	–	–	191,721,105
Private debt securities	1,458,159,226	225,536,626	–	–	1,683,695,852

(Forward)



	2021				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High Grade	Medium Grade			
<b>Investments securities at amortized cost</b>					
Government debt securities:					
Local currency	₱2,218,630,121	₱—	₱—	₱—	₱2,218,630,121
Foreign currency	101,412,362	—	—	—	101,412,362
Private debt securities	245,292,007	41,426,188	—	—	286,718,195
<b>Cash and cash equivalents</b>	<b>2,289,808,256</b>	<b>14,655,787</b>	<b>—</b>	<b>—</b>	<b>2,304,464,043</b>
<b>Short-term investments</b>	<b>5,370,518</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,370,518</b>
<b>Insurance receivables:</b>					
Due from policyholders, agents, and brokers	6,995,593,920	352,007,078	—	12,766,376	7,360,367,374
Due from ceding companies:					
Facultative	9,879,031	46,024,565	54,387,129	—	110,290,725
Treaty	6,236,248	7,844,645	619,347,347	1,508,142	634,936,382
Funds held by ceding companies	36,095,804	187,979,462	150,094,718	544,720	374,714,704
Reinsurance recoverable on paid losses	82,442,945	373,618,507	929,155,832	—	1,385,217,284
<b>Accrued income:</b>					
Accrued interest:					
Financial assets at FVOCI	25,839,167	—	—	—	25,839,167
Investment securities at amortized cost	33,350,543	—	—	—	33,350,543
Long-term commercial papers	10,301,764	—	—	—	10,301,764
Financial assets at FVTPL	5,909,318	—	—	—	5,909,318
Cash and cash equivalents	1,366,918	305	—	—	1,367,223
Funds held by ceding companies	541,985	—	—	—	541,985
Security fund	145,853	—	—	—	145,853
Accrued rent income	3,371,388	—	—	—	3,371,388
Accrued dividend income	161,944	—	—	—	161,944
<b>Loans and receivables:</b>					
Long-term commercial papers	1,286,689,746	361,245,758	—	—	1,647,935,504
Accounts receivable	57,997,767	153,096	—	2,050,610	60,201,473
Notes receivable	5,961,598	320,708	—	1,097,877	7,380,183
Cash advances	1,961,550	—	—	—	1,961,550
Security fund	909,737	—	—	—	909,737
	<b>₱21,371,353,106</b>	<b>₱2,106,952,514</b>	<b>₱1,752,985,026</b>	<b>₱17,967,725</b>	<b>₱25,249,258,371</b>

	2020				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High Grade	Medium Grade			
Financial assets at FVTPL					
Listed equity securities:					
Common shares	₱288,893,339	₱—	₱—	₱—	₱288,893,339
Private debt securities	158,651,532	80,389,361	—	—	239,040,893
Funds	438,522,741	—	—	—	438,522,741
Financial assets at FVOCI					
Listed equity securities:					
Common shares	3,837,228,903	292,414	—	—	3,837,521,317
Preferred shares	33,962,440	—	—	—	33,962,440
Unlisted equity securities:					
Common shares	292,878,749	—	—	—	292,878,749
Preferred shares	17,540	—	—	—	17,540
Government debt securities:					
Local currency	540,310,590	—	—	—	540,310,590
Foreign currency	582,956,827	—	—	—	582,956,827
Private debt securities	1,746,768,954	249,493,623	—	—	1,996,262,577
Investments securities at amortized cost					
Government debt securities:					
Local currency	₱757,947,800	₱—	₱—	₱—	₱757,947,800
Foreign currency	72,235,058	—	—	—	72,235,058
Private debt securities	422,267,688	84,670,733	—	—	506,938,421
Cash and cash equivalents	3,359,491,102	3,190,418	—	—	3,362,681,520

(Forward)



	2020		Past due but not impaired	Impaired	Total
	Neither past due nor impaired				
	High Grade	Medium Grade			
Short-term investments	P2,413,104	P1,175,955	P—	P—	P3,589,059
Insurance receivables:					
Due from policyholders, agents, and brokers	6,659,430,784	355,489,580	—	15,437,768	7,030,358,132
Due from ceding companies:					
Facultative	6,996,954	26,957,189	120,676,157	—	154,630,300
Treaty	2,681,956	26,090,102	255,552,184	—	284,324,242
Funds held by ceding companies	906,045	13,334,129	158,736,842	—	172,977,016
Reinsurance recoverable on paid losses	88,948,794	91,227,978	477,063,290	—	657,240,062
Accrued income:					
Accrued interest:					
Financial assets at FVOCI	36,586,873	—	—	—	36,586,873
Investment securities at amortized cost	10,508,012	—	—	—	10,508,012
Long-term commercial papers	10,422,012	—	—	—	10,422,012
Financial assets at FVTPL	3,980,163	—	—	—	3,980,163
Cash and cash equivalents	1,104,350	—	—	—	1,104,350
Funds held by ceding companies	411,875	—	—	—	411,875
Security fund	145,853	—	—	—	145,853
Accrued rent income	3,371,388	—	—	—	3,371,388
Accrued dividend income	1,167,120	—	—	—	1,167,120
Loans and receivables:					
Long-term commercial papers	1,598,800,407	52,580,102	—	—	1,651,380,509
Accounts receivable	53,060,108	153,238	—	2,050,610	55,263,956
Notes receivable	8,299,864	666,779	—	1,097,877	10,064,520
Cash advances	891,994	—	—	—	891,994
Security fund	909,737	—	—	—	909,737
	P21,023,170,656	P985,711,601	P1,012,028,473	P18,586,255	P23,039,496,985

The credit rating is based on the following:

a) *Cash and cash equivalents, short-term investments and related accrued income*

High grade pertains to those deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability, while medium grade pertains to those deposited, placed or invested in thrift banks and rural banks in the Philippines.

b) *Insurance receivables, loans and receivables, accrued income*

For insurance receivables, loans and receivables and accrued rent income except due from ceding companies, Funds held by ceding companies and Long-term commercial papers, the Group uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. High grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. Standard grade is given to borrowers and counterparties who possess above average capacity to meet its obligations. These counterparties are somewhat susceptible to adverse changes in business and economic conditions.

For due from ceding companies and funds held by ceding companies from local sources, the Group uses a credit rating concept based on the debt-to-equity ratios of the borrowers and counterparties. High grade is given to borrowers and counterparties with debt-to-equity ratio of less than or equal to 2:1, while medium grade is given to borrowers and counterparties with debt-to-equity ratio of more than 2:1.

For due from ceding companies and funds held by ceding companies from foreign sources, the Group uses Standard & Poor's (S&P) and A.M. Best's credit rating of insurance companies. High grade pertains to insurance companies rated by S&P and A.M. Best as higher than BB+, which means that the insurance company has good to strong financial security characteristics, but may be affected by adverse business conditions. Medium grade pertains to insurance companies



that are ungraded and rated by S&P and A.M. Best as lower than BB+, which means that the insurance company has marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

In compliance with PFRS 9, the Group developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

c) *Equity securities*

Listed equity securities are classified as high grade. Unlisted equity securities are classified as medium grade.

d) *Debt securities, long-term commercial papers, and related accrued income*

These are based on the credit ratings by the international rating agency, Standard & Poors (S&P), and by Philippine Ratings Services Corporation (Philratings), the only domestic credit rating services in the Philippines accredited by Bangko Sentral ng Pilipinas (BSP) and SEC, in cases where an S&P rating is not available. High grade pertains to investments rated by S&P as BBB- and higher, which means that the counterparties have extremely strong to adequate capacity of paying interest and repaying principal, as well as Investments in Securities issued by the Philippine Government. Medium grade pertains to investments rated as Baa and higher by Philratings, as well as investments rated by S&P as BB+ to B- (except Philippine Government Securities). The Group's holdings under this category are rated either BB- by S&P (due to sovereign credit rating ceiling) or Aaa by Philratings which is defined by Philratings to mean that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

e) *Insurance receivables*

Receivables from related entities are considered as high grade.

2021				
	<60 days	61 to 120 days	More than 120 days	Total Past Due but not Impaired
Due from ceding companies	₱11,462,219	₱11,946,240	₱650,326,017	₱673,734,476
Funds held by ceding companies	21,300,961	44,876,033	83,917,724	150,094,718
Reinsurance recoverable on paid losses	34,168,132	428,983,802	466,003,898	929,155,832
	₱66,931,312	₱485,806,075	₱1,200,247,639	₱1,752,985,026

2020				
	<60 days	61 to 120 days	More than 120 days	Total Past Due but not Impaired
Due from ceding companies	₱12,903,225	₱64,239,895	₱299,085,221	₱376,228,341
Funds held by ceding companies	217,075	40,743,843	117,775,924	158,736,842
Reinsurance recoverable on paid losses	25,192,108	112,995,395	338,875,787	477,063,290
	₱38,312,408	₱217,979,133	₱755,736,932	₱1,012,028,473

Past due but not impaired balances have an aging of more than thirty (30) days but less than one year.



The credit quality of insurance receivables and investment securities, gross of allowance for credit losses, as of December 31, 2021 and 2020 follows:

	December 31, 2021		
	Individual	Collective	Total
Financial Assets at FVTPL			
High Grade	P=	P1,122,129,769	P1,122,129,769
Standard Grade	–	176,971,402	176,971,402
	–	1,299,101,171	1,299,101,171
Financial Assets at FVOCI			
High Grade	–	6,823,952,847	6,823,952,847
Standard Grade	–	544,705,013	544,705,013
	–	7,368,657,860	7,368,657,860
Investment Securities at Amortized Cost			
High Grade	–	2,565,334,490	2,565,334,490
Standard Grade	–	41,426,188	41,426,188
	–	2,606,760,678	2,606,760,678
Insurance Receivables			
High Grade	–	7,091,686,432	7,091,686,432
Standard Grade	–	967,474,257	967,474,257
Past due but not impaired	2,083,207	1,789,463,334	1,791,546,541
Impaired	2,052,863	12,766,376	14,819,239
	P4,136,070	P9,861,390,399	P9,865,526,469
	December 31, 2020		
	Individual	Collective	Total
Financial Assets at FVTPL			
High Grade	P=	P886,067,612	P886,067,612
Standard Grade	–	80,389,361	80,389,361
	–	966,456,973	966,456,973
Financial Assets at FVOCI			
High Grade	–	7,034,124,003	7,034,124,003
Standard Grade	–	249,786,037	249,786,037
	–	7,283,910,040	7,283,910,040
Investment Securities at Amortized Cost			
High Grade	–	1,252,450,546	1,252,450,546
Standard Grade	–	84,670,733	84,670,733
	–	1,337,121,279	1,337,121,279
Insurance Receivables			
High Grade	–	6,758,964,533	6,758,964,533
Standard Grade	–	513,098,978	513,098,978
Past due but not impaired	–	1,012,028,473	1,012,028,473
Impaired	–	15,437,768	15,437,768
	P=	P8,299,529,752	P8,299,529,752



Movements of insurance receivables and investment securities during the year are as follows:

	December 31, 2021		
	Individual	Collective	Total
<b>Financial Assets at FVTPL</b>			
Balance as of January 1, 2021	P=	P966,456,973	P966,456,973
New assets originated	—	649,996,149	649,996,149
Assets derecognized or repaid	—	(346,645,752)	(346,645,752)
Amounts written off	—	—	—
Foreign exchange movement	—	29,293,801	29,293,801
<b>Balance at December 31, 2021</b>	<b>P=</b>	<b>P1,299,101,171</b>	<b>P1,299,101,171</b>
<b>Financial Assets at FVOCI</b>			
Balance as of January 1, 2021	P=	P7,283,910,040	P7,283,910,040
New assets originated	—	1,097,009,309	1,097,009,309
Assets derecognized or repaid	—	(1,047,588,942)	(1,047,588,942)
Foreign exchange movement	—	35,327,453	35,327,453
<b>Balance at December 31, 2021</b>	<b>P=</b>	<b>P7,368,657,860</b>	<b>P7,368,657,860</b>
<b>Investment Securities at Amortized Cost</b>			
Balance as of January 1, 2021	—	P1,337,121,279	P1,337,121,279
New assets originated	—	1,837,279,843	1,837,279,843
Assets derecognized or repaid	—	(605,567,072)	(605,567,072)
Amortization	—	37,926,628	37,926,628
<b>Balance at December 31, 2021</b>	<b>P=</b>	<b>P2,606,760,678</b>	<b>P2,606,760,678</b>
<b>Insurance Receivables</b>			
Balance as of January 1, 2021	P=	P8,299,529,752	P8,299,529,752
New assets originated	—	16,318,619,708	16,318,619,708
Assets derecognized or repaid	—	(14,752,622,991)	(14,752,622,991)
<b>Balance at December 31, 2021</b>	<b>P=</b>	<b>P9,865,526,469</b>	<b>P9,865,526,469</b>

	December 31, 2020		
	Individual	Collective	Total
<b>Financial Assets at FVTPL</b>			
Balance as of January 1, 2020	P=	P668,297,361	P668,297,361
New assets originated	—	704,077,744	704,077,744
Assets derecognized or repaid	—	(408,959,024)	(408,959,024)
Amounts written off	—	—	—
Foreign exchange movement	—	3,040,892	3,040,892
<b>Balance at December 31, 2020</b>	<b>P=</b>	<b>P966,456,973</b>	<b>P966,456,973</b>
<b>Financial Assets at FVOCI</b>			
Balance as of January 1, 2020	P=	P6,678,126,602	P6,678,126,602
New assets originated	—	2,179,495,407	2,179,495,407
Assets derecognized or repaid	—	(1,098,093,860)	(1,098,093,860)
Foreign exchange movement	—	(475,618,109)	(475,618,109)
<b>Balance at December 31, 2020</b>	<b>P=</b>	<b>P7,283,910,040</b>	<b>P7,283,910,040</b>
<b>Investment Securities at Amortized Cost</b>			
Balance as of January 1, 2020	P=	P1,493,939,614	P1,493,939,614
New assets originated	—	363,928,573	363,928,573
Assets derecognized or repaid	—	(189,776,359)	(189,776,359)
Amortization	—	(330,970,549)	(330,970,549)
<b>Balance at December 31, 2020</b>	<b>P=</b>	<b>P1,337,121,279</b>	<b>P1,337,121,279</b>
<b>Insurance Receivables</b>			
Balance as of January 1, 2020	P=	P6,655,220,468	P6,655,220,468
New assets originated	—	15,725,627,709	15,725,627,709
Assets derecognized or repaid	—	(14,081,318,425)	(14,081,318,425)
<b>Balance at December 31, 2020</b>	<b>P=</b>	<b>P8,299,529,752</b>	<b>P8,299,529,752</b>





Movements of the allowance for credit losses on insurance receivables and investment securities during the year are as follows:

	December 31, 2021		
	Individual	Collective	Total
<b>Financial Assets at FVOCI</b>			
Balance as of January 1, 2021	P=	P2,841,022	P2,841,022
New assets originated	—	—	—
Assets derecognized or repaid	—	—	—
<b>Balance at December 31, 2021</b>	<b>P=</b>	<b>P2,841,022</b>	<b>P2,841,022</b>
<b>Investment Securities at Amortized Cost</b>			
Balance as of January 1, 2021	P=	P783,599	P783,599
New assets originated	—	—	—
Assets derecognized or repaid	—	—	—
<b>Balance at December 31, 2021</b>	<b>P=</b>	<b>P783,599</b>	<b>P783,599</b>
<b>Insurance Receivables</b>			
Balance as of January 1, 2021	P=	P203,729,001	P203,729,001
New assets originated	—	32,085	32,085
Assets derecognized or repaid	—	(6,254,974)	(6,254,974)
Amounts written off	—	—	—
<b>Balance at December 31, 2021</b>	<b>P=</b>	<b>P197,506,112</b>	<b>P197,506,112</b>

	December 31, 2020		
	Individual	Collective	Total
<b>Financial Assets at FVOCI</b>			
Balance as of January 1, 2020	P=	P1,358,790	P1,358,790
New assets originated	—	1,561,046	1,561,046
Assets derecognized or repaid	—	(78,814)	(78,814)
<b>Balance at December 31, 2020</b>	<b>P=</b>	<b>P2,841,022</b>	<b>P2,841,022</b>
<b>Investment Securities at Amortized Cost</b>			
Balance as of January 1, 2020	P=	P458,984	P458,984
New assets originated	—	324,615	324,615
Assets derecognized or repaid	—	—	—
<b>Balance at December 31, 2020</b>	<b>P=</b>	<b>P783,599</b>	<b>P783,599</b>
<b>Insurance Receivables</b>			
Balance as of January 1, 2020	P=	P193,688,244	P193,688,244
New assets originated	—	11,762,536	11,762,536
Assets derecognized or repaid	—	(1,721,779)	(1,721,779)
Amounts written off	—	—	—
<b>Balance at December 31, 2020</b>	<b>P=</b>	<b>P203,729,001</b>	<b>P203,729,001</b>

#### *Liquidity Risk*

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

An institution may suffer from a liquidity problem when its credit rating falls. The Group is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity. The major liquidity risk faced by the Group is the potential daily calls on its available cash resources in respect of claims from insurance contracts.



The Group manages liquidity through a management team which determines liquidity risk for the Group by identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance of liquidity risk policy.

The tables below analyze financial assets and financial liabilities of the Group into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

	2021				
	Up to a year*	1-3 years	More than 3 years	No term	Total
Cash and cash equivalents	₱2,303,455,624	₱-	₱-	₱-	₱2,303,455,624
Short-term investments	5,370,518	-	-	-	5,370,518
Insurance receivables	9,632,027,099	34,425,447	1,567,811	-	9,668,020,357
Financial assets at FVTPL	225,026,304	100,406,066	282,225,668	691,443,133	1,299,101,171
Financial assets at FVOCI	397,160,893	1,400,431,638	822,311,774	4,748,753,555	7,368,657,860
Investment securities at amortized cost	222,640,149	438,811,238	1,944,525,692	-	2,605,977,079
Long-term commercial papers	638,045,380	490,114,688	489,775,436	-	1,617,935,504
Loans and receivables	92,342,141	310,246	320,708	-	92,973,095
Accrued income	80,989,185	-	-	-	80,989,185
Reinsurance recoverable on unpaid losses	21,333,905,400	-	-	-	21,333,905,400
<b>Total financial assets</b>	<b>₱34,930,962,693</b>	<b>₱2,464,499,323</b>	<b>₱3,540,727,089</b>	<b>₱5,440,196,688</b>	<b>₱46,376,385,793</b>
Outstanding losses	₱24,108,782,761	₱-	₱-	₱-	₱24,108,782,761
Insurance payables	5,630,483,670	-	-	-	5,630,483,670
Accounts payable, accrued expenses and other liabilities**	3,750,764,751	-	-	-	3,750,764,751
Lease contract liabilities	33,492,127	-	-	-	33,492,127
<b>Total financial liabilities</b>	<b>₱33,523,523,309</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱33,523,523,309</b>

\*Up to a year are all commitments which are either due within one year or are payable in demand.,

\*\*Excluding statutory payables

	2020				
	Up to a year*	1-3 years	More than 3 years	No term	Total
Cash and cash equivalents	₱3,361,673,101	₱-	₱-	₱-	₱3,361,673,101
Short-term investments	3,589,059	-	-	-	3,589,059
Insurance receivables	8,095,800,751	-	-	-	8,095,800,751
Financial assets at FVTPL	13,770,033	53,107,675	172,163,185	727,416,080	966,456,973
Financial assets at FVOCI	740,120,879	1,309,429,049	1,069,980,066	4,164,380,046	7,283,910,040
Investment securities at amortized cost	363,778,766	590,834,421	381,724,493	-	1,336,337,680
Long-term commercial papers	278,491,420	874,627,721	493,930,007	-	1,647,049,148
Loans and receivables	63,823,380	127,461	-	-	63,950,841
Accrued income	62,915,416	-	-	4,782,230	67,697,646
Reinsurance recoverable on unpaid losses	13,438,005,619	-	-	-	13,438,005,619
<b>Total financial assets</b>	<b>₱26,421,968,424</b>	<b>₱2,828,126,327</b>	<b>₱2,117,797,751</b>	<b>₱4,896,578,356</b>	<b>₱36,264,470,858</b>
Outstanding losses	₱16,142,609,701	₱-	₱-	₱-	₱16,142,609,701
Insurance payables	5,443,748,673	-	-	-	5,443,748,673
Accounts payable, accrued expenses and other liabilities**	2,615,192,165	-	-	-	2,615,192,165
Lease contract liabilities	36,236,426	23,012,992	-	-	59,249,418
<b>Total financial liabilities</b>	<b>₱24,237,786,965</b>	<b>₱23,012,992</b>	<b>₱-</b>	<b>₱-</b>	<b>₱24,260,799,957</b>

\*Up to a year are all commitments which are either due within one year or are payable in demand.

\*\*Excluding statutory payables

In 2021 and 2020, certain insurance receivables, financial assets and loans and receivables have been provided with allowance for impairment.

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



### *Market Risk*

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

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Group would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Group manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

The Group structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Group. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures, regular monitoring and review of the Group's investment performance and upcoming investment opportunities for pertinence and changing environment.

#### *a) Currency Risk*

The Group's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to U.S. Dollar and Euro. In addition, the Group enters into non-deliverable forward contracts to hedge its exposure on foreign currency exchange risks.

The tables below summarize the Group's exposure to foreign currency exchange rate risks by categorizing assets and liabilities by major currencies.

	2021				
	Philippine Peso	U.S. Dollar	Euro	Others	Total
<b>Financial assets at FVTPL</b>					
Listed equity securities:					
Common shares	₱11,719,600	₱280,867,514	₱17,475,067	₱15,436,301	₱325,498,482
Private debt securities	—	391,859,199	—	47,208,028	439,067,227
Funds	202,991,963	288,357,237	12,897,472	30,288,790	534,535,462
<b>Financial assets at FVOCI</b>					
Listed equity securities:					
Common shares	4,174,211,436	167,846,351	12,874,569	43,660,373	4,398,592,729
Preferred shares	30,992,440	—	—	—	30,992,440
Unlisted equity securities:					
Common shares	319,150,847	—	—	—	319,150,847
Preferred shares	17,540	—	—	—	17,540
Government debt securities:					
Local currency	744,487,347	—	—	—	744,487,347
Foreign currency	—	191,721,105	—	—	191,721,105
Private debt securities	—	1,683,695,852	—	—	1,683,695,852

(Forward)



	2021				
	Philippine Peso	U.S. Dollar	Euro	Others	Total
<b>Investments securities at amortized cost</b>					
Government debt securities:					
Local currency	₱2,218,630,121	₱–	₱–	₱–	₱2,218,630,121
Foreign currency	–	101,412,363	–	–	101,412,363
Private debt securities	–	286,718,194	–	–	286,718,194
<b>Loans and receivables:</b>					
Cash and cash equivalents	1,393,544,464	850,855,070	4,580,560	55,483,949	2,304,464,043
Short-term investments	5,370,518	–	–	–	5,370,518
Insurance receivables	7,203,694,229	2,444,152,703	135,864,789	81,814,748	9,865,526,469
Loans and receivables					
Long-term commercial papers	1,647,935,504	–	–	–	1,647,935,504
Accounts receivable	60,201,473	–	–	–	60,201,473
Notes receivable	7,380,183	–	–	–	7,380,183
Cash advances	1,961,550	–	–	–	1,961,550
Security fund	909,737	–	–	–	909,737
Accrued income					
Financial assets at FVOCI	2,816,139	23,023,028	–	–	25,839,167
Investment securities at amortized cost	30,038,082	3,312,461	–	–	33,350,543
Long-term commercial papers	10,301,764	–	–	–	10,301,764
Financial assets at FVTPL	–	5,424,468	–	484,850	5,909,318
Cash and cash equivalents	1,367,044	179	–	–	1,367,223
Funds held by ceding companies – treaty	120,440	421,545	–	–	541,985
Security fund	145,853	–	–	–	145,853
Accrued rent income	3,371,388	–	–	–	3,371,388
Accrued dividend income	161,944	–	–	–	161,944
<b>Total assets</b>	<b>₱18,071,521,606</b>	<b>₱6,719,667,269</b>	<b>₱183,692,457</b>	<b>₱274,377,039</b>	<b>₱25,249,258,371</b>
Insurance payables	₱3,865,588,176	₱1,728,926,209	₱–	₱35,969,285	₱5,630,483,670
Accounts payable, accrued expenses and other liabilities	5,053,448,273	–	–	–	5,053,448,273
Lease contract liabilities	33,492,127	–	–	–	33,492,127
<b>Total liabilities</b>	<b>₱8,952,528,576</b>	<b>₱1,728,926,209</b>	<b>₱–</b>	<b>₱35,969,285</b>	<b>₱10,717,424,070</b>

	2020				
	Philippine Peso	U.S. Dollar	Euro	Others	Total
Financial assets at FVTPL					
Listed equity securities:					
Common shares	₱265,422,109	₱12,969,632	₱10,501,598	₱–	₱288,893,339
Unlisted equity securities:					
Private debt securities	221,050,331	–	17,990,562	–	239,040,893
Funds	139,375,349	264,940,923	10,974,766	23,231,703	438,522,741
Financial assets at FVOCI					
Listed equity securities:					
Common shares	3,588,478,804	164,719,201	11,644,268	72,679,044	3,837,521,317
Preferred shares	33,962,440	–	–	–	33,962,440
Unlisted equity securities:					
Common shares	267,224,430	25,654,319	–	–	292,878,749
Preferred shares	17,540	–	–	–	17,540
Government debt securities:					
Local currency	540,310,590	–	–	–	540,310,590
Foreign currency	–	582,956,827	–	–	582,956,827
Private debt securities	–	1,996,262,577	–	–	1,996,262,577
Investments securities at amortized cost					
Government debt securities:					
Local currency	757,947,800	–	–	–	757,947,800
Foreign currency	–	72,235,058	–	–	72,235,058
Private debt securities	–	506,938,421	–	–	506,938,421
Loans and receivables:					
Cash and cash equivalents	2,266,605,400	1,087,618,500	4,358,211	4,099,409	3,362,681,520
Short-term investments	3,589,059	–	–	–	3,589,059
Insurance receivables	6,458,369,403	1,828,854,252	–	12,306,097	8,299,529,752

(Forward)



	2020				
	Philippine Peso	U.S. Dollar	Euro	Others	Total
Loans and receivables					
Long-term commercial papers	₱1,651,380,509	₱ –	₱–	₱–	₱1,651,380,509
Accounts receivable	55,263,814	142	–	–	55,263,956
Notes receivable	10,064,520	–	–	–	10,064,520
Cash advances	891,994	–	–	–	891,994
Security fund	909,737	–	–	–	909,737
Accrued income					
Financial assets at FVOCI	3,852,375	32,734,498	–	–	36,586,873
Investment securities at amortized cost	5,892,519	4,615,493	–	–	10,508,012
Long-term commercial papers	10,422,012	–	–	–	10,422,012
Financial assets at FVTPL	–	3,713,066	–	267,097	3,980,163
Cash and cash equivalents	1,103,737	613	–	–	1,104,350
Funds held by ceding companies – treaty	120,222	291,653	–	–	411,875
Security fund	145,853	–	–	–	145,853
Accrued rent income	3,371,388	–	–	–	3,371,388
Accrued dividend income	1,167,120	–	–	–	1,167,120
<b>Total assets</b>	<b>₱16,286,939,055</b>	<b>₱6,584,505,175</b>	<b>₱55,469,405</b>	<b>₱112,583,350</b>	<b>₱23,039,496,985</b>
Insurance payables	₱5,425,891,233	₱17,857,440	₱–	₱–	₱5,443,748,673
Accounts payable, accrued expenses and other liabilities	4,069,421,801	2,611,965	–	–	4,072,033,766
Lease contract liabilities	59,249,418	–	–	–	59,249,418
<b>Total liabilities</b>	<b>₱9,554,562,452</b>	<b>₱20,469,405</b>	<b>₱–</b>	<b>₱–</b>	<b>₱9,575,031,857</b>

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro and other currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the foreign exchange rate).

Currency	Change in rate	Impact on income before tax	
		Increase (Decrease)	
		2021	2020
US Dollar	+ 5%	₱157,113,407	₱185,432,574
	– 5%	(157,113,407)	(185,432,574)
Euro	+ 5%	745,882	712,806
	– 5%	(745,882)	(712,806)
Others	+ 5%	1,964,288	985,567
	– 5%	(1,964,288)	(985,567)

b) *Interest Rate Risk*

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate investments in particular are exposed to such risk.

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

The following table sets out the Group's financial assets exposed to interest rate risk by maturity:

	Interest Rate	2021			Total
		Within one year	1-3 years	More than 3 years	
Cash and cash equivalents	0.25% - 4.70%	₱2,303,455,624	₱–	₱–	₱2,303,455,624
Short-term investments	0.40% - 2.0%	5,370,518	–	–	5,370,518
Financial assets at FVTPL	2.15% - 7.00%	225,026,304	100,406,066	282,225,668	607,658,038
Financial assets at FVOCI	1.3% - 8.75%	343,422,293	1,454,171,614	822,310,397	2,619,904,304
Investment securities at amortized cost	1.65% - 8.0%	172,640,149	488,811,238	1,944,525,692	2,605,977,079
Long-term commercial papers	2.5% - 7.82%	663,714,019	490,114,688	489,775,436	1,643,604,143
Notes receivable	1.00% to 8.00%	3,829,906	2,750,222	800,055	7,380,183
Security fund	4.76%	909,737	–	–	909,737
<b>Total interest-bearing financial assets</b>		<b>₱3,718,368,550</b>	<b>₱2,536,253,828</b>	<b>₱3,539,637,248</b>	<b>₱9,794,259,626</b>



	Interest Rate	2020			Total
		Within one year	1-3 years	More than 3 years	
Cash and cash equivalents	0.25% - 3.50%	₱3,361,673,101	₱—	₱—	₱3,361,673,101
Short-term investments	1.00% to 3.50%	3,589,059	—	—	3,589,059
Financial assets at FVTPL	4.00% - 6.75%	13,770,033	53,107,675	172,163,185	239,040,893
Financial assets at FVOCI	2.00% - 8.75%	740,120,879	1,309,429,049	1,069,980,066	3,119,529,994
Investment securities at amortized cost	3.00% - 7.375%	363,947,565	591,255,458	381,134,657	1,336,337,680
Long-term commercial papers	3.50% - 7.82%	279,038,733	875,739,583	492,270,832	1,647,049,148
Notes receivable	1.00% to 8.00%	4,827,868	4,542,172	694,480	10,064,520
Security fund	4.76%	909,737	—	—	909,737
<b>Total interest-bearing financial assets</b>		<b>₱4,767,876,975</b>	<b>₱2,834,073,937</b>	<b>₱2,116,243,220</b>	<b>₱9,718,194,132</b>

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the FVOCI debt securities, with all other variables held constant, of the Group's equity:

Currency	Change in basis points	Impact on equity Increase (decrease)	
		2021	2020
Philippine Peso	+ 100	₱178,640,735	₱71,052,733
U.S. Dollar	+ 100	41,051,664	45,693,790
Philippine Peso	– 100	277,428,342	87,936,899
U.S. Dollar	– 100	57,555,554	63,138,043

c) *Equity Price Risk*

The Group's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, FVOCI equity financial assets.

Such financial assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market; and careful and planned use of derivative instruments. The price risk on investments securities is also actively managed through the use of derivative financial instruments to mitigate the risk of adverse market movements.

The following table shows the equity impact of reasonably possible change of Philippine Stock Exchange index (PSEi), Morgan Stanley Capital International (MSCI) Euro, Dow Jones Euro Stoxx 50 (SX5E Index) and Hang Seng index (HIS Index):

	Change in equity prices	Impact on equity Increase (decrease)			
		PSEi	SX5E Index	DJ Stoxx	NASDAQ
2021	+(15%)	₱436,910,145	₱—	₱78,916,009	₱24,599,594
	-(15%)	(436,910,145)	—	(78,916,009)	(24,599,594)
2020	+(15%)	₱370,967,260	₱—	₱67,910,718	₱37,207,116
	-(15%)	(370,967,260)	—	(67,910,718)	(37,207,116)





## 26. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments.

	2021		2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets at FVTPL:</b>				
Equity securities:				
Listed equity securities	₹325,498,482	₹325,498,482	₹288,893,339	₹288,893,339
Debt securities:				
Private debt securities	439,067,227	439,067,227	239,040,893	239,040,893
Funds	534,535,462	534,535,462	438,522,741	438,522,741
<b>Financial assets at FVOCI</b>				
Listed equity securities:				
Common shares	4,398,592,729	4,398,592,729	3,837,521,317	3,837,521,317
Preferred shares	30,992,440	30,992,440	33,962,440	33,962,440
Unlisted equity securities:				
Common shares	319,150,847	319,150,847	292,878,749	292,878,749
Preferred shares	17,540	17,540	17,540	17,540
Government debt securities:				
Local currency	744,487,347	744,487,347	540,310,590	540,310,590
Foreign currency	191,721,105	191,721,105	582,956,827	582,956,827
Private debt securities	1,683,695,852	1,683,695,852	1,996,262,577	1,996,262,577
<b>Investments securities at amortized cost</b>				
Government debt securities:				
Local currency	2,218,293,967	2,218,293,967	757,611,646	757,611,646
Foreign currency	101,380,326	101,380,326	72,203,022	72,203,022
Private debt securities	286,302,786	286,302,786	506,523,012	506,523,012
Cash and cash equivalents	2,303,455,624	2,303,455,624	3,361,673,101	3,361,673,101
Short-term cash investments	5,370,518	5,370,518	3,589,059	3,589,059
Insurance receivables:				
Due from policyholders, agents and brokers	7,187,223,256	7,187,223,256	6,850,964,807	6,850,964,807
Due from ceding companies:				
Facultative	105,918,789	105,918,789	150,258,364	150,258,364
Treaty	631,928,239	631,928,239	281,315,840	281,315,840
Reinsurance recoverable on paid losses	1,368,780,089	1,368,780,089	640,802,867	640,802,867
Funds held by ceding companies	374,169,984	374,169,984	172,458,873	172,458,873
Accrued income:				
Financial assets at FVOCI	25,839,167	25,839,167	36,586,873	36,586,873
Investment securities at amortized cost	33,350,543	33,350,543	10,508,012	10,508,012
Long-term commercial papers	10,301,764	10,301,764	10,422,012	10,422,012
Financial assets at FVTPL	5,909,318	5,909,318	3,980,163	3,980,163
Cash and cash equivalents	1,367,223	1,367,223	1,104,350	1,104,350
Funds held by ceding companies	541,985	541,985	411,875	411,875
Security fund	145,853	145,853	145,853	145,853
Accrued rent income	3,371,388	3,371,388	3,371,388	3,371,388
Accrued dividend income	161,944	161,944	1,167,120	1,167,120
Loans and receivables:				
Long-term commercial papers	1,643,604,143	1,643,604,143	1,647,049,148	1,647,049,148
Account receivable	58,150,863	58,150,863	53,182,467	53,182,467
Notes receivable	6,282,306	6,282,306	8,966,643	8,966,643
Cash advances	1,961,550	1,961,550	891,994	891,994
Security fund	909,737	909,737	909,737	909,737
<b>Total financial assets</b>	<b>₹25,042,480,393</b>	<b>₹25,042,480,393</b>	<b>₹22,826,465,239</b>	<b>₹22,826,465,239</b>

(Forward)



	2021		2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Other financial liabilities</b>				
<b>Insurance payables</b>				
Due to reinsurers and ceding companies	₱3,569,082,604	₱3,569,082,604	₱3,619,662,884	₱3,619,662,884
Funds held for reinsurers	2,061,401,066	2,061,401,066	1,824,085,789	1,824,085,789
<b>Accounts payable, accrued expenses and other liabilities:</b>				
Accounts payable	2,359,765,880	2,359,765,880	1,362,584,747	1,362,584,747
Commissions payable	1,090,907,521	1,090,907,521	979,306,133	979,306,133
Accrued expenses	177,305,717	177,305,717	227,553,357	227,553,357
Surety deposits	74,150,307	74,150,307	179,974,178	179,974,178
Others	48,780,632	48,780,632	30,966,012	30,966,012
<b>Total financial liabilities</b>	<b>₱9,381,393,727</b>	<b>₱9,381,393,727</b>	<b>₱8,224,133,100</b>	<b>₱8,224,133,100</b>

Fair values of financial assets are estimated as follows:

*Cash and cash equivalents, short-term investments*

The fair value approximates the carrying amounts due to the short-term nature of the transactions.

*Debt securities*

The fair values are based on quoted market prices.

*Equity securities*

Fair values of quoted equity securities are based on quoted market prices. Fair values of unquoted equity securities are derived based on the adjusted net asset value method.

*Insurance receivables, accrued income, short-term loans and receivables (including notes receivable, long-term investments and security fund), insurance payables, accounts payable and accrued expenses*

The fair values approximate the carrying amounts due to the short-term nature of the transactions.

*Long-term loans and receivables*

The fair value of long-term loans and receivables is estimated using discounted cash flow technique that makes use of BVAL rates in 2021 and 2020.

Fair Value Hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	December 31, 2021			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at fair value:</b>				
Financial assets at FVTPL:				
Equity securities:				
Listed equity securities	₱325,498,482	₱—	₱—	₱325,498,482
Debt securities:				
Private debt securities	439,067,227	—	—	439,067,227
Funds	459,672,500	74,862,962	—	534,535,462
Financial assets at FVOCI:				

(Forward)



December 31, 2021				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Listed equity securities:				
Common shares	₱4,398,592,729	₱–	₱–	₱4,398,592,729
Preferred shares	30,992,440	–	–	30,992,440
Unlisted equity securities:				
Common shares	–	318,858,433	292,414	319,150,847
Preferred shares	–	17,540	–	17,540
Government debt securities:				
Local currency	744,487,347	–	–	744,487,347
Foreign currency	191,721,105	–	–	191,721,105
Private debt securities	1,275,683,096	408,012,757	–	1,683,695,853
Investments securities at amortized cost				
Government debt securities:				
Local currency	2,218,293,967	–	–	2,218,293,967
Foreign currency	101,380,326	–	–	101,380,326
Private debt securities	286,302,786	–	–	286,302,786
	10,471,692,005	801,751,692	292,414	11,273,736,111
<b>Assets for which fair values are disclosed:</b>				
Loans and receivables				
Long-term commercial papers	–	1,643,604,143	–	1,643,604,143
Notes Receivables	–	6,282,306	–	6,282,306
Investment properties	–	–	26,697,764	26,697,764
	–	1,649,886,449	26,697,764	1,676,584,213
	₱10,471,692,005	₱2,451,638,141	₱26,990,178	₱12,950,320,324

December 31, 2020				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVTPL:				
Equity securities:				
Listed equity securities	₱288,893,339	₱–	₱–	₱288,893,339
Debt securities:				
Private debt securities	239,040,893	–	–	239,040,893
Funds	380,987,681	57,535,060	–	438,522,741
Financial assets at FVOCI:				
Listed equity securities:				
Common shares	3,837,521,317	–	–	3,837,521,317
Preferred shares	33,962,440	–	–	33,962,440
Unlisted equity securities:				
Common shares	–	292,586,335	292,414	292,878,749
Preferred shares	–	17,540	–	17,540
Government debt securities:				
Local currency	540,310,590	–	–	540,310,590
Foreign currency	582,956,827	–	–	582,956,827
Private debt securities	1,996,262,577	–	–	1,996,262,577

(Forward)



	December 31, 2020			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments securities at amortized cost				
Government debt securities:				
Local currency	₱757,611,646	₱–	₱–	₱757,611,646
Foreign currency	72,203,022	–	–	72,203,022
Private debt securities	506,523,012	–	–	506,523,012
	9,236,273,344	350,138,935	292,414	9,586,704,693
Assets for which fair values are disclosed:				
Loans and receivables				
Long-term commercial papers	–	1,647,049,148	–	1,647,049,148
Notes Receivables	–	8,966,643	–	8,966,643
Investment properties	–	–	26,764,652	26,764,652
	–	1,656,015,791	26,764,652	1,682,780,443
	₱9,236,273,344	₱2,006,154,726	₱27,057,066	₱11,269,485,136

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data

During the reporting period ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Outstanding balances as of year-end are unsecured and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2021 and 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.



	2021		2020			
Category	Amount / Volume	Outstanding Receivables (Payables)	Amount / Volume	Outstanding Receivable (Payable)	Terms	Conditions
<i>Other related parties</i>						
<i>Y Realty Corporation</i>						
Rent expense	(P16,157,449)	(P11,088,133)	P15,408,616	(P2,860,136)	Non-interest bearing; on demand	Unsecured; no impairment
Lease contract liability	13,040,567	(1,082,189)	14,281,753	(13,580,130)	Non-interest bearing; on demand	Unsecured; no impairment
<i>RCBC Bankard</i>						
Shared expenses	(29,060,681)	(29,060,681)	(11,855,003)	(21,668,374)	Non-interest bearing; on demand	Unsecured; no impairment
<i>HI</i>						
Investment in FVOCI Equity securities	(16,619,177)	135,432,326	(41,724,742)	142,147,003	—	Unsecured; no impairment
<i>RCBC</i>						
Cash in bank	(982,171,707)	1,094,781,624	1,675,359,329	2,076,831,057	Non-interest bearing	Unsecured; no impairment
Short-term deposits	(48,536,412)	876,222,387	(143,460,685)	924,758,799	6 to 35-day term; interest at 0.075% - 4.00% p.a.	6 to 35-day term; interest at 0.075% - 4.00% p.a.
Investment in FVOCI						
Debt securities	4,249,323	119,670,683	(2,368,309)	115,421,360	Maturing in 2023, interest rate at 4.125%	Maturing in 2023, interest rate at 4.125% Unsecured; no impairment
Stocks	82,340,238	1,470,361,400	(310,944,448)	1,388,021,162	—	—
Debt securities at amortized cost	(131,549,450)	173,396,600	(143,182,242)	304,946,050	Maturing in 2023, interest rate at 3.45% to 4.25%	Maturing in 2023, interest rate at 3.45% to 4.25%
Long-term commercial papers	(50,000,000)	400,000,000	29,944,250	450,000,000	Maturing in 2022 and 2024, interest at 4.125% - 6.7315% p.a.	Maturing in 2022 and 2024, interest at 4.125% - 6.7315% p.a.
Interest and dividend income:						
Cash in bank	114,055	—	746,218	—	Non-interest bearing	Unsecured; no impairment
Short-term deposits	(6,436,282)	2,235,736	(8,428,716)	8,672,018	Interest at 0.0025% - 3.75% p.a..	Interest at 0.0025% - 3.75% p.a.
Investment in FVOCI:						
Equity Securities	35,656,264	26,971,672	41,070,647	33,441,507	—	—
Private Debt Securities	106,474	4,445,474	3,046,364	4,339,000	—	—
Debt securities at amortized cost	(4,691,428)	7,312,263	7,529,757	12,003,691	—	—
Long-term Commercial papers	(2,457,129)	20,180,875	20,415,191	22,638,004	—	—
<i>Ipeople</i>						
Financial Assets:						
Equity securities at FVOCI	(65,375,192)	227,349,547	—	292,724,739	—	—
Dividend income	9,738,082	9,738,082	—	—	—	—

(Forward)



Category	2021	Outstanding Receivables (Payables)	2020	Outstanding Receivable (Payable)	Terms	Conditions
	Amount / Volume		Amount / Volume			
<b>GPL Holdings, Inc.</b>						
Financial Assets:						
Equity securities at FVOCI	<b>₱9,849,286</b>	<b>₱10,929,530</b>	<b>₱—</b>	<b>₱1,080,244</b>	—	—
<b>EEI Corporation</b>						
Financial Assets:						
Equity securities at FVOCI	<b>(1,488,190)</b>	<b>8,874,528</b>	—	10,362,718	—	—
<b>YGC Corporate Services, Inc.</b>						
Financial Assets:						
Equity securities at FVOCI	—	<b>9,471,160</b>	—	9,471,160	—	—
<b>Sun Life Grepa</b>						
Financial Assets:						
Funds at FVTPL	<b>(1,253,871)</b>	<b>28,883,402</b>	—	30,137,273	—	—
<b>PetroGreen Energy Corporation</b>						
Financial Assets:						
Equity securities at FVOCI	<b>9,331,969</b>	<b>121,917,660</b>	(37)	112,585,691	—	—

Significant transactions with related parties include:

The outstanding receivables and payables are to be settled in cash.

MEI, RCBC, RCBC Bankard, HI, FLMC, iPeople, GPL, EEI, YGCCSI, Sun Life Grepa and Petro Green Energy Corporation are subsidiaries of PMMIC, the holding company of the flagship institutions of the Yuchengco Group of Companies.

Key management personnel of the Group include senior management. The total short-term employee benefits of the Group's key management personnel amounted to ₱7.67 million and ₱9.5 million in 2021 and 2020. As of December 31, 2021 and 2020, the total long-term employee benefits of the Group's key management personnel amounted to ₱130.32 million and ₱161.00 million, respectively.

## 28. Capital Management

### Governance Framework

The primary objective of the Group's risk and financial management framework is to protect the Group from events that hinder the sustainable achievement of the Group's performance objectives, including failure to exploit opportunities. The Group recognizes the importance of having efficient and effective risk management systems in place.

### Regulatory Framework

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

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

As mandated by the IC, most of the additional capital infusions are invested in government securities.





### Capital Management Framework

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

- a) to maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
- b) to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- c) to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- d) to align the profile of assets and liabilities taking account of risks inherent in the business;
- e) to maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- f) to maintain strong credit ratings and healthy capital ratios in order to support the Group's business objectives and maximize shareholders' value.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Group has met all of these requirements throughout the financial year.

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the IC directives, including any additional amounts required by the regulator.

The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders and policyholders. The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

### **Fixed Capitalization Requirements**

On August 15, 2013, the President of the Philippines approved Republic Act No. 10607 known as the "New Insurance Code" which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance per New Insurance Code:

<b>Networth</b>	<b>Compliance Date</b>
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022



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

The Group's estimated statutory net worth amounted to ₱3.98 billion and ₱4.00 billion as of December 31, 2021 and 2020, respectively.

#### *Unimpaired capital requirement*

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

#### **New regulatory framework**

Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

Circular Letter No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

Circular Letter 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. This circular letter superseded Circular Letter No. 2015-32. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75<sup>th</sup> percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the Insurance Commission.

Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

#### *Implementation requirements and transition accounting*

Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital Framework*. The new regulatory requirements under circular letters 2016-65, 2016-67 and 2016-68 as discussed in the three (3) preceding circular letters shall take effect beginning January 1, 2017.



Circular Letter No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the revaluation of the reserves for Claims and Premiums Liabilities computed based on the new valuation standards for non-life insurance policy reserves as provided under CL No. 2016-67, shall be recognized in Retained Earnings - Transition Adjustments account. All changes in valuation shall be measured net of any tax effect.

Circular Letter 2018-18, *New Standards for Non-Life Insurance Policy Reserves*, superseded Circular Letters 2016-06 and 2016-67. Under this methodology of determining the ultimate premium liability, the concept of deferred acquisition cost is introduced. The premium liability to be recognized is the higher of the unearned premium reserve net of deferred acquisition cost or the unearned risks reserve.

Circular Letter 2018-19, *Implementation Requirements for Financial Reporting*, Valuation Standards for Insurance Policy Reserves and Amended Risk Based Capital (RBC2) framework prescribes that the Margin of Adverse Deviation (MFAD) should be company specific as computed by IC-accredited actuary. Insurance companies are allowed to use 50% of their computed MFAD for 2018 and 100% in 2019.

Circular Letter No. 2020-58, *Regulatory Relief on the Admittance of Premiums Receivable due to COVID-19 Pandemic*, prescribes the relaxation of the admittance rule over Premium Receivable account from 90 days to 180 days from the date of issuance of the policies. This rule shall be applied to annual and quarterly financial reports for the year 2020 unless extended or changed as deemed necessary by the Commission.

Circular Letter No. 2021-43, *Extension of the Regulatory Relief on the Admittance of Premiums Receivable due to the COVID-19 Pandemic*, prescribes the extension of previous circular 2020-58 on the admittance rule over Premium Receivable from 90 days to 180 days from date of issuance of policies for the reporting year 2021.

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## 29. Contingencies

The Group operates in the insurance industry and has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

