Reference No : 122000035565691
Date Filed : May 07, 2020 03:20 PM
Batch Number : 0

For BIR Use Only BCS/ Item

1702-RT06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-RT** June 2013 Page 1

1 For (X) Calendar ( ) Fiscal
2 Year Ended (MM/20YY) 12 2019
3 Amended Return? ( ) Yes (X) No
4 Short Period Return? ( ) Yes (X) No
5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) [X]

Part I - Background Information

6 Taxpayer Identification Number (TIN) 204 - 962 - 522 - 000
7 RDO Code 125
8 Date of Incorporation/Organization (MM/DD/YYYY) 07/28/1999
9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*
SUN LIFE OF CANADA PHILIPPINES INC.
10 Registered Address *(Indicate complete registered address)*
2/F SUN LIFE CENTRE, 5TH AVE COR RIZAL DRIVE, BONIFACIO GLOBAL CITY TAGUIG CITY
11 Contact Number 8499988
12 Email Address jtole@sunlife.com
13 Main Line of Business LIFE INSURANCE
14 PSIC Code 6701
15 Method of Deductions (X) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable

(Do NOT enter Centavos)

16 Total Income Tax Due (Overpayment) *(From Part IV Item 44)*	89,470,191
17 Less: Total Tax Credits/Payments *(From Part IV Item 45)*	556,271,913
18 Net Tax Payable (Overpayment) *(Item 16 Less Item 17) (From Part IV Item 46)*	(466,801,722)
19 Add: Total Penalties *(From Part IV Item 50)*	0
20 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 18 and 19) (From Part IV Item 51)*	(466,801,722)

21 If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*
( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) (X) To be carried over as tax credit next year/quarter

We declare under th[e penalties of perjury th]at this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Co[de, as amended, and th]e regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

ALEXANDER S. NARCISO
Signature over printed name of President/Principal Officer/Authorized Representative

MARIA JOSEFINA A. CASTILLO
Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory PRESIDENT
Number of pages filed 8

22 (X) Community Tax Certificate (CTC) Number ( ) SEC Reg No. 129297
23 Date of Issue (MM/DD/YYYY) 01/03/2020
24 Place of Issue TAGUIG CITY
25 Amount, if CTC 10,500

Part III - Details of Payment

Details of Payment	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(If not filed with an Authorized Agent Bank)*

Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 25 2020 REG
RECEIVED
CHEENEE O. DEL ROSARIO

Annual Income Tax Return
Page 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P2

Taxpayer Identification Number (TIN)	Registered Name
204 -962 -522 -000	SUN LIFE OF CANADA PHILIPPINES INC.

Part IV - Computation of Tax *(Do NOT enter Centavos)*

30 Net Sales/Revenues/Receipts/Fees *(From Schedule 1 Item 6)*		39,535,308,148
31 Less: Cost of Sales/Services *(From Schedule 2 Item 27)*		47,734,909,755
32 Gross Income from Operation *(Item 30 Less Item 31)*		(8,199,601,607)
33 Add: Other Taxable Income Not Subjected to Final Tax *(From Schedule 3 Item 4)*		12,673,111,151
34 Total Gross Income *(Sum of Items 32 & 33)*		4,473,509,544
Less: Deductions Allowable under Existing Law		
35 Ordinary Allowable Itemized Deductions *(From Schedule 4 Item 40)*	1,122,293,119	
36 Special Allowable Itemized Deductions *(From Schedule 5 Item 5)*	0	
37 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)*	3,351,216,425	
38 Total Itemized Deductions *(Sum of Items 35 to 37)*	4,473,509,544	
OR [in case taxable under Sec 27(A) & 28(A)(1)]		
39 Optional Standard Deduction *(40% of Item 34)*	0	
40 Net Taxable Income *(Item 34 Less Item 38 OR 39)*		0
41 Income Tax Rate		30.0%
42 Income Tax Due other than MCIT *(Item 40 x Item 41)*		0
43 Minimum Corporate Income Tax (MCIT) *(2% of Gross Income in Item 34)*		89,470,191
44 Total Income Tax Due *(Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)*		89,470,191
45 Less: Total Tax Credits/Payments *(From Schedule 7 Item 12) (To Part II Item 17)*		556,271,913
46 Net Tax Payable (Overpayment) *(Item 44 Less Item 45) (To Part II Item 18)*		(466,801,722)
Add Penalties		
47 Surcharge	0	
48 Interest	0	
49 Compromise	0	
50 Total Penalties *(Sum of Items 47 to 49) (To part II Item 19)*		0
51 Total Amount Payable (Overpayment) *(Sum Item 46 & 50) (To Part II Item 20)*		(466,801,722)

Part V - Tax Relief Availment *(Do NOT enter Centavos)*

52 Special Allowable Itemized Deductions *(30% of Item 36)*	0
53 Add: Special Tax Credits *(From Schedule 7 Item 9)*	0
54 Total Tax Relief Availment *(Sum of Items 52 & 53)*	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent

NAVARRO AMPER AND CO.

56 TIN 005 - 299 - 331 - 000

57 Name of Signing Partner *(If External Auditor is a Partnership)*

BONIFACIO F. LUMACANG, JR.

58 TIN 170 - 035 - 681 - 000

59 BIR Accreditation No.	60 Issue Date *(MM/DD/YYYY)*	61 Expiry Date *(MM/DD/YYYY)*
08 -002552 -018 -2018	01/26/2018	01/26/2021

Annual Income Tax Return

Page 3 - Schedules 1 & 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P3

Taxpayer Identification Number (TIN)	Registered Name
204 -962 -522 -000	SUN LIFE OF CANADA PHILIPPINES INC.

Schedule 1 - Sales/Revenues/Receipts/Fees *(Attach additional sheet/s, if necessary)*

1 Sale of Goods/Properties	0
2 Sale of Services	39,535,308,148
3 Lease of Properties	0
4 Total *(Sum of Items 1 to 3)*	39,535,308,148
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees *(Item 4 Less Item 5) (To Part IV Item 30)*	39,535,308,148

Schedule 2 - Cost of Sales *(Attach additional sheet/s, if necessary)*

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale *(Sum of Items 1 & 2)*	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales *(Item 3 Less Item 4) (To Schedule 2 Item 27)*	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use *(Sum of Items 6 & 7)*	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used *(Item 8 Less Item 9)*	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost *(Sum of Items 10, 11 & 12)*	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured *(Sum of Items 13 & 14 Less Item 15)*	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold *(Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)*	0

Schedule 2C - Cost of Services

(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	1,599,389,805
21 Direct Charges - Materials, Supplies and Facilities	322,652,097
22 Direct Charges - Depreciation	275,347,229
23 Direct Charges - Rental	463,106,429
24 Direct Charges - Outside Services	69,341,087
25 Direct Charges - Others	45,005,073,108
26 Total Cost of Services *(Sum of Items 20 to 25) (To Item 27)*	47,734,909,755
27 Total Cost of Sales/Services *(Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)*	47,734,909,755

Annual Income Tax Return
Page 4 - Schedules 3 & 4

BIR Form No. **1702-RT** June 2013

1702-RT06/13P4

Taxpayer Identification Number (TIN)	Registered Name
204 -962 -522 -000	SUN LIFE OF CANADA PHILIPPINES INC.

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1 INTEREST INCOME	420,823,675
2 FEE INCOME	11,358,938,802
3 OTHERS	893,348,674
4 Total Other Taxable Income Not Subjected to Final Tax *(Sum of Items 1 to 3) (To Part IV Item 33)*	12,673,111,151

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Advertising and Promotions	0
Amortizations *(Specify on Items 2, 3 & 4)*	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	74,751,865
7 Commissions	0
8 Communication, Light and Water	49,872,295
9 Depletion	0
10 Depreciation	225,297,426
11 Director's Fees	0
12 Fringe Benefits	0
13 Fuel and Oil	0
14 Insurance	9,373,051
15 Interest	0
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	87,757,653
20 Office Supplies	0
21 Other Services	12,905,351
22 Professional Fees	230,696,034
23 Rental	4,342,084
24 Repairs and Maintenance - (Labor or Labor & Materials)	0
25 Repairs and Maintenance - (Materials/Supplies)	145,331,742
26 Representation and Entertainment	47,818
27 Research and Development	0
28 Royalties	0
29 Salaries and Allowances	116,554,752

Annual Income Tax Return

Page 5 - Schedules 4, 5 & 6

BIR Form No. **1702-RT** June 2013

1702-RT06/13P5

Taxpayer Identification Number (TIN) 204 -962 -522 -000

Registered Name SUN LIFE OF CANADA PHILIPPINES INC.

Schedule 4 - Ordinary Allowable Itemized Deductions *(Continued from Previous Page)*

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	1,297,558
32 Taxes and Licenses	126,867,607
33 Tolling Fees	0
34 Training and Seminars	24,020,760
35 Transportation and Travel	10,195,677
Others *[Specify below; Add additional sheet(s), if necessary]*	
36 REALIZED FOREIGN EXCHANGE LOSS	2,784,561
37 BANK CHARGES	196,885
38	0
39	0
40 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 39) (To Part IV Item 35)*	1,122,293,119

Schedule 5 - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 36)*			0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 34)*	0
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	0
3 Net Operating Loss *(To Schedule 6A)*	0

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

	Net Operating Loss		
	Year Incurred	A) Amount	B) NOLCO Applied Previous Year
4		0	0
5	2017	10,248,177,743	0
6	2016	5,885,827,016	0
7		0	0

Continuation of Schedule 6A *(Item numbers continue from the table above)*

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4	0	0	0
5	0	0	10,248,177,743
6	2,534,610,591	3,351,216,425	0
7	0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV Item 37)*		3,351,216,425	

Annual Income Tax Return

Page 6 - Schedules 7, 8 & 9

BIR Form No. **1702-RT** June 2013

1702-RT06/13P6

Taxpayer Identification Number (TIN)	Registered Name
204 - 962 - 522 - 000	SUN LIFE OF CANADA PHILIPPINES INC.

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1	Prior Year's Excess Credits Other Than MCIT	518,866,701
2	Income Tax Payment under MCIT from Previous Quarter/s	0
3	Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4	Excess MCIT Applied this Current Taxable Year *(From Schedule 8 Item 4F)*	0
5	Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	16,878,276
6	Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	20,526,936
7	Foreign Tax Credits, if applicable	0
8	Tax Paid in Return Previously Filed, if this is an Amended Return	0
9	Special Tax Credits *(To Part V Item 53)*	0
	Other Credits/Payments *(Specify)*	
10		0
11		0
12	**Total Tax Credits/Payments** *(Sum of Items 1 to 11) (To Part IV Item 45)*	556,271,913

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4	**Total Excess MCIT** *(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)*		0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1	Net Income/(Loss) per books	8,684,117,697
	Add: Non-deductible Expenses/Taxable Other Income	
2	AMORTIZATION OF BOND PREMIUM	285,736,541
3	OTHERS	866,786,657
4	**Total** *(Sum of items 1 to 3)*	9,836,640,895
	Less: A) Non-taxable Income and Income Subjected to Final Tax	
5	AMORTIZATION OF BOND DISCOUNT	28,771,009
6	OTHERS	6,456,653,461
	B) Special Deductions	
7	NOLCO APPLIED	3,351,216,425
8		0
9	**Total** *(Sum of Items 5 to 8)*	9,836,640,895
10	**Net Taxable Income (Loss)** *(Item 4 Less Item 9)*	0

Annual Income Tax Return

Page 8 - Schedules 12 & 13

BIR Form No. **1702-RT** June 2013

1702-RT06/13P8

Taxpayer Identification Number (TIN)	Registered Name
204 -962 -522 -000	SUN LIFE OF CANADA PHILIPPINES INC.

Schedule 12 - Supplemental Information *(Attach additional sheet/s, if necessary)*

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	7,240,185,022	1,374,869,573
2 Royalties	0	0	0
3 Dividends	193,913,179	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property *(e.g. land, improvement, etc.)*		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind*(PS/CS)*/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income *(Specify)*	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended *(Specify)*		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid *(Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)*	1,374,869,573

Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium *(Actual Amount/Fair Market Value)*	0

I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property *(e.g. land, improvement, etc.)*		
3 Modes of Transfer *(e.g Donation)*		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended *(Specify)*	GAIN ON SALE OF BONDS	
7 Actual Amount/Fair Market Value/Net Capital Gains	397,424,833	

8 Total Income Receipts Exempt From Income Tax *(Sum of Items 1, 5A, 5B, 7A & 7B)*	397,424,833

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	:204-962-522-000
Name	:SUN LIFE OF CANADA PHILIPPINES INC.
RDO	:125
Form Type	:1702
Reference No.	:122000035565691
Amount Payable / (Over Remittance)	:-466801722.00
Accounting Type	:C - Calendar
For Tax Period	:12/31/2019
Date Filed	:05/07/2020
Tax Type	:IT

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 25 2020 REG
RECEIVED
CHEENEE O. DEL ROSARIO

Jovy S Tolentino

From: esubmission <esubmission@bir.gov.ph>
Sent: Sunday, June 21, 2020 8:05 PM
To: Jovy S Tolentino
Subject: eSubmission Validation Report

CAUTION This email originated from outside the organization. Please proceed only if you trust the sender.

ACKNOWLEDGEMENT RECEIPT NUMBER: 20200621-K421916

This is to confirm receipt of the file(s) as stated below:

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No. of valid file(s) : 1
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We have validated your submission in compliance with existing BIR regulations.

Find below the details of your submission:

Date of Submission: 6/15/2020 11:00:06 PM
Filename(s):

1. Attachment : 2049625220000122019l702.ZIP
   A. 2049625220000122019l702.DAT - VALID
   CONFIRMATION RECEIPT NUMBER - 2020-0000545375

VALIDATION REPORT:
1. Attachment : 2049625220000122019l702.ZIP
   A. Attachment (zipped): 2049625220000122019l702.DAT
   TIN of Withholding Agent TIN: 204962522-0000
   Alphalist Form : 1702
   Taxable Month : 12/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 25 2020 REG
RECEIVED
CHEENEE O. DEL ROSARIO

Sun Life Financial

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of Sun Life of Canada (Philippines), Inc. (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2019 and the accompanying Annual Income Tax Return are, in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

c. The Company has filed all applicable tax returns, reports and statements required to be filed under the Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JOSE ISIDRO CAMACHO
Chairman of the Board

ALEXANDER S. NARCISO
President

MARIA JOSEFINA A. CASTILLO
Treasurer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 25 2020 REG
RECEIVED
CHRENFFO. DEL ROSARIO

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Six/NEO Building
5th Avenue corner 26th Street
Bonifacio Global City, 1634 Taguig
Philippines

Tel: +63 2 8581 9000
Fax: +63 2 8869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-5

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN

Bureau of Internal Revenue
BIR Building, East Triangle
Diliman, Quezon City

Gentlemen:

In connection with our audit of the statement of financial position of Sun Life of Canada (Philippines), Inc. as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, on which we have rendered our report dated March 4, 2020, and in compliance with the Statement required by Section 8 - A of Revenue Regulations V-1, as amended by Revenue Regulations V-20, we state that no partner of our Firm is related by consanguinity or affinity to any of the principal officers of the Company.

Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
IC A. N. 0004-IC, issued on February 28, 2020; effective until February 27, 2025
TIN 005299331

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 25 2020 REG
RECEIVED
CHEENEE O. DEL ROSARIO

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
IC A. N. 98090-IC, issued February 19, 2020, effective until February 18, 2025
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
March 4, 2020

Deloitte.

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Six/NEO Building
5th Avenue corner 26th Street
Bonifacio Global City, 1634 Taguig
Philippines

Tel: +63 2 8581 9000
Fax: +63 2 8869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-5

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sun Life of Canada (Philippines), Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 46 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
IC A. N. 0004-IC, issued on February 28, 2020; effective until February 27, 2025
TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
IC A. N. 98090-IC, issued February 19, 2020, effective until February 18, 2025
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
March 4, 2020

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 25 2020 REG
RECEIVED
CHEENEE O. DEL ROSARIO

SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	2019	2018
ASSETS			
Cash and cash equivalents	6	**P 7,679,622,935**	P 4,244,097,083
Financial assets at fair value through profit or loss	11	**128,588,442,269**	116,712,654,880
Available-for-sale financial assets	7	**100,176,892,507**	83,611,798,290
Uncollected policyholder premiums	28	**451,863,371**	457,061,762
Policyholders' loans	12	**7,081,948,319**	7,151,155,198
Loans and receivables	8	**4,447,713,295**	5,244,661,427
Due from related parties	17	**30,931,682**	34,494,065
Investment income earned and accrued	13	**2,209,223,786**	2,121,006,809
Other receivables	18	**649,199,318**	509,856,947
Loan to fellow subsidiary	17	**2,476,845,152**	2,300,533,064
Investments in associate	10	**440,494,497**	506,714,995
Investments in subsidiaries	9	**649,479,111**	1,005,360,590
Intangible assets - net	15	**29,666,666**	117,865,180
Retirement benefit assets	36	**124,414,000**	331,406,900
Leasehold, property and equipment - net	14	**3,003,046,236**	1,980,779,044
Investment property - net	16	**595,464,836**	636,307,195
Prepaid taxes	19	**484,381,333**	531,602,046
Prepayments and other assets	20	**746,873,838**	504,418,106
TOTAL ASSETS		**P259,866,503,151**	P228,001,773,581
LIABILITIES AND EQUITY			
Liabilities			
Variable unit-linked liabilities	21	**P128,778,459,558**	P 114,480,636,651
Insurance contract liabilities	22	**54,965,212,784**	51,144,332,091
Due to policyholders	23	**28,195,743,330**	27,902,125,613
Due to related parties	17	**232,559,635**	119,426,738
Accounts payable, accrued expenses and other liabilities	24	**5,788,411,627**	4,810,301,172
		217,960,386,934	198,456,822,265
Equity			
Share capital	25	**500,000,200**	500,000,200
Reserves	26	**12,494,783,912**	2,321,526,420
Retained earnings		**28,911,332,105**	26,723,424,696
		41,906,116,217	29,544,951,316
TOTAL LIABILITIES AND EQUITY		**P259,866,503,151**	P228,001,773,581

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 25 2020 REG
RECEIVED
CHEENEE O. DEL ROSARIO

SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended Decemeber 31	
	Notes	**2019**	**2018**
Revenue			
Gross premiums	28	**P40,087,613,662**	P 37,812,493,651
Less: Premiums ceded	28	**552,305,514**	447,663,306
Premiums - net		**39,535,308,148**	37,364,830,345
Investments income - net	29	**14,700,213,580**	(1,531,610,657)
Fee income	30	**684,136,944**	603,123,129
Other income	31	**991,288,768**	1,006,129,540
		55,910,947,440	37,442,472,357
Benefits and Expenses			
Variable unit-linked fund allocation	21	**14,277,064,966**	2,178,884,251
Decrease in insurance contract liabilities	22	**(1,546,674,268)**	(1,462,213,280)
Surrenders and maturities	23	**14,139,623,107**	9,825,956,828
Death, disability and other policy benefits	23	**4,649,323,436**	4,748,632,751
Commissions, bonuses and other agents' expenses	32	**9,320,715,519**	7,911,008,435
General and administrative expenses	33	**5,925,954,477**	4,977,392,063
Insurance taxes, licenses and fees	34	**460,822,506**	409,373,321
		47,226,829,743	28,589,034,369
Income Before Tax		**8,684,117,697**	8,853,437,988
Income tax expense	39	**1,496,210,288**	1,378,251,439
Profit for the Year		**7,187,907,409**	7,475,186,549
Other Comprehensive Income (Loss)			
Items that will not be reclassified to profit or loss			
Remeasurement of actuarial liability	22	**(5,367,554,961)**	9,677,278,329
Remeasurement of defined benefit obligation	36	**(210,034,700)**	489,396,400
Defined benefit obligation transferred to a to a related party	36	-	28,731,923
Item that will be reclassified to profit or loss			
Net gain (loss) on fair value measurement	26	**15,750,847,153**	(12,878,626,207)
Other Comprehensive Income (Loss)		**10,173,257,492**	(2,683,219,555)
Total Comprehensive Income for the Year		**P17,361,164,901**	P 4,791,966,994

See Notes to Financial Statements.

SUNLIFE OF CANADA (PHILIPPINES), INC.
(A Wholly-Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.)
STATEMENTS OF CHANGES IN EQUITY

					For the Years Ended December 31					
					Reserves					
	Notes	Share Capital	Contributed Surplus	Contingency Surplus	Investment Revaluation Surplus	Remeasurement of Define Benefit Obligation	Remeasurement of Life Insurance Measurement	Total	Retained Earnings	Total
Balance, January 1, 2018		P500,000,200	P50,000,000	P2,826,225,200	P8,708,664,324	(P44,685,715)	(P6,535,457,834)	P5,004,745,975	P24,748,238,147	P30,252,984,322
Profit for the year		-	-	-	-	-	-	-	7,475,186,549	7,475,186,549
Other comprehensive income (loss) - net	26, 36	-	-	-	(12,878,626,207)	518,128,323	9,677,278,329	(2,683,219,555)	-	(2,683,219,555)
Total comprehensive income		-	-	-	(12,878,626,207)	518,128,323	9,677,278,329	(2,683,219,555)	7,475,186,549	4,791,966,994
Transaction with owners:										
Dividends declared and paid	27	-	-	-	-	-	-	-	(5,500,000,000)	(5,500,000,000)
Balance, December 31, 2018		500,000,200	50,000,000	2,826,225,200	(4,169,961,883)	473,442,608	3,141,820,495	2,321,526,420	26,723,424,696	29,544,951,316
Profit for the year		-	-	-	-	-	-	-	7,187,907,409	7,187,907,409
Other comprehensive income - net	26, 36	-	-	-	15,750,847,153	(210,034,700)	(5,367,554,961)	10,173,257,492	-	10,173,257,492
Total comprehensive income		-	-	-	15,750,847,153	(210,034,700)	(5,367,554,961)	10,173,257,492	7,187,907,409	17,361,164,901
Transaction with owners:										
Dividends declared and paid	27	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)
Balance, December 31, 2019		P500,000,200	P50,000,000	P2,826,225,200	P11,580,885,270	P263,407,908	(P2,225,734,466)	P12,494,783,912	P28,911,332,105	P41,906,116,217

See Notes to Financial Statements.

SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF CASH FLOWS

		For the Years Ended December 31	
	Notes	2019	2018
Cash Flows from Operating Activities			
Income before tax		**P 8,684,117,697**	P 8,853,437,988
Adjustments for:			
Depreciation and amortization	33	**802,103,114**	412,851,749
Unrealized losses (gains) on foreign exchange-net	7	**1,011,788,326**	(1,525,897,095)
Unrealized fair value (gain) loss on financial assets at FVTPL	11	**(5,241,279,305)**	11,156,475,809
Impairment loss on available-for-sale financial assets	7	**144,879,830**	68,590,306
Impairment loss on investment in a subsidiary	9	**355,881,479**	-
Realized fair value loss (gain) from :			
Available-for-sale financial assets and investment in associate	29	**(358,161,151)**	(151,056,955)
Financial assets at FVTPL	29	**(1,215,733,229)**	898,933,294
Gain on disposal of leasehold, property and equipment	31	**(4,627,483)**	(7,036,421)
Interest income	29, 31	**(8,414,080,788)**	(8,324,153,495)
Dividend income	29	**(1,626,052,469)**	(1,406,231,498)
Decrease in insurance contract liabilities	22	**(1,546,674,268)**	(1,462,213,280)
Interest expense on lease liability		**45,779,365**	-
Dividends to policyholder	23	**1,745,873,562**	1,852,747,078
Interest on dividends to policyholder	23	**1,249,480,262**	1,346,071,754
Retirement benefit expense	36	**56,486,000**	99,241,100
Operating cash flows before working capital changes		**(4,310,219,058)**	11,811,760,333
Decrease (Increase) in:			
Uncollected policyholder premiums		**5,198,391**	(49,017,881)
Receivable from agents and employees		**(12,980,464)**	14,549,632
Due from related parties		**3,562,383**	190,418,422
Other receivables		**(139,342,371)**	290,604,026
Prepayments and other assets		**(242,455,732)**	(20,418,137)
Increase (Decrease) in:			
Variable unit -linked liabilities		**14,297,822,907**	2,148,680,801
Due to policyholders		**107,122,246**	649,150,665
Due to related parties		**113,132,897**	106,827,709
Accounts payable, accrued expenses and other liabilities		**260,721,516**	1,252,111,690
Cash generated from operations		**10,082,562,715**	16,394,667,260
Income taxes paid		**(1,448,989,575)**	(1,406,342,539)
Interest and dividends paid to policyholders		**(2,808,858,353)**	(3,198,818,832)
Contributions paid to retirement plan	36	**(59,527,800)**	(84,637,900)
Settlement of DBO to a related party		**-**	(61,959,278)
Net cash generated from operating activities		**5,765,186,987**	11,642,908,711

(Forward)

	Notes		
Net cash from operating activities *(balance forwarded)*		**P 5,765,186,987**	P 11,642,908,711
Cash Flows from Investing Activities			
Interest received from:			
Guaranteed loans		**379,645,162**	227,314,027
Receivables from agents and employees		**11,543,967**	11,407,194
Policyholders' loans		**699,740,533**	721,060,067
Investments in available-for-sale financial assets		**5,615,073,338**	5,991,789,946
Investments in financial assets at FVTPL		**1,429,125,038**	1,539,240,128
Cash and cash equivalents		**124,128,803**	43,922,099
Dividends received		**1,596,347,351**	1,425,817,053
Proceeds from sale/maturities of investments in:			
Available-for-sale financial assets		**5,445,979,214**	4,438,825,972
Financial assets at FVTPL		**48,296,998,916**	42,791,230,689
Investment in associates	10	**100,000,009**	-
Acquisitions of investments in:			
Available-for-sale financial assets	7	**(7,338,901,089)**	(4,961,030,443)
Financial assets at FVTPL		**(53,715,773,771)**	(56,148,644,977)
Acquisition of leasehold, property and equipment	14	**(487,150,858)**	(765,032,766)
Proceeds from disposal of leasehold, property and equipment		**13,897,937**	8,502,440
Collections of:			
Guaranteed loans		**817,180,464**	22,200,000
Policyholders' loans		**2,245,969,628**	2,529,855,393
Releases of:			
Guaranteed loans		**(7,251,868)**	-
Loan to fellow subsidiary	17	**(80,000,000)**	-
Policyholders' loans		**(2,176,762,749)**	(2,374,379,702)
Capital infusion - investment in subsidiaries		**-**	(375,000,000)
Net cash from (used in) investing activities		**2,969,790,025**	(4,872,922,881)
Cash Flows from Financing Activities			
Repayment of lease liabilities		**(257,848,085)**	-
Finance cost paid		**(45,779,365)**	-
Dividends paid	26	**(5,000,000,000)**	(5,500,000,000)
Net cash used in financing activities		**(5,303,627,450)**	(5,500,000,000)
Effect of Changes in Foreign Exchange Rates		4,176,290	(54,241,055)
Net Increase in Cash and Cash Equivalents		3,435,525,852	1,215,744,775
Cash and Cash Equivalents, Beginning		4,244,097,083	3,028,352,308
Cash and Cash Equivalents, End		**P7,679,622,935**	P4,244,097,083

See Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. CORPORATE INFORMATION

Sun Life of Canada (Philippines), Inc. (the "Company"), a wholly owned subsidiary of Sun Life of Canada (Netherlands) B.V., is a stock, life insurance company authorized to engage in, conduct, transact, carry on and undertake the business of life insurance, including accident and health insurance. The ultimate parent company is Sun Life Financial, Inc. (SLF, Inc.), a company incorporated under the laws of Canada.

The Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 28, 1999. On December 22, 1999, the Company was granted a Certificate of Authority by the Insurance Commission (IC) to operate as a life insurance company and started commercial operations on April 1, 2000. On July 29, 2004, the IC approved the Company's license to sell variable insurance or investment-linked insurance, a life insurance product that is linked to investment funds.

The registered office address and principal place of business of the Company is at the 2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standard Council (FRSC) and the Board of Accountancy (BOA), and adopted by SEC.

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis, except for:

- financial instruments measured at fair value;
- financial instruments carried at amortized cost;
- investment in associate measured at fair value;
- insurance contract liabilities computed based on assumptions which are in accordance with the Insurance Code of the Philippines and the regulations set by the IC;
- liabilities for cash-settled share-based payment arrangements measured at fair value; and
- the retirement benefit asset recognized as the net total of the fair value of plan assets less the present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company is also required to file an annual statement with the IC, which is different from this set of financial statements. In certain respects, insurance accounting principles and reporting practices differ from PFRS. For the annual statement submitted with the IC, the significant principles and practices are as follows:

a. Policyholder premiums are recognized as earned when due or received instead of over the life of the policy; commissions on reinsurance ceded are recognized when cessions are made;

b. Policy acquisition costs are charged to current operations as incurred rather than amortized over the premium-paying period of the policies;

c. Investments in marketable bonds and shares of stocks are stated at fair value based on the recommended value published by the IC rather than closing prices used for statutory reporting;

d. Legal policy reserves and other policy liabilities are computed based on actuarial assumptions, in accordance with the Philippine insurance regulations and are modified as the need arises to reflect current experience; and

e. Policy benefits are recognized in the accounts when paid or when claims are filed and approved.

Functional Currency

These financial statements are presented in Philippine peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded in the nearest peso, except when otherwise indicated.

Separate Financial Statements

These are the Company's separate financial statements. Separate financial statements are those presented by a Parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

The Company did not present consolidated financial statements having met the following criteria set out in PFRS 10, *Consolidated Financial Statements*:

- the Company is itself a wholly owned subsidiary of another entity and its owners including those not otherwise entitled to vote, have been informed about, and do not object to, the Company not preparing consolidated financial statements;
- the Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- the Company did not file, nor is it in the process of filing, its consolidated financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- the ultimate parent of the Company produces consolidated financial statements available for public use that comply with IFRS.

The consolidated financial statements are prepared in accordance with IFRS by SLF Inc., a publicly traded company and is the holding company of Sun Life Assurance Company of Canada (Sun Life Assurance) and Sun Life Global Investments Inc. Both SLF Inc. and Sun Life Assurance are incorporated under the Insurance Companies Act of Canada, and are regulated by the Office of the Superintendent of Financial Institutions (OSFI) in Canada. The consolidated financial statements can be obtained from SLF, Inc., the ultimate parent, at http://www.sunlife.com/Global/Investors.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2019

The Company adopted all accounting standards and interpretations as at December 31, 2019. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Company's financial statements, are as follows:

- PFRS 16 — Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company has applied PFRS 16 using the modified retrospective approach.

As a result of the adoption of PFRS 16, the Company recognized right-of-use assets of P798,757,889 and lease liabilities of P733,218,154, reported in Leasehold, Property and Equipment-net and Accounts Payable, Accrued Expenses and Other liabilities, respectively, on the statements of financial position. In addition, the Company derecognized deferred balances of P65,539,735 previously recognized under PAS 17.

On transition to PFRS 16, the Company applied the practical expedient to use hindsight when determining the lease term of contracts containing extension or termination options. The Company's weighted-average incremental borrowing rate applied to lease liabilities as at January 1, 2019 was 6.05%.

The difference between lease liabilities as at January 1, 2019 of P733,218,154 and operating lease commitments as at December 31, 2018 of P827,387,324 is primarily due to the time value of money.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2019

- PFRS 17, Insurance Contracts

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2022, with comparative figures required. On December 28, 2018, the Insurance Commission (IC) issued Circular Letter No. 2018-69 which mandated the deferral of PFRS 17 to January 1, 2023 applicable to all insurance and reinsurance companies authorized to do business in the Philippines. Early application is permitted.

PFRS 17 will affect how the Company account for insurance contracts and how it reports financial performance in the statements of comprehensive income. The Company is currently assessing the impact that PFRS 17 will have on the financial statements.

- PFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of PFRS 9, which replaces PAS 39. PFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. PFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. In addition, a new model for hedge accounting was introduced to achieve better alignment with risk management activities.

This standard is effective for annual periods beginning on or after January 1, 2018.

In October 2017, the IASB issued narrow-scope amendments to PFRS 9. The amendments clarify the classification of certain prepayable financial assets and the accounting of financial liabilities following modification. The amendments are effective for annual periods beginning on or after January 1, 2019. However, pursuant to the aforementioned amendments to PFRS 4, the Company elected the deferral approach permitted under PFRS 4 to continue to apply IAS 39.

The Company is currently assessing the impact that PFRS 9, along with these amendments, will have on the Company's financial statements.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

The amendments relate to a revised definition of 'material':

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 1, 2020. Earlier application is permitted.

The Company does not anticipate that the application of the amendments in the future will have an impact on the financial statements since the Company's current practice is in line with these amendments.

- Amendments to PFRS 3, *Definition of Business*

The amendments are to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The Company does not anticipate that the application of the amendments in the future will have an impact on the financial statements since the Company's current practice is in line with these amendments.

PIC Q&A No. 2019-02, Accounting for Cryptographic Assets

The interpretation provides guidance regarding accounting treatment for Cryptographic assets. In classifying Cryptographic assets, two relevant factors to consider are (i) its primary purpose, and (ii) how these assets derive its inherent value. The interpretation provided two (2) Cryptographic classifications based on the aforementioned factors, these are (a) Cryptocurrency, or (b) Cryptographic assets other than Cryptocurrencies, which are (b.1) Asset-based token, (b.2) Utility token, and (b.3) Security token, or collectively the "Security Tokens".

From the holder of these assets' point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report Cryptographic assets in the financial statements as either (i) Cryptocurrencies held by an entity, or (ii) Cryptographic assets other than cryptocurrencies.

From the Issuer of these assets' point of view, as a consensus, the following accounting treatments are suggested:

- Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.
- Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:
    - i. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
    - ii. If the Token meets the definition of an equity instrument, apply guidance in PAS 32;
    - iii. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
    - iv. If the Token does not meet any of the aforementioned, consider other relevant guidance.

The interpretation is effective for periods beginning on or after February 13, 2019.

The Company does not anticipate that the application of the interpretation in the future will have an impact on the financial statements as the Company does not have cryptographic assets.

New Accounting Standards Effective in 2019 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval by the Board of Accountancy.

PIC Q&A No. 2019-04, Conforming Changes to PIC Q&As – Cycle 2019

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
PIC Q&A No. 2011-05: PFRS 1 – Fair Value or Revaluation as Deemed Cost	Updated because of applying PFRS 16, Leases, for the first time starting January 1, 2019
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	Reference to PAS 40, Investment Property, has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2012-02: Cost of a new building constructed on the site of a previous building	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.

PIC Q&A Amended	Amendment
PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	Updated to comply with the provisions of PFRS 16 and renamed as PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of depreciation of right-of-use asset as part of construction costs of a building
PIC Q&A No. 2017-10: PAS 40 - Separation of property and classification as investment property	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2018-05: PAS 37 - Liability arising from maintenance requirement of an asset held under a lease	Updated to comply with the provisions of PFRS 16
PIC Q&A No. 2018-15: PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	Reference to PAS 40 (included as an attachment to the Q&A) has been updated because of applying PFRS 16 for the first time starting January 1, 2019.

PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	This PIC Q&A is considered withdrawn starting January 1, 2019, which is the effective date of PFRS 16. PFRS 16 superseded PAS 17, Leases, and Philippine Interpretation SIC-15, Operating Leases— Incentives
PIC Q&A No. 2018-07: PAS 27 and PAS 28 - Cost of an associate, joint venture, or subsidiary in separate financial statements	This PIC Q&A is considered withdrawn upon publication of IFRIC agenda decision - Investment in a subsidiary accounted for at cost: Step acquisition (IAS 27 Separate Financial Statements) in January 2019.

The effective date of the amendments is included in the affected interpretations.

The management of the Company is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-06, Accounting for step acquisition of a subsidiary in a parent

The interpretation clarifies how a parent should account for the step acquisition of a subsidiary in its separate financial statements.

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach

  Under this approach, the entity is exchanging its initial interest (plus consideration paid for the additional interest) for a controlling interest in the investee (exchange view). Hence, the entity's investment in subsidiary is measured at the fair value at the time the control is acquired.

- Accumulated cost approach

  Under this approach, the entity is purchasing additional interest while retaining the initial interest (non-exchange view). Hence, the entity's investment in subsidiary is measured at the accumulated cost (original consideration).

Any difference between the fair value of the initial interest at the date of obtaining control of the subsidiary and its original consideration is taken to profit or loss, regardless of whether, before the step acquisition transaction, the entity had presented subsequent changes in fair value of its initial interest in profit or loss or other comprehensive income (OCI).

The interpretation is effective for periods beginning on or after October 19, 2019.

The Company does not anticipate that the application of the interpretation in the future will have an impact on the financial statements as the Company does not have step acquisition of a subsidiary.

PIC Q&A No. 2019-07, Classification of Members' Capital Contributions of Non-Stock Savings and Loan Associations (NSSLA)

Background:

The Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1045 on August 29, 2019 to amend the Manual of Regulations for Non-Bank Financial Institutions Applicable to Non-Stock Savings and Loan Associations (MORNBFI-S) – Regulatory Capital of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members.

Under the Circular, each qualified member of an NSSLA shall maintain only one capital contribution account representing his/her capital contribution. While only one capital account is maintained, the Circular breaks down a member's capital contributions as follows:

a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is Php1,000, but a higher minimum can be prescribed under the NSSLA's by-laws.

b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLA shall establish and prescribe the conditions and/or circumstances when the NSSLA may limit the reduction of the members' capital contribution buffer, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFI-S Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.

For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain subsidiary ledgers showing separately the fixed and capital contribution buffer of each member. Further, upon receipt of capital contributions from their members, NSSLAs shall simultaneously record the amount contributed as fixed and capital contribution buffer in the aforementioned subsidiary ledgers. However, NSSLAs may use other systems in lieu of subsidiary ledgers provided that that the system will separately show the fixed and capital contribution buffer of each member.

The interpretation assessed and concluded that both Fixed Capital and the Capital contribution buffer qualify as "equity" in the NSSLA's financial statements as they both meet all the requirements of paragraphs 16A and 16B of PAS32, *Financial Instruments: Presentation.*

The interpretation is effective for periods beginning on December 11, 2019, and should be applied retrospectively.

The management of the Company is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-08, PFRS 16, Leases - Accounting for Asset Retirement or Restoration Obligation ("ARO")

The interpretation clarifies the recognition of ARO under the following scenarios:

1. Accounting for ARO at lease commencement date

   The cost of dismantling and restoration (i.e., the ARO) should be calculated and recognized as a provision in accordance with PAS 37, with a corresponding adjustment to the related ROU asset as required by PFRS 16.24(d). As such, the lessee will add the amount of ARO to the cost of the ROU asset on lease commencement date, which will then form part of the amount that will be amortized over the lease term.

2. Change in ARO after initial recognition

   2.1 Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO-related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously measured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).

   2.2 Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:

   a. Modified retrospective approach - Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date. Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which of the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.

   b. Full retrospective approach - The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The management of the Company is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-09, Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Effects

The interpretation aims to provide guidance on the following:

1. How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17, and
2. How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Company does not anticipate that the application of the interpretation in the future will have an impact on the financial statements.

PIC Q&A No. 2019-10, Accounting for variable payments with rent review

Some lease contracts provide for market rent review in the middle of the lease term to adjust the lease payments to reflect a fair market rent for the remainder of the lease term. This Q&A provides guidance on how to measure the lease liability when the contract provides for a market rent review.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The management of the Company is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-11, Determining the current portion of an amortizing loan/lease liability

The interpretation aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

The interpretation is effective upon approval by the FRSC.

The management of the Company is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-12, PFRS 16, Leases – Determining the lease term

The interpretation provides guidance how an entity determine the lease term under PFRS 16.

A contract would be considered to exist only when it creates rights and obligations that are enforceable. Therefore, any non-cancellable period or notice period in a lease would meet the definition of a contract and, thus, would be included as part of the lease term. To be part of a contract, any option to extend or terminate the lease that are included in the lease term must also be enforceable.

If optional periods are not enforceable (e.g., if the lessee cannot enforce the extension of the lease without the agreement of the lessor), the lessee does not have the right to use the asset beyond the non-cancellable period. Consequently, by definition, there is no contract beyond the non-cancellable period (plus any notice period) if there are no enforceable rights and obligations existing between the lessee and lessor beyond that term.

In assessing the enforceability of a contract, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances (i.e., including those that are not indicated in the lease contract) that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The management of the Company is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-13, PFRS 16, Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee

The interpretation provides guidance how an entity determine the lease term under PFRS 16. This interpretation focuses on lease contracts that are renewable subject to mutual agreement of the parties.

A renewal option is only considered in determining the lease term if it is enforceable. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under Philippine laws until both parties come to an agreement on the terms.

In instances where the lessee have known to be, historically, renewing the lease contract after securing mutual agreement with the lessor to renew the lease contract, the lessee's right to use the underlying asset does not go beyond the one-year period covered by the current contract, as any renewal still has to be agreed on by both parties. A renewal is treated as a new contract.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The management of the Company is still evaluating the impact of the interpretation.

4. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

Financial Assets

Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, except for investments classified as at FVTPL.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets as at December 31, 2019 and 2018 consist of loans and receivables, financial assets at FVTPL and AFS financial assets.

Loans and receivables

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

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's financial assets classified under this category include cash and cash equivalents, loans and receivables, loan to fellow subsidiary, investment income earned and accrued, policyholders' loans, uncollected policyholder premiums, due from related parties and other receivables.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated upon initial recognition.

A financial asset is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company, manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL.

AFS financial assets are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated in investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses are recognized in profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including fixed income securities classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract such as, default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company.

For certain categories of financial assets, such as uncollected policyholders premiums, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

AFS financial assets

When a decline in the fair value of listed shares and fixed income securities classified as AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative gain or loss that had been recognized in other comprehensive income are reclassified to profit or loss in the period even though the financial asset has not been derecognized.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Prepayments

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

Investment in Associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but there is no control or joint control over those policies.

The Company is exempt from applying equity method based on the provision of PAS 28 paragraph 17 which states that an investment in associate is not accounted under the equity method when the investee is a parent that is exempt from preparing consolidated financial statements and prepares separate financial statements as its primary financial statements. PAS 27 paragraph 10 states that in those separate financial statements investments in associates shall be accounted for either:

a.) Cost

b.) Fair value in accordance with PAS 39

c.) Equity method as prescribed in IAS 28

The investment in associate is measured initially at fair value including transaction costs. Subsequent to initial recognition, investments in associates are carried at fair value with changes in fair value charged to other comprehensive income and accumulated in investment revaluation reserve.

When a decline in the fair value has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative gain or loss that had been recognized in other comprehensive income are reclassified to profit or loss in the period even though the financial asset has not been derecognized.

Impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The investment in associate is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in investment revaluation reserve is recognized in profit or loss.

Associate of investment entities

Investment in associate of investment entities are measured at fair value with gains and losses charged to profit or loss.

Investments in Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by the Company. Investments in subsidiaries are measured initially at cost. Subsequently, these are carried in the Company's financial statements at cost less any accumulated impairment losses.

The Company's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in subsidiaries. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Company's accounting policy on impairment of tangible and intangible assets as a single asset. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The investment in subsidiary is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in subsidiary and is recognized in profit or loss.

When the Company loses control of a subsidiary, the Company recognizes the fair value of the consideration received, if any, from the transaction that resulted in the loss of control. The carrying amount of the investment in subsidiary is derecognized and any investment retained in the former subsidiary is recognized at its fair value at the date the control is lost. Any resulting difference is recognized in profit or loss.

Subsidiaries of investment entities

An investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

An investment entity does not consolidate when it obtains control over a subsidiary. Instead, investments in subsidiaries are measured at fair value with gains and losses charged to profit or loss.

Variable Unit-linked Insurance Contracts

Variable unit-linked insurance contracts are products for which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in particular variable unit-linked (VUL) fund. Although the underlying assets are registered in the Company's name, the VUL fund policyholder bears the risk and rewards of the fund's investment performance. The deposit component received from variable unit-linked insurance contracts is shown as part of gross premiums.

Variable unit-linked liabilities

Variable unit-linked liabilities is increased by additional deposits and changes in unit prices and decreased by policy administration fees, fund changes, and any withdrawals. At the end of each reporting period, variable unit-linked liabilities is computed based on the basis of the number of units allocated to the policyholder multiplied by the unit price of the underlying investment funds. The assets, liabilities, income and expenses of the internal investment funds have been reflected in the appropriate accounts in the statement of financial position and statements of comprehensive income.

Leasehold, Property and Equipment

Leasehold, property and equipment are initially measured at cost. The cost of an item of leasehold, property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Major spare parts and stand-by equipment qualify as leasehold, property and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of leasehold, property and equipment, they are accounted for as leasehold, property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, item of leasehold, property and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

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

Depreciation is computed on a straight-line method based on their estimated useful lives of the assets as follows:

Building and building improvements	18-36 years
Condominium units	25 years
Furniture and fixtures	10 years
Office equipment	5 years
Transportation equipment	3 years
Computer equipment	3 years

Leasehold improvements are amortized over the improvement's useful life of ten years or when shorter, the term of the relevant lease.

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

Transfers to, or from, leasehold, property and equipment shall be made only when there is a change in use.

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

Investment Property

Investment property is property that is held to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is computed on the straight-line method based on the estimated useful life of 36 years.

Transfers to or from investment property shall be made only when there is a change in use.

Investment property is derecognized by the Company upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

The Company's intangible assets relate to the long-term leasehold interest and naming rights with finite useful life.

Intangible assets that are acquired by the Company with finite useful life are initially measured at cost.

At the end of each reporting period, intangible assets are carried at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization for intangible assets with finite useful life is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets, from the date that this is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods of the naming rights is 10 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss when the asset is derecognized.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units. Otherwise, these are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. The increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

The Company's financial liabilities as at December 31, 2019 and 2018 consist of due to policyholders, due to related parties, accounts payable, accrued expenses and other liabilities.

Financial liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities, except for debt instruments classified at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Subsequent measurement

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period to the net carrying amount on initial recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds are received, net of direct issue costs.

Ordinary shares

Share capital consisting of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Insurance Contract Liabilities

Legal policy reserves are determined based on the valuation standards prescribed by the Insurance Commission.

Other Insurance Policy and Contract Liabilities

Other insurance policy and contract liabilities are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event; when it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits and; when the amount of the obligation can be estimated reliably.

An amount equal to the policyholders' dividends expected to be allotted to policyholders over the next twelve months is set up as provision for policyholders' dividends.

Reserves for claims Incurred But Not Reported (IBNR) pertain to the estimate of the sum of individual claims that have already occurred but on which notice has not yet been received by the Company. This is computed using factors resulting from the review of prior years' experience.

Outstanding claims, premiums on deposit, premiums paid in advance, proceeds on deposit and dividends on deposit are obtained directly from the policy administration system. These represent actual claims payable to the policyholders, premiums paid in advance and balances of benefits and dividends left on deposit with the Company including any interest accruals.

Other insurance policy and contract liabilities are determined and reviewed at end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, such liabilities shall be reversed.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Contingent liabilities and contingent assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only if an inflow of economic benefits is probable.

Share-based Payments

The Company recognizes the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

The equity instruments offered by SLF, Inc. include stock options. The share-based compensation expense amounts are determined based on the fair value of the equity instruments on the date of grant, recognized ratably over the vesting period of the instruments.

The fair value for stock options is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value of stock awards equals the value of the stock that is awarded on the grant date.

The amount of liability recognized based on the fair value of the stock options granted is settled through intercompany charges between the Company and SLF, Inc.

Employee Benefits

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

The Company has a funded non-contributory defined benefit retirement plan. For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item retirement benefit expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting date. Actual contributions are made on the first quarter of the year after the valuation date.

Revenue Recognition

Life insurance premiums

Life insurance premiums written are recognized as earned at policy anniversary date. When premiums are recognized, actuarial liabilities are computed to match benefits and expenses with such revenue.

Recoveries from ceded reinsurance

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Interest and dividend revenues

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Rental income

Revenue recognition for rental income is disclosed in the Company's policy for leases.

Fee income

Management and service fee are recognized in the accounting period in which the services are rendered.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method.

Death, Disability, and Other Policy Benefits

Death, Disability, and Other Policy Benefits are recorded as expense when incurred. Death and health claims, as well as policy surrenders, are recorded when notices of claims and surrenders have been received. Dividends are recognized when earned by the policy holders upon policy anniversary date or when policies reach maturity.

Leases

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

The Company as lessee

Accounting Policies applied before January 1, 2019

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which these are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting Policies applied after January 1, 2019

For leases where the Company act as the lessee, the Company recognize a right-of-use asset and a lease liability at the commencement date of the lease, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability with certain adjustments, and subsequently depreciated using the straight-line method, with depreciation expense included in General and Administrative expenses in the statements of comprehensive income. The lease liability is initially measured at the present value of lease payments over the term of the lease using a discount rate that is based on the Company's incremental borrowing rate. The discount rate is specific to each lease and is determined by various factors, such as the lease term and currency. The lease term includes the non-cancellable period and the optional period where it is reasonably certain the Company will exercise or not exercise an extension or termination option, considering various factors that create an economic incentive to do so.

Subsequently, the lease liability is measured at amortized cost using the effective interest method, with interest charged to General and administrative expenses in the statements of comprehensive income.

Lease liabilities and right-of-use assets are remeasured upon lease modifications.

The Company as lessor

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Parent Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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 use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Taxation

Income tax expense represents the sum of current tax expense and deferred tax expense.

Current tax

The current tax expense is composed of the regular corporate income tax (RCIT), the minimum corporate income tax (MCIT) or final tax. The RCIT and MCIT are based on taxable profit for the year which may differ from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. RCIT is calculated using 30% of taxable net income while MCIT at 2% of gross income, and the tax due for the year is the higher of the RCIT or MCIT.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax

Current and deferred tax are recognized as an expense or income in profit or loss, except when these relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax are also recognized outside profit or loss.

Events After the Reporting Period

The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Judgment

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company's cost of operation, and in effect, its revenue.

Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

Classification of lease as operating lease (2018)

Based on Management evaluation, the lease arrangements entered into by Company as a lessor are accounted for as operating leases because the Company has determined that the lessor will not transfer the ownership of the leased assets to the Company upon termination of the lease

Classification of investments in mutual funds

Management exercises its judgment in determining whether the Company has significant influence over another entity by evaluating the substance of relationship that indicates the significant influence the Company has over its associates. The recognition and measurement of the Company's investment over these entities will depend on the result of the judgment made.

The Company classified its investment in Sun Life Prosperity Dynamic Fund, Inc. (Dynamic Fund) as investment in associate since significant influence was clearly demonstrated through Sun Life Asset Management Company, Inc.'s (SLAMCI), the Company's subsidiary, participation in the financial and operating policy decisions of Dynamic Fund being its fund manager.

In the Company's separate financial statements, investments in mutual funds designated as associate is carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in investment revaluation reserve.

Investment entities

Management exercises its judgment whether an entity will qualify as investment entity by evaluating the structure and nature of transactions of the entity. The recognition and measurement of an investment entity's subsidiary will depend on the result of the judgment made.

Since the VUL funds obtain funds from one or more policyholders for the purpose of providing those policyholders with investment management services; commit to its policyholders that its business purpose is to invest funds solely for returns from investment income; and measure and evaluate the performance of substantially all of its investments on a fair value basis, the VUL funds qualify as investment entities. Accordingly, an associate of the VUL funds is carried at fair value with gains and losses charged to profit or loss.

Savings deposits designated at FVTPL

The Company designated the savings deposits held by the VUL funds as financial assets at FVTPL since it forms part of a group of managed financial assets whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. The information about the group of managed financial assets is provided internally on that basis to the Company's management.

As at December 31, 2019 and 2018, the carrying amount of savings deposits designated as financial assets at FVTPL amounted to P3,077,434,835 and P4,272,052,097, respectively, as disclosed in Note 11.

Key Sources of Estimation Uncertainty

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

Estimating useful lives of assets

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease the assets.

The estimated useful life of the building under leasehold, property and equipment was determined to be 36 years.

As at December 31, 2019 and 2018, the carrying amounts of the Company's leasehold, property and equipment amounted to P3,003,046,236 and P1,980,779,044, respectively, as disclosed in Note 14. Total accumulated depreciation as at December 31, 2019 and 2018 amounted to P2,712,908,624 and P2,130,348,263, respectively, as disclosed in Note 14.

As at December 31, 2019 and 2018, the carrying amount of the Company's intangible assets amounted to P29,666,666 and P117,865,180, respectively, as disclosed in Note 15. Total accumulated amortization as at December 31, 2019 and 2018 amounted to P10,333,334 and P448,375,561, respectively, as disclosed in Note 15.

As at December 31, 2019 and 2018, the carrying amount of the Company's investment property amounted to P595,464,836 and P636,307,195 respectively, as disclosed in Note 16. Total accumulated depreciation as at December 31, 2019 and 2018 amounted to P260,638,811 and P253,746,474, respectively, as disclosed in Note 16.

Asset impairment

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amounts of leasehold, property and equipment, intangible assets, investment property and investments in subsidiaries requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that leasehold, property and equipment, intangible assets, investment property and investments in subsidiaries are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

As at December 31, 2019 and 2018, Management believes that the recoverable amounts of the Company's leasehold, property and equipment, intangible assets, investment property, and investment in subsidiaries exceed their carrying amounts. Details are as follows:

	Notes	**2019**	2018
Leasehold, property and equipment	14	**P3,003,046,236**	P1,980,779,044
Intangible assets	15	**29,666,666**	117,865,180
Investment property	16	**595,464,836**	636,307,195
Investments in subsidiaries-net	9	**649,479,111**	1,005,360,590
		P4,277,656,849	P3,740,312,009

In 2019, the Company recognized an impairment loss of P355,881,479 on its investment in subsidiaries.

Deferred tax assets

The Company reviews the carrying amounts at the end of each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company assessed that it may not be able to take full advantage of the tax benefits, hence, it did not recognize any deferred tax assets. The unrecognized deferred tax assets amounted to P2,812,918,524 and P4,291,466,159 as at December 31, 2019 and 2018, respectively, as disclosed in Note 40.

Determining the fair value of debt instruments

The Company carries its investments in traded debt securities at fair value, which requires use of accounting estimates and judgment. Since market interest rate is a significant component of fair value measurement, fair value would differ if the Company applied a different set of reference rates in the valuation methodology. Any change in the fair value of these financial assets would affect other comprehensive income and equity.

As at December 31, 2019 and 2018, the carrying amount of investments in traded debt securities carried at fair value subsequent to initial recognition amounted to P122,759,799,592 and P99,469,732,647, respectively, as disclosed in Notes 7 and 11.

Estimating allowances for doubtful accounts

The Company estimates the allowance for doubtful accounts related to its loans and receivables, investment income earned and accrued, loan to fellow subsidiary, uncollected policyholder premiums, due from related parties and other receivables based on assessment of specific accounts when the Company has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including, but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts.

These specific reserves are re-evaluated and adjusted as additional information obtained impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As at December 31, 2019 and 2018, Management believes that the receivables are fully recoverable, accordingly, no doubtful accounts expense was recognized in both years.

The carrying amounts of the receivables are as follows:

	Notes	**2019**	2018
Policyholders' loans	12	**P 7,081,948,319**	P 7,151,155,198
Loans and receivables	8	**4,447,713,295**	5,244,661,427
Loan to fellow subsidiary	17	**2,476,845,152**	2,300,533,064
Investment income earned and accrued	13	**2,209,223,786**	2,121,006,809
Uncollected policyholder premiums	28	**451,863,371**	457,061,762
Due from related parties	17	**30,931,682**	34,494,065
Other receivables	18	**649,199,318**	509,856,947
		P17,347,724,923	P17,818,769,272

Estimating legal policy reserves

The Company estimates the probable costs related to future deaths, accident or sickness, policy terminations, investment returns and administration expenses. These are determined by the internal actuary duly recognized and accredited by the Actuarial Society of the Philippines and IC. The legal policy reserves are determined based on the valuation standards prescribed by the Insurance Commission.

As at December 31, 2019 and 2018, insurance contract liabilities amounted to P54,965,212,784 and P51,144,332,091, respectively, as disclosed in Note 22. Decrease in insurance contract liabilities in 2019 and 2018 amounted to P1,546,674,268 and P1,462,213,280, respectively, as disclosed in Note 22.

Post-employment and other retirement benefits

The determination of the retirement obligation cost and other retirement benefits is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates and rates of compensation increase. Actual results that differ from the assumptions are directly charged to other comprehensive income and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

In 2019 and 2018, the Company recognized total retirement benefit expense amounting to P56,486,000 and P99,241,100, respectively, and as at the end of those reporting periods, retirement benefit assets amounted to P124,414,000 and P331,406,900 respectively, as disclosed in Note 36.

Contingencies

The Company is currently involved in various legal proceedings, as disclosed in Note 41. Estimates of probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defences in these matters and are based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to these proceedings.

6. CASH AND CASH EQUIVALENTS

The details of the Company's cash and cash equivalents are as follows:

	2019	2018
Cash on hand and in banks	**P1,008,471,585**	P1,175,075,311
Cash equivalents	**6,671,151,350**	3,069,021,772
	P7,679,622,935	P4,244,097,083

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition.

Cash equivalents represent short-term deposits with periods varying from one day to two months depending on the cash requirements of the Company, and earn annual interest rates ranging from 1.63% to 4.25% in 2019 and 1.45% to 7.00% in 2018 for peso placements and 0.75% in 2019 and 0.01% to 0.75% in 2018 for dollar placements.

Interest earned on cash and cash equivalents amounted to P145,146,977 and P42,376,121 in 2019 and 2018, respectively, as disclosed in Note 29.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details of available-for-sale financial assets are as follows:

	2019	2018
Investments in bonds, government and other securities	**P 93,055,813,911**	P77,713,097,973
Investments in stocks	**5,960,760,591**	5,509,457,933
Investments in UITF	**1,160,318,005**	389,242,384
	P100,176,892,507	P83,611,798,290

The movements in the available-for-sale financial assets are summarized as follows:

	Note	2019	2018
Balance, beginning		**P 83,611,798,290**	P 94,884,514,739
Additions		**7,338,901,089**	4,961,030,443
Disposals		**(5,443,529,101)**	(4,438,825,972)
Fair value adjustments	26	**15,932,138,199**	(12,741,929,558)
Foreign exchange differences		**(1,011,788,326)**	1,187,414,910
Amortization of premiums - net		**(250,627,644)**	(240,406,272)
Balance, ending		**P100,176,892,507**	P 83,611,798,290

The Company recognized impairment losses on equity securities as disclosed in Note 26 and 29, due to either prolonged or significant decline in the investments' fair value below cost. Accordingly, the net fair value losses previously accumulated in other comprehensive income were reclassified to profit or loss.

The cost and fair value changes are as follows:

	Note	2019	2018
Cost			
Investments in bonds, government and other securities		**P83,267,178,338**	P82,501,141,926
Investments in stocks		**5,317,534,168**	5,276,163,247
		88,584,712,506	87,777,305,173
Accumulated fair value adjustments	26	**11,592,180,001**	(4,165,506,883)
		P100,176,892,507	P83,611,798,290

Investments in stocks pertain to investments in listed equity securities that represent opportunities for return through dividend income and trading gains.

Investment income from available-for-sale financial assets reported in profit or loss are summarized below:

	Notes	2019	2018
Interest income	29	**P5,649,107,805**	P5,719,755,212
Realized fair value gain	26,29	**356,371,919**	151,056,955
Dividend income	29	**193,913,177**	180,393,294
Impairment loss	26,29	**(144,879,830)**	(68,590,306)
		P6,054,513,071	P5,982,615,155

Realized gain from disposals are summarized below:

	Notes	2019	2018
Fixed income		**P401,625,422**	P213,816,371
Stocks		**(43,464,271)**	(62,759,416)
	26, 29	**P358,161,151**	P151,056,955

Debt securities classified as available-for-sale carry effective interest rates of:

	2019	2018
Investment in government bonds	3.50% to 18.25%	5.43% to 8.43%
Investment in dollar bonds	3.70% to 10.63%	3.70% to 5.00%
Investment in private bonds	4.93% to 6.49%	4.93% to 6.49%

8. LOANS AND RECEIVABLES

The details of the Company's loans and receivables are shown below:

	Note	2019	2018
Guaranteed loans	17	**P4,212,530,105**	P5,022,458,701
Receivables from agents and employees		**235,183,190**	222,202,726
		P4,447,713,295	P5,244,661,427

Guaranteed loans represent amounts extended to top Philippine corporations, which carry terms of five to ten years. Receivables from agents and employees pertain to short-term emergency and personal loans with terms of one and two years, respectively, and long-term car and housing loans with maximum terms of six years and twenty years, respectively.

As at December 31, 2019 and 2018, Management believes that the loans and receivables are fully recoverable, accordingly, no impairment loss was recognized in both years.

The following presents the breakdown of guaranteed loans:

	2019	2018
Due within 12 months	**P -**	P -
Due beyond 12 months	**4,212,530,105**	5,022,458,701
	P 4,212,530,105	P5,022,458,701

The following presents the breakdown of receivables from agents and employees:

	2019	2018
Due within 12 months		
Receivables from agents	**P 22,743,704**	P 26,332,763
Receivables from employees	**34,770,236**	17,660,355
	57,513,940	43,993,118
Due beyond 12 months		
Receivables from agents	**66,734,621**	47,848,865
Receivables from employees	**110,934,629**	130,360,743
	P 235,183,190	P222,202,726

Interest income from loans and receivables reported in profit or loss are summarized below:

	Notes	2019	2018
Guaranteed loans	29	**P 305,766,287**	P317,614,762
Receivables from agents and employees	31	**11,543,967**	11,407,194
		P 317,310,254	P329,021,956

9. INVESTMENTS IN SUBSIDIARIES

Subsidiaries Carried at Cost

The details of the Company's investments in subsidiaries carried in the books at cost, net of allowance for impairment, are shown below:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity	2019	2018
Sun Life Financial Plans, Inc. (SLFPI)	Philippines	100%	Pre-need Company	**P900,000,000**	P900,000,000
Sun Life Asset Management Company, Inc. (SLAMCI)	Philippines	100%	Asset Management Company	**105,360,590**	105,360,590
				1,005,360,590	1,005,360,590
Allowance for impairment loss				**355,881,479**	-
				P 649,479,111	P1,005,360,590

The Company recognized an impairment loss on its investments in SLFPI amounting to P355,881,479 as at December 31, 2019. The recoverable amount of SLFPI was based on is fair value less cost to sell, estimated as SLFPI's net assets as of December 31, 2019.

Aggregated audited financial information of the subsidiaries are as follows:

	2019	2018
SLFPI		
Cash and cash equivalents	**P 406,073,436**	P 511,522,549
Other current assets	**33,840,995**	34,758,673
Current assets	**439,914,431**	546,281,222
Non-current assets	**5,875,433,638**	5,778,893,370
Total assets	**P6,315,348,069**	P6,325,174,592
Current liabilities	**P134,611,967**	P 121,478,929
Non-current liabilities	**5,636,617,581**	6,002,773,322
Total liabilities	**5,771,229,548**	6,124,252,251
Total equity	**544,118,521**	200,922,341
Total liabilities and equity	**P6,315,348,069**	P6,325,174,592
Revenues	**P780,454,959**	P 916,204,248
Expenses	**(1,095,883,922)**	(1,081,712,273)
Income tax expense	**(5,213,897)**	(4,473,624)
Net income (loss) for the year	**(320,642,860)**	(169,981,649)
Other comprehensive loss	**663,839,041**	(663,789,915)
Total comprehensive income	**P 343,196,181**	(P 833,771,564)

SLAMCI		
Cash and cash equivalents	**P 411,636,450**	P 428,380,710
Other current assets	**840,229,074**	882,020,143
Current assets	**1,251,865,524**	1,310,400,853
Non-current assets	**424,545,769**	255,641,122
Total assets	**P1,676,411,293**	P 1,566,041,975
Current liabilities	**P230,690,462**	P 179,509,355
Non-current liabilities	**10,521,591**	996,209
Total liabilities	**241,212,053**	180,505,564
Total equity	**1,435,199,240**	1,385,536,411
Total liabilities and equity	**P1,676,411,293**	P 1,566,041,975
Revenues	**P854,667,017**	P 923,802,469
Expenses	**(644,187,776)**	(738,235,139)
Income tax expense	**(52,938,412)**	(67,977,522)
Net income for the year	**157,540,829**	117,589,808
Other comprehensive income	**(P7,878,000)**	P16,065,100
Total comprehensive income	**P149,662,829**	P 133,654,908

10. INVESTMENT IN ASSOCIATES

Associate of investment entities

As at December 31, 2019 and 2018, the Company's ownership interest in Sun Life Money Market Fund, Inc. is at 3.52% and 2.90% respectively. Since VUL funds are considered investment entities, as disclosed in Note 5, the VUL funds measure the investment in Money Market Fund at fair value with gains and losses charged to profit or loss.

Aggregated audited financial information of the associate of investment entities are as follows:

	2019	2018
Money Market Fund		
Cash and cash equivalents	**P 9,419,882,520**	P 5,331,682,416
Other current assets	**12,995,604,086**	4,244,591,664
Current assets	**22,415,486,606**	9,576,274,080
Non-current assets	**14,241,142,986**	5,668,517,746
Total assets	**P 36,656,629,592**	P15,244,791,826
Current liabilities	**P 36,635,663**	P 55,192,413
Non-current liabilities	**-**	-
Total liabilities	**36,635,663**	55,192,413
Total equity	**36,619,993,929**	15,189,599,413
Total liabilities and equity	**P 36,656,629,592**	P15,244,791,826
Total revenue	**P 977,819,545**	P 1,186,968,011
Total expenses	**(122,094,643)**	(141,681,821)
Net unrealized gains (loss) on investments	**9,515,785**	416,703
Income tax expense	**(103,310,733)**	(250,723,678)
Profit and total comprehensive income for the year	**P 761,929,954**	P 794,979,215

Associate other than investment entities

The details of the Company's investment in associate are as follows:

Name of associate	Place of incorporation	Proportion of ownership		Principal activity
		2019	2018	
Sun Life Prosperity Dynamic Fund, Inc.	Philippines	29%	29%	Open-end Investment Company

Movements in investment in associate measured at fair value are summarized as follows:

	Note	2019	2018
Cost			
Balance , January 1		**P511,169,995**	P511,169,995
Reclassification		**38,830,000**	-
Disposal		**(98,210,772)**	-
Balance, December 31		**451,789,223**	511,169,995
Accumulated fair value gain (loss) adjustment			
Balance , January 1		**(4,455,000)**	49,775,000
Fair Value adjustments	26	**31,990,274**	(54,230,000)
Reclassification		**(38,830,000)**	-
Balance, December 31	26	**(11,294,731)**	(4,455,000)
		P440,494,497	P506,714,995

In 2019, the Company corrected the presentation of cost and accumulated fair value adjustment. The reclassification did not affect the carrying value of investment in associate as at December 31, 2019 and 2018.

The gain on disposal is amounting to P1,789,231 in 2019 as disclosed in Note 26.

The fair values of this investment are based on published Net Asset Value Per Share (NAVPS) as at reporting date.

Aggregated financial information of the associate are as follows:

	2019	2018
Dynamic Fund		
Cash in banks	**P 31,627,913**	P 59,989,897
Other current assets	**1,474,831,578**	1,721,306,535
Total assets	**P1,506,459,491**	P1,781,296,432
Current liabilities	**P7,755,797**	P 16,924,227
Non-current liabilities	**-**	-
Total liabilities	**P 7,755,797**	16,924,227
Total equity	**1,498,703,694**	1,764,372,205
Total liabilities and equity	**P1,506,459,491**	P1,781,296,432
Total revenue	**P117,393,177**	P70,429,583
Total expenses	**(46,374,044)**	(55,319,668)
Net unrealized gains (loss) on investments	**47,708,673**	(207,809,572)
Income tax expense	**(9,975,989)**	(10,737,719)
Profit and total comprehensive income (loss) for the year	**P108,751,817**	(P 203,437,376)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account pertains to the financial assets of the variable unit-linked (VUL) funds managed by the Company and foreign currency-linked notes. Details are as follows:

	Notes	2019	2018
VUL funds managed by the Company	11.a	**P128,588,442,269**	P114,183,805,480
Foreign Currency-Linked Notes	11.b	**-**	2,528,849,400
		P128,588,442,269	P116,712,654,880

11.a. Variable Unit-linked Funds

	Notes	2019	2018
Investment in stocks		**P89,311,909,598**	P 80,513,680,948
Investments in bonds, government and other securities		**29,703,985,681**	21,756,634,674
Investment in mutual fund	17	**6,033,793,710**	5,074,073,568
Investments in savings deposits		**3,077,434,835**	4,272,052,097
Foreign currency-linked notes		**190,000,000**	2,550,330,050
Investment in derivative instrument		**271,318,445**	17,034,143
	21	**P128,588,442,269**	P114,183,805,480

Variable unit-linked funds are composed of investments in bonds, government and other securities, equity securities and investments in mutual funds while designated financial assets are composed of investments in savings deposits.

Investment in mutual fund pertains to the investment in Sun Life Prosperity Money Market Fund, Inc. as disclosed in Note 17.

Investment in derivative instrument pertains to foreign currency swaps in the management of the Company's foreign currency exposures. The Company utilizes currency derivatives to help mitigate currency mismatch and to enhance yield on investments but opted not to apply hedge accounting. The underlying investments in foreign currency swaps are denominated in US dollar currency.

Debt securities classified as financial assets at FVTPL carry effective interest rates of:

	2019	2018
Investments in savings deposits	**0.13% to 6.13%**	0.01% to 6.00%
Investment in government bonds	**1.63% to 18.25%**	1.50% to 18.25%
Investment in dollar bonds	**3% to 5%**	3.70% to 5.00%
Investment in private bonds	**3% to 7.46%**	4.82% to 7.46%

Investment income (loss) earned and incurred from financial assets at FVTPL are as follows:

	Note	2019	2018
Unrealized fair value gain (loss) - net	29	**P 5,241,279,305**	(P11,156,475,809)
Interest income	29	**1,505,054,869**	1,429,457,109
Dividends	29	**1,432,139,292**	1,225,838,204
Realized fair value (loss) gain - net	29	**1,215,733,229**	(898,933,294)
		P 9,394,206,695	(P9,400,113,790)

Details of the Company's interest income from financial assets at FVTPL are as follows:

	Note	2019	2018
Interest income from:			
Investments in bonds, government and other securities		**P 1,432,490,022**	P1,360,049,865
Investments in savings deposits		**72,564,847**	69,407,244
	29	**P 1,505,054,869**	P1,429,457,109

Details of the Company's realized and unrealized fair value gain (loss) are as follows:

	Note	2019	2018
Realized fair value gain (loss) from:			
Equity securities		**P 630,498,330**	P 108,145,167
Fixed income securities		**492,247,771**	(1,044,238,872)
Mutual funds		**92,987,128**	37,160,411
	29	**1,215,733,229**	(898,933,294)
Unrealized fair value gain (loss) from:			
Equity securities		**997,835,586**	(9,494,791,018)
Fixed income securities		**3,536,473,038**	(1,336,745,810)
Mutual funds		**452,686,379**	(342,428,548)
Derivative financial instruments		**254,284,302**	17,489,567
	29	**5,241,279,305**	(11,156,475,809)
		P6,457,012,534	(P12,055,409,103)

11.b. Company's foreign currency-linked notes

The Company has also invested in foreign currency-linked notes. The details are as follows:

	Note	2019	2018
Foreign Currency-Linked Notes		**P -**	P2,528,849,400
Interest income	29	**13,584,324**	144,597,978

12. POLICYHOLDERS' LOANS

Policy loans are either policyholder's direct borrowing or borrowing to pay premiums. These are carried at their unpaid balance and are fully secured by the cash surrender values on their policies to which the loans are made. Interest is charged and accrued on a daily basis. Unpaid accrued interest forms part of the unpaid balance at the end of the policy anniversary.

Interest income recognized amounted to P698,169,337 and P711,497,909 in 2019 and 2018, respectively, as disclosed in Note 31.

13. INVESTMENT INCOME EARNED AND ACCRUED

The details of the investment income earned and accrued are shown below:

	Note	2019	2018
Accrued interest from:			
AFS financial assets		**P1,211,104,841**	P1,177,070,374
Financial assets at FVTPL		**469,215,045**	393,285,214
Policyholders' loans		**311,097,816**	312,669,012
Guaranteed loans		**89,469,128**	163,348,003
Loan to a fellow subsidiary	17	**40,528,286**	37,548,828
Dividends receivable		**63,657,298**	33,952,180
Accrued interest from cash equivalents		**24,151,372**	3,133,198
		P2,209,223,786	P2,121,006,809

14. LEASEHOLD, PROPERTY AND EQUIPMENT - net

The movements in leasehold, property and equipment are summarized as follows:

	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Condominium Units	Building and Building Improvements	Right-of-Use Asset	Total
Cost									
January 1, 2018	P149,020,684	P881,486,219	P398,336,049	P138,725,574	P882,367,124	P83,900,348	P822,354,546	P -	P3,356,190,544
Additions	22,191,325	324,801,767	85,916,531	28,806,767	288,754,048	-	14,562,328	-	765,032,766
Disposals	-	(1,970,436)	-	(8,125,566)	-	-	-	-	(10,096,002)
Transfers	-	-	-	-	-	-	-	-	-
December 31,2018	171,212,009	1,204,317,550	484,252,580	159,406,775	1,171,121,172	83,900,348	836,916,874	798,757,889	4,909,885,197
Additions	25,012,082	332,138,213	49,855,399	37,337,450	42,807,713	-	-	495,997,317	983,148,174
Disposals	(202,846)	(42,300,146)	(5,949)	(54,549,192)	(113,970,400)	-	-	-	(211,028,533)
Transfers	-	-	-	-	-	-	33,950,022	-	33,950,022
December 31, 2019	196,021,245	1,494,155,617	534,102,030	142,195,033	1,099,958,485	83,900,348	870,866,896	1,294,755,206	5,715,954,860
Accumulated Depreciation and Amortization									
January 1, 2018	99,001,337	634,271,435	222,766,288	95,844,092	393,079,478	64,882,935	276,628,643	-	1,786,474,209
Depreciation	17,422,488	169,523,042	30,308,099	26,522,746	40,037,501	3,356,014	65,334,147	-	352,504,037
Disposals	-	(1,914,940)	-	(6,715,042)	-	-	-	-	(8,629,982)
Transfers	-	-	-	-	-	-	-	-	-
December 31, 2018	116,423,825	801,879,537	253,074,387	115,651,796	433,116,979	68,238,949	341,962,790	-	2,130,348,263
Depreciation	21,381,090	238,723,114	36,967,988	31,428,325	96,791,806	3,356,014	68,842,630	293,719,809	791,210,776
Disposals	(202,846)	(42,297,145)	(5,949)	(52,963,868)	(106,288,272)	-	-	-	(201,758,080)
Transfers	-	-	-		39,475,354	-	(46,367,690)	-	(6,892,336)
December 31, 2019	137,602,069	998,305,506	290,036,426	94,116,253	463,095,867	71,594,963	364,437,730	293,719,809	2,712,908,624
Carrying Amounts December 31,2019	**P 58,419,176**	**P 495,850,112**	**P244,065,605**	**P 48,078,779**	**P636,862,618**	**P12,305,385**	**P 506,429,166**	**P1,001,035,397**	**P3,003,046,236**
Carrying Amounts December 31, 2018	P 54,788,184	P 402,438,013	P231,178,193	P 43,754,979	P 738,004,193	P15,661,399	P 494,954,083	-	P1,980,779,044

Gain on disposal of property and equipment amounted to P4,627,483 in 2019 and P7,036,421 in 2018, as disclosed in Note 31. In 2019 and 2018, Management believes that there is no indication that an impairment loss has occurred.

15. INTANGIBLE ASSETS - net

The movement in intangible assets, consisting of leasehold interest and naming rights, are summarized as follows:

	Note	Long-term Leasehold Interest	Naming Rights	Total
Cost				
January 1, 2018		P526,240,741	P40,000,000	P566,240,741
December 31, 2018		526,240,741	40,000,000	566,240,741
December 31, 2018		526,240,741	40,000,000	566,240,741
Transfer to ROU assets		(526,240,741)	-	(526,240,741)
December 31, 2019		-	P40,000,000	P40,000,000
Accumulated Amortization				
January 1, 2018		420,992,595	2,333,334	423,325,929
Amortization	33	21,049,632	4,000,000	25,049,632
December 31, 2018		442,042,227	6,333,334	448,375,561
Amortization	33	-	4,000,000	4,000,000
Transfer to ROU asset		(442,042,227)	-	(442,042,227)
December 31, 2019		-	10,333,334	10,333,334
Carrying Amount December 31, 2019		-	**P29,666,666**	**P29,666,666**
Carrying Amount December 31, 2018		P 84,198,514	P33,666,666	P117,865,180

Leasehold Interest

The Sun Life of Canada (Philippines), Inc. (SLOCPI) Multi-Employer Employee's Retirement Plan entered into a Purchase of Long-term Leasehold Interest Agreement with Sun Life Assurance Company of Canada (SLACC) Philippine Branch. The Agreement provided for a 25-year absolute interest to possess and use the real property for a price of P526,240,741. The leasehold interest was transferred by the SLACC Philippine Branch in 1997 to the Company as a result of its demutualization. The IC has approved the purchase of long-term interest and the future cost of building construction and other improvements thereon as admitted assets, subject to certain terms and conditions.

As at December 31, 2019 and 2018, this leasehold interest will be fully amortized in 2 and 3 years, respectively. The account was transferred to ROU assets following the adoption of PFRS 16 in January 1, 2019.

Naming Rights

In 2015, SLOPCI entered into a Deed of Conditional Donation with Bonifacio Arts Foundation, Inc. (BAFI). The contract states that SLOCPI would donate P40,000,000 for the construction of the Performing Arts Center Amphitheatre. In return BAFI provides SLOCPI the 10-year naming rights to amphitheatre which shall be called "Sun Life Amphitheatre". The construction was completed in June 2017.

Management believes that there is no indication that an impairment loss has occurred on its intangible assets with definite useful lives.

16. INVESTMENT PROPERTY - net

Carrying amount of the Company's investment property is summarized as follows:

	Note	
Cost		
January 1, 2018 and 2019		P 890,053,669
Transfers	14	(33,950,022)
December 31, 2019		856,103,647
Accumulated Depreciation		
January 1, 2018		218,448,394
Depreciation	33	35,298,080
December 31, 2018		253,746,474
Depreciation	33	6,892,337
December 31, 2019		260,638,811
Carrying Amount		
December 31, 2019		**P595,464,836**
Carrying Amount		
December 31, 2018		P636,307,195

Management engaged an independent appraiser accredited by the SEC, Cuervo Appraisers, Inc., to determine the fair value of the investment property. Based on the result of the appraisal which was carried out in January 2019, the fair value of the investment property amounted to P1,517,913,000. The fair value was determined using the Cost Approach which is based on the reproduction cost of the subject property or asset, less total depreciation. As such, the fair value hierarchy is considered as Level 3.

Depreciation of the building is computed using the straight-line method based on the estimated useful life of 36 years.

Management believes that the fair value of the investment property has not significantly changed since the last valuation date as the economic condition which may affect the volatility of the fair value of the property has remained constant.

The rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to P161,690,031 and P170,863,731 in 2019 and 2018, respectively, as disclosed in Note 31. Direct operating expenses such as depreciation, repairs and maintenance and real property taxes, arising from holding the investment property amounted to P108,904,804 and P109,405,411 during 2019 and 2018, respectively and are included in general and administrative expenses.

Management believes there is no indication that an impairment loss has occurred on its investment property in 2019 and 2018.

17. RELATED PARTY TRANSACTIONS

The Company has the following transactions and outstanding balances with related parties as at and for the years ended December 31:

Nature of Transactions	Notes	Amounts of Transactions During the Year		Outstanding Balance Assets (Liabilities)		Terms	Conditions
		2019	2018	**2019**	2018		
Parent							
Sun Life Assurance Company of Canada							
Expense chargebacks	17.e	**P187,806,183**	P150,293,755	**(P48,540,774)**	(P27,002,018)	90-day; non-interest bearing	Unsecured
Share-based compensation	24, 35, 37	**15,057,412**	34,801,118	**(71,336,119)**	(51,551,040)	90-day; non-interest bearing	Unsecured
Immediate Parent							
Sun Life of Canada (Netherlands) B.V							
Dividends	27	**5,000,000,000**	5,500,000,000				
Fellow Subsidiaries							
Sun Life Philippine Holding Company, Inc							
Loan	17.a	**176,312,089**	90,174,915	**2,476,845,152**	2,300,533,064	3-5 years; fixed rate ranging from 2.83% to 4.22%	Unsecured, No impairment
Interest income	17.a, 31	**99,291,546**	92,045,188	**40,528,286**	37,548,828	-	-
Reimbursable expenses	17.e	-	4,323,528	-	4,323,528	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Assurance Company of Canada - RHQ							
Reimbursable expenses	17.e	**164,061,025**	181,843,706	**(33,914,550)**	(40,705,362)	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Financial Asia Services Limited							
Expense chargebacks	17.e	**784,818,202**	674,705,583	**(149,827,191)**	(49,628,493)	30-day; non-interest bearing	Unsecured, No impairment
Fee income	17.e,30	**41,369,577**	-	-	-		
Reimbursable expenses	17.e	**21,623,965**	-	-	-		
Transfer of retirement fund	36	-	230,258,200	-	-		
Rental income	17.d	**49,173,532**	45,957,195	-	-		
Other (rental dues)	17.d	**16,967,784**	18,079,617	-	-		
PT Asuransi Sun Life Indonesia							
Reimbursable expenses	17.e	**5,520**	107,800	-	-	90-day; non-interest bearing	Unsecured, No impairment

Nature of Transactions	Notes	Amounts of Transactions During the Year 2019	2018	Outstanding Balance Assets (Liabilities) 2019	2018	Terms	Conditions
Sun Life Hong Kong Limited							
Reimbursable expenses	17.e	**P3,494,516**	P3,012,991	**P54,887**	P42,433	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Assurance Company of Canada - US Branch							
Expense chargebacks	17.e	-	452,044	-	-	90-day; non-interest bearing	Unsecured
Joint venture of fellow subsidiary							
Sun Life Assurance Malaysia Berhad							
Reimbursable expenses	17.e	**3,905**	3,306	**2,724**	-	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Grepa Financial, Inc.							
Reimbursable expenses	17.e	**43,857,596**	37,616,517	**1,422,235**	1,376,193	30-day; non-interest bearing	Unsecured, No impairment
Fee income	17.b, 30	**275,832,582**	267,524,025	**26,580,347**	28,040,604	Transaction fees with 6.8% markup; 30-day; non-interest bearing	Unsecured, No impairment
Sale and purchase of investments	17.h	**299,366,044**	168,633,766	-	-		
Sun Life India Service Centre Pvt. LTd.							
Reimbursable expenses	17.e	**2,605,447**	2,695,830	**(217,093)**	(557,713)	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Vietnam Insurance Company Limited							
Reimbursable expenses	17.e	**1,722**	97,910	**1,132**	(6,620)	90-day; non-interest bearing	Unsecured, No impairment
Subsidiaries							
Sun Life Asset Management Company, Inc.							
Reimbursable expenses	17.e	**P958,673**	-	-	-	30-day; non-interest bearing	Unsecured, No impairment
Dividend income	17.g	**100,000,000**	100,000,000	**100,000,000**	100,000,000		
Fee income	30	**225,390,505**	220,982,661	**2,259,531**	(1,526,534)	30-day; non-interest bearing	Unsecured, No impairment
Rental income	17.d	**8,106,507**	9,521,339	-	-		
Others (rental dues)	17.d	**2,528,074**	-	-	-		

Nature of Transactions	Notes	Amounts of Transactions During the Year		Outstanding Balance Assets (Liabilities)		Terms	Conditions
		2019	2018	**2019**	2018		
Sun Life Financial Plans, Inc.							
Reimbursable expenses	17.e	**P176,685**	P-	**P-**	P-	30-day; non-interest bearing	Unsecured, No impairment
Fee income	30	**22,289,317**	23,479,647	**(60,027)**	209,880	30-day; non-interest bearing	Unsecured, No impairment
Rider premiums	17.c	**439,627**	626,468	**3,397,171**	3,726,321	30-day; non-interest bearing	Unsecured, No impairment
Associate							
Grepalife Asset Management Corporation							
Expense chargeback	17.b	**1,497,489**	1,502,156	**249,582**	249,582	Transaction fees with 6.8% markup; 30-day; non-interest bearing	Unsecured, No impairment
Sun Life Prosperity Money Market Fund, Inc.							
Subscription of redeemable shares	17.h	**409,155,119**	254,113,682	**1,446,300,000**	930,000,000	Redeemable at NAVPS at the date of redemption-	
Sale and purchase of investments	17.h	**112,266,735**	6,201,469,362	-	-		
Sun Life of Canada Prosperity Balanced Fund, Inc.							
Sale and purchase of investments	17.h	**296,418,825**	476,800,158	-	-		
Sun Life of Canada Prosperity Bond Fund, Inc.							
Sale and purchase of investments	17.h	**27,239,444**	120,275,114	-	-		
Sun Life Prosperity Dynamic Fund, Inc.							
Sale and purchase of investments	17.h	**41,619,011**	67,505,145	-	-		
Sun Life Prosperity GS Fund, Inc.							
Sale and purchase of investments	17.h	**17,416,873**	11,846,635	-	-		
Sun Life Prosperity Dollar Starter Fund							
Subscription of redeemable shares	17.h	**42,454,433**	-	93,702,500			
Sale and purchase of investments	17.h	**-**	-	-	-		
Sun Life of Canada Prosperity Achiever 2038							
Sale and purchase of investments	17.h	**1,206,046**	-	-	-		
Sun Life of Canada Prosperity Equity							
Sale and purchase of investments	17.h	**389,955,966**	-	-	-		
Sun Life of Canada Prosperity Dollar Abundance							
Sale and purchase of investments	17.h	**59,341,662**	-	-	-		
Grepalife Balanced Fund Corporation (formerly, Grepalife Bond Fund, Inc.)							
Sale and purchase of investments	17.h	**4,508,311**	17,103,408	-	-		

Nature of Transactions	Notes	Amounts of Transactions During the Year 2019	2018	Outstanding Balance Assets (Liabilities) 2019	2018	Terms	Conditions
Grepalife Fixed Income Fund Corp.							
Sale and purchase of investments	17.h	P-	P7,122,042	P-	P-		
Contributor							
Sun Life Financial Philippines Foundation, Inc.							
Reimbursable expenses	17.e	**361,244**	251,845	**361,244**	251,845	90-day; non-interest bearing	Unsecured, No impairment
Donation	17.i	**74,751,865**	74,049,996	-	-		
Sun Life of Canada (Philippines), Inc. Multi-Employer Employee's Retirement Plan							
Contribution	36	**59,527,800**	84,637,900	-	-		
Key Management Personnel							
Loans	17.f	**P-**	P-	**P48,029,593**	P48,514,499	1 to 20 years; interest-bearing	Unsecured, No impairment
Loan to fellow subsidiary		**P-**	-	**P2,476,845,152**	P2,300,533,064		
Due from related parties		**P-**	-	**P30,931,682**	P 34,494,065		
Due to related parties		**P-**	-	**P232,559,635**	P 119,426,738		
Interest income earned and accrued	13	**P-**	-	**P40,528,286**	P 37,548,828		
Receivable from agents and employees	8	**P-**	-	**P235,183,190**	P 222,202,726		
Financial assets at FVTPL	11.a	**P-**	-	**P6,033,793,710**	P5,074,073,568		
Retirement Fund Transfers	36	**P-**	P230,258,200	-	-		

Details of the Company's related party transactions are as follows:

a. On June 10, 2011 and October 26, 2015; the BOD approved a maximum loanable amount of P2,000,000,000 and P265,000,000 excluding interest transfers, respectively, to Sun Life Financial Philippine Holding Company, Inc. The details of the loan are as follows:

Due Date	Interest Rate	2019	2018
February 16, 2020	3.558%	**P411,121,819**	P396,811,986
March 15, 2021	4.028%	**45,103,206**	43,333,617
March 7, 2021	4.180%	**49,292,128**	47,288,035
July 10, 2021	2.833%	**47,710,434**	46,378,425
September 8, 2021	2.882%	**43,610,019**	42,371,859
July 14, 2022	4.193%	**47,711,312**	45,765,615
October 26, 2023	8.616%	**47,830,212**	43,987,560
September 22, 2024	4.439%	**1,704,466,022**	1,634,595,967
November 26, 2029	4.718%	**80,000,000**	-
		P2,476,845,152	P2,300,533,064

On December 5, 2018, the Company's BOD approved a new loan facility of P1,508,970,000.

On September 22, 2019, the Company amended the loan agreement dated September 17, 2014 to extend the term of the loans up to 5 years for the principal amount of P1,255,000,000 and change the interest rates from 4.2159% to 4.439% per annum.

On November 26, 2019, the Company availed of another loan amounting to P80,000,000 with interest rate of 4.718%.

On February 16, 2020, the Company amended the loan agreement dated February 16, 2020 to extend the term of the loans up to 5 years for the principal amount of P580,000,000 and change the interest rates from 3.5568% to 4.2860% per annum.

The borrower may repay the loan in whole or in part prior to the repayment date provided that no repayment shall be made unless the borrower has given the Company at least 30 days prior written notice of its intention.

The Company also transfers the interest receivable to the loan to fellow subsidiary every anniversary date of each individual loan agreement. In 2019 and 2018 the amount of interest receivable transferred as part of the loan is P96,312,089 and P90,174,915, respectively.

Accrued interest receivable as at December 31, 2019 and 2018 amounted to P40,528,286 and P37,548,828, respectively, as disclosed in Note 13. Interest income earned in 2019 and 2018 amounted to P P99,291,546 and P92,045,188, respectively, as disclosed in Note 31.

b. On October 24, 2011, a Service Level Agreement was executed between the Company and Grepalife Financial, Inc. The Company will be the service provider of Sun Life Grepa Financial, Inc.'s (SLGFI) and Grepalife Asset Management Corporation (GAMC) back-office individual and group services in the areas of operations, finance, actuarial, investment, information technology, administrative services, product development, legal, compliance and risk management. The Company will be paid its actual cost to provide those services with VAT and a mark-up of 6.8% as agreed by those parties.

c. In the normal course of business, the Company provides insurance riders to SLFPI's planholders. This is settled on a monthly basis.

d. The Company has entered into lease agreements with its subsidiaries and fellow subsidiary. Leases are negotiated for an average term of one year to five years, renewable at the option of the Company under such terms and conditions, which are mutually acceptable to both parties. The rental charges shall be subject to 5% escalation beginning in the second year of the term of the lease as disclosed in Note 38.

e. Reimbursable expenses pertain to transactions with subsidiaries and related parties which consist mainly of inter-company billings made by the Company to related parties for shared costs and operating expenses for integrated backroom services (such as the operations of systems and human resources, legal and internal audit teams, rent and others) which are recognized as deductions from the related expenses. Expense chargebacks pertain to expenses paid by related parties on behalf of the Company. Transactions with subsidiaries are settled every month while other intercompany transactions are settled quarterly through inter-company billing.

f. Loans granted to key management personnel are as follows:

	2019	2018
Short-term loans	P 80,000	P 50,184
Long-term loans	47,949,593	48,464,315
	P 48,029,593	P48,514,499

These interest bearing loans are presented as part of receivables from agents and employees with maximum terms of one year and 20 years for short-term and long-term loans, respectively.

g. Sun Life Asset Management Company, Inc. (SLAMC) declared cash dividends on December 2019 and December 2018 in the amount of P100,000,000 and P100,000,000, respectively, as presented under Note 18.

h. Sale and purchase of investments pertain to buying and selling of the same security between portfolios of two separate affiliated legal entities and whose assets are managed by the same Portfolio Managers. Portfolio Managers determine that this is appropriate and in the best interest of certain portfolios and ensure that the trade will be executed in a manner that is fair and equitable to the involved parties involved.

i. The Company donates a portion of its net profit to Sun Life Financial – Philippines Foundation, Inc. for the achievement of its purposes and objectives.

j. All outstanding balances will be settled in cash.

Remuneration of Key Management Personnel

The remuneration of key management personnel of the Company is set out below in aggregate as specified in PAS 24.

	2019	2018
Short-term employee benefits	P586,598,584	P484,965,944
Post-employment benefits	29,330,908	35,286,929
Share-based payments	42,931,270	39,770,744
	P658,860,762	P560,023,617

Significant Information on the Retirement Plan

The Company has a funded retirement plan for its employees maintained with a trustee bank. The details of the fund are disclosed in Note 36.

The Company's Multi-Employer Employee's Retirement Plan entered into a Purchase of Long-term Leasehold Interest Agreement with the SLACC Philippine Branch. The Agreement provided for a 25-year absolute interest to possess and use the real property for a price of P526,240,741, as disclosed in Note 15. The leasehold interest was transferred by the SLACC Philippine Branch in 1997 to the Company as a result of its demutualization.

18. OTHER RECEIVABLES

The details of the Company's other receivables are as follows:

	Note	2019	2018
Due from brokers		**P464,787,168**	P349,897,058
Dividends receivable from a subsidiary	17.g	**100,000,000**	100,000,000
Rental receivable		**49,911,925**	27,577,781
Others		**34,500,225**	32,382,108
		P649,199,318	P509,856,947

Due from brokers account refers to amounts receivable from brokers for the sale of investments processed on or before the reporting period, that are settled three days after the transaction date.

Others pertain to travel and expense advances given to employees, receivables from resigned employees and miscellaneous deposits.

19. PREPAID TAXES

The details of the Company's prepaid taxes are shown below.

	2019	2018
Creditable withholding tax	**P467,184,251**	P517,115,973
Input tax	**5,523,016**	5,968,866
Prepaid documentary stamp tax	**11,674,066**	8,517,207
	P484,381,333	P531,602,046

Creditable withholding tax pertains to taxes withheld from the Company from its investments and other revenue subject to withholding tax.

20. PREPAYMENTS AND OTHER ASSETS

The details of the Company's prepayments and other assets are shown below.

	Note	2019	2018
Project cost		**P480,514,568**	P277,206,333
Prepaid supplies		**158,028,190**	145,487,633
Security deposits	38	**97,100,059**	65,972,228
Investment in trust fund		**9,581,001**	14,301,892
Other assets		**1,650,020**	1,450,020
		P746,873,838	P504,418,106

Project cost pertains to cost of on-going software and leasehold project development.

Investment in trust fund is a portfolio of assets managed by professional fund managers set aside for loans to agents and restricted for other use.

21. VARIABLE UNIT-LINKED LIABILITIES

On July 29, 2004, the IC approved the Company's license to sell variable or investment-linked insurance, a life insurance product that is linked to investment funds. The portion of the premium invested separately in identifiable funds managed by the Company is known to the policyholder at the outset. The funds are valued regularly and divided into units allocated to the investment-linked policyholder's share in the fund.

VUL liabilities represent net assets of the VUL funds attributable to the policyholders. Details are as follows:

	Note	2019	2018
Assets			
Financial assets at FVTPL	11.a	**P128,588,442,269**	P114,183,805,480
Other assets		**1,018,886,017**	889,948,645
		129,607,328,286	115,073,754,125
Liabilities		**512,673,343**	319,050,547
Net Assets		**129,094,654,943**	114,754,703,578
Less: Net assets attributable to seed capital		**316,195,385**	274,066,927
Net assets attributable to policyholders		**P128,778,459,558**	P114,480,636,651

Other assets are included under other receivables, prepayments and other assets.

Liabilities are recognized under taxes, licenses and fees due and accrued and due to brokers.

Movement of VUL net assets attributable to policyholders are as follows:

	Notes	2019	2018
Balance beginning of the year		**P114,480,636,651**	P 112,331,955,850
VUL fund contributions	28	**27,727,286,569**	26,939,343,344
VUL fund withdrawals	23	**(11,236,227,850)**	(6,271,952,787)
VUL fund (loss) for the year		**(2,193,235,812)**	(18,518,709,756)
		P128,778,459,558	P 114,480,636,651

The details of VUL fund allocation recognized in profit or loss are as follows:

	Notes	2019	2018
VUL fund (loss) for the year		**(P2,193,235,812)**	(P18,518,709,756)
Gain (Loss) attributable to seed capital		**(20,757,941)**	30,203,450
Loss attributable to VUL policyholders		**(2,213,993,753)**	(18,488,506,306)
VUL fund contributions	28	**27,727,286,569**	26,939,343,344
VUL fund withdrawals	23	**(11,236,227,850)**	(6,271,952,787)
		P14,277,064,966	P 2,178,884,251

22. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities or legal policy reserves are computed based on Insurance Commission Circular No. 2016-66. The Circular prescribes the valuation standards for life insurance policy reserves. Under this circular, the valuation of traditional life insurance policy reserves will be primarily on gross premium basis with discount rates as prescribed by the Insurance Commission.

	2019	2018
Legal policy reserves	**P54,965,212,784**	P51,144,332,091

Change in Insurance Contract Liabilities

The details of the change in insurance contract liabilities are as follows:

Under Profit and Loss:

	2019	2018
Decrease in insurance contract liabilities	**P1,546,674,268**	P1,462,213,280

Under Other Comprehensive Income:

	Note	**2019**	2018
Increase (Decrease) Remeasurement of insurance contract liabilities	26	**P5,367,554,961**	(P9,677,278,329)

The Key Assumptions are Determined as Follows:

Mortality and morbidity tables

Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate of accident or sickness, and recovery therefrom, for a defined group of people. Best estimate assumptions for both mortality and morbidity are generally based on the Company's historical experience of its policyholders' portfolio profile. Increase in mortality or morbidity rates would generally increase the liability for life insurance contracts.

Interest rates

Interest rates for the purpose of liability valuation is based on the risk-free discount rate which is provided by the Insurance Commission. Changes in interest rates may increase or decrease the liability.

Expenses

Operating expenses include costs of premium collection, claims processing, preparation and mailing of policy statements and related indirect expenses and overheads. Best estimate expense assumptions are mainly based on recent Company experience using an internal expense allocation methodology. Future expense assumptions reflect inflation. Increase in unit expenses would result in an increase in liability.

Policy terminations

Policyholders may allow their policies to terminate prior to the end of the contractual coverage period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options in the contract. Best estimate assumptions for termination on life insurance are generally based on the Company's experience. Termination rates may vary by plan, age at issue, method of premium payment, and policy duration. Changes in termination rates may increase or decrease the liability.

Other insurance policy liabilities

Outstanding claims, premiums on deposit, and premiums paid in advance are obtained directly from the policy administration system. These represent actual claims payable to the policyholders, premiums paid in advance and balances of benefits and dividends left on deposit with the Company including any interest accruals.

23. DUE TO POLICYHOLDERS

The details of due to policyholders are as follows:

	2019	2018
Dividends payable to policyholders	**P27,033,585,554**	P26,847,090,083
Death benefits	**572,538,455**	539,943,587
Surrenders and maturities	**347,646,885**	293,194,908
IBNR claims	**220,461,876**	202,204,100
Hospitalization and disability benefits	**21,510,560**	19,692,935
	P28,195,743,330	P27,902,125,613

Dividends payable to policyholders pertains to dividends and anticipated endowments from outstanding insurance contracts issued by the Company.

IBNR claims are estimated by the actuary of the Company on the basis of past experiences.

Death, disability and other policyholder benefits expense charged to profit or loss are as follows:

	2019	2018
Dividends to policyholders	**P1,745,873,562**	P1,852,747,078
Interest on dividends	**1,249,480,262**	1,346,071,754
Death claims	**1,487,284,070**	1,364,129,768
Other benefits	**166,685,541**	185,684,151
	P4,649,323,435	P4,748,632,751

Claims paid and incurred for matured, cancelled or surrendered policies as well as anticipated endowments are as follows:

	Note	2019	2018
VUL fund withdrawals	21	**P11,236,227,850**	P6,271,952,787
Anticipated endowment expense		**1,287,445,232**	1,446,019,733
Cash surrender value expense		**1,239,863,561**	1,329,404,395
Matured endowment expense		**376,086,464**	778,579,913
		P14,139,623,107	P9,825,956,828

24. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

The details of the Company's accounts payable, accrued expenses and other liabilities are as follows:

	Notes	2019	2018
Lease liabilities		P971,367,386	P -
Agent related payable		826,617,183	746,422,828
Banking suspense		658,067,258	547,996,201
Due to brokers		647,122,780	1,363,715,074
Salaries and employee benefits		558,384,602	451,063,954
Taxes, licenses and fees due and accrued		472,442,194	387,085,373
Premium suspense		482,409,162	368,269,224
Premiums received in advance		322,473,635	223,306,222
Reinsurance liabilities		202,042,010	166,038,217
Commissions payable		193,439,121	181,756,620
Advertising		89,720,427	72,611,010
Share-based payment liability	37	71,336,119	51,551,040
VAT payable		36,218,572	26,838,562
Professional fees		31,724,540	25,674,765
Utilities payable		21,374,651	17,298,569
Refundable deposits	38	27,334,151	30,069,324
Deferred rent payable		-	44,792,423
Miscellaneous payable		176,337,836	105,811,766
		P5,788,411,627	P4,810,301,172

Due to brokers account pertains to amounts payable to brokers for the purchase of investments processed on or before the reporting period, that are settled three days after the transaction date.

Premium suspense account represents premiums collected on policies not yet issued, pending the receipt of requirements from the prospective policyholders.

Premiums received in advance pertain to the premiums collected on policies which were requested by policyholders to be paid in advance at a discounted amount determined by Sun Life.

Banking suspense pertains to stale checks and unidentified bank credits. Stale checks refer to checks issued which had not been presented to banks for more than 6 months. Unidentified bank credits pertain to the unidentified bank collections temporarily recorded in a suspense account pending the confirmation of the policyholder's identification.

25. SHARE CAPITAL

Components of share capital in 2019 and 2018 are as follows:

	2019	2018
Authorized:		
10,000,000 ordinary shares at P100 par value	P1,000,000,000	P1,000,000,000
Issued, outstanding and fully paid:		
5,000,002 ordinary shares at P100 par value	P 500,000,200	P 500,000,200

The Company has one class of ordinary shares which carry no right to fix income.

26. RESERVES

The details of the Company's reserves are as follows:

	Notes	2019	2018
Investment revaluation reserve:			
Available-for-sale financial assets	7	**P11,592,180,001**	(P4,165,506,883)
Investment in associate	10	**(11,294,731)**	(4,455,000)
		11,580,885,270	(4,169,961,883)
Remeasurement of insurance liability		**(2,225,734,466)**	3,141,820,495
Remeasurement of net of retirement benefit asset		**263,407,908**	473,442,608
Contributed surplus		**50,000,000**	50,000,000
Contingency surplus		**2,826,225,200**	2,826,225,200
		P12,494,783,912	P2,321,526,420

Contingency Surplus

The contingency surplus represents the net accumulated unappropriated surplus of SLACC Philippine Branch which formed part of the assets, properties and the undertaking of the life insurance business that was transferred to the Company when it entered into an Indemnity and Asset Transfer Agreement with SLACC Philippine Branch on March 31, 2000. The IC designated the amount as a Contingency Surplus Fund (CSF) and further stipulated that both cash and stock dividends cannot be declared out of the CSF. However, the CSF may be repatriated in the future to SLACC subject to the approval of the IC.

Investment Revaluation Reserves

Movement of investment revaluation reserves are as follows:

	Notes	2019	2018
Balance, beginning		**(P4,169,961,883)**	P8,708,664,324
Movements			
Net gain (loss) on fair value measurement:			
Available-for-sale financial assets	7	**15,932,138,199**	(12,741,929,558)
Investment in associate	10	**31,990,274**	(54,230,000)
Reclassification adjustments relating to impairment losses on AFS financial assets during the year	7, 29	**144,879,830**	68,590,306
Reclassification adjustments relating to AFS financial assets disposed of during the year	7	**(356,371,919)**	(151,056,955)
Reclassification adjustments relating to investment in Associate disposed of during the year		**(1,789,231)**	-
		15,750,847,153	(12,878,626,207)
Balance, end		**P11,580,885,270**	(P 4,169,961,883)

Investments revaluation reserves represent accumulated gains and losses arising on the revaluation of AFS financial assets and investment in associate that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Remeasurement of Insurance Contract Liabilities

Movement of insurance contract liability reserves under Other Comprehensive Income are as follows:

	Note	2019	2018
Balance, beginning		**P 3,141,820,495**	(P6,535,457,834)
Movement on remeasurement of insurance contract liabilities	22	**(5,367,554,961)**	9,677,278,329
Balance, end		**(P2,225,734,466)**	P3,141,820,495

Remeasurement of insurance contract liabilities represents the accumulated gain or loss arising from the impact of discount rate in the valuation of insurance contract liabilities.

Remeasurement of Retirement Benefit Asset

Movement of defined benefit obligation are as follows:

	Note	2019	2018
Balance, beginning		**P473,442,608**	(P44,685,715)
Defined benefit obligation transferred to ASCP		-	28,731,923
Movement on remeasurement of defined benefit obligation	36	**(210,034,700)**	489,396,400
Movement of defined benefit obligation		**(210,034,700)**	518,128,323
Balance, end		**P263,407,908**	P473,442,608

Remeasurement of defined benefit obligation represents the accumulated gain or loss on retirement plan.

27. DIVIDENDS DECLARED

On March 6, 2019 and March 7, 2018, the Company declared and paid cash dividends of P5,000,000,000 (P1,000 per share) and P5,500,000,000 (P1,100 per share), respectively, out of the Company's unrestricted retained earnings to stockholders of record as at the declaration dates.

28. PREMIUMS - net

The details of premiums - net are as follows:

	Note	2019	2018
Premiums from:			
VUL insurance contracts	21	**P27,727,286,569**	P26,939,343,344
Life insurance contracts		**12,360,327,093**	10,873,150,307
		40,087,613,662	37,812,493,651
Less: Premiums ceded		**552,305,514**	447,663,306
		P 39,535,308,148	P37,364,830,345

The uncollected policyholder premiums, which are all current, amounted to P451,863,371 and P457,061,762 as at December 31, 2019 and 2018, respectively.

Life insurance contracts offered by the Company mainly include whole life, endowment, term insurance and unit-linked products.

Whole life and term insurance are traditional products that provide for lump sum payments to the beneficiary upon death of the insured as long as death occurred within the terms of the policy.

An endowment product provides for lump sum payment to the beneficiary upon death of the insured if death occurred within the terms of the policy, or to the insured if he survives the endowment period.

A unit-linked product is a non-traditional product. It includes a protection element in the form of a term insurance. In addition, a portion of the premium is placed in segregated funds. The value of each fund depends on the returns from the investments held by the fund.

29. INVESTMENTS INCOME (LOSS) - net

The details of investments income (loss) - net are as follows:

	Notes	2019	2018
Interest income from:			
Available-for-sale financial assets	7	**P5,649,107,805**	P5,719,755,212
Financial assets at FVTPL	11.a, 11.b	**1,505,054,869**	1,429,457,109
Loans and receivables – guaranteed loans	8	**305,766,287**	317,614,762
Cash and cash equivalents	6	**145,146,977**	42,376,121
		7,605,075,938	7,509,203,204
Realized fair value gain (loss)-net from:			
Available-for-sale financial assets and Investment in Associates	7	**358,161,151**	151,056,955
Financial assets at FVTPL	11.a	**1,215,733,229**	(898,933,294)
		1,573,894,380	(747,876,339)
Dividend income from:			
Available-for-sale financial assets	7	**93,913,177**	180,393,294
Subsidiary (SLAMCI)		**100,000,000**	
Financial assets at FVTPL	11.a	**1,432,139,292**	1,225,838,204
		1,626,052,469	1,406,231,498
Others:			
Unrealized fair value gain (loss)-net from financial assets at FVTPL	11.a	**5,241,279,305**	(11,156,475,809)
Foreign exchange gain (loss)		**(845,327,203)**	1,525,897,095
Provision for impairment- subsidiary	9	**(355,881,479)**	-
Impairment loss from Available-for-sale financial assets	7, 26	**(144,879,830)**	(68,590,306)
		3,895,190,793	(9,699,169,020)
		P14,700,213,580	(P1,531,610,657)

30. FEE INCOME

The details of fee income are as follows:

	Note	2019	2018
Fee Income for:			
Subsidiaries	17	**P289,049,399**	P251,005,843
Asset Management - Joint Venture	17	**275,832,582**	267,524,025
Periodic Charges		**47,602,874**	31,321,197
Surrender charges		**47,553,710**	30,644,958
Others		**24,098,379**	22,627,106
		P684,136,944	P603,123,129

31. OTHER INCOME

The details of other income are as follows:

	Notes	2019	2018
Interest from policyholders' loans	12	**P698,169,337**	P 711,497,909
Rental income	16, 38	**161,690,031**	170,863,731
Interest income from loan to fellow subsidiary	17	**99,291,546**	92,045,188
Interest income from receivables from agents and employees	8	**11,543,967**	11,407,194
Gain on disposal of leasehold, property and equipment	14	**4,627,483**	7,036,421
Others		**15,966,404**	13,279,097
		P991,288,768	P1,006,129,540

32. COMMISSIONS, BONUSES AND OTHER AGENTS' EXPENSES

The details of commissions, bonuses and other agents' expenses are as follows:

	2019	2018
Commissions	**P4,873,772,077**	P4,062,212,637
Bonuses and benefits	**4,035,756,631**	3,554,906,782
Other agents' expenses	**411,186,811**	293,889,016
	P9,320,715,519	P7,911,008,435

Commissions are based on premiums due and received or accrued by the Company and are paid in local currency regardless of the policy currency.

Other agents' expenses pertain to allowances, either cash or in kind, and agents' training and conference expenses.

33. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	Notes	2019	2018
Employee benefits	35	**P1,981,703,262**	P1,722,238,153
Materials, supplies and facilities		**1,189,215,937**	1,150,738,811
Depreciation and amortization	14,15,16	**802,103,114**	412,851,749
Rent and utilities	38	**208,108,548**	432,295,606
Investment expenses		**427,420,153**	399,630,785
Outside services		**337,480,105**	293,306,675
Advertising and promotions		**267,079,606**	238,539,129
Repairs and maintenance		**312,911,193**	204,664,677
Bank charges		**50,797,081**	35,484,820
Interest expense on leases		**45,779,365**	-
Miscellaneous expense		**303,356,113**	87,641,658
		P5,925,954,477	P4,977,392,063

Details of depreciation and amortization are summarized below:

	Notes	2019	2018
Leasehold, property and equipment	14	**P497,490,968**	P352,504,037
Investment property	16	**6,892,337**	35,298,080
Intangible assets	15	**4,000,000**	25,049,632
Depreciation expense of right-of-use assets included in leasehold property and equipment	14	**293,719,809**	-
		P802,103,114	P412,851,749

34. INSURANCE TAXES, LICENSES AND FEES

The details of insurance taxes, licenses and fees are as follows:

	2019	2018
Premium taxes	**P284,208,900**	P232,289,307
Local business taxes	**69,111,996**	66,844,432
Documentary stamp taxes	**46,706,160**	42,646,090
Other licenses and fees	**60,795,450**	67,593,492
	P460,822,506	P409,373,321

Premium taxes pertain to the 2% of the total premiums collected, whether such premiums are paid in money, notes, credits or any substitute for money, excluding premiums refunded within six months after payment on account of rejection of risk or returned for other reason to a person insured based on NIRC Sec. 123, a rule governing Life Insurance Premium.

Other licenses and fees consist of municipal taxes, community taxes, barangay clearance and filing fees.

35. EMPLOYEE BENEFITS

The details of employee benefits charged to profit or loss are as follows:

	Notes	2019	2018
Short term benefits		**P1,877,702,798**	P1,578,123,285
Post-employment benefits	36	**56,486,000**	99,241,100
Stock options and other share-based payments	37	**47,514,464**	44,873,768
	33	**P1,981,703,262**	P1,722,238,153

Post-employment benefit charged to other comprehensive income amounted to a loss of P210,034,700 and a gain P489,396,400 and in 2019 and 2018, respectively, as disclosed in Note 36.

36. RETIREMENT BENEFIT PLAN

Requirement of Republic Act (RA) 7641

RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at December 31, 2019 and 2018, respectively. The Company is a participant to the Sun Life of Canada (Philippines), Inc. Multi-Employer Employees' Retirement Plan (the "Retirement Plan"), a funded and non-contributory defined benefit retirement plan covering substantially all of its qualified employees. The other participants to the Retirement Plan are Sun Life Financial Asia Services Limited (ROHQ) and SLAMCI.

Under the plan, the employees, who are 50 years old and with at least 10 years of credited service or who are 65 years old, are entitled to a lump sum post-retirement benefit amounting to 50% to 200% of average monthly salary during the last three years immediately preceding the month of termination or a minimum benefit under the labor code, whichever is higher.

The retirement plan typically expose the participants to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2019 by Towers Watson, an independent actuary. The valuation includes information for comparative periods as of December 31, 2018. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2019	2018
Discount rate	**5.25%**	7.50%
Expected rates of salary increases	**6.00%**	7.00%
Average longevity at retirement age for current pensioners (years)	**35.11**	35.02
Average longevity at retirement age for current employees (future pensioners) (years)	**12.63**	12.44

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	2019	2018
Service cost		
Current service cost	**P81,463,900**	P 92,119,400
Net interest expense	**(24,977,900)**	7,121,700
Components of defined benefit costs recognized in profit or loss	**56,486,000**	99,241,100
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(3,440,200)**	(288,765,100)
Actuarial gains and losses:		
from changes in financial assumptions	**184,759,500**	(209,960,500)
from experience adjustments	**28,715,400**	9,329,200
Components of defined benefit costs recognized in other comprehensive income	**210,034,700**	(489,396,400)
	P266,520,700	(P390,155,300)

Total retirement cost for 2019 and 2018 has been included as employee benefits as disclosed in Note 35.

The amount included in the statements of financial position arising from the Company's obligations with respect to its defined benefit obligation is as follows:

	2019	2018
Present value of defined benefit obligations	**P1,326,865,500**	P 984,873,800
Fair value of plan assets	**(1,451,279,500)**	(1,316,280,700)
Net asset arising from defined benefit obligation	**(P124,414,000)**	(P 331,406,900)

Movements in the present value of defined benefit obligations are as follows:

	Note	2019	2018
Balance, January 1		**P984,873,800**	P1,116,368,900
Current service cost		**81,463,900**	92,119,400
Interest cost		**72,060,300**	62,235,900
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in demographic assumptions		**4,099,500**	-
Actuarial (gains) and losses arising from changes in financial assumptions		**180,660,000**	(209,960,500)
Actuarial losses due to liability experience		**28,715,400**	9,329,200
Benefits paid	17	**(29,172,000)**	(100,169,800)
Transfer payments		**4,164,600**	14,950,700
Balance, December 31		**P1,326,865,500**	P 984,873,800

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

	Note	2019	2018
Balance, January 1		**P1,316,280,700**	P1,203,240,800
Interest income		**97,038,200**	55,114,200
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)		**3,440,200**	288,765,100
Contributions from the employer	17	**59,527,800**	84,637,900
Benefits paid		**(29,172,000)**	(100,169,800)
Transfer of ASCP retirement plan		**-**	(230,258,200)
Transfers	17	**4,164,600**	14,950,700
Balance, December 31		**P1,451,279,500**	P1,316,280,700

Fair value of plan assets represents the Company's share in Sun Life Philippines Group Retirement Plan's assets as at December 31, 2019 and 2018. The assets of the Retirement Plan were allocated to the participating companies by taking into consideration actual contribution and benefit payments during the year.

The defined benefit plans are administered by a Retirement Plan Trustee that is legally separated from the entity. The appointed Retirement Trustee is responsible for the general administration and management of the Retirement Fund.

The transfer of Asia Service Center Philippines (ASCP) retirement plan pertains to the Sale and Purchase Agreement executed between Sun Life Assurance Company of Canada – Hong Kong Branch (SLAC-RO) and Sun Life Asia Services Limited (SLFAS) in January 2018. The agreement provides that the assets and liabilities of ASCP will be transferred from SLAC-RO to SLFAS including the monitoring and recording of employee related transactions form SLOCPI to SLFAS. Moreover, an accumulated total of other comprehensive income amounting to P28,731,923 has been transferred from SLOCPI to SLFAS. Other transfers pertain to adjustments arising from intercompany employee transfers.

The expected rate of return is 8.25% and 8.75% in 2019 and 2018, respectively, and analysis of the fair value of allocated plan assets at the end of each reporting period is as follows:

	2019	2018
Cash and cash equivalents	**P 290,256**	P 18,164,674
Debt instruments	**526,233,947**	556,523,480
UITF	**-**	39,620,049
Equity instruments	**112,183,905**	79,240,098
Real estate	**860,318,488**	715,793,445
Receivables	**(47,747,096)**	(93,061,045)
	P1,451,279,500	P1,316,280,700

The significant information of the unallocated Retirement Plan as at December 31 are as follows:

	Fair Value 2019	2018
Cash and cash equivalents	P 395,287	P24,417,164
Debt instruments	716,655,802	748,085,281
UITF	-	53,257,727
Equity instruments	152,778,526	106,515,454
Real estate	1,171,631,439	962,177,805
Receivables	(65,024,754)	(125,093,731)
	P1,976,436,300	P1,769,359,700

Debt instruments pertain to investments in bonds and government securities.

Equity instruments pertain to investments in equity securities listed in the local stock exchange.

The determination of the defined benefit obligation used significant actuarial assumptions including discount rate and expected salary growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in Assumption		**Increase (Decrease) on Retirement Benefit Obligation**	
	2019	2018	**2019**	2018
Discount rate	**1% increase**	1% increase	**(P140,647,743)**	(P 92,676,625)
	1% decrease	1% decrease	**168,777,292**	111,487,714
Expected salary growth rate	**1% increase**	1% increase	**153,252,965**	101,737,464
	1% decrease	1% decrease	**(130,828,938)**	(86,274,945)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

The Asset-Liability Matching Strategies are set and reviewed from time to time by the plan trustees by taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

There has been no change in the process used to manage its risks from prior periods.

The average duration of the benefit obligation for active employees is 12.63 years and 12.44 years as at December 31, 2019 and 2018, respectively.

The Company expects to contribute P160 million to the retirement fund in 2020.

37. SHARE-BASED COMPENSATION

Executive Stock Option Plans

Sun Life Financial, Inc., the Company's ultimate parent company, granted stock options to certain employees and officers under the Executive Stock Option Plan and to all eligible employees under the Special 2001 Stock Option Award Plan. These options are granted at the closing price of the common shares on the Toronto Stock Exchange (TSX) on the grant date for stock options granted after January 1, 2007, and the closing price of the trading day preceding the grant date for stock options granted before January 1, 2007. The options granted under the stock option plans generally vest over a four-year period under the Executive Stock Option Plan and two years after the grant date under the Special 2001 Stock Option Award Plan. All options have a maximum exercise period of 10 years.

The activities in the stock option plan and the weighted average exercise prices presented in Canadian dollar of share options are as follows:

	2019		2018	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Balance, January 1	**17,331**	**C$30.85**	17,331	C$30.85
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance, December 31	**17,331**	**C$30.85**	17,331	C$30.85
Exercisable, December 31	**17,331**	**C$30.85**	17,331	C$30.85

The following are the stock options outstanding and exercisable as at December 31, 2019 and 2018, by exercise price:

Range of Exercise Prices	**Number of Stock Options (Thousands)**	**Remaining Contractual Life (Years)**	**Weighted Average Exercise Price**
2019			
$21.37 to $27.45	**406,998**	**2.16**	**21.53**
$27.46 to $30.95	**212,740**	**2.64**	**28.55**
$30.96 to $48.20	**1,192,409**	**5.69**	**41.77**
$48.21 to $53.96	**1,261,819**	**8.75**	**51.96**
	3,073,966	**6.27**	**42.36**
2018			
$20.08 to $21.36	109,555	0.15	$20.08
$21.37 to $27.45	610,424	3.08	$22.34
$27.46 to $30.95	374,006	3.19	$28.86
$30.96 to $48.20	1,490,860	6.17	$40.54
$48.21 to $53.96	516,576	9.16	$53.96
	3,101,421	5.49	$37.06

The weighted average fair values of the stock options, calculated using the Black-Scholes option-pricing model, granted during the years ended December 31, 2019 and 2018 were C$5.56 and C$7.00, respectively.

Fair value of each option is estimated on the date of grant using Black-Scholes pricing model with the following assumptions:

	2019	2018
Risk-free interest rate	**1.8%**	2.15%
Expected volatility	**19.52%**	21.31%
Expected dividend yield	**4.00%**	4.00%
Expected life of the option (in years)	**6.25**	6.25
Exercise price	**$29.01**	$34.57

Sun Share Unit ("Sun Share") Plan

Under the Sun Share plan, participants are granted units that are equivalent in value to one common share and have a grant price equal to the average of the closing price of a common share on the TSX on the five trading days immediately prior to the date of grant. Participants generally hold units for up to 36 months from the date of grant. The units earn dividend equivalents in the form of additional units at the same rate as the dividends on common shares. Units may vest or become payable if we meet specified threshold performance targets. The plan provides for performance factors to motivate participants achieve a higher return for shareholders (performance factors are determined through a multiplier that can be as low as zero or as high as two times the number of units that vest). Payments to participants are based on the number of units vested multiplied by the average closing price of a common share on the TSX on the five trading days immediately prior to the vesting date.

Share based compensation expense recognized in profit or loss amounted to P47,514,464 and P44,873,768 in 2019 and 2018, respectively.

Share based payment liability as at December 31, 2019 and 2018 amounted to P 71,336,119 and P51,551,040, respectively, as disclosed in Notes 24. The amount of liability recognized is settled through intercompany charges between the Company and SLF, Inc.

38. LEASE AGREEMENTS

The Company as Lessee

The Company leases several office facilities and operating equipment under cancellable and non-cancellable lease agreements. Rental charges are subject to escalation of between 5% to 15%.

Total rent expense computed using the straight-line method amounted to nil and P432,295,606 in 2019 and 2018, respectively, as disclosed in Note 33. Security deposits relating to the Company's leases amounted to P97,100,059 and P65,972,228 as at December 31, 2019 and 2018, respectively, as disclosed in Note 20.

The following are the amounts recognized in statement of comprehensive income:

	2019	2018
Depreciation expense of right-of-use assets included in property and equipment	**P293,719,809**	P -
Interest expense on lease liabilities	**45,779,365**	-
Expenses relating to short-term leases (included in general and administrative expenses)	**6,503,258**	-
Total amount recognized in statement of comprehensive income	**P346,002,432**	P -

Amount recognized in the statement of cash flows:

	2019	2018
Total cash outflow for leases	**P303,627,450**	P -

The maturity analysis of the contractual undiscounted cash flows of lease liability payments are as follows:

	2019	2018
Not later than 1 year	**P318,062,840**	P -
Between Four and Five Years	**752,475,750**	-
Later than 5 years	**-**	-
Total undiscounted lease liabilities	**P1,070,538,590**	P -
Lease liabilities included in Other liabilities	**P971,367,386**	P -
Current	**274,385,109**	-
Non-current	**696,982,277**	-

The Company as Lessor

The Company leases out its office space under an operating lease to its subsidiaries, related parties and third parties. Leases are negotiated for an average term of one year to five years, renewable at the option of the Company under such terms and conditions, which are mutually acceptable to both parties. The rental charges shall be subjected to 5% escalation beginning in the second year of the term of the lease.

Property rental income earned amounted to P161,690,031 and P170,863,731 in 2019 and 2018, respectively as discussed in Notes 16 and 31.

Total refundable deposits recognized in the statements of financial position as part of accounts payable, accrued expenses and other liabilities amounted to P27,334,151 and P30,069,324 as at December 31, 2019 and 2018, respectively, as disclosed in Note 24.

At the end of each reporting period, the Company had contracted with tenants for the following future minimum lease payments:

	2019	2018
Not later than one year	**P115,168,891**	P 82,856,985
Later than one year but not later than five years	**160,473,164**	292,173,988
Later than five years but not later than ten years		-
	P275,642,055	P375,030,973

39. INCOME TAXES

Components of income tax expense charged to profit or loss are as follows:

	2019	2018
Final taxes	**P1,406,740,097**	P1,332,897,237
Minimum Corporate Income Tax (MCIT)	**89,470,191**	45,354,202
	P1,496,210,288	P1,378,251,439

Final taxes are taxes withheld on the Company's interest income on cash and cash equivalents and government bonds and proceeds from sale of equity securities.

Reconciliation between tax expense and the product of accounting profit multiplied by 30% in 2019 and 2018 are as follows:

	2019	2018
Accounting profit before tax	**P8,684,117,697**	P8,853,437,988
Tax expense at 30%	**P2,605,235,309**	P2,656,031,396
Tax effects of:		
Income subject to lower tax rate and tax exempt	**(472,081,988)**	(536,601,649)
Dividend income	**(58,173,954)**	(54,117,988)
MCIT recognized as income tax expense	**89,470,191**	45,354,202
Non-deductible expenses	**148,887,878**	79,064,914
Unrecognized deferred tax assets	**(817,127,148)**	(811,479,436)
	P1,496,210,288	P1,378,251,439

Under Republic Act No. 8424, the Company is subject to RCIT of 30% of taxable income, or 2% MCIT on gross income, whichever is higher. The Company is subject to MCIT amounting to P89,470,191 and P45,354,202 in 2019 and 2018 which will expire in 2021.

40. DEFFERED TAXES

Unrecognized Deferred Tax Assets

The Company reviews the carrying amounts at the end of each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The details are as follows:

	2019	2018
Balance, beginning	**P4,291,466,159**	P6,111,740,873
Net operating loss carry over	**(1,765,748,105)**	(1,463,608,304)
Deferred rent	**8,855,379**	(4,943,664)
Unrealized forex loss	**175,285,732**	(368,533,921)
Provision for Impairment Loss	**106,764,444**	
Past service cost		(394,425)
Retirement benefit obligation	**(3,705,086)**	17,205,600
	P2,812,918,524	P4,291,466,159

The above deferred tax assets were not recognized since Management believes that it is not probable that future taxable profit will available against which deferred tax asset can be utilized.

Details of the Company's NOLCO are as follows:

NOLCO

Year Incurred	Year of Expiry	2018	Utilized	Expired	2019
2016	2019	P5,885,827,016	P3,351,216,425	P2,534,610,591	**P -**
2017	2020	10,248,177,743	-	-	**10,248,177,743**
		P16,134,004,759	P 3,351,216,425	P2,534,610,591	**P10,248,177,743**

MCIT

Year Incurred	Year of Expiry	2018	Utilized	Expired	2019
2018	2021	P45,354,201	P-	P-	**P45,354,201**
2019	2022	89,470,191	-	-	**89,470,191**
		P45,354,201	P-	P-	**P134,824,392**

Deferred Tax Liability

Movement of deferred tax liability arising from unrealized foreign exchange gain is summarized as follows:

	2019	2018
Balance, beginning	P -	P122,566,118
Charged to profit or loss		(122,566,118)
	P -	P -

41. CONTINGENCIES

In the normal course of the Company's operations, there are various outstanding contingent liabilities which are not reported in the accompanying financial statements. The Company recognizes in its books losses and liabilities incurred in the normal course of operations as these become determinable and quantifiable. In the opinion of management and its legal and tax counsels, it is not liable to and has strong position on these contingent liabilities, and if decided adversely, will not have a material effect on the Company's financial position and result of operations.

42. FAIR VALUE INFORMATION

Financial Instruments

Assets and liabilities measured at fair value on a recurring basis

The following table gives information about how the fair values of the Company's assets and liabilities, which are measured at fair value at the end of each reporting period.

	Level 1	Level 2	Total
December 31, 2019			
Financial Assets			
Financial assets at FVTPL			
Investments in savings deposits	**P -**	**P3,077,434,835**	**P3,077,434,835**
Investments in bonds, government and other securities	**27,001,914,869**	**2,702,070,812**	**29,703,985,681**
Investments in stocks	**89,311,909,597**	**-**	**89,311,909,597**
Currency-linked notes	**-**	**190,000,000**	**190,000,000**
Investment in mutual fund	**6,033,793,710**	**-**	**6,033,793,710**
Investment in derivatives instrument	**271,318,445**		**271,318,445**
Available-for-sale financial assets			
Investments in bonds, government and other securities	**88,983,688,911**	**4,072,125,000**	**93,055,813,911**
Investments in stocks	**5,960,760,591**	**-**	**5,960,760,591**
Investment in associate	**440,494,497**	**-**	**440,494,497**
	P218,003,880,620	**P10,041,630,647**	**P228,045,511,267**
December 31, 2018			
Financial Assets			
Financial assets at FVTPL			
Investments in savings deposits	P -	P 4,272,052,097	P 4,272,052,097
Investments in bonds, government and other securities	19,054,563,862	2,702,070,812	21,756,634,674
Investments in stocks	80,513,680,948	-	80,513,680,948
Currency-linked notes	-	2,550,330,050	2,550,330,050
Investment in mutual fund	5,074,073,568	-	5,074,073,568
Investment in derivatives instruments	17,034,143		17,034,143
Available-for-sale financial assets			
Investments in bonds, government and other securities	73,640,972,973	4,072,125,000	77,713,097,973
Investments in stocks	5,509,457,933	-	5,509,457,933
Investment in associate	506,714,995	-	506,714,995
	P184,316,498,422	P13,596,577,959	P197,913,076,381

Fair value of derivative financial instruments are determined based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The fair values of investments in bonds, government and other securities classified as Level 1 are based on quoted prices of either done deals or bid rates of identical instruments while the fair value of fixed-income securities classified as Level 2 are based on quoted prices of either done deals and bid rates of similar instruments and interpolated yields derived from benchmark rates.

Investments in mutual funds and investments in associate are valued at its published Net Assets Values Per Share (NAVPS) as at reporting date.

The fair values of the special savings deposits are based on discounted cash flow analysis using prevailing market interest rates. However, due to their short term maturity, their carrying amounts approximate their fair values.

Listed equity securities are valued at closing price in compliance with SRC Rule 52.1 Par. E, which states that securities shall be valued at the last sales price. If no sale of such security is made on that date, bid prices will then be considered as the closing price.

The carrying amounts and fair values of the Company's financial assets and financial liabilities are shown below:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P7,679,622,935**	**P7,679,622,935**	P4,244,097,083	P4,244,097,083
Uncollected policyholder premiums	**451,863,371**	**451,863,371**	457,061,762	457,061,762
Policyholders' loans	**7,081,948,319**	**7,081,948,319**	7,151,155,198	7,151,155,198
Loans and receivables	**4,447,713,295**	**3,515,916,493**	5,244,661,427	5,279,436,958
Due from related parties	**30,931,682**	**30,931,682**	34,494,065	34,494,065
Loan to fellow subsidiary	**2,476,845,152**	**1,785,059,277**	2,300,533,064	2,259,180,755
Other receivables	**649,199,318**	**649,199,318**	509,856,947	509,856,947
Security deposit	**97,100,059**	**69,979,894**	65,972,228	48,976,325
Investment income earned and accrued	**2,209,223,786**	**2,209,223,786**	2,121,006,809	2,121,006,809
	P25,124,447,917	**P23,473,745,075**	P22,128,838,583	P22,105,265,902
Financial Liabilities				
Due to policyholders	**P28,195,743,330**	**P28,195,743,333**	P27,902,125,613	P27,902,125,613
Due to related parties	**232,559,635**	**232,559,635**	119,426,738	119,426,738
Accounts payable, accrued expenses and other liabilities	**5,298,666,698**	**5,298,666,698**	4,351,584,814	4,351,584,814
	P33,726,969,663	**P33,726,969,663**	P32,373,137,165	P32,373,137,165

Accounts payable, accrued expenses and other liabilities are net of government payables and deferred rentals which are not considered as financial liabilities.

The fair values of the Company's financial assets and financial liabilities are determined on the following basis:

Cash and cash equivalents, investment income earned and accrued, due from related parties, other receivables, due to related parties, accounts payable, accrued expenses and other liabilities, uncollected premiums and due to policyholders have short-term maturities, hence, their carrying amounts are considered their fair values.

The fair value of loan receivables, loan to fellow subsidiary and security deposit were determined based on a discounted cash flow analysis using domestic banks' average lending rates of 6.77% and 6.14% for 2019 and 2018, respectively.

43. RISK MANAGEMENT

The Company's overall risk management framework, adopted after the Company's parent company, prescribes a comprehensive set of protocols and programs that need to be followed in conducting business activities. The risks that arise when providing products and services to clients, which are in line with the company's purpose to help its Clients achieve lifetime financial security and live healthier lives, are managed within these protocols and programs. Effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of the Company. While all risk cannot necessarily be eliminated, the Risk Framework seeks to ensure that risks to a business undertaking are appropriately managed to achieve the Company's business objectives over time and are not expected to exceed pre-established boundaries for risk taking.

Board of Directors

The company's Board of Directors is ultimately responsible for ensuring the oversight of all risks across the enterprise and has primary responsibility for taking action to ensure risk management policies, programs and practices are in place.

Three Lines of Defence

The Company has adopted the Three Lines of Defence model to provide a consistent, transparent and clearly documented allocation of accountability and segregation of functional responsibilities. This segregation of responsibility helps to establish a robust control framework that promotes transparent and independent challenge of all risk taking activities, and encourages that all functions engage in self-critical examination to foster continuous improvement of the management of risk in its business.

The first line of defence ("LOD") is represented by the business segment management who own the risks that are intrinsic to the business and have the primary responsibility to identify, measure, manage, monitor and report these risks. Some of the first LOD risk related responsibilities include:

- Management, mitigation and reporting on risk within their business operations;
- Accountability for business results and the risks taken to achieve those results;
- Identification of key and emerging risks; and
- Operating within risk appetite and according to risk management policies.

The second line of defence includes the Risk Officer and various functional heads who are responsible for providing independent oversight of the Company-wide risk management programs. Some of the key second LOD risk related responsibilities include:

- Establishment of the risk management framework and policies;
- Providing oversight, and challenge, of first line current and emerging risks; and
- Independent reporting to the Board of Directors on the level of risk against risk appetite.

The Internal Audit function is the third LOD and is responsible for providing independent assurance to management, the Risk Management Committee on the design and operational effectiveness of the risk management practices carried out by first LOD and second LOD. Internal Audit provides a quarterly opinion on the effectiveness of internal controls, risk management and governance processes to the Risk Management Committee. In addition, the Risk Management Committee may engage third-party independent reviews to supplement the third LOD review of the effectiveness of the Company's risk management programs.

Risk Management Process

The risk management process as set out in the company's risk management framework is described below:

Risk Identification and Measurement

The company employ a common approach to identify and measure risks. Business units have accountability for identifying and managing risks facing their business. It has a process to identify and monitor emerging risks that may have a material impact on its finances, operations or reputation.

Risk measurement involves determining and evaluating potential risk exposures, and includes a number of techniques such as monitoring key risk indicators, assessing probability and severity of risks, and conducting stress testing.

Risk Management, Monitoring and Reporting

Risk management decisions are formed by evaluating how well the outcomes of the risk measurements and risk assessments for a business activity conform to the company's risk appetite, including an assessment of risk-adjusted return. Monitoring processes include oversight by the Board of Directors, which is exercised through Board Committees and senior management committees.

Risk Categories

The company group all risks into six major risk categories: credit, market, insurance, business and *strategic, operational and liquidity risks.*

Credit risk

Credit risk is the possibility of loss from amounts owed by borrowers or financial counterparties. It is the uncertainty surrounding the likelihood of default or credit downgrades.

The Company has no significant concentration of credit risk except on Philippine government securities as required by Philippine laws and regulations. It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

Credit risks associated with fixed income investments are managed using:

a. Detailed credit and underwriting policies
b. Specific diversification requirements
c. Comprehensive due diligence and on-going credit analysis
d. Aggregate counterparty exposure limits
e. Monitoring against pre-established limits

Provisions for impaired assets are charged against the carrying value of the asset with additional allowances provided for in actuarial liabilities.

Limits to the aggregate general life fixed income portfolio for the Company for 2019 and 2018 are governed by numerous policies. This include, but are not limited to, the General Life segment Portfolio Policies and Parameters (PPP), Credit Business Group Operating Guidelines (BGOG) and Outstanding Money Market Concentration Limits Memo, among others.

For 2019, exposure to government securities generally ranges from 55% - 100% depending on the PPPs approved in a particular General Life segment.

Aggregate credit exposure (public bonds, private placements and commercial loans, derivatives, common and private single name specific equities, commercial mortgages, and 50% of short term securities and/or money market instruments,) to a single name shall not exceed the prescribed limits assigned by SLF. Established at the business unit and regional levels, these limits are based on international credit ratings/credit rating equivalence.

The Money Market concentration limits vary in three (3) tiers depending on the bank's asset size. The total cash of Sun Life Group should not exceed the assigned credit limit of each depository banks. Maximum limits are assigned per original currency (i.e. PHP and USD). The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Notes	2019	2018
Cash in banks and cash equivalents	6	**P 7,679,622,935**	P 4,244,097,083
Available-for-sale financial assets	7	**94,216,131,916**	78,102,340,357
Financial Assets at FVTPL	11	**39,276,532,671**	36,198,973,932
Loans and receivables	8	**4,447,713,295**	5,244,661,427
Loan to fellow subsidiary	17	**2,476,845,152**	2,300,533,064
Policyholders' loans	12	**7,081,948,319**	7,151,155,198
Investment income earned and accrued	13	**2,209,223,786**	2,121,006,809
Uncollected policyholder premiums	28	**451,863,371**	457,061,762
Due from related parties	17	**30,931,682**	34,494,065
Security deposit		**97,100,059**	65,972,228
Other receivables	18	**649,199,318**	509,856,947
		P158,617,112,504	P136,430,152,872

The Company has no past due accounts.

The following table details the credit quality of the Company's neither past due nor impaired financial assets:

	High Grade	Satisfactory Grade	Acceptable Grade	Total
2019				
Cash and cash equivalents	**P7,679,622,935**	**P -**	**P -**	**7,679,622,935**
Available-for-sale financial assets	**94,216,131,916**	-	-	**94,216,131,916**
Financial assets at FVTPL	**39,276,532,672**	-	-	**39,276,532,672**
Loans and receivables	-	**4,447,713,295**	-	**4,447,713,295**
Loan to fellow subsidiary	-	**2,476,845,152**	-	**2,476,845,152**
Policyholders' loans	-	**7,081,948,319**	-	**7,081,948,319**
Investment income earned and accrued	**1,680,319,886**	**528,903,900**	-	**2,209,223,786**
Uncollected policyholder premiums	-	**451,863,371**	-	**451,863,371**
Due from related parties	-	**30,931,682**	-	**30,931,682**
Security deposit	**97,100,059**		-	**97,100,059**
Other receivables	-	**649,199,318**	-	**649,199,318**
	P142,949,707,468	**P15,667,405,037**	**P -**	**P158,617,112,505**
2018				
Cash and cash equivalents	P 4,244,097,083	P -	P -	P 4,244,097,083
Available-for-sale financial assets	78,102,340,357	-	-	78,102,340,357
Financial assets at FVTPL	36,198,973,932	-	-	36,198,973,932
Loans and receivables	-	5,244,661,427	-	5,244,661,427
Loan to fellow subsidiary	-	2,300,533,064	-	2,300,533,064
Policyholders' loans	-	7,151,155,198	-	7,151,155,198
Investment income earned and accrued	1,570,355,588	550,651,221	-	2,121,006,809
Uncollected policyholder premiums	-	457,061,762	-	457,061,762
Due from related parties	-	34,494,065	-	34,494,065
Security deposit	65,972,228	-	-	65,972,228
Other receivables	-	509,856,947	-	509,856,947
	P120,181,739,188	P16,248,413,684	P -	P136,430,152,872

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

High Grade - applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

Satisfactory Grade - applies to financial assets that are performing as expected.

Acceptable Grade - applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.

Low Grade - applies to risks that is neither past due nor expected to result in loss but where the Company requires a workout of the relationship unless an early reduction in risk is achievable.

Market risk

The company is exposed to financial and capital market risk, which is defined as the risk that the fair value or future cash flows of an insurance contract or financial instrument will fluctuate because of changes or volatility in market prices. Market risk includes equity, interest rate, and foreign currency risks.

Equity price risk

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes. Equity exposure is managed through the equity asset class allocation target and range defined in the Portfolio Policies & Parameters in accordance with the Asset Liability Management Operating Guideline. Exposure is monitored periodically and reported to the Asset Liability Committee on a quarterly basis.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices for investment classified as available for sale have been 10% higher or lower, equity reserves would have increased or decreased by P712 million in 2019 and P575 million in 2018, as a result of the changes in fair value of available-for-sale shares.

Interest rate risk

This is the risk of asset-liability mismatch resulting from the interest rate volatility.

The primary source of the Company's interest rate risk relates to cash and cash equivalents, debt securities classified as financial assets at FVPTL and available-for-sale, policyholders' loans, and policyholder dividends. The interest rates on these assets and liabilities are disclosed in Notes 6, 7, 11 and 22.

This risk is managed by cash flow and/or duration matching strategies and by providing reasonable long term returns based on asset allocation strategies. The Company has established policies and operating guidelines in managing interest rate risk.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of each reporting period. A 100 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents Management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's:

a. Profit for the years ended December 31, 2019 and 2018 would have increased or decreased by P27 million and P38 million, respectively. This is mainly attributable to the impact of new money yields on reinvestments; and
b. Other equity reserves would have increased by P7.6 billion in 2019 and P6.1 billion in 2018 if interest rates had been 100 basis points lower, or decreased by P6.5 billion in 2019 and P5.0 billion in 2018 if interest rates had been 100 basis points higher, mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments and change of GPV discount rates.

Foreign exchange risk

Foreign currency risk results from the mismatches in the currency of assets and liabilities (inclusive of capital), and cash flows. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US dollars. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

Assets are currency matched to the liabilities they support, and the Company's assets are invested as specified in the Asset Liability Management Operating Guideline, unless otherwise approved by the Asset Liability Committee (ALCO). The said guideline also defines the approved foreign currency exposure through an early-warning threshold, and through soft and hard tolerance limits thereafter. When a breach of the soft limit occurs, at a maximum no action should be taken that will worsen the situation. The focus is on identifying cause and assessing the risk of a hard breach. When a hard breach of the hard limit occurs, the focus is on taking immediate corrective action to restore the foreign exchange position within a reasonable time horizon.

The carrying amounts of the Company's foreign currency denominated monetary financial assets and monetary financial liabilities at the end of each reporting period are as follows:

	2019	2018
Cash and cash equivalents	**P192,506,502**	P 363,869,428
Available-for-sale financial assets	**7,467,708,060**	8,374,903,774
Financial assets at FVTPL	**7,294,478,101**	12,673,715,249
Policyholders' loans	**258,010,399**	279,296,457
Uncollected policyholder premiums	**25,577,122**	32,161,405
Investment income earned and accrued	**712,900,652**	608,185,991
Other receivables	**319,551,438**	448,785,258
Due to policyholders	**(2,066,704,801)**	(2,110,213,372)
Accounts payable, accrued expense and other liabilities	**(473,810,499)**	(435,648,489)
	P13,730,216,974	P20,235,055,701

The following table details the Company's sensitivity to a 5% increase and decrease in the Philippine peso against the relevant foreign currency. The sensitivity rate used for reporting foreign currency risk internally to key management personnel is 5% and it represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary financial assets and liabilities and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in net profit when the Philippine peso weakens by 5% against the relevant currency. For a 5% strengthening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net profit and the amounts below would be negative.

	Effect on Profit for the Year	
	2019	2018
Cash and cash equivalents	**P9,625,325**	P18,193,471
Available-for-sale financial assets	**373,385,403**	418,745,189
Financial assets at FVTPL	**364,723,905**	633,685,762
Policyholders' loans	**12,900,520**	13,964,823
Uncollected policyholder premiums	**1,278,856**	1,608,070
Investment income earned and accrued	**35,645,033**	30,409,300
Other receivables	**15,977,572**	22,439,263
Due to policyholders	**(103,335,240)**	(105,510,669)
Accounts payable, accrued expense and other liabilities	**(23,690,525)**	(21,782,424)
	P686,510,849	P1,011,752,785

Insurance risks

Insurance risk is the uncertainty of product performance due to actual experience emerging differently than expected in the areas of policyholder behaviour, mortality, morbidity, and longevity.

Insurance risk is managed through a number of enterprise wide controls addressing a wide range of insurance risk factors, as follows:

- Enterprise wide Insurance Underwriting and Claims, Product Development and Pricing, and Reinsurance Risk management policies
- Product development and pricing policies require detailed risk assessment and provision for material insurance risks.
- Target capital levels established that exceed regulatory minimums.
- Board approved maximum retention limits (amounts issued in excess of these limits are reinsured).
- Various limits, restrictions and fee structures may be introduced into plan designs in order to establish more homogeneous policy risk profile and limit potential for anti-selection.
- Enterprise underwriting and risk selection standards with oversight by Corporate underwriting and claims risk management function.
- Diversification and risk pooling is managed by aggregation of broad exposures across product lines, geography, distribution channels, etc.
- Experience studies (both Company specific and industry level) and Source of Earnings analysis are periodically monitored and factored into ongoing valuation, renewal and new business pricing processes.
- Stress-testing techniques, such as DCAT, are used to measure the effects of large and sustained adverse movements in insurance risk factors.
- The Company has established a reinsurance ceded policy to set acceptance criteria and protocols to monitor the level of reinsurance ceded to any single reinsurer or group of reinsurers. Our reinsurance counterparty risk profile is monitored closely, including through regular reporting to the Risk Review Committee of the Sun Life Financial BOD.

Policyholder behaviour risk

The Company can incur losses due to adverse policyholder behaviour relative to that assumed in the liabilities with regard to lapse of policies or exercise of other embedded policy options.

Uncertainty in policyholder behaviour can arise from several sources including unexpected events in the policyholder's circumstances, the general level of economic activity (whether higher or lower than expected), changes in pricing and availability of current products, the introduction of new products, changes in underwriting technology and standards as well as changes in financial strength or reputation. Uncertainty in future cash flows affected by policyholder behaviour can be further exacerbated by irrational behaviour during times of economic turbulence or at key option exercise points in the life of an insurance contract.

Various types of provisions are built into many of the Company's products to reduce the impact uncertain policyholder behaviour. These provisions include:

- surrender charges which adjust the payout to the policyholder by taking into account prevailing market conditions;
- limits on the amount that policyholders can surrender or borrow;
- restrictions on the timing of policyholders' ability to exercise certain options; and
- restrictions on both the types of funds customers can select and the frequency with which they can change funds.

Mortality and morbidity risk

Mortality and morbidity risk is the risk of incurring higher than anticipated mortality and morbidity claim losses on any one policy or group of policies. It can arise in the normal course of business through the random fluctuation in realized experience, through catastrophes, or in association with other risk factors such as product development and pricing or model risk. Adverse mortality and morbidity experience could also occur through systemic anti-selection, which could arise due to poor plan design or underwriting process failure or the development of investor owned and secondary markets for life insurance policies.

Detailed uniform underwriting procedures have been established to determine the insurability of applicants and to manage exposure to large claims. These underwriting requirements are regularly scrutinized against industry guidelines and oversight is provided through a corporate underwriting and claim management function.

Individual and group insurance policies are underwritten prior to initial issue and renewals based on selection, plan design and rating techniques.

Underwriting and claims risk policies approved by the Risk Review Committee of the Sun Life Financial BOD include limits on the maximum amount of insurance that may be issued under one policy and the maximum amount that may be retained. These limits vary by geographic region and amounts in excess of limits are reinsured to ensure there is no exposure to unreasonable concentration of risk.

Longevity risk

Longevity risk is the potential for economic loss, accounting loss or volatility in earnings arising from adverse changes in rates of mortality improvement relative to the assumptions used in the pricing and valuation of products. This risk can manifest itself slowly over time as socioeconomic conditions improve and medical advances continue. It could also manifest itself more quickly, for example, due to medical breakthroughs that significantly extend life expectancy. Longevity risk affects contracts where benefits or costs are based upon the likelihood of survival (for example, annuities, pensions, pure endowments, reinsurance, segregated funds, and specific types of health contracts).

To improve management of longevity risk, the company monitor research in the fields that could result in a change in expected mortality improvement. Stress-testing techniques are used to measure and monitor the impact of extreme mortality.

Business and Strategic Risk

Business and strategic risk include risks related to changes in the economic or political environment, changes in distribution channels or Client behaviour, changes in the competitive environment, risks relating to the design or implementation of business strategy, changes in the legal or regulatory environment.

Business and strategic risk is managed through strategic and business planning process and controls over the implementation of these plans. These plans are reviewed and discussed by the Executive Team and the key themes, issues and risks emerging are discussed by the Board of Directors and the Board Committees.

Operational risk

Operational risk is the risk of loss (financial or non-financial) resulting from inadequate or failed internal processes, controls, people and systems. Categories of operational risks may fall under: sales and distribution, human resources, information technology, processes and people, accounting and finance, model risk, legal and regulatory and third party relationships.

The Company ensures that internal controls and practices are consistent with enterprise wide policies supporting the management of operational risks.

The Company has established business specific guidelines. Comprehensive insurance program, including appropriate levels of self-insurance, is maintained to provide protection against potential losses. Environmental risk management program is maintained to help protect investment assets, primarily, whenever applicable, real estate, mortgage, and structured finance portfolios, from losses due to environment issues and to help ensure compliance with applicable laws.

Liquidity risk

Liquidity risk is the possibility that we will not be able to fund all cash outflow commitments and collateral requirements as they fall due.

Entities within the Sun Life Financial Group are required to have appropriate liquidity. This means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, while not having excessive liquidity that entails an opportunity cost in terms of product competitiveness and asset yields.

Exposure to liquidity risk will be measured and managed by using Liquidity Ratios calculated over various scenarios and time horizons. The Company measures and manages their Liquidity Ratios within prescribed tolerances and target ranges, and monitors and reports their Liquidity Ratios as set forth in the Liquidity Operating Guideline developed in compliance with the Asset Liability Management Corporate Operating Guideline. This will also contain a Contingency Plan for the management of liquidity in the event of a liquidity crisis.

The table below illustrates the net cash flows over the lifetime of the Company's existing portfolio. Positive net cash flows are assumed to be reinvested at a conservative net annual effective yield and equity holdings are assumed to have zero market value growth.

Financial Assets Portfolio for:	Less than One-Year	One-Five Years	More than Five Years	Total
	(In Million Pesos)			
December 31, 2019				
Asset cash flow	**P6,737**	**P27,043**	**P463,181**	**P496,961**
Liability cash flow	**(896)**	**817**	**(219,616)**	**(219,695)**
	P5,841	**P27,860**	**P243,565**	**P277,266**
December 31, 2018				
Asset cash flow	P11,130	P26,101	P523,224	P560,455
Liability cash flow	(1,476)	(2,909)	(208,414)	(212,798)
	P9,654	P23,192	P314,810	P347,657

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Within one year	Beyond one year	Total
December 31, 2019			
Due to policyholders	**P1,444,039,312**	**P26,751,704,021**	**P28,195,743,333**
Due to related parties	**216,709,799**	**-**	**216,709,799**
Accounts payable, accrued expenses and other liabilities	**4,327,299,309**	**-**	**4,327,299,309**
	P5,988,048,420	**P26,751,704,021**	**P32,739,752,441**
December 31, 2018			
Due to policyholders	P1,429,001,739	P26,473,123,874	P27,902,125,613
Due to related parties	119,426,738	-	119,426,738
Accounts payable, accrued expenses and other liabilities	4,351,584,814	-	4,351,584,814
	P5,900,013,291	P26,473,123,874	P32,373,137,165

Regulatory Compliance Management Policy

The Compliance Risk Management Framework of Sun Life Financial sets out the framework for the management and mitigation of Compliance Risk that enables the Company to achieve key objectives and make better business decisions, while meeting regulatory and client expectations. Compliance Risk arises from potential non-conformance with laws, rules, regulations, prescribed practices or ethical standards on anti-money laundering and anti-terrorist financing, market conduct, privacy, prevention of bribery and corruption, and related party transactions.

In line with this framework, the Company adopted various Operating Guidelines ("Guidelines"), with the objective establishing a strong, sustainable compliance risk management program that conforms to regulatory and industry standards, and provides reasonable assurance that the following outcomes are achieved:

a) the identification, assessment, communication and maintenance of applicable Compliance requirements;
b) the development, communication and maintenance of a system of key controls designed to effect compliance with applicable compliance requirements and to manage and mitigate Compliance Risk;
c) effective monitoring and oversight of management's day-to-day activities through which material compliance matters are identified, escalated and resolved; and
d) timely reporting to the [SLFPI: Audit and Compliance Committee; SLOCPI: Risk Management Committee; SLGFI: Risk Management Committee], the Board and Management on the overall effectiveness of the Guidelines and the state of compliance in the Company.

The Board provides the highest level of independent oversight of the management and operations of the Company. The Board is also responsible for approving regulatory compliance Guidelines, and ensuring that the same are reviewed and assessed on its effectiveness.

Management is the first line of defence and is responsible for day-to-day compliance with the Guidelines. It is accountable for identifying and assessing Compliance Risks, specifically incorporating consideration of Compliance Risks in business activities and decisions, and managing compliance risks in day-to-day activities.

The Company's Compliance team are the second line of defence. The Chief Compliance Officer has oversight responsibility for the Guidelines and the Code of Business Conduct. The Chief Compliance Officer promotes a tone from the top and an atmosphere that fosters high ethical standards and conduct, and an appropriate risk culture.

44. CAPITAL RISK MANAGEMENT

This policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the demutualization agreements and the appropriate regulatory requirements.

The BOD establishes the written policies, standards and procedures necessary to effectively implement policies.

The level of capital adequacy risk accepted by the Company should be prudent as determined by Management. Capital adequacy risk is mitigated through appropriate risk management policies and processes.

Capital Structure

Maximizing returns on capital requires maintenance of an optimal capital structure. The Company seeks to maintain the optimal mixture of available financial instruments within its capital structure.

The overall quality of the capital base is a function of the characteristics and amounts of the individual types of capital within the overall capital structure. In general, the quality of individual capital item is measured by the capital's permanency, degree of subordination, ability to absorb losses and fixed charge obligations.

The Company is committed to maintaining a sufficiently high quality capital structure to:

a. Maintain the target level of financial strength;
b. Achieve the target financial ratings; and
c. Comply with the capital adequacy requirements.

The Company has established capital risk management policies and operating guidelines and the BOD and Management review the capital structure on a quarterly basis. A corporate capital management committee monitors the capital management program of the Company to ensure adherence to the policies and to the local regulatory capital requirements. A capital plan is prepared on an annual basis as part of the business planning process.

The capital structure of the Company consists of equity comprising issued capital, reserves and retained earnings.

The Company maintains at least the minimum net worth required by the applicable local regulators is P900 million. In addition, the Company maintains an appropriate operational minimum capital ratio and move towards an optimal target capital ratio.

The equity ratio at year end is as follows:

	2019	2018
Equity	**P41,906,116,217**	P29,544,951,316
Total assets	**P259,866,503,151**	228,001,773,581
Equity ratio	**0.16.1**	0.13:1

Management believes that the above ratio is within the acceptable range.

The Company's strategy has remained unchanged in 2019 and 2018.

Regulatory Capital Requirement

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

The 2018 Annual Statement synopsis was approved by IC on January 24, 2020 where the total assets admitted amounted to P220,887,309,002 and those assets that are not admitted are as follows:

	2019	2018
Prepayments and other assets	**P200,857,311**	P 65,972,228
Receivables	**109,749,537**	34,494,065
Prepaid Taxes	**480,494,957**	523,084,839
Leasehold, property and equipment – net	**1,313,682,014**	268,470,590
Right-of Use Asset	**73,975,249**	-
Other assets	**3,171,494,161**	2,300,533,064
	P5,350,253,229	P3,192,554,786

Fixed capitalization requirements

In 2016, the IC issued Circular Letter No. 2017-02-A which provides for the minimum capitalization requirements of all life, non-life and reinsurance companies in pursuant to Section 194 of the Insurance Code as Amended (RA 10607). Under this circular, a minimum statutory net worth for domestic insurance has been stipulated at each compliance date. The statutory net worth shall include the Company's paid-up capital, capital in excess of par value, contributed, contingency surplus, retained earnings and revaluation increments as may be approved by the IC and this shall remain unimpaired at all times.

As at December 31, 2019 and 2018, the required statutory net worth for the Company is P900 million and P550 million, respectively.

The Company has fully complied with the net worth requirements of Circular Letter No. 2017-02-A as at the end of each reporting period.

Risk-based capital requirements (RBC)

In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid-up capital, capital in excess of par value, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the Trend Test. The Trend Test has failed, in the event that:

a. The RBC ratio is less than 125% but is not below 100%

b. The RBC ratio has decreased over the past year

c. The difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels. As of the latest filing made by the Company to the IC, the RBC ratio on September 30, 2018 is 412%. The Company's RBC ratio is still subject to examination by the IC.

Retention of profits in excess of paid-in capital

In 2008, the SEC issued Memorandum Circular (SMC) No. 11 providing the guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution taking into consideration the effective accounting standards and rules of the SEC. Stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-in capital stock. On January 24, 2013, SEC issued Bulletin No. 14 Presentation Reconciliation of Retained Earnings which prescribes the presentation of the reconciliation. Based on the guidelines set forth by SEC, the Company's total retained earnings available for dividend amounted to P43,232,485,249 and P55,981,342,395 as at December 31, 2019 and 2018, respectively.

Revenue Regulations No. 2-2001 provides that insurance companies are exempted from the 10% improperly accumulated earnings tax imposed on improperly accumulated taxable income.

Management will continue to evaluate the need to declare dividends after considering the regulatory capital requirement of IC on fixed capitalization and risk-based capital requirement. Approval of the Company's Board of Directors will be requested as deemed necessary.

As at December 31, 2019 and 2018, the Company's retained earnings is in excess of 100% of its capital stock. Under Section 43 of Corporation Code, stock corporations are prohibited from retaining surplus profit in excess of 100% of its paid up capital. The Company decided to reserve its retained earnings for capital repatriation and dividend declaration.

Financial Reporting Framework (FRF)

In 2017, IC issued Circular Letter (CL) No. 2017-29, Financial Reporting Framework under Section 189 of the amended Insurance Code (RA No. 10607). Whereas, the FRF will adopt the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles.

Subsequently, the IC issued CL No. 2018-65 to supersede the CL No. 2017-29 which states that the new regulatory requirement is hereby promulgated effective January 1, 2018. Accordingly, the Financial Reporting Framework will be used on the statutory quarterly and annual reporting for net worth requirements.

45. EVENTS AFTER THE REPORTING PERIOD

On March 4, 2020, the Company declared P5,000,000,000 cash dividends out of the Company's unrestricted retained earnings to stockholders of record as December 31, 2019.

46. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU of INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NOS. 15-2010

The following supplementary information for 2019 are presented for purposes of filing with the BIR and are not required part of the basic financial statements.

Output VAT

Details of the Company's output VAT declared in 2019 are as follows:

Fee income:	
Asset management	**P2,443,162,878**
Partial fund with charge	**20,586,139**
	2,463,749,017
Rental income	**160,464,371**
Transaction fees	**637,655,532**
Other income	**4,523,191**
	3,266,392,111
Output VAT rate	**12%**
	P 391,967,053

Input VAT

Details of the Company's input VAT claimed in 2019 are as follows:

Balance, January 1	**P -**
Current year's domestic purchases/payments for services lodged under other accounts	**53,695,102**
Creditable Value Added Tax	**6,127,429**
Total available input VAT	**59,822,531**
Less: Claims for tax credit	**59,822,531**
Balance, December 31	**P -**

Documentary stamp tax

The Company's documentary stamp tax paid or accrued in 2019 amounted to P46,706,160.

Other taxes and licenses

Details of the Company's other taxes and licenses and permit fees paid or accrued charged to operating expenses in 2019 are as follows:

Other percentage tax (premium tax)	**P284,208,900**
Permit fees	**69,111,996**
Real property tax	**12,075,962**
Residence or community tax	**36,500**
Others	**48,682,989**
	P414,116,347

Withholding taxes

Details of the Company's withholding taxes paid or accrued in 2019 are as follows:

Withholding tax on compensation and benefits	**P335,337,578**
Expanded withholding taxes	**834,119,590**
Final withholding taxes	**540,010,119**
	1,709,467,287

Deficiency tax assessments and tax cases

The Company has no tax assessments and tax cases in 2019.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved and authorized for issuance by the Board of Directors on March 4, 2020.

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