SUN LIFE OF CANADA (PHILIPPINES), INC.

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

Financial Statements
December 31, 2021 and 2020

2nd Floor, Sun Life Centre, 5th Avenue
corner Rizal Drive, Bonifacio Global City
Taguig City, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	9	1	1	6	1	9

Company Name

SUN LIFE OF CANADA
(PHILIPPINES), INC.

Principal Office (No./Street/Barangay/City/Town)Province)

2ND FLOOR SUN LIFE CENTRE
5TH AVENUE COR. RIZAL DRIVE
BONIFACIO GLOBAL CITY
TAGUIG CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	8 5 5 5 8 8 8 8	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
7	Third Friday of April	1 2 3 1

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Candy S. Esteban	candy.esteban@sunlife.com	8555-8888	

Contact Person's Address
2nd Floor Sun Life Centre 5th Avenue cor. Rizal Drive, Bonifacio Global City, Taguig City

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

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

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

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Company Information

SEC Registration No.: A199911619
Company Name: SUN LIFE OF CANADA (PHILS.) INC.
Industry Classification: J67010
Company Type: Stock Corporation

Document Information

Document ID: OST1052320228418524
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Annual
Remarks: None

From:	eafs@bir.gov.ph
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Transaction Code: **AFS-0-N3XP2N1N0B6C69BGFQVMRM42X0M3T122N4**
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Company TIN: **204-962-522**

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- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Company TIN: **204-962-522**

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Sent: Tuesday, May 17, 2022 1:57 PM
To: Ezekiel O Andasan <Ezekiel.Andasan@sunlife.com>
Cc: Ezekiel O Andasan <Ezekiel.Andasan@sunlife.com>
Subject: Your BIR AFS eSubmission uploads were received

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Transaction Code: **AFS-0-97HEK5LB09FKK97A5PYNSZNMX06A58FADC**
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Company TIN: **204-962-522**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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NC0M1P0I7D

NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Lee Wan Gina, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

that the Statement of Management's Responsibility for Financial Statements annexed hereto was signed by "JOSE ISIDRO N. CAMACHO" in my presence on the 3rd day of March 2022.

REPUBLIC OF SINGAPORE
NOTARY PUBLIC

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 3rd day of March 2022.

NOTARY PUBLIC
SINGAPORE

NOTARY PUBLIC
Gina Lee-Wan
NP2021/0394
1 Oct 2021 – 30 Sep 2022
SINGAPORE

[illegible] of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

With effect from 16 September 2021, a Notarial Certificate shall be deemed to be validly authenticated by the affixing of an Apostille to the back of the Notarial Certificate.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Sun Life of Canada (Philippines), Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JOSE ISIDRO N. CAMACHO
Chairman of the Board

Benedicto C. Sison

BENEDICTO C. SISON
Chief Executive Officer

CANDY S. ESTEBAN
Chief Financial Officer

Signed this 3rd day of March 2022

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. 0004-SEC

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

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

Gentlemen:

We have examined the financial statements of Sun Life of Canada (Philippines), Inc. as at and for the year ended December 31, 2021, on which we have rendered the attached report dated March 3, 2022.

In compliance with revised SRC Rule 68, we are stating that the said Company has only one (1) shareholder owning one hundred (100) or more shares.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
SEC A.N. 0001-FR-5, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements
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
TIN 170035681
BIR A.N. 08-002552-018-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5334276, issued on January 4, 2022, Taguig City

Taguig City, Philippines
March 3, 2022

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. 0004-SEC

INDEPENDENT AUDITOR'S 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, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and 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, 2021 and 2020, 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 (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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 June 7, 2021 to September 22, 2024
SEC A.N. 0001-FR-5, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements
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By:

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PTR No. A-5334276, issued on January 4, 2022, Taguig City

Taguig City, Philippines
March 3, 2022

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

STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 2021	2020
ASSETS			
Cash and cash equivalents	6	**P 5,935,563,063**	P 10,404,578,330
Financial assets at fair value through profit or loss	11	**150,776,752,646**	134,748,961,882
Available-for-sale financial assets	7	**107,267,512,298**	110,110,465,684
Uncollected policyholder premiums	28	**619,167,062**	620,971,621
Policyholders' loans	12	**7,186,697,667**	7,189,495,639
Loans and receivables	8	**4,019,092,694**	3,493,521,402
Due from related parties	17	**82,945,422**	114,883,956
Investment income earned and accrued	13	**2,052,042,391**	2,084,744,010
Other receivables	18	**959,918,817**	887,686,069
Loan to fellow subsidiary	17	**2,701,468,452**	2,585,247,861
Investments in associates	10	**424,501,159**	401,098,477
Investments in subsidiaries	9	**438,154,893**	649,479,111
Intangible asset - net	15	**21,666,666**	25,666,666
Retirement benefit assets	36	**1,186,064,900**	742,351,800
Leasehold, property and equipment - net	14	**4,072,506,457**	3,192,130,855
Investment property - net	16	**491,791,088**	557,247,610
Prepaid taxes	19	**44,499,162**	427,440,087
Deferred tax assets - net	40	**2,287,834,373**	-
Prepayments and other assets	20	**214,949,836**	237,299,430
TOTAL ASSETS		**P290,783,129,046**	P278,473,270,490
LIABILITIES AND EQUITY			
Liabilities			
Variable unit-linked liabilities	21	**P149,700,582,425**	P134,835,196,201
Insurance contract liabilities	22	**61,288,044,362**	72,035,797,503
Due to policyholders	23	**30,476,105,505**	29,529,872,159
Due to related parties	17	**167,974,712**	225,531,899
Accounts payable, accrued expenses and other liabilities	24	**9,897,041,997**	6,469,324,587
		251,529,749,001	243,095,722,349
Equity			
Share capital	25	**500,000,200**	500,000,200
Reserves	26	**3,222,400,493**	2,947,028,854
Retained earnings	27	**35,530,979,352**	31,930,519,087
		39,253,380,045	35,377,548,141
TOTAL LIABILITIES AND EQUITY		**P290,783,129,046**	P278,473,270,490

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 COMPREHENSIVE INCOME

		For the Years Ended December	
	Notes	**2021**	2020
Income			
Gross premiums	28	**P45,905,502,413**	P39,730,730,555
Less: Premiums ceded	28	**440,664,148**	464,630,831
Premiums - net		**45,464,838,265**	39,266,099,724
Investment income - net	29	**9,896,509,605**	1,325,968,869
Fee income	30	**636,269,147**	622,805,592
Other income	31	**946,966,435**	1,031,006,819
		56,944,583,452	42,245,881,004
Benefits, Changes in Reserves and Operating Expenses			
Variable unit-linked fund allocation	21	**14,850,071,205**	6,052,833,339
Decrease in insurance contract liabilities	22	**(534,089,716)**	(227,249,594)
Surrenders and maturities	23	**8,698,231,978**	7,505,290,394
Death, disability and other policy benefits	23	**7,301,263,974**	5,463,830,276
Commissions, bonuses and other agents' expenses	32	**8,543,336,354**	7,500,152,560
General and administrative expenses	33	**6,518,365,540**	5,985,556,764
Insurance taxes, licenses and fees	34	**592,798,546**	544,779,400
		45,969,977,881	32,825,193,139
Income Before Tax		**10,974,605,570**	9,420,687,865
Income tax expense	39	**1,874,145,305**	1,401,500,883
Profit for the Year		**9,100,460,265**	8,019,186,982
Other Comprehensive Income (Loss)			
Items that will not be reclassified to profit or loss			
Remeasurement of insurance contract liabilities	22	**10,213,663,425**	(17,297,834,313)
Remeasurement of defined benefit obligation	36	**536,116,600**	629,339,700
Deferred tax effect	40	**1,970,260,287**	-
		12,720,040,312	(16,668,494,613)
Item that will be reclassified to profit or loss			
Net gain (loss) on fair value measurement	26	**(9,618,443,473)**	7,120,739,555
Other Comprehensive Income (Loss)		**3,101,596,839**	(9,547,755,058)
Total Comprehensive Income (Loss) for the Year		**P12,202,057,104**	(P1,528,568,076)

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					
	Notes	**Share Capital**	**Contributed Surplus**	**Contingency Surplus**	**Investment Revaluation Surplus**	**Remeasurement of Define Benefit Obligation**	**Remeasurement of Insurance Contract Liabilities**	**Total Reserves**	**Retained Earnings**	**Total**
Balance, January 1, 2020		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
Profit for the year		-	-	-	-	-	-	-	8,019,186,982	8,019,186,982
Other comprehensive income (loss) - net	26, 36	-	-	-	7,120,739,555	629,339,700	(17,297,834,313)	(9,547,755,058)	-	(9,547,755,058)
Total comprehensive income (loss)		-	-	-	7,120,739,555	629,339,700	(17,297,834,313)	(9,547,755,058)	8,019,186,982	(1,528,568,076)
Dividends declared and paid	27	-	-	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)
Balance, December 31, 2020		500,000,200	50,000,000	2,826,225,200	18,701,624,825	892,747,608	(19,523,568,779)	2,947,028,854	31,930,519,087	35,377,548,141
Profit for the year		-	-	-	-	-	-	-	9,100,460,265	9,100,460,265
Other comprehensive income (loss) - net	26, 36	-	-	-	(9,618,443,473)	178,900,548	12,541,139,764	3,101,596,839	-	3,101,596,839
Total comprehensive income (loss)		-	-	-	(9,618,443,473)	178,900,548	12,541,139,764	3,101,596,839	9,100,460,265	12,202,057,104
Contingency surplus repatriation		-	-	(2,826,225,200)	-	-	-	(2,826,225,200)	-	(2,826,225,200)
Dividends declared and paid	27	-	-	-	-	-	-	-	(5,500,000,000)	(5,500,000,000)
Balance, December 31, 2021		**P500,000,200**	**P50,000,000**	**P -**	**P9,083,181,352**	**P1,071,648,156**	**(P6,982,429,015)**	**P3,222,400,493**	**P35,530,979,352**	**P39,253,380,045**

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	**2021**	2020
Cash Flows from Operating Activities			
Income before tax		**P 10,974,605,570**	P 9,420,687,865
Adjustments for:			
Depreciation and amortization	33	**1,057,388,770**	944,970,691
Unrealized loss on foreign exchange on financial assets at AFS	7	**(5,622,626,797)**	687,928,992
Impairment loss on AFS finanical assets	7	**139,786,378**	220,890,680
Impairment loss on investment in subsidiary	9	**211,324,218**	-
Amortization of bond premiums - net on financial assets at AFS		**307,945,907**	286,595,160
Realized fair value gain from			
AFS financial assets and investment in associate	29	**(847,665,343)**	(370,354,534)
Gain on disposal of leasehold, property and equipment	31	**(2,509,789)**	(3,527,179)
Loss on written-off leasehold, property and equipment		**-**	50,780,894
Interest income	29, 31	**(7,752,687,190)**	(7,977,600,523)
Dividend income	29	**(2,456,469,287)**	(1,602,615,797)
Decrease in insurance contract liabilities	22	**(534,089,716)**	(227,249,594)
Interest expense on lease liability		**44,692,332**	50,318,878
Dividends to policyholder	23	**1,784,725,105**	1,773,144,509
Interest on dividends to policyholder	23	**1,195,666,258**	1,300,562,093
Retirement benefit expense	36	**124,828,700**	103,226,900
Operating cash flows before working capital changes		**(1,375,084,884)**	4,657,759,035
Decrease (Increase) in:			
Financial assets at fair value through profit or loss		**(16,027,790,764)**	(6,160,519,613)
Uncollected policyholder premiums		**1,804,559**	(169,108,250)
Receivable from agents and employees	8	**84,053,708**	(45,238,212)
Due from related parties		**31,938,534**	(83,952,274)
Other receivables		**(72,232,748)**	(238,486,751)
Prepaid taxes		**(2,731,007)**	12,601,617
Prepayments and other assets		**22,349,594**	195,108,199
Increase (Decrease) in:			
Variable unit-linked liabilities		**14,865,386,224**	6,056,736,643
Due to policyholders		**667,310,298**	556,925,353
Due to related parties		**(57,557,187)**	(7,027,736)
Accounts payable, accrued expenses and other liabilities		**2,850,223,270**	683,194,440
Cash generated from operations		**987,669,597**	5,457,992,451
Income taxes paid		**(1,816,801,000)**	(1,374,613,515)
Interest and dividends paid to policyholders		**(2,701,468,315)**	(2,296,503,126)
Contributions paid to retirement plan	36	**(101,553,500)**	(91,825,000)
Net cash generated from (used in) operating activities		**(3,632,153,218)**	1,695,050,810

(Forward)

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

STATEMENTS OF CASH FLOWS

	Notes	2021	2020
		For the Years Ended December 31	
Net cash from operating activities *(balance forwarded)*		**(P 3,632,153,218)**	P 1,695,050,810
Cash Flows from Investing Activities			
Interest received from:			
Guaranteed loans		**224,841,189**	254,414,410
Receivables from agents and employees		**8,041,802**	11,815,257
Policyholders' loans		**705,118,210**	709,239,697
Investments in AFS financial assets		**5,530,494,590**	5,543,583,755
Investments in financial assets at FVTPL		**1,181,312,275**	1,384,595,312
Cash and cash equivalents		**7,483,056**	84,196,077
Dividend received		**2,468,346,383**	1,608,448,879
Proceeds from sale/maturities of investments in			
AFS financial assets	7	**9,097,685,038**	4,869,333,399
Acquisitions of investments in			
AFS financial assets	7	**(9,874,017,952)**	(8,467,831,299)
Acquisition of leasehold, property and equipment	14	**(807,176,365)**	(454,961,293)
Proceeds from disposal of leasehold, property and equipment		**5,209,794**	7,822,944
Collections of:			
Guaranteed loans		**50,375,000**	1,266,700,000
Policyholders' loans		**2,153,386,135**	2,101,372,145
Releases of:			
Guaranteed loans		**(660,000,000)**	(267,269,895)
Policyholders' loans		**(2,150,588,163)**	(2,208,919,465)
Net cash from investing activities		**7,940,510,992**	6,442,539,923
Cash Flows from Financing Activities			
Payment of lease liabilities	38	**(409,153,653)**	(365,236,233)
Finance cost paid	38	**(44,692,332)**	(50,318,878)
Contingency surplus repatriation	26	**(2,826,225,200)**	-
Dividends paid	27	**(5,500,000,000)**	(5,000,000,000)
Net cash used in financing activities		**(8,780,071,185)**	(5,415,555,111)
Effect of Changes in Foreign Exchange Rates		**2,698,144**	2,919,773
Net Increase (Decrease) in Cash and Cash Equivalents		**(4,469,015,267)**	2,724,955,395
Cash and Cash Equivalents, Beginning		**10,404,578,330**	7,679,622,935
Cash and Cash Equivalents, End		**P5,935,563,063**	P10,404,578,330

See Notes to Financial Statements.

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 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;
- investments in associates 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 2021

The Company adopted all accounting standards and interpretations as at December 31, 2021. 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:

Amendments to PFRS 16, *Covid-19-Related Rent Concessions beyond June 30, 2021*

In the prior year, the Company early adopted *Covid-19-Related Rent Concessions (Amendment to PFRS 16)* that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021.

In March 2021, the Board issued *Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16)* that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

In the current financial year, the Company has applied the amendment to PFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

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

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022); and
c) There is no substantive change to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued.

The Company has applied the practical expedient to all rent concessions that meet the conditions of the amendments. The amount recognized in the Company's statements of comprehensive income to reflect changes in lease payments that arise from rent concessions to which the Company has applied the practical expedient is P1,899,411 with a corresponding decrease in lease liability by P1,899,411 as at December 31, 2021.

PIC Q&A No. 2020-07, *PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill*

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation discussed that impact on the financial statements ending December 31, 2020, are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020.
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed.
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS.

For the financial statements ending December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense(income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes".
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed.
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return
- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates.
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

The interpretation is effective on or after January 29, 2021.

The Company has assessed that the impact of CREATE Law is a reduction in income tax expense by P23,936,846 and increase net income and net assets by the same amount as disclosed in Note 39. The impact is recorded in 2021 following the provisions of PIC Q&A 2020-07.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2021

PFRS 17 — *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4, Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2025. Earlier application is permitted.

The Company is still evaluating the impact of the new standard.

Amendments to PFRS 3, *References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Company is still evaluating the impact of the amendments.

Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The Company is still evaluating the impact of the amendments.

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

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Company does not anticipate that the application of the amendments in the future will have an impact on the financial statements since as a financial institution, presentation based on liquidity is more appropriate.

Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2, Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Company is still evaluating the impact of the amendments.

Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Company is still evaluating the impact of the amendments.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1 – *Subsidiary as a first-time adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 9 – *Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 16 – *Lease Incentives*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to PAS 41 – *Taxation in fair value measurements*

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Company is still evaluating the impact the foregoing improvements to PFRS.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

The amendments are as follows:
- An entity is now required to disclose its *material* accounting policy information instead of its *significant* accounting policies
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The Company is still evaluating the impact of the amendments.

Amendments to PAS 8, *Definition of Accounting Estimates*

With the amendment, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendment clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods
The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Company is still evaluating the impact of the amendments.

Amendments to PAS 12 Income Taxes - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
    - Right-of-use assets and lease liabilities
    - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Company is still evaluating the impact of the amendments.

Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – *Comparative Information*

The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17.

The main amendment in Initial Application of PFRS 17 and PFRS 9 — Comparative Information (Amendment to PFRS 17) is a narrow-scope amendment to the transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9.

Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9.

There are no changes to the transition requirements in PFRS 9

The amendment is effective for annual periods beginning on or after January 1, 2025, as amended by the FRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Still subject to approval of the Board of Accountancy.

The Company is still evaluating the impact of the amendments.

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 fair value through profit or loss (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, 2021 and 2020 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.

<u>Impairment of financial assets</u>

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.

<u>Derecognition of financial assets</u>

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.

Investments in Associates

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 PAS 28

The investments in associates are 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 investments in associates are 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

Investments in associates 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.

<u>Variable unit-linked liabilities</u>

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.

Right-of-use asset is classified within Leasehold, property and equipment – net. Refer to accounting policy on *Leases* in this Note.

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 Asset

The Company's intangible asset relate to 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 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

<u>Classification as debt or equity</u>

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, 2021 and 2020 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.

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.

Share Capital

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.

Contributed Surplus

Contributed surplus represents the original contribution of the stockholders in addition to share capital.

Contingency Surplus

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 contingency surplus may be repatriated in the future to SLACC subject to the approval of the IC.

Remeasurement of insurance contract liabilities

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.

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 Circular No. 2016-66.

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. Rental income is recorded in Other Income line in the statements of comprehensive income.

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.

Commissions, bonuses and other agents' expenses

Commissions, bonuses and other agents' expenses are recognized when the insurance contracts are entered into and the premiums are recognized.

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

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 as it represents 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 when a lease modification occurs.

<u>The Company as lessor</u>

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 PFRS 16, 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. The Company's current tax expense is calculated using 25% regular corporate income tax (RCIT) rate or 1% minimum corporate income tax (MCIT), rate and 30% RCIT rate or 2% MCIT rate, whichever is higher, in 2021 and 2020, respectively.

Final tax

Final tax expense represents final taxes withheld on interest income from cash in banks, special savings deposits and fixed-income securities and final taxes withheld on proceeds from sale of listed equity securities.

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.

<u>Functional currency</u>

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.

<u>Leases</u>

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.

<u>Investment entities</u>

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.

<u>Savings deposits designated at FVTPL</u>

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, 2021 and 2020, the carrying amount of savings deposits designated as financial assets at FVTPL amounted to P5,108,340,111 and P2,376,297,173, 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, 2021 and 2020, the carrying amounts of the Company's leasehold, property and equipment amounted to P4,072,506,457 and P3,192,130,855, respectively, as disclosed in Note 14. Total accumulated depreciation as at December 31, 2021 and 2020 amounted to P4,615,338,911 and P3,586,810,880, respectively, as disclosed in Note 14.

As at December 31, 2021 and 2020, the carrying amount of the Company's intangible assets amounted to P21,666,666 and P25,666,666, respectively, as disclosed in Note 15. Total accumulated amortization as at December 31, 2021 and 2020 amounted to P18,333,334 and P14,333,334, respectively, as disclosed in Note 15.

As at December 31, 2021 and 2020, the carrying amount of the Company's investment property amounted to P491,791,088 and P557,247,610, respectively, as disclosed in Note 16. Total accumulated depreciation as at December 31, 2021 and 2020 amounted to P303,536,956 and P291,013,322, respectively, as disclosed in Note 16.

Asset impairment

Impairment of AFS financial assets

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats 'significant' generally as 30% or more and 'prolonged' as greater than 12 months. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the issuer, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

Impairment of nonfinancial assets

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.

The non-financial assets of the Company are composed of its leasehold, property and equipment, intangible assets, investment property, and investment in subsidiaries. The carrying amounts of its non-financial assets as at December 31, 2021 and 2020 are as follows:

	Notes	**2021**	2020
Leasehold, property and equipment – net	14	**P4,072,506,457**	P3,192,130,855
Intangible asset - net	15	**21,666,666**	25,666,666
Investment property - net	16	**491,791,088**	557,247,610
Investments in subsidiaries - net	9	**438,154,893**	649,479,111
		P5,024,119,104	P4,424,524,242

As at December 31, 2021 and 2020, Management believes that the recoverable amounts of the Company's leasehold, property and equipment, intangible assets, and investment property exceed their carrying amounts.

The Company performed impairment assessment for its investment in subsidiaries by computing for the recoverable amount and comparing it to the carrying amount of the investment. The recoverable amount was based on fair value less cost of disposal, estimated as the subsidiaries net assets as of December 31, 2021 and 2020. In 2021 and 2020, the Company recognized an impairment loss of P211,324,218 and nil on its investment in subsidiaries, respectively.

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.

Based on Management's expectation of the Company's future taxable income, the Company did recognize the deferred tax assets amounting to P2,287,834,373 and nil as at December 31, 2021 and 2020, respectively, as disclosed in Note 40.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The unrecognized deferred tax assets amounted to P141,801,425 and P292,826,369 as at December 31, 2021 and 2020, respectively, as disclosed in Note 40.

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, 2021 and 2020, 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	2021	2020
Policyholders' loans	12	**P7,186,697,667**	P 7,189,495,639
Loans and receivables	8	**4,019,092,694**	3,493,521,402
Loan to fellow subsidiary	17	**2,701,468,452**	2,585,247,861
Investment income earned and accrued	13	**2,052,042,391**	2,084,744,010
Uncollected policyholder premiums	28	**619,167,062**	620,971,621
Due from related parties	17	**82,945,422**	114,883,956
Other receivables	18	**959,918,817**	887,686,069
		P17,621,332,505	P16,976,550,558

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, 2021 and 2020, insurance contract liabilities amounted to P61,288,044,362 and P72,035,797,503, respectively, as disclosed in Note 22. Decrease in insurance contract liabilities in 2021 and 2020 amounted to P534,089,716 and P227,249,594, 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 2021 and 2020, the Company recognized total retirement benefit expense amounting to P124,828,700 and P103,226,900, respectively, and as at the end of those reporting periods, retirement benefit assets amounted to P1,186,064,900 and P742,351,800 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:

	2021	2020
Cash on hand and in banks	**P3,924,863,063**	P 6,613,178,330
Cash equivalents	**2,010,700,000**	3,791,400,000
	P5,935,563,063	P10,404,578,330

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 0.001% to 0.325% in 2021 and 0.01% to 4.00% in 2020 for peso placements and nil in 2021 and 0.5% to 0.75% in 2020 for dollar placements.

Interest earned on cash and cash equivalents amounted to P7,401,437 and P60,150,360 in 2021 and 2020, respectively, as disclosed in Note 29.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	2021	2020
Investments in bonds, government and other securities	**P96,695,956,448**	P101,245,846,140
Investments in stocks	**9,340,845,876**	7,461,420,493
Investments in UITF	**1,230,709,974**	1,403,199,051
	P107,267,512,298	P110,110,465,684

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

	Note	**2021**	2020
Balance, beginning		**P110,110,465,684**	P100,176,892,507
Additions		**9,874,017,952**	8,467,831,299
Disposals		**(9,097,685,038)**	(4,869,333,399)
Fair value adjustments	26	**(8,933,967,190)**	7,309,599,429
Foreign exchange differences		**5,622,626,797**	(687,928,992)
Amortization of premiums - net		**(307,945,907)**	(286,595,160)
Balance, ending		**P107,267,512,298**	P110,110,465,684

The Company recognized impairment losses on equity securities as disclosed in Notes 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	2021	2020
Cost			
Investments in bonds, government and other securities		**P89,116,786,556**	P 83,020,795,217
Investments in stocks		**7,826,218,138**	6,943,244,332
Investments in UITF		**1,214,038,188**	1,394,110,564
		98,157,042,882	91,358,150,113
Accumulated fair value adjustments	26	**9,110,469,416**	18,752,315,571
		P107,267,512,298	P110,110,465,684

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	2021	2020
Interest income	29	**P5,499,085,758**	P5,593,879,433
Realized fair value gain - net	26,29	**847,665,343**	368,090,194
Dividend income	29	**143,335,504**	99,158,683
Impairment loss	26,29	**(139,786,378)**	(220,890,680)
		P6,350,300,227	P5,840,237,630

Realized fair value gain (loss) - net from disposals are summarized below:

	Notes	2021	2020
Fixed income		**P631,720,645**	P607,832,197
Stocks		**215,944,698**	(239,742,003)
	26,29	**P847,665,343**	P368,090,194

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

	2021	2020
Investment in government bonds	**2.63% to 18.25%**	3.50% to 18.25%
Investment in dollar bonds	**3.45% to 10.63%**	3.45% to 10.63%
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:

	2021	2020
Guaranteed loans	**P3,822,725,000**	P3,213,100,000
Receivables from agents and employees	**196,367,694**	280,421,402
	P4,019,092,694	P3,493,521,402

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.

On November 4, 2020, the Company entered into Corporate Notes Facility Agreement with various noteholders. As at December 31, 2021 and 2020, the Company has undrawn loan balance amounting to P165,000,000 and P825,000,000, respectively.

As at December 31, 2021 and 2020, 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:

	2021	2020
Due within 12 months	**P 500,000,000**	P -
Due beyond 12 months	**3,322,725,000**	3,213,100,000
	P3,822,725,000	P3,213,100,000

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

	2021	2020
Due within 12 months		
Receivables from agents	**P31,002,864**	P34,128,733
Receivables from employees	**20,671,037**	32,899,016
	51,673,901	67,027,749
Due beyond 12 months		
Receivables from agents	**40,868,953**	110,805,207
Receivables from employees	**103,824,840**	102,588,446
	P196,367,694	P280,421,402

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

	Notes	**2021**	2020
Guaranteed loans	29	**P205,870,355**	P234,480,033
Receivables from agents and employees	31	**8,041,802**	11,815,257
		P213,912,157	P246,295,290

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	**2021**	2020
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				**567,205,697**	355,881,479
				P 438,154,893	P649,479,111

The Company recognized an impairment loss on its investments in SLFPI amounting to P211,324,218 and nil in 2021 and 2020, respectively. The recoverable amount of SLFPI was based on fair value less cost of disposal, estimated as SLFPI's net assets as of December 31, 2021. No impairment on investments in SLAMCI was recognized as at December 31, 2021 and 2020.

In 2021 and 2020, the Company received cash dividends from SLAMCI amounting to P420,000,000 and nil, respectively, as disclosed in Note 29.

Aggregated audited financial information of the subsidiaries as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
SLFPI		
Cash and cash equivalents	**P 178,479,079**	P 127,416,845
Other current assets	**4,168,570**	3,828,361
Current assets	**182,647,649**	131,245,206
Non-current assets	**5,278,674,377**	6,138,624,412
Total assets	**P5,461,322,026**	P6,269,869,618
Current liabilities	**P 181,594,611**	P 196,956,685
Non-current liabilities	**4,946,933,112**	5,358,712,216
Total liabilities	**5,128,527,723**	5,555,668,901
Total equity	**332,794,303**	714,200,717
Total liabilities and equity	**P5,461,322,026**	P6,269,869,618
Revenues	**P 371,512,904**	P 351,819,845
Expenses	**(268,846,766)**	(485,165,580)
Income tax expense	**(3,410,236)**	(3,751,299)
Net income (loss) for the year	**99,255,902**	(137,097,034)
Other comprehensive income (loss)	**(480,662,316)**	307,179,229
Total comprehensive income (loss)	**(P 381,406,414)**	P 170,082,195

	2021	2020
SLAMCI		
Cash and cash equivalents	**P 365,269,002**	P 225,677,915
Other current assets	**1,078,859,257**	1,012,002,142
Current assets	**1,444,128,259**	1,237,680,057
Non-current assets	**496,893,156**	452,155,823
Total assets	**P1,941,021,415**	P1,689,835,880
Current liabilities	**P 445,794,274**	P 128,514,571
Non-current liabilities	**1,465,128**	3,089,189
Total liabilities	**447,259,402**	131,603,760
Total equity	**1,493,762,013**	1,558,232,120
Total liabilities and equity	**P1,941,021,415**	P1,689,835,880
Revenues	**P1,154,013,748**	P 883,757,901
Expenses	**(708,772,189)**	(722,261,790)
Income tax expense	**(100,098,522)**	(57,374,731)
Net income for the year	**345,143,037**	104,121,380
Other comprehensive income	**10,386,856**	18,911,500
Total comprehensive income	**P 355,529,893**	P 123,032,880

10. INVESTMENTS IN ASSOCIATES

Associate of investment entities

As at December 31, 2021 and 2020, the Company's ownership interest in Sun Life Prosperity Peso Starter Fund, Inc. (Peso Starter Fund) (formerly Sun Life Prosperity Money Market Fund, Inc.) is at 0.72% and 3.26% respectively. Since VUL funds are considered investment entities, as disclosed in Note 5, the VUL funds measure the investment in Peso Starter Fund at fair value with gains and losses charged to profit or loss.

Aggregated audited financial information of the associate of investment entities as at and for the years ended December 31, 2021 and 2020 are as follows:

Peso Starter Fund

	2021	2020
Cash and cash equivalents	**P 24,723,816,674**	P20,963,514,405
Other current assets	**79,058,726,976**	44,053,081,005
Current assets	**103,782,543,650**	65,016,595,410
Non-current assets	**23,523,180,188**	17,931,115,705
Total assets	**P127,305,723,838**	P82,947,711,115
Current liabilities	**P 212,160,872**	P 175,967,719
Non-current liabilities	**-**	-
Total liabilities	**212,160,872**	175,967,719
Total equity	**127,093,562,966**	82,771,743,396
Total liabilities and equity	**P127,305,723,838**	P82,947,711,115
Total revenue	**P 2,403,488,611**	P1,862,514,986
Profit and total comprehensive income for the year	**P 1,488,795,358**	P1,405,729,169

Associate other than investment entities

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

Name of associate	**Place of incorporation**	**Proportion of ownership**		**Principal activity**
		2021	2020	
Sun Life Prosperity Dynamic Fund, Inc. (Dynamic Fund)	Philippines	**32.29%**	30.09%	Open-end Investment Company

Movements in investments in associates measured at fair value are summarized as follows:

	Note	**2021**	2020
Cost			
Balance, December 31		**P451,789,223**	P451,789,223
Accumulated fair value loss adjustment			
Balance , January 1		**(50,690,746)**	(11,294,726)
Fair value adjustments	26	**23,402,682**	(39,396,020)
Balance, December 31	26	**(27,288,064)**	(50,690,746)
		P424,501,159	P401,098,477

The gain on disposal amounted to nil and P2,264,340 in 2021 and 2020, respectively, as disclosed in Notes 26 and 29.

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

Aggregated audited financial information of the associate as at and for the years ended December 31, 2021 and 2020 follows:

Dynamic Fund

	2021	2020
Cash and cash equivalents	**P 125,878,373**	P 58,203,524
Other current assets	**1,225,427,552**	1,301,039,322
Total assets	**P1,351,305,925**	P1,359,242,846
Current liabilities	**P 36,528,376**	P 26,208,850
Non-current liabilities	**-**	-
Total liabilities	**36,528,376**	26,208,850
Total equity	**1,314,777,549**	1,333,033,996
Total liabilities and equity	**P1,351,305,925**	P1,359,242,846
Total revenue	**P 145,071,558**	(P 98,827,069)
Profit and total comprehensive income (loss) for the year	**P 69,685,572**	(P135,151,649)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account pertains to the financial assets of the VUL funds managed by the Company. Details are as follows:

	Notes	2021	2020
Investment in stocks		**P108,601,748,721**	P 93,855,327,046
Investments in bonds, government and other securities		**26,230,028,464**	30,325,725,076
Investment in mutual fund	17	**10,198,454,632**	7,682,969,421
Investments in savings deposits		**5,108,340,111**	2,376,297,173
Foreign currency-linked notes		**430,000,000**	150,151,400
Investment in derivative instrument		**208,180,718**	358,491,766
	21	**P150,776,752,646**	P134,748,961,882

Variable unit-linked funds are composed of investments in bonds, government and other securities, equity securities, investments in mutual funds and derivative instruments 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. The derivative instrument will mature in 2028.

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

	2021	2020
Investments in savings deposits	**0.23% to 0.25%**	0.01% to 4.00%
Investment in government bonds	**2.38% to 8.75%**	3.50% to 18.25%
Investment in dollar bonds	**0.88% to 9.5%**	3.45% to 10.63%
Investment in private bonds	**3.00% to 7.46%**	4.26% to 6.49%

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

	Note	2021	2020
Unrealized fair value loss - net	29	**(P1,041,326,531)**	(P 305,317,709)
Interest income	29	**1,270,440,020**	1,246,993,712
Dividends	29	**1,893,133,783**	1,503,457,114
Realized fair value (loss) gain - net	29	**169,390,326**	(6,550,787,741)
		P2,291,637,598	(P4,105,654,624)

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

	Note	2021	2020
Interest income from:			
Investments in bonds, government and other securities		**P1,264,429,734**	P1,221,002,214
Investments in savings deposits		**6,010,286**	25,991,498
	29	**P1,270,440,020**	P1,246,993,712

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

	Note	2021	2020
Realized fair value gain (loss) from:			
Equity securities		**(P162,888,367)**	(P7,477,979,312)
Fixed income securities		**(131,777,989)**	847,591,825
Mutual funds		**464,056,682**	79,599,746
	29	**169,390,326**	(P6,550,787,741)
Unrealized fair value gain (loss) from:			
Equity securities		**1,648,750,463**	(1,169,782,534)
Fixed income securities		**(1,921,050,504)**	390,972,156
Mutual funds		**(618,715,442)**	386,319,349
Derivative financial instruments		**(150,311,048)**	87,173,320
	29	**(1,041,326,531)**	(305,317,709)
		(P871,936,205)	(P6,856,105,450)

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 P644,451,726 and P717,360,998 in 2021 and 2020, respectively, as disclosed in Note 31.

As at December 31, 2021 and 2020, Management believes that the policyholders' loans are fully recoverable, accordingly, no impairment was recognized in both years.

13. INVESTMENT INCOME EARNED AND ACCRUED

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

	Note	2021	2020
Accrued interest from:			
AFS financial assets		**P1,229,991,687**	P1,261,400,519
Financial assets at FVTPL		**420,741,190**	331,613,445
Policyholders' loans		**258,552,633**	319,219,117
Guaranteed loans		**50,563,917**	69,534,751
Loan to a fellow subsidiary	17	**46,221,808**	45,046,307
Cash equivalents		**24,036**	105,655
Dividends receivable		**45,947,120**	57,824,216
		P2,052,042,391	P2,084,744,010

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	Construction in Progress	Total
Cost										
At January 1, 2020	P196,021,245	P1,494,155,617	P534,102,030	P142,195,033	P1,099,958,485	P83,900,348	P870,866,895	P1,294,755,206	P314,466,209	P6,030,421,068
Additions	9,970,301	-	18,027,611	31,484,062	-	-	-	379,170,669	395,479,319	834,131,962
Disposals	-	-	-	(15,400,601)	-	-	-	-	-	(15,400,601)
Transfers/Adjustments	-	248,491,290	-	-	171,373,569	-	(68,541,138)	(1,669,556)	(419,864,859)	(70,210,694)
December 31,2020	205,991,546	1,742,646,907	552,129,641	158,278,494	1,271,332,054	83,900,348	802,325,757	1,672,256,319	290,080,669	6,778,941,735
Additions	15,406,066	136,411,740	8,861,925	26,777,400	15,423,877	-	-	1,063,831,490	546,657,454	1,813,369,952
Disposals	-	-	-	(7,500,000)	-	-	-	-	-	(7,500,000)
Transfers/Adjustments	(260,447)	298,337,549	(1,875,617)	365,622	63,592,089	-	105,231,758	-	(362,357,273)	103,033,681
December 31, 2021	221,137,165	2,177,396,196	559,115,949	177,921,516	1,350,348,020	83,900,348	907,557,515	2,736,087,809	474,380,850	8,687,845,368
Accumulated Depreciation and Amortization										
January 1, 2020	137,602,069	998,305,506	290,036,426	94,116,253	463,095,867	71,594,963	364,437,730	293,719,809	-	2,712,908,623
Depreciation	21,773,874	291,517,960	40,560,441	30,145,531	124,318,714	3,356,014	68,359,505	361,196,779	-	941,228,818
Disposals	-	-	-	(11,104,836)	-	-	-	-	-	(11,104,836)
Transfers/Adjustments	-	-	-	-	-	-	(56,221,725)	-	-	(56,221,725)
December 31, 2020	159,375,943	1,289,823,466	330,596,867	113,156,948	587,414,581	74,950,977	376,575,510	654,916,588	-	3,586,810,880
Depreciation	21,336,229	370,659,389	41,223,861	28,455,173	114,612,238	3,356,014	65,943,877	402,384,709	-	1,047,971,490
Disposals	-	-	-	(4,799,995)	-	-	-	-	-	(4,799,995)
Transfers/Adjustments	(407,644)	(2,537,499)	(2,483,671)	(426,534)	-	-	(8,788,116)	-	-	(14,643,464)
December 31, 2021	180,304,528	1,657,945,356	369,337,057	136,385,592	702,026,819	78,306,991	433,731,271	1,057,301,297	-	4,615,338,911
Carrying Amounts										
December 31,2021	**P40,832,637**	**P519,450,840**	**P189,778,892**	**P41,535,924**	**P648,321,201**	**P5,593,357**	**P473,826,244**	**P1,678,786,512**	**P474,380,850**	**P4,072,506,457**
Carrying Amounts										
December 31, 2020	P46,615,603	P452,823,441	P221,532,774	P45,121,546	P683,917,473	P8,949,371	P425,750,247	P1,017,339,731	P290,080,669	P3,192,130,855

Gain on disposal of property and equipment amounted to P2,509,789 in 2021 and P3,527,179 in 2020, as disclosed in Note 31. In 2021 and 2020, Management believes that there is no indication that an impairment loss has occurred.

15. INTANGIBLE ASSET- net

Movements in intangible asset, naming rights, are summarized as follows:

	Note	Naming Rights
Cost		
January 1/December 31, 2020/ December 31, 2021		P40,000,000
Accumulated Amortization		
January 1, 2020		10,333,334
Amortization	33	4,000,000
December 31, 2020		14,333,334
Amortization	33	4,000,000
December 31, 2021		18,333,334
Carrying Amount December 31, 2021		**P21,666,666**
Carrying Amount December 31, 2020		P25,666,666

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, 2020		P856,103,647
Transfers	14	(7,842,715)
December 31, 2020		848,260,932
Transfers		(52,932,888)
December 31, 2021		795,328,044
Accumulated Depreciation		
January 1, 2020		260,638,811
Depreciation	33	30,374,511
December 31, 2020		291,013,322
Depreciation	33	12,523,634
December 31, 2021		P303,536,956
Carrying Amount December 31, 2021		**P491,791,088**
Carrying Amount December 31, 2020		P557,247,610

The Company leased out a portion of Sun Life building as office space to its subsidiaries, related parties and third parties.

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 December 2021, the fair value of the investment property amounted to P1,361,399,000. 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 are leased out under operating leases, amounted to P158,874,581 and P158,522,863 in 2021 and 2020, 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 P46,229,463 and P48,195,555 during 2021 and 2020, 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 2021 and 2020.

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:

		Amounts of Transactions During the Year		Outstanding Balance Assets (Liabilities)			
Nature of Transactions	**Notes**	**2021**	2020	**2021**	2020	**Terms**	**Conditions**
Parent							
Sun Life Assurance Company of Canada							
Expense chargebacks	17.e	**P231,119,856**	P191,677,444	**(P45,063,830)**	(P38,988,928)	90-day; non-interest bearing	Unsecured
Share-based compensation	24, 35, 37	**30,792,256**	18,660,940	**95,273,813**	78,311,081	90-day; non-interest bearing	Unsecured
Immediate Parent							
Sun Life of Canada (Netherlands) B.V							
Dividends	27	**5,500,000,000**	5,000,000,000	-	-		
Contingency surplus fund	26	**2,826,225,200**	-	-	-		
Fellow Subsidiaries							
Sun Life Philippine Holding Company, Inc							
Loan	17.a	**116,220,591**	108,402,708	**2,701,468,452**	2,585,247,861	5-10 years; fixed rate ranging from 2.94% to 8.62%	Unsecured, Unimpaired
Interest income	17.a, 31	**117,396,092**	112,920,730	**46,221,808**	45,046,307	-	-
Sun Life Assurance Company of Canada – RHQ							
Reimbursable expenses	17.e	**149,238,415**	96,456,884	**(31,597,287)**	19,480,926	90-day; non-interest bearing	Unsecured
Sun Life Financial Asia Services Limited							
Expense chargebacks	17.e	**908,608,850**	836,649,267	**(94,308,997)**	(166,619,097)	30-day; non-interest bearing	Unsecured
Fee income	17.e,30	**22,959,752**	24,651,041	**3,233,363**	-		
Reimbursable expenses	17.e	**13,712,875**	5,984,269	**-**	-		
Rental income	17.d	**60,739,847**	51,560,035	**-**	-		
Other (rental dues)	17.d	**12,033,056**	14,021,020	**-**	-		
PT Asuransi Sun Life Indonesia							
Reimbursable expenses	17.e	**13,560**	-	**(13,560)**	-	90-day; non-interest bearing	Unsecured

Nature of Transactions	Notes	Amounts of Transactions During the Year 2021	2020	Outstanding Balance Assets (Liabilities) 2021	2020	Terms	Conditions
Sun Life Hong Kong Limited							
Reimbursable expenses	17.e	**P4,426,004**	P3,232,412	**P93,918**	P59,691	90-day; non-interest bearing	Unsecured, Unimpaired
Sun Life Capital Management – US							
Expense chargebacks	17.e	**-**	626,037	**-**	**-**	90-day; non-interest bearing	Unsecured
Joint venture of fellow subsidiary							
Sun Life Grepa Financial, Inc.							
Reimbursable expenses	17.e	**45,197,436**	74,037,007	**48,006,832**	42,601,062	30-day; non-interest bearing	Unsecured, Unimpaired
Fee income	17.b, 30	**273,156,667**	267,759,552	**27,026,331**	57,165,422	Transaction fees with 6.8% markup; 30-day; non-interest bearing	Unsecured, Unimpaired
Sale and purchase of investments	17.h	**68,112,665**	345,836,814	**-**	-		
Sun Life India Service Centre Pvt. LTd.							
Reimbursable expenses	17.e	**1,632,882**	2,574,184	**-**	(655,206)	90-day; non-interest bearing	Unsecured, Unimpaired
Subsidiaries							
Sun Life Asset Management Company, Inc.							
Reimbursable expenses	17.e	**2,298,531**	5,195,918	**-**	-	30-day; non-interest bearing	Unsecured, Unimpaired
Dividend income	17.g	**420,000,000**	-	**320,000,000**	-		
Fee income	30	**235,633,756**	234,730,981	**4,863,310**	895,456	30-day; non-interest bearing	Unsecured, Unimpaired
Rental income	17.d	**7,684,919**	7,136,863	**-**	-		
Others (rental dues)	17.d	**1,915,885**	2,252,241	**-**	-		

Nature of Transactions	Notes	Amounts of Transactions During the Year 2021	2020	Outstanding Balance Assets (Liabilities) 2021	2020	Terms	Conditions
Sun Life Financial Plans, Inc.							
Reimbursable expenses	17.e	**P224,400**	P197,021	**P-**	P-	30-day; non-interest bearing	Unsecured, Unimpaired
Fee income	30	**19,292,464**	21,414,474	**(224,400)**	-	30-day; non-interest bearing	Unsecured, Unimpaired
Rider premiums	17.c	**17,765**	342,091	**-**	-	30-day; non-interest bearing	Unsecured, Unimpaired
Sun Life Prosperity Peso Starter Fund, Inc.							
Subscription of redeemable shares	17.h	**972,615,784**	4,995,217,105	**-**		Redeemable at NAVPS at the date of redemption-	
Sale and purchase of investments	17.h	**36,477,005**	2,203,265,093	**-**	-		
Sun Life of Canada Prosperity Balanced Fund, Inc.							
Sale and purchase of investments	17.h	**-**	83,129,681	-	**-**		
Sun Life of Canada Prosperity Bond Fund, Inc.							
Sale and purchase of investments	17.h	**15,093,790**	80,145,678	-	**-**		
Sun Life Prosperity Dynamic Fund, Inc.							
Sale and purchase of investments	17.h	**10,651,486**	67,624,448	-	**-**		
Sun Life Prosperity GS Fund, Inc.							
Sale and purchase of investments	17.h	**-**	1,186,519	-	**-**		
Sun Life Prosperity Dollar Starter Fund							
Subscription of redeemable shares	17.h	**156,439,074**	538,927,511	-	**-**		
Sale and purchase of investments	17.h	**-**	9,100,194	-	**-**		
Sun Life of Canada Prosperity Achiever 2028							
Sale and purchase of investments	17.h	**-**	12,888,395	-	**-**		
Sun Life of Canada Prosperity Achiever 2038							
Sale and purchase of investments	17.h	**-**	1,781,017	-	**-**		
Sun Life of Canada Prosperity Achiever 2048							
Sale and purchase of investments	17.h	**240,804**	5,248,224	-	**-**		
Sun Life of Canada Prosperity Equity							
Sale and purchase of investments	17.h	**-**	90,599,445	-	**-**		
Sun Life of Canada Prosperity Dollar Abundance							
Sale and purchase of investments	17.h	**67,772,032**	P37,549,824	-	-		
Sun Life of Prosperity Wellspring Fund, Inc.							
Sale and purchase of investments	17.h	**-**	2,954,566	**-**	-		

Nature of Transactions	Notes	Amounts of Transactions During the Year 2021	2020	Outstanding Balance Assets (Liabilities) 2021	2020	Terms	Conditions
Sun Life of Canada Dollar Advantage Fund							
Sale and purchase of investments	17.h	**P -**	P371,378	**P -**	P -		
Grepalife Balanced Fund Corporation (formerly, Grepalife Bond Fund, Inc.)							
Sale and purchase of investments	17.h	**-**	**-**	**-**	-		
Sun Life Investment Management and Trust Company							
Reimbursable expenses	17.e	**20,688,453**	13,659,524	**2,744,436**	-		
Sale and purchase of investments		**124,341**					
Contributor							
Sun Life Financial Philippines Foundation, Inc.							
Reimbursable expenses	17.e	**708,616**	517,532	**210,594**	142,545	90-day; non-interest bearing	Unsecured, Unimpaired
Donation	17.i	**80,191,870**	71,879,074	**-**	-		
Sun Life of Canada (Philippines), Inc. Multi-Employer Employee's Retirement Plan							
Contribution	36	**101,553,500**	91,825,050	**-**	-		
Key Management Personnel							
Loans	17.f	**P-**	P-	**P37,667,250**	P49,331,761	1 to 20 years; interest-bearing	Unsecured, Unimpaired
Loan to fellow subsidiary	17.a	**P-**	P-	**P2,701,468,452**	P2,585,247,861		
Due from related parties		**P-**	P-	**P82,945,422**	P114,883,956		
Due to related parties		**P-**	P-	**P167,974,712**	P225,531,899		
Interest income earned and accrued	13	**P-**	P-	**P46,221,808**	P45,046,307		
Financial assets at FVTPL	11	**P-**	P-	**P10,198,454,632**	P7,682,969,421		

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	2021	2020
July 14, 2022	4.193%	**P 51,860,177**	P 46,950,105
October 26, 2023	8.616%	**56,564,341**	51,386,879
September 22, 2024	4.439%	**1,861,562,391**	49,084,453
February 16, 2025	4.286%	**444,508,081**	44,887,851
March 7, 2026	2.994%	**53,564,684**	49,745,287
March 15, 2026	3.304%	**48,867,378**	52,019,995
July 10, 2026	2.936%	**50,494,179**	1,781,388,290
September 8, 2026	2.949%	**46,199,533**	425,947,694
November 26, 2029	4.718%	**87,847,688**	83,837,307
		P2,701,468,452	P2,585,247,861

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. As at December 31, 2021 and 2020, the amount of interest receivable transferred as part of the loan is P116,220,591 and P108,402,709, respectively.

Accrued interest receivable as at December 31, 2021 and 2020 amounted to P46,221,808 and P45,046,307, respectively, as disclosed in Note 13. Interest income earned in 2021 and 2020 amounted to P117,396,092 and P112,920,730, 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's (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:

	2021	2020
Short-term loans	**P 410,000**	P 660,000
Long-term loans	**37,257,250**	48,671,761
	P37,667,250	P49,331,761

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 March 4, 2021 amounting to P100,000,000 which was paid on April 12, 2021. On December 9, 2021 SLAMC declared another cash dividends amounting to P320,000,000, as presented under Note 18. The dividends was paid on January 28, 2022.

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.

	2021	2020
Short-term employee benefits	**P612,187,210**	P579,394,838
Post-employment benefits	**40,922,818**	39,849,098
Share-based payments	**44,416,751**	55,511,058
	P697,526,779	P674,754,994

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. 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	2021	2020
Due from brokers		**P591,830,727**	P825,726,023
Dividends receivable from a subsidiary	17.g	**320,000,000**	-
Rental receivable		**5,178,385**	28,755,487
Others		**42,909,705**	33,204,559
		P959,918,817	P887,686,069

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.

	2021	2020
Creditable withholding tax	**P37,172,690**	P422,844,622
Input tax	**4,013,898**	3,829,365
Prepaid documentary stamp tax	**3,312,574**	766,100
	P44,499,162	P427,440,087

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	2021	2020
Prepayments		**P51,025,433**	P 72,041,348
Security deposits	38	**86,494,743**	91,079,340
Prepaid supplies		**66,060,709**	62,442,339
Investment in trust fund		**8,275,981**	8,643,433
Other assets		**3,092,970**	3,092,970
		P214,949,836	P237,299,430

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	2021	2020
Assets			
Financial assets at FVTPL	11	**P150,776,752,646**	P134,748,961,882
Other assets		**753,645,315**	599,110,791
		151,530,397,961	135,348,072,673
Liabilities		**1,220,139,965**	179,999,009
Net Assets		**150,310,257,996**	135,168,073,664
Less: Net assets attributable to seed capital		**609,675,571**	332,877,463
Net assets attributable to policyholders		**P149,700,582,425**	P134,835,196,201

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	2021	2020
Balance beginning of the year		**P134,835,196,201**	P128,778,459,558
VUL fund contributions	28	**31,805,292,234**	27,511,341,388
VUL fund withdrawals	23	**(5,894,714,663)**	(4,660,251,791)
VUL fund loss for the year		**(11,045,191,347)**	(16,794,352,954)
		P149,700,582,425	P134,835,196,201

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

	Notes	2021	2020
VUL fund loss for the year		**(P11,045,191,347)**	(P16,794,352,954)
Loss attributable to seed capital		**(15,315,019)**	(3,903,304)
Loss attributable to VUL policyholders		**(11,060,506,366)**	(16,798,256,258)
VUL fund contributions	28	**31,805,292,234**	27,511,341,388
VUL fund withdrawals	23	**(5,894,714,663)**	(4,660,251,791)
		P14,850,071,205	P 6,052,833,339

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.

Insurance contract liabilities may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
December 31, 2021			
Ordinary life	**P78,693,573,683**	**P53,222,818**	**P78,640,350,865**
Group life	**126,689,843**	**41,118**	**126,648,725**
Accident and health	**11,263,615**	–	**11,263,615**
Variable life	**(17,322,652,285)**	**167,566,558**	**(17,490,218,843)**
	P61,508,874,856	**P220,830,494**	**P61,288,044,362**
December 31, 2020			
Ordinary life	P 88,707,743,611	P 54,022,167	P 88,653,721,444
Group life	115,366,318	28,056	115,338,262
Accident and health	11,157,291	163	11,157,128
Variable life	(16,571,131,184)	173,288,147	(16,744,419,331)
	P 72,263,136,036	P227,338,533	P 72,035,797,503

The movements during the year in insurance contract liabilities are as follows:

	2021	2020
At January 1	**P 72,035,797,503**	P54,965,212,784
Due to change in discount rates	**(10,213,663,425)**	17,297,834,313
Due to change in policies and assumptions	**(534,089,716)**	(227,249,594)
At December 31	**P 61,288,044,362**	P72,035,797,503

The movements in the insurance contract liabilities due to change in discount rates are recorded under "Remeasurement of Insurance Contract Liabilities". The rollforward analyses of this account follow:

	2021	2020
At January 1	**(P19,523,568,779)**	(P2,225,734,466)
Net increase due to change in discount rate	**10,213,663,425**	(17,297,834,313)
At December 31	**(P9,309,905,354)**	(P19,523,568,779)

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:

	2021	2020
Dividends payable to policyholders	**P28,089,712,078**	P27,810,789,030
Death benefits	**1,671,729,306**	1,176,828,370
IBNR claims	**438,137,600**	250,688,292
Surrenders and maturities	**250,000,303**	268,733,407
Hospitalization and disability benefits	**26,526,218**	22,833,060
	P30,476,105,505	P29,529,872,159

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:

	2021	2020
Death claims	**P4,007,388,950**	P2,232,925,631
Dividends to policyholders	**1,784,725,105**	1,773,144,509
Interest on dividends	**1,195,666,258**	1,300,562,093
Other benefits	**313,483,661**	157,198,043
	P7,301,263,974	P5,463,830,276

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

	Note	**2021**	2020
VUL fund withdrawals	21	**P5,894,714,663**	P4,660,251,791
Anticipated endowment expense		**1,234,510,646**	1,352,766,129
Cash surrender value expense		**1,203,162,113**	1,028,043,051
Matured endowment expense		**365,844,556**	464,229,423
		P8,698,231,978	P7,505,290,394

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	2021	2020
Lease liabilities	38	**P1,733,601,934**	P1,033,869,012
Banking suspense		**1,238,403,800**	1,034,577,484
Due to brokers		**1,205,394,518**	386,334,468
Agent related payable		**1,030,403,905**	719,495,118
Taxes, licenses and fees due and accrued		**818,602,815**	465,563,731
Salaries and employee benefits		**720,761,030**	649,866,840
Premiums received in advance		**629,115,399**	386,325,733
Premium suspense		**567,301,467**	542,853,478
Digital enterprise		**332,147,432**	-
Investment management fee		**283,226,398**	267,358,492
Commissions payable		**195,148,072**	182,718,414
Reinsurance liabilities		**148,247,579**	122,090,636
Share-based payment liability	37	**95,273,813**	78,311,081
Professional fees		**43,874,656**	33,237,039
VAT payable		**40,347,087**	37,654,462
Refundable deposits	38	**31,031,937**	22,409,334
Advertising		**30,466,688**	66,654,215
Utilities payable		**8,678,482**	15,492,111
Miscellaneous payable		**745,014,985**	424,512,939
		P9,897,041,997	P6,469,324,587

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.

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

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.

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.

Miscellaneous payable pertains to miscellaneous policy liabilities, accrued postage and courier, and other liabilities.

25. SHARE CAPITAL

Components of share capital in 2021 and 2020 are as follows:

	2021	2020
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 fixed income.

26. RESERVES

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

	Notes	2021	2020
Investment revaluation reserve:			
Available-for-sale financial assets	7	**P9,110,469,416**	P 18,752,315,571
Investments in associates	10	**(27,288,064)**	(50,690,746)
		9,083,181,352	18,701,624,825
Remeasurement of insurance contract liabilities		**(6,982,429,015)**	(19,523,568,779)
Remeasurement of retirement benefit asset		**1,071,648,156**	892,747,608
Contributed surplus		**50,000,000**	50,000,000
Contingency surplus		**-**	2,826,225,200
		P3,222,400,493	P 2,947,028,854

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.

On September 8, 2020, the Board of Directors authorized to repatriate its CSF in the total amount of P2,826,225,200 to stockholders of record as of June 30, 2020. The management is authorized by the Board of Directors to determine the timing of repatriation.

The Company's request for approval to repatriate its CSF is granted by IC on January 8, 2021. The CSF was repatriated on July 7, 2021, as disclosed in Note 17.

Investment Revaluation Reserves

Movement of investment revaluation reserves are as follows:

	Notes	2021	2020
Balance, beginning		**P18,701,624,825**	P11,580,885,270
Movements:			
Net gain (loss) on fair value measurement:			
Available-for-sale financial assets	7	**(8,933,967,190)**	7,309,599,429
Investments in associates	10	**23,402,682**	(39,396,020)
Reclassification adjustments relating to impairment losses on AFS financial assets during the year	7, 29	**139,786,378**	220,890,680
Reclassification adjustments relating to AFS financial assets disposed of during the year	7	**(847,665,343)**	(368,090,194)
Reclassification adjustments relating to investments in associates disposed of during the year	10	**-**	(2,264,340)
		(9,618,443,473)	7,120,739,555
Balance, end		**P 9,083,181,352**	P18,701,624,825

Investments revaluation reserves represent accumulated gains and losses arising on the revaluation of AFS financial assets and investments in associates 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:

	Notes	2021	2020
Balance, beginning		**(P19,523,568,779)**	(P2,225,734,466)
Remeasurement gain (loss) of insurance contract liabilities	22	**10,213,663,425**	(17,297,834,313)
Total		**(9,309,905,354)**	(19,523,568,779)
Deferred tax effect	40	**2,327,476,339**	-
Balance, end		**(P6,982,429,015)**	(P19,523,568,779)

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:

	Notes	2021	2020
Balance, beginning		**P 892,747,608**	P263,407,908
Remeasurement gain of defined benefit obligation	36	**536,116,600**	629,339,700
Total		**1,428,864,208**	892,747,608
Deferred tax effect	40	**(357,216,052)**	-
Balance, end		**P1,071,648,156**	P829,747,608

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

27. RETAINED EARNINGS

On March 3, 2021 and March 4, 2020, the Company declared cash dividends of P5,500,000,000 (P1,100 per share) and P5,000,000,000 (P1,000 per share), respectively, out of the Company's unrestricted retained earnings to stockholders of record as at the declaration dates. The dividends were paid on May 18, 2021 and July 17, 2020, respectively.

Under IC Circular Letter 2016-66, for traditional life insurance policy where the calculation based on the gross premium valuation results in a negative reserve, the Company shall appropriate from the unassigned surplus an amount equal to the aggregate of the negative reserves calculated on a per policy basis. The total amount of negative reserves is P22,983,656,624 and P20,100,844,795 as of December 31, 2021 and 2020, respectively. The appropriated surplus on account of the negative reserves are not available for dividend declaration. On March 3, 2022, the appropriation was approved by the BOD.

28. PREMIUMS - net

The details of premiums - net are as follows:

	Note	2021	2020
Premiums from:			
VUL insurance contracts	21	**P31,805,292,234**	P27,511,341,388
Life insurance contracts		**14,100,210,179**	12,219,389,167
		45,905,502,413	39,730,730,555
Less: Premiums ceded		**440,664,148**	464,630,831
		P45,464,838,265	P39,266,099,724

The uncollected policyholder premiums, which are all current, amounted to P619,167,062 and P620,971,621 as at December 31, 2021 and 2020, respectively.

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.

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.

29. INVESTMENT INCOME (LOSS) - net

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

	Notes	2021	2020
Interest income from:			
Available-for-sale financial assets	7	**P5,499,085,758**	P5,593,879,433
Financial assets at FVTPL	11	**1,270,440,020**	1,246,993,712
Loans and receivables – guaranteed loans	8	**205,870,355**	234,480,033
Cash and cash equivalents	6	**7,401,437**	60,150,360
		6,982,797,570	7,135,503,538
Realized fair value gain (loss)-net from:			
Available-for-sale financial assets and Investment in Associates	7, 10	**847,665,343**	370,354,534
Financial assets at FVTPL	11	**169,390,326**	(6,550,787,741)
		1,017,055,669	(6,180,433,207)
Dividend income from:			
Available-for-sale financial assets	7	**143,335,504**	99,158,683
Subsidiary (SLAMCI)	9	**420,000,000**	-
Financial assets at FVTPL	11	**1,893,133,783**	1,503,457,114
		2,456,469,287	1,602,615,797
Others:			
Unrealized fair value gain (loss)-net from financial assets at FVTPL	11	**(1,041,326,531)**	(305,317,709)
Foreign exchange loss		**832,624,206**	(705,508,870)
Provision for impairment- subsidiary	9	**(211,324,218)**	-
Impairment loss from Available-for-sale financial assets	7, 26	**(139,786,378)**	(220,890,680)
		(559,812,921)	(1,231,717,259)
		P9,896,509,605	P1,325,968,869

30. FEE INCOME

The details of fee income are as follows:

	Note	2021	2020
Fee Income from:			
Subsidiaries	17	**P277,885,972**	P280,796,496
Asset Management - Joint Venture	17	**273,156,667**	267,759,552
Surrender charges		**46,986,835**	24,784,014
Periodic charges		**35,510,904**	47,044,253
Others		**2,728,769**	2,421,277
		P636,269,147	P622,805,592

31. OTHER INCOME

The details of other income are as follows:

	Notes	2021	2020
Interest from policyholders' loans	12	**P644,451,726**	P 717,360,998
Rental income	16, 38	**158,874,581**	158,522,863
Interest income from loan to fellow subsidiary	17	**117,396,092**	112,920,730
Interest income from receivables from agents and employees	8	**8,041,802**	11,815,257
Gain on disposal of leasehold, property and equipment	14	**2,509,789**	3,527,179
Others		**15,692,445**	26,859,792
		P946,966,435	P1,031,006,819

32. COMMISSIONS, BONUSES AND OTHER AGENTS' EXPENSES

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

	2021	2020
Commissions	**P4,868,996,042**	P4,336,464,502
Bonuses and benefits	**3,389,088,513**	2,934,522,389
Other agents' expenses	**285,251,799**	229,165,669
	P8,543,336,354	P7,500,152,560

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	2021	2020
Employee salaries and benefits	35	**P2,172,714,826**	P 2,101,286,645
Materials, supplies and facilities		**1,411,554,972**	991,989,819
Depreciation and amortization	14,15,16	**1,057,388,770**	944,970,691
Investment expenses		**536,589,510**	411,389,584
Repairs and maintenance		**403,456,283**	602,213,750
Outside services		**245,156,217**	213,264,258
Rent and utilities		**221,256,426**	218,358,987
Advertising and promotions		**199,694,520**	224,160,186
Bank charges		**107,456,158**	64,000,823
Interest expense on leases		**44,692,332**	50,318,878
Miscellaneous expense		**118,405,526**	163,603,143
		P6,518,365,540	P5,985,556,764

Details of depreciation and amortization are summarized below:

	Notes	2021	2020
Leasehold, property and equipment	14,16	**P639,624,028**	P 548,128,168
Investment property	16	**12,523,634**	30,374,511
Intangible assets	15	**4,000,000**	4,000,000
Depreciation expense of right-of-use assets included in leasehold, property and equipment	14	**401,241,108**	362,468,012
		P1,057,388,770	P944,970,691

34. INSURANCE TAXES, LICENSES AND FEES

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

	2021	2020
Premium taxes	**P451,293,671**	P397,208,832
Local business taxes	**46,818,278**	61,674,101
Documentary stamp taxes	**29,292,890**	26,684,450
Other licenses and fees	**65,393,707**	59,212,017
	P592,798,546	P544,779,400

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

35. EMPLOYEE SALARIES AND BENEFITS

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

	Notes	2021	2020
Short term benefits		**P1,997,414,826**	P1,937,821,198
Post-employment benefits	36	**124,828,700**	103,226,900
Stock options and other share-based payments	37	**50,471,300**	60,238,547
	33	**P2,172,714,826**	P2,101,286,645

Post-employment benefit charged to other comprehensive income amounted to a gain of P536,116,600 and P629,339,700 in 2021 and 2020, respectively, as disclosed in Note 36.

36. RETIREMENT BENEFIT PLAN

The details of retirement benefit plan assets are as follows:

	2021	2020
Post-employment benefits	**P1,259,096,600**	P742,351,800
Other post-employment benefits	**(73,031,700)**	-
	P1,186,064,900	P742,351,800

Post-employment benefits - 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, 2021 and 2020, 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), Sun Life Investment Management and Trust Corporation 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, 2021 by Towers Watson, an independent actuary. The valuation includes information for comparative periods as at December 31, 2020. 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	
	2021	2020
Discount rate	**5%**	3.75%
Expected rates of salary increases	**6.00%**	6.00%
Average longevity at retirement age for current pensioners (years)	**36.33**	35.68
Average longevity at retirement age for current employees (future pensioners) (years)	**12.65**	12.65

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

	Notes	2021	2020
Service cost			
Current service cost		**P150,233,300**	P110,117,500
Net interest expense		**29,308,000**	(6,890,600)
Components of defined benefit costs recognized in profit or loss	35	**120,925,300**	103,226,900
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)		**(307,296,000)**	(962,566,800)
Actuarial gains and losses:			
from changes in financial assumptions		**(272,429,500)**	296,590,900
from experience adjustments		**43,608,900**	36,636,200
Components of defined benefit costs recognized in other comprehensive income	26,40	**(536,116,600)**	(629,339,700)
		(P415,191,300)	(P526,112,800)

Total retirement cost for 2021 and 2020 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:

	2021	2020
Present value of defined benefit obligations	**(P1,624,078,600)**	(P1,742,143,400)
Fair value of plan assets	**2,883,175,200**	2,484,495,200
Retirement benefit asset	**P1,259,096,600**	P742,351,800

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

	2021	2020
Balance, January 1	**P1,742,143,400**	P1,326,865,500
Current service cost	**150,233,300**	110,117,500
Interest cost	**64,372,400**	67,611,700
Remeasurement (gains)/losses:		
Actuarial (gains) and losses arising from changes in financial assumptions	**(272,429,500)**	296,590,900
Actuarial losses due to liability experience	**43,608,900**	36,636,200
Benefits paid	**(73,849,600)**	(85,941,300)
Transfer payments	**(30,000,300)**	(9,737,100)
Balance, December 31	**P1,624,078,600**	P1,742,143,400

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

	Note	2021	2020
Balance, January 1		**P2,484,495,200**	P1,451,279,500
Interest income		**93,680,400**	74,502,300
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)		**307,296,000**	962,566,800
Contributions from the employer	17	**101,553,500**	91,825,000
Benefits paid		**(73,849,600)**	(85,941,300)
Transfers		**(30,000,300)**	(9,737,100)
Balance, December 31		**P2,883,175,200**	P2,484,495,200

Fair value of plan assets represents the Company's share in Sun Life Philippines Group Retirement Plan's assets as at December 31, 2021 and 2020. 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.

Transfers pertain to adjustments arising from intercompany employee transfers.

The expected rate of return is 7% and 6.25% in 2021 and 2020, respectively, and analysis of the fair value of allocated plan assets at the end of each reporting period is as follows:

	2021	2020
Cash and cash equivalents	**P 16,434,099**	P 8,198,834
Debt instruments	**608,926,602**	570,936,997
Equity instruments	**148,771,840**	149,069,712
Real estate	**2,125,765,075**	1,788,836,544
Receivables	**(16,722,416)**	(32,546,887)
	P2,883,175,200	P2,484,495,200

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

	Fair Value	
	2021	2020
Cash and cash equivalents	**P 23,305,175**	P 11,464,769
Debt instruments	**863,518,065**	798,364,841
Equity instruments	**210,973,164**	208,450,350
Real estate	**3,014,544,835**	2,501,404,200
Receivables	**(23,714,039)**	(45,511,660)
	P4,088,627,200	P3,474,172,500

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**	
	2021	2020	**2021**	2020
Discount rate	1% increase	1% increase	(P177,511,791)	(P206,618,207)
	1% decrease	1% decrease	212,754,297	249,997,578
Expected salary growth rate	1% increase	1% increase	192,778,130	224,736,499
	1% decrease	1% decrease	(165,006,386)	(191,113,131)

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 12.30 years and 13.30 years as at December 31, 2021 and 2020, respectively.

The Company expects to contribute P118.66 million to the retirement fund in 2022.

Other Post-Employment Benefits

The Company recognizes other post-employment benefit (OPEB) liability for the lifetime insurance coverage it provides to retired employees through a group term life insurance policy which was determined to be a defined benefit plan. As at December 31, 2021, the OPEB liability amounted to P73,031,700. In 2021, retirement cost amounting to P3,903,400 has been included as employee benefits as disclosed in Note 35.

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:

	2021		2020	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Balance, January 1	**7,466**	**C$31.65**	17,331	C$30.85
Granted	**-**	**-**	-	-
Exercised	**7,466**	**31.65**	9,865	30.25
Expired	**-**	**-**	-	-
Balance, December 31	**-**	**-**	7,466	C$31.65
Exercisable, December 31	**-**	**-**	7,466	C$31.65

The following are the stock options outstanding and exercisable as at December 31, 2021 and 2020, by exercise price:

Range of Exercise Prices	**Number of Stock Options (Thousands)**	**Remaining Contractual Life (Years)**	**Weighted Average Exercise Price**
2021			
C$21.53 to C$49.39	**472,866**	**3.34**	**43.18**
C$49.40 to C$52.27	**644,802**	**5.89**	**50.58**
C$52.28 to C$59.64	**460,690**	**5.12**	**54.21**
C$59.65 to C$62.36	**694,592**	**6.94**	**62.12**
C$62.37 to C$65.84	**769,290**	**9.05**	**63.39**
	3,042,240	**6.41**	**55.85**
2020			
C$21.53 to C$27.45	47,981	1.16	21.53
C$27.46 to C$30.95	168,440	2.15	28.20
C$30.96 to C$48.20	964,522	4.93	42.51
C$48.21 to C$53.96	1,261,819	7.75	51.96
C$53.97 to C$62.12	730,442	9.19	61.88
	3,173,204	6.83	49.65

The weighted average fair values of the stock options, calculated using the Black-Scholes option-pricing model, granted during the years ended December 31, 2021 and 2020 were C$8.73 and C$5.99, respectively.

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

	2021	2020
Risk-free interest rate	**0.94%**	1.16%
Expected volatility	**24.91%**	19.18%
Expected dividend yield	**4%**	4.00%
Expected life of the option (in years)	**6.25**	6.25
Exercise price	**$40.44**	$28.29

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 P50,471,300 and P60,238,547 in 2021 and 2020, respectively, as disclosed in Note 35.

Share based payment liability as at December 31, 2021 and 2020 amounted to P95,273,813 and P78,311,081, respectively, as disclosed in Note 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%.

Security deposits relating to the Company's leases amounted to P86,494,743 and P91,079,340 as at December 31, 2021 and 2020, respectively, as disclosed in Note 20.

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

	2021	2020
Depreciation expense of right-of-use assets included in leasehold, property and equipment	**P401,241,108**	P362,468,012
Interest expense on lease liabilities	**44,692,332**	50,318,878
Expenses relating to short-term leases (included in general and administrative expenses)	**7,278,367**	21,579,765
Total amounts recognized in statements of comprehensive income	**P453,211,807**	P434,366,655

Movements in the lease liabilities are presented below:

	2021	2020
At January 1	**P1,033,869,012**	P971,367,386
Additions	**1,063,831,490**	376,876,305
Accretion of interest	**45,055,085**	50,861,554
Payments	**(409,153,653)**	(365,236,233)
At December 31	**P1,733,601,934**	P1,033,869,012

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

	2021	2020
Not later than 1 year	**P 437,250,063**	P362,942,236
Between Two and Five Years	**883,100,225**	745,485,676
Later than 5 years	**1,218,053,164**	-
Total undiscounted lease liabilities	**P2,538,403,452**	P1,108,427,912
Lease liabilities included in accounts payable, accrued expenses and other liabilities	**P1,733,601,934**	P1,033,869,012
Current	**374,002,349**	323,753,683
Non-current	**1,359,599,585**	710,115,329
	P1,733,601,934	P1,033,869,012

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 P158,874,581 and to P158,522,863 in 2021 and 2020, 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 P31,031,937 and P22,409,334 as at December 31, 2021 and 2020, 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:

	2021	2020
Not later than one year	**P94,386,641**	P123,120,905
Later than one year but not later than five years	**47,717,140**	77,939,817
	P142,103,781	P201,060,722

39. INCOME TAXES

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

	2021	2020
Current		
RCIT	**P1,004,522,524**	P -
Final taxes	**1,417,768,642**	1,305,753,500
CREATE impact	**(23,936,846)**	-
MCIT	**(206,634,929)**	95,747,383
	2,191,719,391	1,401,500,883
Deferred tax (benefit)	**(317,574,086)**	-
	P1,874,145,305	P 1,401,500,883

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 25% in 2021 and 30% in 2020 are as follows:

	2021	2020
Accounting profit before tax	**P10,974,605,570**	P9,420,687,865
Tax expense at 25% in 2021 and 30% in 2020	**P2,743,651,393**	P 2,826,206,359
Tax effects of:		
Income subject to lower tax rate and tax exempt	**(242,552,406)**	(528,254,084)
Dividend income	**(140,833,876)**	(29,747,605)
MCIT recognized as income tax expense	**-**	95,747,383
Non-deductible expenses	**204,139,409**	(203,098,179)
Unrecognized deferred tax assets	**(690,259,215)**	(759,352,991)
	P1,874,145,305	P 1,401,500,883

On March 26, 2021, the Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act was passed into law which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based.

Among others, the Act includes the following significant revisions:

1. Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20% income

tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% tax income tax rate;

2. Minimum corporate income tax (MCIT) rate is reduced to from 2% to 1% from July 1, 2020 to June 30, 2023;
3. Percentage tax for non-VAT taxpayers is reduced from 3% to 1% from July 1, 2020 to June 30, 2023; and
4. Repeal of the improperly accumulated earnings tax

40. **DEFFERED TAXES** - net

Prior to year 2021, the Company has not been recognizing net deferred tax assets since Management believes that it is not probable that future taxable profit will be available against which deferred tax can be utilized. As at December 31, 2020, the Company has unrecognized deferred tax asset amounting to P292,826,369.

In 2021, Management is projecting the Company will have higher current tax dues arising from the expiry of the unutilized net operating loss carry-over in 2020. Based on the 2021 taxable income forecast, the Company will have sufficient taxable income that will allow the net deferred tax assets to be recovered. Deferred tax assets are recognized only to the extent that realization of related tax benefit is probable. Components of recognized deferred tax assets are as follows:

	2021
Deferred tax assets (liabilities) on:	
Charged to profit or loss:	
Accrued expenses	**P 307,795,302**
Retirement benefit assets, net of other comprehensive income portion	**42,441,889**
Other post-employment benefits	**18,257,925**
Right of use asset, net of lease liabilities	**15,289,321**
Unamortized past service cost	**1,625,670**
Unrealized forex gain	**(67,836,021)**
	317,574,086
Recognized in other comprehensive income:	
Remeasurement of life insurance measurement	**2,327,476,339**
Remeasurement of define benefit obligation	**(357,216,052)**
	1,970,260,287
	P2,287,834,373

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:

	2020
Provision for impairment loss	P 106,764,444
Unrealized forex loss	99,233,420
Retirement benefit assets, net of other comprehensive income portion	54,036,625
Right of use asset, net of lease liabilities	31,969,881
Past service cost	821,999
	P 292,826,369

As at December 31, 2021 and 2020, the deferred tax asset amounting to P141,801,425 and P106,764,444, respectively, related to the allowance for impairment loss on its investment in SLFPI will continue to be unrecognized as the amount will not reverse in the foreseeable future since there is no concrete plan to liquidate or dissolve SLFPI.

Details of the Company's NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Year of Expiry	2019	Utilized	Expired	2020
2017	2020	P10,248,177,743	P2,904,388,251	P7,343,789,492	P-

MCIT

Year Incurred	Year of Expiry	2020	Adjustment	Utilized	Expired	**2021**
2018	2021	P 45,354,201	P -	P 45,354,201	P-	P-
2019	2022	89,470,191	-	89,470,191	-	-
2020	2023	95,747,383	(23,936,846)	71,810,537	-	-
		P230,571,775	(P23,936,846)	P206,634,929	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, 2021			
Financial Assets			
Financial assets at FVTPL			
Investments in savings deposits	**P 5,108,340,111**	**P -**	**P5,108,340,111**
Investments in bonds, government and other securities	**26,230,028,464**	**-**	**26,230,028,464**
Investments in stocks	**108,601,748,721**		**108,601,748,721**
Currency-linked notes	**-**	**430,000,000**	**430,000,000**
Investment in mutual fund	**10,198,454,632**	**-**	**10,198,454,632**
Investment in derivatives instrument	**208,180,718**	**-**	**208,180,718**
Available-for-sale financial assets			
Investments in bonds, government and other securities	**96,695,956,448**	**-**	**96,695,956,448**
Investments in stocks	**9,340,015,975**	**829,901**	**9,340,845,876**
Investments in UITF	**1,230,709,974**	**-**	**1,230,709,974**
Investments in associates	**424,501,159**	**-**	**424,501,159**
	P258,037,936,202	**P430,829,901**	**P258,468,766,103**
December 31, 2020			
Financial Assets			
Financial assets at FVTPL			
Investments in savings deposits	P 2,376,297,173	P -	P 2,376,297,173
Investments in bonds, government and other securities	30,325,725,076	-	30,325,725,076
Investments in stocks	93,808,918,297	46,408,749	93,855,327,046
Currency-linked notes	-	150,151,400	150,151,400
Investment in mutual fund	7,682,969,421	-	7,682,969,421
Investment in derivatives instrument	358,491,766	-	358,491,766
Available-for-sale financial assets			
Investments in bonds, government and other securities	101,245,846,140	-	101,245,846,140
Investments in stocks	7,460,590,592	829,901	7,461,420,493
Investments in UITF	1,403,199,051	-	1,403,199,051
Investments in associates	401,098,477	-	401,098,477
	P245,063,135,993	P197,390,050	P245,260,526,043

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:

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P5,935,563,063**	**P5,935,563,063**	P 10,404,578,330	P10,404,578,330
Uncollected policyholder premiums	**619,167,062**	**619,167,062**	620,971,621	620,971,621
Policyholders' loans	**7,186,697,667**	**7,186,697,667**	7,189,495,639	7,189,495,639
Loans and receivables	**4,019,092,694**	**3,390,938,646**	3,493,521,402	3,151,474,188
Due from related parties	**82,945,422**	**82,945,422**	114,883,956	114,883,956
Loan to fellow subsidiary	**2,701,468,452**	**2,407,442,867**	2,585,247,861	2,349,074,675
Other receivables	**959,918,817**	**959,918,817**	887,686,069	887,686,069
Security deposit	**86,494,743**	**67,900,129**	91,079,340	78,917,657
Investment income earned and accrued	**2,052,042,391**	**2,052,042,391**	2,084,744,010	2,084,744,010
	P23,643,390,311	**P22,702,616,064**	P27,472,208,228	P26,881,826,145
Financial Liabilities				
Due to policyholders	**P30,476,105,505**	**P30,476,105,505**	P29,529,872,159	P29,529,872,159
Due to related parties	**167,974,712**	**167,974,712**	225,531,899	225,531,899
Accounts payable, accrued expenses and other liabilities	**9,050,106,748**	**9,050,106,748**	5,972,871,253	5,972,871,253
	P39,694,186,965	**P39,694,186,965**	P35,728,275,311	P35,728,275,311

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 Sun Life's average incremental cost of borrowing of 4.43% and 2.10% in 2021 and 2020, respectively.

43. RISK MANAGEMENT

The Company's overall Risk Management Framework (RMF), 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 or known with certainty, the RMF 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:

- Identification of key and emerging risks;
- Manage, measure, monitor and report on risk within their business operations;
- Accountability for the risks taken to achieve business results and the resulting impact of those risks; and
- Operating within risk appetite and according to risk management policies

The second line of defence includes the Risk Officer and heads of the oversight functions 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 effective independent challenge of the first line (effective challenge ensures the integrity of risk data and facilitates ongoing monitoring of key control activities and changes in the risk profile); 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 and the Audit Committee of the Board 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 employs 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 2021 and 2020 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 2021, 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	2021	2020
Cash in banks and cash equivalents	6	**P 5,935,563,063**	P10,404,578,330
Available-for-sale financial assets	7	**97,926,666,422**	102,649,875,092
Financial Assets at FVTPL	11	**42,175,003,925**	40,940,043,585
Loans and receivables	8	**4,019,092,694**	3,493,521,402
Loan to fellow subsidiary	17	**2,701,468,452**	2,585,247,861
Policyholders' loans	12	**7,186,697,667**	7,189,495,639
Investment income earned and accrued	13	**2,052,042,391**	2,084,744,010
Uncollected policyholder premiums	28	**619,167,062**	620,971,621
Due from related parties	17	**82,945,422**	114,883,956
Security deposit	20	**86,494,743**	91,079,340
Other receivables	18	**959,918,817**	887,686,069
		P163,745,060,658	P171,062,126,905

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	Total
2021			
Cash and cash equivalents	**P5,935,563,063**	**P -**	**P 5,935,563,063**
Available-for-sale financial assets	**97,926,666,422**	**-**	**97,926,666,422**
Financial assets at FVTPL	**42,175,003,925**	**-**	**42,175,003,925**
Loans and receivables	**-**	**4,019,092,694**	**4,019,092,694**
Loan to fellow subsidiary	**-**	**2,701,468,452**	**2,701,468,452**
Policyholders' loans	**-**	**7,186,697,667**	**7,186,697,667**
Investment income earned and accrued	**1,650,732,877**	**401,309,514**	**2,052,042,391**
Uncollected policyholder premiums	**-**	**619,167,062**	**619,167,062**
Due from related parties	**-**	**82,945,422**	**82,945,422**
Security deposit	**86,494,743**	**-**	**86,494,743**
Other receivables	**-**	**959,918,817**	**959,918,817**
	P147,774,461,030	**P 15,970,599,628**	**P163,745,060,658**
2020			
Cash and cash equivalents	P 10,404,578,330	P -	P 10,404,578,330
Available-for-sale financial assets	102,649,875,092	-	102,649,875,092
Financial assets at FVTPL	40,940,043,585	-	40,940,043,585
Loans and receivables	-	3,493,521,402	3,493,521,402
Loan to fellow subsidiary	-	2,585,247,861	2,585,247,861
Policyholders' loans	-	7,189,495,639	7,189,495,639
Investment income earned and accrued	1,593,013,964	491,730,046	2,084,744,010
Uncollected policyholder premiums	-	620,971,621	620,971,621
Due from related parties	-	114,883,956	114,883,956
Security deposit	91,079,340	-	91,079,340
Other receivables	-	887,686,069	887,686,069
	P155,678,590,311	P15,383,536,594	P 171,062,126,905

As at December 31, 2021 and 2020, the Company has no financial assets with credit quality of acceptable or low grade.

As at December 31, 2021 and 2020, the Company has undrawn loan balance amounting to P165,000,000 and P825,000,000, respectively, which is considered as high grade.

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. The objective and management of these risks are discussed below.

Equity price risk

The Company is exposed to equity price risks arising from equity investments. Equity price risk is the risk that the fair value of equity investment decreases as the result of changes in the value of individual stocks. 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 P907 million in 2021 and P883 million in 2020, as a result of the changes in fair value of available-for-sale shares.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest. 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, 2021 and 2020 would have increased or decreased by P74 million and P24 million, respectively. This is mainly attributable to the impact of new money yields on reinvestments; and

b. Other equity reserves would have increased by P6.4 billion as at December 31, 2021 and P7.2 billion as at December 31, 2020 if interest rates had been 100 basis points lower, or decreased by P5.4 billion as at December 31, 2021 and P6.1 billion as at December 31, 2020 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 currency 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:

	2021	2020
Cash and cash equivalents	**P 839,279,740**	P 482,471,057
Available-for-sale financial assets	**7,220,174,574**	7,260,294,048
Financial assets at FVTPL	**9,013,673,147**	7,830,120,204
Policyholders' loans	**213,873,916**	236,333,446
Uncollected policyholder premiums	**17,276,164**	23,799,295
Investment income earned and accrued	**572,509,232**	567,227,268
Other receivables	**337,640,841**	44,418,600
Due to policyholders	**(2,238,664,958)**	(2,102,154,172)
Accounts payable, accrued expenses and other liabilities	**(1,936,979,740)**	(450,432,650)
	P14,038,782,916	P13,892,077,096

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	
	2021	2020
Cash and cash equivalents	**P 41,963,987**	P 24,123,553
Available-for-sale financial assets	**361,008,729**	363,014,702
Financial assets at FVTPL	**450,683,657**	391,506,010
Policyholders' loans	**10,693,696**	11,816,672
Uncollected policyholder premiums	**863,808**	1,189,965
Investment income earned and accrued	**28,625,462**	28,361,363
Other receivables	**16,882,042**	2,220,930
Due to policyholders	**(111,933,248)**	(105,107,709)
Accounts payable, accrued expenses and other liabilities	**(96,848,987)**	(22,521,633)
	P 701,939,146	P694,603,853

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 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.

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, 2021				
Asset cash flow	**P15,432**	**P28,593**	**P489,220**	**P533,245**
Liability cash flow	**886**	**8,709**	**(250,732)**	**(241,137)**
	P16,318	**P37,302**	**P238,488**	**P292,108**
December 31, 2020				
Asset cash flow	P7,333	P29,370	P451,074	P487,777
Liability cash flow	(383)	3,779	(230,845)	(227,449)
	P6,950	P33,149	P220,229	P260,328

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, 2021			
Due to policyholders	**P1,690,937,627**	**P28,785,167,878**	**P30,476,105,505**
Due to related parties	**167,974,712**	**-**	**167,974,712**
Accounts payable, accrued expenses and other liabilities	**7,316,504,814**	**-**	**7,316,504,814**
	P9,175,417,153	**P28,785,167,878**	**P37,960,585,031**
December 31, 2020			
Due to policyholders	P1,286,565,755	P28,243,306,404	P29,529,872,159
Due to related parties	225,531,899	-	225,531,899
Accounts payable, accrued expenses and other liabilities	4,939,002,241	-	4,939,002,241
	P6,451,099,895	P28,243,306,404	P34,694,406,299

Regulatory Compliance Management Policy

The Compliance Risk Management Framework of Sun Life 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) Identification of applicable regulatory requirements;
b) Assessment of inherent compliance risks of applicable regulatory requirements;
c) Development of key controls designed to comply with the applicable regulatory requirements and to manage and mitigate compliance risks;
d) Assessment of the design and operating effectiveness of controls to determine residual risk;
e) Testing and monitoring of the ongoing operation of the controls and identification of gaps and other issues; and
f) Reporting to management on the overall effectiveness of the regulatory compliance management program and the state of compliance of the business.

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:

	2021	2020
Equity	**P39,253,380,045**	P35,377,548,141
Total assets	**290,783,129,046**	278,473,270,490
Equity ratio	**0.13:1**	0.13:1

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

The Company's strategy has remained unchanged in 2021 and 2020.

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 2020 Annual Statement synopsis was approved by IC on February 22, 2022 where the total assets admitted amounted to P272,475,987,340 and those assets that are not admitted are as follows:

	2021	2020
Cash on Hand and in Banks	**P 779,004,456**	P 302,755,117
Loans and Receivables	**2,682,396,584**	2,680,706,027
AFS Financial Assets	**75,230,001**	260,363
Investment Income Due and Accrued	**66,077**	-
Other Receivables	**141,076,084**	-
Investment in Subsidiaries and Associates	**11,129,485**	343,196,181
Segregated Fund Assets	**162,140,554**	7,770,018
Leasehold, property and equipment – net	**1,208,533,370**	1,241,572,648
Right-of Use Asset	**48,223,510**	84,357,156
Pension Asset	**742,351,800**	124,414,000
Prepayments and other assets	**-**	767,537
Other assets	**1,648,941,711**	1,281,416,535
	P 7,499,093,632	P 6,067,215,582

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, 2021 and 2020, the required statutory net worth for the Company is P900 million.

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 December 31, 2020 is 296%. 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 P7,009,386,478 and P44,512,419,555 as at December 31, 2021 and 2020, 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, 2021 and 2020, 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 3, 2022, the Company declared P5,500,000,000 cash dividends out of the Company's unrestricted retained earnings to stockholders of record as at December 31, 2021.

46. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU of INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NOS. 15-2010

The following supplementary information for 2021 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 2021 are as follows:

Fee income:	
Asset management	**P2,633,520,897**
Partial fund with charge	**17,155,316**
	2,650,676,213
Rental income	**156,806,553**
Transaction fees	**579,215,614**
Other income	**21,932,615**
	3,408,630,995
Output VAT rate	**12%**
	P 409,035,719

Input VAT

Details of the Company's input VAT claimed in 2021 are as follows:

Balance, January 1	**P -**
Current year's domestic purchases/payments for services lodged under other accounts	**41,547,116**
Creditable Value Added Tax	**957,963**
Total available input VAT	**42,505,079**
Less: Claims for tax credit	**42,505,079**
Balance, December 31	**P -**

Documentary stamp tax

The Company's documentary stamp tax paid or accrued in 2021 amounted to P29,292,890.

Other taxes and licenses

Details of the Company's other taxes and licenses and permit fees paid or accrued charged to operating expenses in 2021 are as follows:

Other percentage tax (premium tax)	**P451,293,671**
Permit fees	**46,818,278**
Real property tax	**12,320,048**
Residence or community tax	**10,500**
Others	**53,063,159**
	P563,505,656

Withholding taxes
Details of the Company's withholding taxes paid or accrued in 2021 are as follows:

Withholding tax on compensation and benefits	**P 412,236,134**
Expanded withholding taxes	**756,265,755**
Final withholding taxes	**575,683,444**
Withholding VAT	**957,963**
	P1,745,143,296

Deficiency tax assessments and tax cases

The Company has no tax assessments and tax cases in 2021.

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 3, 2022.

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