

# COVER SHEET

SEC Registration Number

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Company Name

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A	N	Y	,			I	N	C	.																					

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

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Form Type

1	7	-	A
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

corpsec@benlife.com.ph
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Company's Telephone Number/s

(+632) 8818 8671
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Mobile Number

09992297694
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No. of Stockholders

6782
------

Annual Meeting  
Month/Day

Any Day in June
-----------------

Fiscal Year  
Month/Day

DECEMBER 31
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

MA. SIGRID R. PINLAC
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Email Address

corpsec@benlife.com.ph
------------------------

Telephone Number/s

(+632)8818 8671
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Mobile Number

09992297694
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Contact Person's Address

7F Beneficial Life Building, 166 Salcedo Street, Legaspi Village, Makati City
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**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A, AS AMENDED**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended DECEMBER 31, 2023
2. SEC Identification Number 16680
3. BIR Tax Identification No. 000-883-987
4. Exact name of issuer as specified in its charter  
BENEFICIAL LIFE INSURANCE COMPANY, INC.
5. MANILA, PHILIPPINES  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:  
Life Insurance
7. BENEFICIAL LIFE (BENLIFE) BLDG., 166 SALCEDO ST., LEGASPI VILLAGE, MAKATI CITY  
Address of principal office                      Postal Code 1229
8. (02) 88188671  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the Revised Securities Act ("RSA"):

Title of each class	No. of shares of Common Stock Outstanding
COMMON STOCK shares	N/A
11. Are any or all of these securities listed on the Philippine Stock Exchange ("PSE").  

Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]
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12. Check whether the issuer:
  - (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);  

Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]
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  - (b) has been subject to such filing requirements for the past 90 days:  

Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]
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13. State the aggregate market value of the voting stock held by non-affiliates of the registrant:  

118,624,760 shares x P4.58* = P543,301,401	* last known price on private sale
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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### 1.1 Business Development

**BENEFICIAL LIFE INSURANCE COMPANY, INC.** (the “Registrant”) is a domestic stock corporation established on March 16, 1960 with an initial authorized capitalization of P2.5Million. The primary purpose of the Registrant is to *undertake and write insurance upon the lives of individuals, and every insurance appertaining thereto or connected therewith, including reinsurance; to make contracts for insurance and reinsurance providing for all risks, hazards, guarantees and contingencies to which life, accident or health insurance is applicable; to compute endowments and grants, purchase or dispose of annuities; to procure reinsurance for its risks; to issue policies stipulated to be with or without participation in profits; and to purchase for its own benefit any policy of insurance or other obligation of the corporation as well as claims of policyholders.* The Registrant is under the regulation of the Insurance Commission (“IC”).

On April 10, 1997, the Philippine Securities and Exchange Commission (“SEC”) approved the increase in the Registrant’s authorized capital stock from P20Million to P70Million.

On July 15, 1996, the Registrant and Philippine National Bank (“PNB”) entered into a Memorandum of Agreement (“MOA”) whereby the latter bought equity in the former equal to 40% ownership. This partnership, however, was dissolved on May 30, 2008.

FMF Development Corporation (“FMF”) then acquired 50% of the said 40% equity of PNB, thus, increasing its shareholdings in the Registrant from 51% to 81%.

The SEC, effective October 06, 2009, approved the change in name of the Registrant from “Beneficial-PNB Life Insurance Company, Inc.” to “Beneficial Life Insurance Company, Inc.” and the extension of another 50 years of its corporate term.

On October 9, 2009, it was approved and resolved that the authorized capital stock of the Registrant be increased from P70Million, divided into 70,000,000 shares with par value of P1.00 per share to P500Million, divided into 500,000,000 shares with the same par value per share. The said increase was made in compliance with Department of Finance (“DOF”) Order 27-06, which was approved by the SEC on February 4, 2010.

The additional subscription on the increase in authorized capital stock of the Registrant shall be made by way of application of the 550% stock dividends declared on August 10, 2009.

On August 6, 2012, the Registrant’s Board of Directors (“BOD”) approved the increase in the Registrant’s authorized capital stock from P500Million, consisting of 500,000,000 common shares with P1.00 par value per share, to P1Billion, consisting of 1,000,000,000 common shares with the same par value per share. The application for the said increase in the authorized capital stock was submitted to the SEC on February 5, 2013.

Also, on August 6, 2012, the BOD approved the declaration of 58% stock dividend or a total of 188,584,808 shares to be taken from the Registrant’s unrestricted retained earnings as of December 31, 2011, and distributed to stockholders as of October 9, 2012. The full amount of P188,584,808 was previously presented as stock dividends for issuance under the stockholders’ equity in the statements of financial position pending the completion of the SEC requirements for the increase in authorized capital stock.

On April 10, 2014, the BOD approved the declaration of 22% stock dividend or a total of 113,020,283 shares to be taken from the Registrant’s unrestricted retained earnings as of December 31, 2013.

At least 25% of the increase in the authorized capital stock of P500Million, or the amount of P301,605,091 has been subscribed and fully paid up through the 58% and 22% stock dividend declarations.

The application for increase in the authorized capital stock that was initially submitted to the SEC on February 5,

2013 was re-filed on March 27, 2015. The SEC issued a certificate of approval to the said increase in capital stock on March 31, 2015.

During its 63 years in the life insurance industry, the Registrant has not undergone any bankruptcy, insolvency, receivership or similar proceeding.

## **1.2 Business of Issuer**

### DESCRIPTION OF THE REGISTRANT

#### Principal Product or Service:

Traditional LIFE INSURANCE POLICIES which may be grouped into Regular Plans, Term Plans, Special Corporate Plans and Product Mix Plans. The main business may be generally classified into 2, namely, ordinary/regular business which represents policies sold to individuals, and group business which is commonly known as term plans sold to groups, companies or institutions. Another business line is reinsurance wherein the Registrant accepts risk in consideration of premiums from institutional clients. The Registrant has also ventured into the microinsurance program in 2016. As of December 31, 2023, regular business accounts for 15% while group business accounts for 82% of the total gross premiums. Inward reinsurance makes up the remaining 3% of the total gross premiums.

Foreign Sales: NONE

#### Distribution Methods of Product/Service:

The Registrant has always used its agency force nationwide as the main traditional distribution channel. It also set up telemarketing operations in Cebu and Davao and ventured into mall operations in Davao. The Registrant continues to use telemarketing and mall operations channels to this day.

#### Status of Any Publicly Announced New Product or Service:

The Registrant has submitted two new products/plans and were approved by the IC during the year 2023. However, these plans have not yet been publicly announced or marketed as of the date of this report.

#### Competition:

As of the year ended December 31, 2023, there are 33 life insurance companies operating in the Philippines. Based on the unaudited figures released by the IC for 2023 (source: [www.insurance.gov.ph](http://www.insurance.gov.ph)), the Registrant ranks as follows:

<i>According to Premium Income:</i>	<b>17<sup>th</sup></b>
<i>According to Networth:</i>	<b>23<sup>rd</sup></b>

The top 16 life insurance companies in terms of premium income are all selling variable products. The Registrant does not offer variable plans.

The major target markets of the Registrant belong to the socioeconomic classes C, D, and E nationwide. Many of the policyholders are teachers, firemen, policemen, government agency employees, bank employees and the like. Price is a major factor in competition followed by service. Since insurance is not considered a basic necessity, its marketability highly depends on the economic status of the insuring public.

Of all the life insurance companies, the Registrant believes that, in terms of business line and target markets, its major competitors are Generali Life Assurance and Fortune Life insurance, which are both selling traditional insurance products and have no variable products like the Registrant. The Registrant believes that it can effectively compete with other companies, more specifically with its closest competitors, mainly because of its stability founded on 64 years of experience, skilled and numerous agency forces operating nationwide, financial strength assuring

solvency and liquidity, and marked presence in major cities nationwide. The Registrant continues to build strong business relationships with its institutional clients.

Transactions with and/or Dependence on Related Parties:

The related parties of the Registrant as of December 31, 2023 include FMF and Beneficial Financial Advisors, Inc. (“BFAI”), which is a domestic corporation.

FMF, the Registrant’s parent company, is its largest stockholder with 81% ownership of the outstanding shares of the Registrant, which is primarily engaged in direct equity investments in other companies, investments in fixed income securities and property leasing.

BFAI is primarily engaged in providing training and consultancy services related to any marketing activities and promotions, and the administration and property management of the Beneficial Life Bldg. in Makati City. Moreover, the Registrant assigned to BFAI the right to lease out vacant spaces of the properties owned by the former. This subsidiary previously handled the training and marketing requirements of the bancassurance operations of the Registrant with PNB. On April 24, 2015, the SEC approved the change in its corporate name from “Beneficial-PNB Financial Advisors, Inc.” to “Beneficial Financial Advisors, Inc.” On October 21, 2021, the Board of Directors (“BOD”) and stockholders of BFAI approved a resolution for the cessation of its business operations effective December 15, 2021 and shorten the company’s term of existence until June 30, 2023. On April 22, 2022, the SEC approved the BFAI’s Amended Articles of Incorporation to shorten its corporate term until June 30, 2023. The liquidation and clearance with the SEC and the Bureau of Internal Revenue (“BIR”) are still being processed as of the date of this report.

Another former subsidiary, Solana Investment Holdings Corp. (“SIHC”), was a foreign corporation and a wholly owned subsidiary of the Registrant. It was an investment company with holdings in foreign securities and bonds. On October 21, 2021, the Board and stockholders of SIHC approved its dissolution and authorized the transfer of its net assets amounting to P143.7Million to the Registrant.

Trademarks:

On April 29, 2015, the Registrant filed its trademark application forms with the Intellectual Property Office (“IPO”). These are for the registration of the Registrant’s trademark “Benlife” device and logo and the marketing slogan “Alagang Tunay. Alagang Benlife.” (the “Subject Marks”). Accordingly, the IPO issued the Certificates of Registration for the Subject Marks in favor of Registrant on November 5, 2015 and October 2, 2015, respectively. These Certificates of Registration of the Subject Marks have a term of 10 years. On account thereof, the Registrant has acquired the exclusive right to prevent any and all persons from using in the course of trade, identical or similar marks for goods or services which are identical or similar to those in respect of which the Subject Marks are registered, where such use would result in a likelihood of confusion.

License:

License no. 2022/34-R was issued by the IC to the Registrant on December 24, 2021, which took effect on January 1, 2022 and to expire on December 31, 2024.

Need for any Governmental Approval of Principal Products/Services:

All products/services are first approved by the IC, in compliance with the Amended Insurance Code of the Philippines, prior to selling.

Effect of Existing or Probable Governmental Regulations on the Business:

The operations of the Registrant are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., capitalization requirements, capital and reserve investments, risk based capital or “RBC” ratio requirements).

Tax regulations materially affect the cost of the product/service. Insurance premiums and policies are subject to premium tax and documentary stamp tax (“DST”), which are being passed on to the insured/client. These taxes are additional costs, which make the product more expensive. Republic Act (“RA”) No. 10001 reduced the premium tax from 5% to 2% (applicable on insurance policies issued after the effectivity of the said RA) and amended the DST to one-time payment based on the amount of insurance or coverage. RA 10963 or the Tax Reform for Acceleration and Inclusion (“TRAIN”), which became effective on January 1, 2018, increased the DST tax from the range of P10.00-P100.00 to P20.00-P200.00. Revenue Regulation (“RR”) 4-2018 was issued wherein the new rates are listed under Section 10.

On August 5, 2013, the President of the Philippines approved RA No. 10607, also known as the “Amended Insurance Code R.A.10607” which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance per New Insurance Code:

<b>Networth</b>	<b>Compliance Date</b>
<i>P550,000,000.00</i>	<i>December 31, 2016</i>
<i>P900,000,000.00</i>	<i>December 31, 2019</i>
<i>P1,300,000,000.00</i>	<i>December 31, 2022</i>

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

The required minimum statutory net worth for the Registrant is P1.3Billion as of December 31, 2022. The Registrant has complied with the minimum statutory net worth capital and minimum paid-up capital required by the IC.

The Amended Insurance Code provides that the Commissioner may require the adoption of the RBC approach and other internationally accepted forms of capital framework. In 2016, the IC issued CL 2016-68 regarding the Amended RBC framework to be known as “RBC2 Framework” which was effective starting January 1, 2017.

CL 2016-68 provides for the RBC2 framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain an RBC ratio of at least 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC ratio shall be calculated as total available capital (“TAC”) divided by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. Tier 2 Capital which includes reserve for appraisal increment and remeasurement gains or losses on retirement pension asset or obligation shall not exceed 50% of Tier 1 Capital. RBC requirement shall be computed based on the formula provided in the Circular and shall include asset default risk, insurance pricing risk, interest rate risk and general business risk.

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels. IC issued its Circular Letter no. 2017-30 dated May 2, 2017 wherein all insurance companies are required to take action in case its RBC ratio measures as follows:

RBC ratio (Y)	Event	Action
$100% < Y < 125%$	<i>Trend Test</i>	<i>Registrant is required to submit linear extrapolation of the RBC ratio for the next period. If the RBC ratio based on the trend test falls below 100%, move to Company Action Event</i>
$75% < Y < 100%$	<i>Registrant Action</i>	<i>Registrant is required to submit RBC plan and financial projections and implement the plan accordingly.</i>
$50% < Y < 75%$	<i>Regulatory Action</i>	<i>IC is authorized to issue Corrective O</i>
$Y < 50%$	<i>Authorized and Mandatory Control</i>	<i>IC is authorized and required to take control of the Registrant</i>

The final amount of the RBC ratio can be determined only after the accounts of the Company have been examined by the IC, specifically for the determination of admitted and non-admitted assets as defined under the Amended Insurance Code. The Registrant reported RBC ratio of not less than 125% during the 2023 interim quarterly reports and 135% as of December 31, 2023. The IC-approved RBC ratio as of December 31, 2022 is equivalent to 131%.

IC issued CL No. 2016-65 and 2015-29, Financial Reporting Framework (“FRF”) under Section 189 of the New Insurance Code. The FRF adopted the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial, and insurance core principles.

IC also released CL No. 2016-66, Valuation Standards for Life Insurance Policy Reserves, pursuant to Sections 216 and 423 of The Insurance Code. Where appropriate, the life insurance policy reserves shall be valued using the Gross Premium Valuation (GPV) considering other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation.

The full implementation of FRF and valuation standards has taken effect on January 1, 2017.

Sometime in March 2023, the IC Memorandum Circular No.2023-01 (“IC-MC No. 2023-01”) was published by IC pursuant to its mandate to safeguard the rights and interests of the insuring public and to effectively carry out the provisions of Republic Act (RA) No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act" (FCPA), in consonance with relevant Insurance Core Principles.

IC-MC No. 2023-01 lays down the Rules which provide measures to protect the following rights of financial consumers:

- a. Right to fair and equitable treatment;
- b. Right to disclosure and transparency of financial products and services;
- c. Right to protection of consumer assets against fraud and misuse;
- d. Right to data privacy and protection; and
- e. Right to timely handling and redress of complaints.

These Rules establish guidelines to institutionalize consumer protection as an integral component of corporate governance and risk management of financial service providers. These Rules aim to:

- a. Ensure adequate consumer protection against unfair business practices;
- b. Achieve fair and beneficial consumer outcomes;
- c. Empower consumers, and
- d. Manage consumer risks and potential harms to financial consumers

IC-MC No. 2023-01 shall apply to all financial products or services regulated by the Insurance Commission, excluding reinsurance transactions. Moreover, under its transitory provision, the Registrant, and all regulated entities of the Insurance Commission are given a period of one (1) year and six (6) months from the effectivity of IC-MC No. 2023-01 to conduct a gap analysis of their current consumer protection practices vis-i-vis the provisions of IC-MC No. 2023-01; and create an Action Plan duly approved by the Board of Directors to achieve full compliance



within a reasonable period of time but in no case longer than one (1) year and six (6) months from the effectivity of IC-MC No. 2023-01.

On April 16, 2024, the IC issued Advisory no. RS-2024-007 to conduct a public consultation relative to the proposed circular letter on Omnibus Guidelines on Investments with the “objective of enhancing the investment adaptability of the IC regulated entities and to foster a more dynamic and responsive approach to market environment”. The proposed guidelines essentially grant prior approval of identified investments and consider them as admitted assets, plus an increase in the minimum RBC ratio to 105%. Should the CL be issued and implemented, the Company's total admitted assets as of December 31, 2023 will amount to P9,566,859,660 while the total available capital for RBC ratio will amount to ₱3,646,136,143. Consequently, the RBC ratio, as computed by the Registrant, will increase to 250%.

Total Number of Employees and Number of Full Time Employees as of December 31, 2023:

<i>Employees:</i>	227
<i>Full time employees:</i>	227
<i>No. of anticipated employees for the ensuing year:</i>	235

On February 12, 2018, the Collective Bargaining Agreement (“CBA”) has been signed and executed by the Registrant and the labor union which shall be valid and effective for a period of three (3) years and shall continue from year to year thereafter, unless otherwise terminated by either party pursuant to Article XVII, Section 1 thereof.

Training and Development:

The Registrant implements a training and development program where employees and officers are provided with the opportunity of attending relevant courses, conventions, and trainings provided by reputable entities, locally and abroad. The training and development program is designed to enhance the knowledge, skills, and competence of the Registrant’s employees and officers. For this purpose, the Registrant allocates on a yearly basis, a budget for such training and development. In 2023, the following seminars/trainings were taken by the Registrant’s appropriate employees and officers:

- AML/CTF Fundamentals Webinar for Covered Persons
- AMLC Registration and Reporting Guidelines (ARRG) Webinar for Covered Persons
- Anti-Money Laundering and Counter-Terrorism Financing Fundamentals Webinar for Covered Persons
- Basic Underwriting Training Course
- Targeted Financial Sanctions Webinar for Covered Persons
- Karion International Development Conference ( CIDC 2023)
- IFRS17 Training Series
- IFRS17 Deep Dive Sessions for Life Insurance
- Leadership & Management Training Program
- Developing Business Continuity Strategy The Philippine Society of Insurance Medicine Seminar
- MCLE Training
- CIDC 2020 Africa Conference & Training Registration
- Information Technology and Data Privacy
- Technical Security Controls (ISO/IEC 27002: 2022)
- Governance, Risk, and Compliance (GRC) Controls (ISO/IEC 27002)
- Information Security Management System (ISMS) for Leaders (ISO/IEC 27002:2022)
- Understanding of Enterprise Risk Management
- Risk Management and Analytics
- Rethinking Mental Health Confirmation
- Occupational First-Aid Training & BLS-CPR Training for Healthcare Provider/Professional Rescuer)
- Digital Transformation Workshop
- Hexagap Analysis Workshop
- Basic Concepts & Definition of Digital Transformation & its Competitive Advantage to BLIC
- Practical Cybersecurity Awareness Webinar
- HRIS Training

Strengthening BenLife's Culture of Data Privacy  
Practical Microsoft 365 Online Training  
PAMET-Annual Convention for licensing, new technology for equipment, laboratory tests

Risks:

The risk under an insurance contract is that an insured event may occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Registrant faces under such contract is that the actual claims and/or benefit payments exceed the carrying amount of insurance liabilities. Such risk is influenced by the frequency of claims, severity of claims, actual benefits paid in excess of that originally estimated, and subsequent development of long-term claims.

**Underwriting risk** represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. The Registrant's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical locations, the use of medical screening in order to ensure that pricing takes account the current health conditions and medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting risks are brought about by a combination of mortality, morbidity, expense and policyholder decision risks. Underwriting limits are in place to enforce appropriate risk selection criteria.

The risks associated with the life, accident, and health products are underwriting and investment risks.

**Operational risk** arises from, among others, the Registrant's people and processes, threats to the security of its information technology ("IT") system facilities, personnel or data, business interruption risk, reputational risk, legal risks, and compliance obligations to regulatory or taxing authorities. Operational and IT risk management of the Registrant involves the formulation of policies, setting and monitoring of key risk indicators, and overseeing the thoroughness of insurance-wide risk, control self-assessments, and loss incident management; and in the process, creating and maintaining a sound business operating environment that ensures and protects the integrity of the Registrant's assets, transactions, reputation, records, data, and clients, the enforceability of the Registrant's claims, and compliance with all pertinent legal and regulatory requirements.

All required provisions and liabilities to cover these risks are being set up on a regular basis under the supervision and regulation of the IC. The RBC2 quarterly report, as required under CL2016-68 by the IC, monitors the adequacy of the Registrant's capital to cover the measured risks: credit risk, insurance risk, market risk, operational risk, catastrophe risk and surrender risk.

Note 26 of the audited consolidated financial statements presents Risk Management Objectives and Policies of the Registrant.

**Item 2. Properties**

The Registrant is the absolute and registered owner of the following purchased real estate properties, where office spaces are located:

- a. *Real estate property located at Pendatun Ave., General Santos City;*
- b. *Real estate property located at A. Pichon Sr. St., Davao City;*
- c. *Condominium properties located at Cebu Holdings Center, Cebu Business Park, Mabolo, Cebu City;*
- d. *Real estate property located at 166 Salcedo St., Legaspi Village, Makati City.*

There are no liens or encumbrances on any of the real estate properties listed above. The Registrant also purchased two (2) condominium offices located at One Vertis Plaza located at Bago Bantay, Quezon City, the total cost of which does not exceed 5% of the consolidated total assets and payable in 6 years or until June 2024, which is also its completion date. Total costs of renovation of current office spaces and properties acquired by the Registrant in settlement of mortgage loans are equivalent to less than 5% of the consolidated total assets.

### Item 3. Legal Proceedings

There are no material pending legal proceedings with claims to damages exceeding 10% of the current assets, to which the Registrant is a party or of which any of its properties is the subject. The Registrant has no knowledge that its subsidiaries and parent company are presently involved in any material legal proceeding affecting themselves and/or their properties before any court of law or administrative body in the Philippines.

There were no proceedings that initiated, commenced, pending or were terminated during the fourth quarter of 2023 with claims to damages exceeding 10% of the current assets.

### Item 4. Submission of Matters to a Vote of Security Holders

Due to the Covid-19 pandemic and consequent government regulations that prevented the holding of in-person meetings, the regular annual stockholders' meeting of the Registrant for the year 2023 where no solicitation of proxies made was held in a virtual format and the following were submitted to a vote of security holders along with the results of the votation:

- a. Approval of the Minutes of the Annual Stockholders Meeting Held on June 30, 2022.  
The stockholders' approved the Minutes and adopted Resolution No. ASM-2023-01 to wit:

*“Resolved, as it is hereby resolved, that the Minutes of the Annual Stockholders' Meeting of the Company held on June 30, 2022 be, as the same are hereby approved.”*

The final tabulation of votes for the approval of the Minutes and the adoption of Resolution No. ASM-2023-01 are as follows:

	For	Against	Abstain
No. of Voted Shares	588,401,765	0	0
% of Shares Voted	99.9851%	0	0

- b. Approval of the 2022 Annual Report and Audited Financial Statements (AFS)  
The stockholders' noted the 2022 Annual Report, approved the AFS, and adopted Resolution No. ASM-2023-02 to wit:

*“Resolved, as it is hereby resolved, that the Annual Report of the Company be, and is hereby noted, and the Audited Financial Statements of the Company as of December 31, 2022 be, as the same are hereby approved.”*

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2023-02 are as follows:

	For	Against	Abstain
No. of Voted Shares	588,401,765	0	0
% of Shares Voted	99.9851%	0	0

- c. Ratification of All Acts and Resolutions of the Board and Management Adopted During the Preceding Year  
The Board & Management sought ratification of all acts & resolutions of the Board and all Board Committees which were adopted until June 28, 2023. Such acts & resolutions include the election of officers & members of the Board Committees, amendments to the amended By-Laws, contracts & transactions entered into by the Company, credit & loan transactions, projects & investments, manpower-related decisions, corporate governance-related actions & matters governed by disclosures to the Securities & Exchange Commission & the Insurance Commission. Stockholders' ratification for the acts of the

Company's Officers to implement the resolutions of the Board or its Committees or made in the conduct of business was likewise sought during the regular stockholders' meeting. Below resolution, as proposed by Management, was approved and adopted by the stockholders based on the following voting results:

**Resolution No. ASM-2023-03**

*"Resolved, as it is hereby resolved, that the acts and resolutions of the Board and its Committees, as well as those of the Management, made and adopted since the last Annual Stockholders' Meeting of the Company be, as the same are hereby approved, ratified and confirmed."*

	For	Against	Abstain
No. of Voted Shares	588,401,765	0	0
% of Shares Voted	99.9851%	0	0

d. Election of Directors

In accordance with the Registrant's Amended By-Laws and Revised Manual on Corporate Governance, as well as relevant rules and regulations, the following stockholders were duly nominated and elected to serve as directors for the year 2023-2024 and until their successors are elected and qualified, and that a Resolution to this effect had been approved:

**Resolution No. ASM-2023-04**

*"Resolved, to elect the following as Directors of the Company to serve as such beginning today until their successors are elected and qualified:*

Roberto C. Fernandez (as Non-Executive Director)  
 Jaime C. Fernandez (as Executive Director)  
 Maria Elena C. Fernandez (as Non-Executive Director)  
 Santiago Gabriel O. Fernandez (as Non-Executive Director)  
 Paul P. Sagayo, Jr. (as Non-Executive Director)  
 Roberto De Ocampo (as an Independent Director)  
 Jaime F. Panganiban (as an Independent Director)  
 Cesar O. Virtusio (as an Independent Director)  
 John E. Huang (as an Independent Director)"

Below is the result of the tabulation of votes received by the elected directors:

Nominees	FOR		AGAINST	ABSTAIN
	No. of shares	% share		
Roberto C. Fernandez	588,401,765	99.9851%	0%	0%
Jaime C. Fernandez	588,401,765	99.9851%	0%	0%
Maria Elena C. Fernandez	588,401,765	99.9851%	0%	0%
Santiago Gabriel O. Fernandez	588,401,765	99.9851%	0%	0%
Paul P. Sagayo Jr.	588,401,765	99.9851%	0%	0%
Roberto F. De Ocampo	588,401,765	99.9851%	0%	0%
Jaime F. Panganiban	588,401,765	99.9851%	0%	0%

Cesar O. Virtusio	<b>588,401,765</b>	<b>99.9851%</b>	0%	0%
John E. Huang	<b>588,401,765</b>	<b>99.9851%</b>	0%	0%

e. Election of External Auditor

The Audit Committee & the Board of Directors endorsed for stockholders' approval the re-election of Reyes, Tacandong & Co. as the Company's External Auditor for the fiscal year 2023, and adoption of below resolution:

Resolution No. ASM-2023-05

*“Resolved, as endorsed by the Board of Directors, to approve the election of the accounting firm of Reyes Tacandong & Co., as the External Auditor of the Company for the fiscal year 2023”.*

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2023-05 are as follows:

	For	Against	Abstain
No. of Voted Shares	588,401,765	0	0
% of Shares Voted	99.9851%	0	0

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

#### 5.1 Market Information

The common share of the Registrant is not traded on the PSE. If there is any trading, it is a private transaction between stockholders and these are isolated cases. The last reported price (inclusive of all the processing fees to effect the sale/transfer) was at P4.58/share during the first quarter of 2023.

#### 5.2 Holders

Number of stockholders as of December 31, 2023: **6,782**

Top 20 shareholders as of December 31, 2023:

NO. NAME OF STOCKHOLDERS	NO. OF SHRS.	PERCENTAGE	NATIONALITY
1 FMF Development Corporation	508,131,734	81.0732%	Filipino
2 MERJE Trading, Inc.	71,555,127	11.4167%	Filipino
3 JCF Investment Holdings, Inc.	4,163,321	0.6643%	Filipino
4 San Bartel Investments, Inc.	2,817,753	0.4496%	Filipino
5 IBank T/A No. 01-IMA-014	1,551,450	0.2475%	Filipino
6 Robert P. Agner	1,043,222	0.1664%	Filipino
7 FEBTC A/C No. 4124 - 00006-5	734,372	0.1172%	Filipino
8 FEBTC A/C No.116 - 00006	325,563	0.0519%	Filipino
9 Teresita S. Ela &/or Teodoro S. Ela III	308,874	0.0493%	Filipino
11 Odulina Lolita B. Fungo	297,007	0.0474%	Filipino
10 Teodoro M. Ela &/or Teodoro S. Ela III	294,977	0.0471%	Filipino
12 Benito Legarda, Jr.	225,529	0.0360%	Filipino
13 Herminio S. Ozaeta, Jr.	211,746	0.0338%	Filipino
14 Jose Roman S. Ozaeta	211,746	0.0338%	Filipino
15 Ma. Carmen S. Ozaeta	211,746	0.0338%	Filipino
16 Ma. Natividad S. Ozaeta	211,746	0.0338%	Filipino
17 Ma. Victoria S. Ozaeta	211,746	0.0338%	Filipino
18 Frank Y. Huang	176,449	0.0282%	Filipino
19 Carlos S. Martinez	176,449	0.0282%	Filipino
20 Melitona Estate, Inc.	176,449	0.0282%	Filipino
Total for the Top 20 Stockholders	593,037,006	94.6200%	
Various Stockholders	33,719,488	5.3800%	Various
Total Issued & Outstanding Shares	626,756,494	100.0000%	
No. of Stockholders as of 12/31/2023 -	<u>6,782</u>		

#### 5.3 Dividend Policy and Dividends

REGISTRANT'S DIVIDEND POLICY STATEMENT

The Registrant complies and adopts as its policy, Section 201 of the Amended Insurance Code, which states that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements, and except from profits attested in a sworn statement to the Commissioner by the president or treasurer to be remaining on hand after retaining unimpaired the entire paid-up capital stock, the solvency requirements, the legal reserve funds required by law, and the sum sufficient to pay all net losses and liabilities for expenses and taxes.

The Registrant recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to its shareholders.

The BOD may, at its discretion and depending on the business results for the year, as well as the capital needs of the business, declare and approve the distribution of additional special dividends to all shareholders, normally announced at the Annual Stockholders' Meeting. The Registrant shall report to the IC any dividend declaration or distribution within 30 days after such declaration or distribution.

#### CASH DIVIDENDS DECLARED ON A PER SHARE BASIS ON COMMON EQUITY

MARCH 21, 2019	P0.047/sh	(based on 12/31/2018 income)
*JUNE 10, 2020	P0.033/sh	(based on 12/31/2019 income)

In 2020, the Insurance Commission issued IC Circular Letter (CL) No. 2020-66 (Interim guidelines on the declaration and/or distribution of dividends with the end in view of conserving capital due to the projected economic impact of the Covid-19 Pandemic). This CL No. 2020-66 required insurance companies to secure prior approval from the Insurance Commission together with the submission of certain relevant documents subject for evaluation before they can declare and/or distribute dividends. In view thereof, the cash dividends declared by the Board on June 10, 2020 is still subject to, and awaiting approval from, the Insurance Commission.

#### 5.4 Recent Sales of Securities

There were no securities of the Registrant sold by it within the past 3 years which were not registered under the SRC. The common share of the Registrant is not traded on the PSE. If there is any trading, it is a private transaction between stockholders and these are isolated cases.

### Item 6. Management's Discussion and Analysis or Plan of Operation

#### Plan of Operations for 2024:

The Registrant has achieved growth in revenues and continued to maintain its profitability in 2023, while exceeding the minimum net worth requirements.

The Registrant aims to achieve double digit growth in 2024 total premiums by targeting P2.50B in group insurance premiums and P390M in individual life insurance premiums. To achieve this growth, the Registrant will leverage its industry leadership in number of government accreditations and penetrate seamlessly multiple segments of the markets by offering unique life insurance protection and healthcare packages. To achieve a greater scale, the Registrant will implement extensive selection and licensing of new manpower based in twenty (20) regional and fifteen (15) agency satellite offices nationwide. The target is to license 212 more agents to increase its present complement of 385 agents to a total of 597 licensed manpower.

The Registrant will continue to grow its noteworthy performance in group loan redemption insurance products through partnerships with creditors in the banking and financial services sectors.

Licensing of new agents will be targeted to prime segments such as local government units and major government departments, to boost distribution capabilities in all lines, in group insurance, micro insurance, ordinary life and

payroll deduction markets. The Registrant expects to retain the existing agencies and regional offices, as well as mall operations up to the end of the year.

As technology continuously changes and evolves, the Registrant creates enhancements in its operations with the objective of increasing efficiency in service deliverables through the use of mobile applications and servicing and various online and other payment options.

The Registrant continues to push its sales of the microinsurance products and spot cash, and plans with short term endowments for the year 2024. The Registrant has no plans to offer variable products in the market. The Registrant does not foresee undergoing a bancassurance program in 2024.

The Registrant continues to adhere to the regulations on its Salary Loan Program to the Department of Education (“DepEd”).

The Registrant is expecting to increase its investment and other income over the previous year given that the interest rates have improved. The Registrant can further maximize its returns by using its available credit limit amounting to P150Million to be used in buying investment securities.

The Registrant continues to be an active member of the industry by involving itself in various industry issues through its membership in the Philippine Life Insurance Association (“PLIA”).

The Registrant, in close coordination with the IC and as mandated by the SEC, ensures adherence to its ASEAN Corporate Governance and Anti Money Laundering Operating Manual. The Registrant also complied with the requirements of The Foreign Account Tax Compliance Act (“FATCA”) in 2014 by registering as a Foreign Financial Institution. The Registrant will ensure strict compliance with the revised Anti-Money Laundering and Combating the Financing of Terrorism Guidelines, and Sanctions Screening, Data Privacy Act, its Implementing Rules and Regulations, and relevant issuances of the National Privacy Commission.

The Registrant will focus on the preparation for the implementation of International Financial Reporting Standard (“IFRS”) 17 on Insurance Contracts which will become effective two years after its effective date as decided by the International Accounting Standards Board per CL 2020-62 issued by the IC. The IC issued CL 2024-04 dated March 01, 2024 and Advisory no. 2024-006 dated March 25, 2024 detailing the requirements for the application of the Philippine Financial Reporting Standard 17 (“PRFS 17”) and its periodic reporting. The Registrant will comply with the requirements.

As in the previous years, funds shall be continually sourced internally for its insurance requirements and the Registrant does not foresee any uncertainty that has, or is reasonably likely to, have a material impact on the short or long-term liquidity. There are no material capital expenditures expected within the next 12 months that will require funds equivalent to 5% of the consolidated total assets.

The Registrant is not expecting a significant increase in the number of its employees for the year 2024.

#### Management’s Discussion and Analysis – 2023 vs. 2022:

The Registrant posted a slight decrease in gross premiums by 3% from P2.215Billion in 2022 to P2.155Billion in 2023. Net premiums also decreased by 2% between the two comparative years.

The business of life insurance does not follow any particular seasonality or cyclicity as revenues are mainly dependent on the insurance requirements and capacity to pay of the insuring public, while most of the claims, benefits and underwriting expenses depend on mortality rates and economic conditions. Taking the two comparative years, premiums, net of reinsurance, are composed of the following:



	<u>2023</u>	<u>2022</u>
Ordinary (individual)	312,641,920	318,467,244
Group	1,771,752,064	1,786,140,123
Microinsurance	1,572,750	2,010,500
Inward reinsurance	69,191,912	108,866,424
	<u>2,155,158,646</u>	<u>2,215,484,291</u>
Less: Premiums ceded	35,913,940	53,873,361
Premiums, net of reinsurance	<u>2,119,244,706</u>	<u>2,161,610,930</u>

Premiums from all lines decreased in 2023 as compared to 2022.

No cycle, season or trend can also explain the amount of claims, surrenders and other benefits to be paid in any given period of time as these are mainly dependent on mortality rate and financial condition of the policyholders. This is the reason why the IC as the industry regulator, mandates its requirements on the issuer's minimum networth, capital investment, reserve investment and minimum RBC ratio. Net insurance benefits and claims incurred on insurance contracts, which increased by 3% from 2022 to 2023 include death claim benefits on ordinary/individual and group businesses, maturities, health benefits, surrender values paid, dividends, and interests accruing on in force policies. There are still policyholders who opt to surrender their insurance policies, meaning, withdraw its cash value, due to financial needs, while other insurance policies have already matured during the year, at which time, the insured received its maturity value. Death claims still comprise the significant portion of benefits and claims expensed at 79% in 2023 versus 83% in 2022. These insurance risks can be reasonably calculated and estimated, based on Actuarial studies, and thus, reserves and fund allocations are made by the Registrant. An uncertainty, therefore, which will have a material impact on the operations of the issuer, is when death benefits will be claimed all at the same time. This is why the legal policy reserves should be enough to cover all the benefits due to the insured. The Registrant's annual legal policy reserves is certified by the Actuary and evaluated and reviewed by the IC. Legal policy reserves increased from 2022 to 2023 by P153,653,710 which included the effects of the change in inforce policies and in the discount rates used for the GPV valuation.

Investment and other income increased significantly by 30% from 2022 to 2023 as compared to the 8% increase from 2021 to 2022. Investment income is composed of interests on investment securities, loans and notes, dividend income, rental income and gain on sale and fair value gains. Net fair value losses on FVPL financial assets also significantly decreased from P216.97M in 2022 to P13.70M in 2023. Improved market prices and increase in yields have driven the said significant changes in 2023 from 2022.

On a year to year basis, the Peso depreciated to P55.755 in 2022 as against the US Dollar and it recovered slightly at P55.37 as of the 2023 year end. This resulted in realized and unrealized foreign exchange gain amounting to P236.53Million in 2022 versus losses of P15.81Million 2023.

Commissions and other direct expenses increased by 7% while general and administrative expenses increased by 1% from 2022 to 2023. Consolidated net income for the year ended 2023 amounted to P112.59Million as compared to the P80.83Million in 2022 or a 39% increase. Basic and diluted earnings per share, consequently, increased from P0.13 per share in 2022 to P0.18 in 2023.

The consolidated statement of financial position shows an increase of 6% in total assets from P9.86Billion in 2022 to P10.41Billion in 2023. Investment securities comprise 66% of the total assets in 2023, as the Registrant continues to maximize its earning potentials with its holdings in various peso and foreign currency denominated securities. Adding this portfolio to the cash and cash equivalents at P1Billion, short term investments of P64Million and accrued income of P82Million shows that the Registrant remains liquid and able to meet its obligations.

The consolidated stockholders' equity portion reflects a total of P4.21Billion in 2023, which is higher by 3% than the P4.08Billion in 2022.

In addition to the reasons for the increase/decrease discussed in the preceding paragraphs, the following are the explanations for the changes in material items (increase/decrease equivalent to at least 5%) from year 2022 to year 2023:

- a. Decrease in cash and cash equivalents by 11% was used in mainly in investing activities;
- b. Increase in short term investments by 24% due to the shift to term deposits with maturities of more than 90days.
- c. Increase in insurance receivables by 44% represent increase in collectible premiums with due dates falling on or before the year end and claims recoverable from reinsurers.
- d. Increase in investment securities by 10% was mainly due to additional acquisitions of bonds.
- e. Increase in accrued income by 10% was mainly due to the increase on interest collectibles on outstanding bonds with interest rates that generally are much higher compared to 2022.
- f. Decrease by 19% in the property and equipment at cost was due to depreciation for the year.
- g. Increase in Other assets by 17% represents the installment payments made during the year for the acquisition of two condominium offices.
- h. Increase in insurance contract liabilities by 9% was the effect of the GPV calculation of legal policy reserves and set up of benefits due and payable.
- i. Insurance payables decreased by almost 100% due to payments made to reinsurers during the year.
- j. Loans payable were settled in 2023 resulting to zero balance.
- k. Decrease in deferred tax liability by 9% was the effect of the foreign exchange gains/losses.
- l. Net retirement liability increased by 9% mainly because of the effects of increase in interest rates on the Actuarial valuation of retirement expense and pension liability.
- m. Taxable investment income mainly contributed to the increase in income tax payable by 228%.
- n. Overall increase in net income by 39% was mainly due to increase in investment and other income and income tax benefit for the year.

Management’s Discussion and Analysis – 2022 vs. 2021:

The Registrant posted an increase in gross premiums by 26% from P1.76Billion in 2021 to P2.21Billion in 2022. Net premiums also increased by 26% between the two comparative years.

The performance of the Registrant in terms of gross and net premiums is summarized as follows:

	<u>2022</u>	<u>2021</u>
Ordinary (individual)	318,467,244	350,710,709
Group	1,786,140,123	1,327,926,294
Microinsurance	2,010,500	3,704,000
Inward reinsurance	108,866,424	78,871,816
	<u>2,215,484,291</u>	<u>1,761,212,819</u>
Less: Premiums ceded	53,873,361	39,897,729
Premiums, net of reinsurance	2,161,610,930	1,721,315,090

Premiums from the group and inward reinsurance businesses increased in 2022 as compared to 2021 while premiums from ordinary/regular business and microinsurance decreased.

Year 2022 was marked by another decrease in investment and other income, net of gains/losses on FVPL financial assets, by 49% as compared to the 5% decrease in 2021 over 2020. Investment income is composed of interests on investment securities, loans and notes, dividend income, rental income, gain on sale and fair value gains/losses. Net fair value losses on FVPL financial assets was the main driver of the decline in the comparative periods. Total Impairment loss of P1.80Million was recognized in 2022 on investment securities and loans and notes, which is 88% lower than the 2021 impairment loss at P14.87Million.

On a year to year basis, the Peso depreciated to P55.755 in 2022 as against the US Dollar. The exchange rate as of year-end 2021 was at P50.999=USD1.00. This resulted in realized and unrealized foreign exchange gain amounting to P236.53Million in 2022 versus P156.80Million gain in 2021.

Commissions and other direct expenses increased by 18% while general and administrative expenses increased by the same percentage of 19% from 2021 to 2022. Consolidated net income for the year ended 2022 amounted to P81Million as compared to the P240.59Million in 2021 or a 66% decrease. Basic and diluted earnings per share, consequently, decreased from P0.38 per share in 2021 to P0.13 in 2022.

The consolidated statement of financial position shows an increase of 4% in total assets to P9.86Billion in 2022 from P9.48Billion in 2021. Investment securities comprise 63% of the total assets in 2022, as the Registrant continues to maximize its earning potentials with its holdings in various peso and foreign currency denominated securities. Adding this portfolio to the cash and cash equivalents at P1.18Billion, short term investments of P52Million and accrued income of P75Million shows that the Registrant remains liquid and able to meet its obligations.

The consolidated stockholders' equity portion reflects a total of P4.08Billion in 2022, which is higher by 19% than the P3.43Billion in 2021.

In addition to the reasons for the increase/decrease discussed in the preceding paragraphs, the following are the explanations for the changes in material items (increase/decrease equivalent to at least 5%) from year 2021 to year 2022:

- a. Decrease in cash and cash equivalents by 10% was used in mainly in investing activities;
- b. Increase in short term investments by 339% due to the shift to term deposits with maturities of more than 90days.
- c. Decrease in insurance receivables by 77% represent decrease in collectible premiums with due dates falling on or before the year end; there were also no claims recoverable from reinsurers in 2022.
- d. Increase in accrued income by 17% was mainly due to the increase on interest collectibles on outstanding bonds with interest rates that generally are much higher compared to 2021.
- e. Increase by 11% in the property and equipment at cost was due to additional acquisitions of IT equipment and vehicles during the year.
- f. The Registrant's office spaces were appraised as of the year end 2022, which explain the 46% increase in PPE at appraised values.
- g. Increase in Other assets by 17% represents the installment payments made during the year for the acquisition of two condominium offices.
- h. Decrease in insurance contract liabilities by 6% was the effect of the GPV calculation of legal policy reserves.
- i. Decrease in policyholders' dividends payable by 10% can be attributed to payments of previously accrued dividends on matured policies.
- j. Decrease in insurance payables by 75% represents payments made to reinsurers during the year.
- k. Increase in loans payable by 10% was due to the availment of fixed term loan during the year.
- l. Increase in deferred tax liability by 187% was the effect of the appraisal of company owned office spaces.
- m. Net retirement liability decreased by 21% mainly because of the effects of increase in interest rates on the Actuarial valuation of retirement expense and pension liability.
- n. Taxable investment income mainly contributed to the increase in income tax payable by 245%.
- o. Overall decrease in net income by 66% was mainly due to the fair value losses recognized in 2022, coming from gains reported in the prior year.

## **Item 7. Financial Statements**

Please refer to EXHIBITS - FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES.

**Item 8.Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no disagreements with Reyes, Tacandong and Co., the external auditors of the Registrant, on any matter. Mr. Darryll Reese Q. Salangad is the partner in charge for the year 2023.

### PART III - CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of the Registrant

The directors of the Registrant are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected or qualified.

The following persons are the Directors and Executive Officers of the Registrant as of **December 31, 2023**:

#### DIRECTORS:

ROBERTO C. FERNANDEZ	-	<i>Chairman of the BOD</i>
JAIME C. FERNANDEZ	-	<i>Director</i>
MARIA ELENA C. FERNANDEZ	-	<i>Director</i>
SANTIAGO GABRIEL O. FERNANDEZ	-	<i>Director</i>
ROBERTO F. DE OCAMPO	-	<i>Independent Director</i>
JOHN E. HUANG	-	<i>Independent Director</i>
JAIME F.PANGANIBAN	-	<i>Independent Director</i>
CESAR O. VIRTUSIO	-	<i>Independent Director</i>
PAUL P. SAGAYO, JR.	-	<i>Director</i>

#### EXECUTIVE OFFICERS:

JAIME C. FERNANDEZ	-	President and Chief Executive Officer
MA. EDITHA S. PALTONGAN	-	SVP - Treasurer & Compliance Officer
MA. SIGRID R. PINLAC	-	VP- HRLRAD, & Corporate Secretary
REX STEWART CHEUNG	-	Vice President-Chief Investment Officer
JOY S. VIANZON	-	Vice President – Chief Accountant
DANILO L.MERCADO	-	Vice President for Metro Manila Sales Division
TERESITA E. ULLEGUE	-	Head, Policy Administration
JUANITO B. TAN	-	Deputy Head, Company Operations
MARITESS M. LLAPITAN	-	Assistant Vice President – Underwriting
GLENN P. ABUZO	-	Assistant Vice President –Management Information Systems
DEVORAH Q. DELA CRUZ	-	Assistant Vice President – Credit and Collection
ELIZABETH T. FLORES	-	Assistant Vice President –Health Care Services
JOHN JORGE S. ORBE	-	Assistant Vice President –Facilities Department
ANNA CHRISTINA H. DOCENA	-	Head, Internal Audit

#### DIRECTORS:

**ROBERTO C. FERNANDEZ**, age 63, *Filipino*, has been a Director since 1995. He is the duly elected and incumbent Chairman of the Board of the Registrant. He is also a member of its Audit Committee, Board and Risk Oversight Committee, tCorporate Governance Committee, and Related Party Transaction Committee.

At present, Mr. R. Fernandez is likewise the Chairman and President of Manila Cordage Co., Chairman of FMF Development Corporation and Beneficial Financial Advisors, Inc. He is the President of AMSEC Holdings Corporation (formerly, Amalgamated Securities Corporation) Manco Insurance Agents, Inc., Manco Synthetics Inc., Mancorealty, Inc., and Manco Farms, Inc.

Mr. R. Fernandez received both his Bachelor of Science degree, Major in Business Management, and Bachelor of Arts degree, Major in Interdisciplinary Studies, from the Ateneo de Manila University. He received his Masters degree in Management from JL Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, USA.

**JAIME C. FERNANDEZ**, age 68, Filipino, is the Registrant's President and Chief Executive Officer ("CEO") effective June 06, 2018. He is also currently the Chairman of AMSEC Holdings Corporation (formerly, Amalgamated Securities Corporation) and ETC Forest Lawn. He is the President of Merje Trading Inc., and FMF Development Corporation. He is a Director and Treasurer of the Investment Planning Corp. of the Phils. a director in Marilag Holdings, Inc. He is also the President of Beneficial Financial Advisors, Inc., He also sits in the Board of Trustees of PLIA Inc.

Mr. J Fernandez graduated from the Ateneo de Manila University and has a Masters in Finance degree from Golden Gate University.

**MARIA ELENA C. FERNANDEZ**, age 60, Filipino, is a director in the Registrant's Board. She is also currently a director in AMSEC Holdings Corporation (formerly, Amalgamated Securities Corporation), Merje Trading Inc., and FMF Development Corporation. She is presently a Private Consultant and Investor of Global Equity Portfolios and of Residential Single and Multi-Family Development.

She was a Senior Global Equity Analyst for Janus Capital, CO from 1995 to 2001 and was a Vice President – Senior Risk Manager for ING (U.S.) Capital Holding Inc., NY prior thereto. Ms. M.E. Fernandez has a Masters degree in Business Administration from Darden Graduate School of Business Administration-University of Virginia and a Bachelor of Arts Degree Major in Zoology and Minor in Economics from Smith College.

**ROBERTO F. DE OCAMPO**, age 77, Filipino, is an Independent Director, Chairman of the Audit Committee, and member of the Board and Risk Oversight Committee, Corporate Governance Committee, of the Registrant.

Mr. de Ocampo also currently serves as the Chairman of Philippine Veterans Bank, Philam Asset Management, Inc., Hatch Asia, Inc., Stradcom Corporation, Tollways Association of the Philippines, Money Tree Publishing Corporation, Centennial Asia Advisors Pte Ltd.; the Vice-Chairman of the Tranzen Group, Montalban Methane Power Corporation, Agus 3 Hydro Power Corporation, and La Costa Development Corporation; a Director of Investment and Capital Corporation of the Philippines Group of Companies, PHINMA Corporation, Alaska Milk Corporation, Bankard, Inc., EEI Corporation, House of Investments, Robinson's Land Corporation, and Salcon Power Corporation; and a Member of the Board of Advisers of ARGOSY Fund, Inc. AES Corporation (Philippines) and the CIMB Group. Moreover, Mr. de Ocampo holds several vital positions in both prestigious international organizations as well as civic organizations.

Mr. de Ocampo graduated from the Ateneo de Manila University, received his MBA degree from the University of Michigan, holds a post-graduate diploma from the London School of Economics, and has 4 doctorate degrees (Honoris Causa). He is the recipient of many international awards, including Finance Minister of the Year, Philippine Legion of Honor, Association of Development Financing in Asia and the Pacific ("ADFIAP") Man of the Year, Chevalier of the Legion of Honor of France, Ten Outstanding Young Men Award (TOYM), several Who's Who Awards, and the 2006 Asian Human Resource Development ("HRD") Award. In June 2012, Mr. De Ocampo was awarded by Queen Elizabeth II with a medal for his appointment as an honorary officer of the Most Excellent Order of the British Empire.

**JAIME F. PANGANIBAN**, age 72, Filipino, was nominated as an Independent Director on May 19, 2014. He is the Chairman of the Board and Risk Oversight Committee, and member of the Audit Committee, Corporate Governance Committee, and Related Party Transaction Committee of the Registrant

Mr. Panganiban is also the Chairman and Chief Executive Officer ("CEO") of Lakes Shore CCY Inc. and BGP Asia Pacific Ltd. Inc.; the Chairman and President of JFP Assets Corp.; a Co-Chairman at Compoint Networks, Inc.; and a Director of JP Latex Technology, Inc. In 2005, he served as the Advisor and Chief Financial Officer of Development Bank of the Philippines ("DBP") and undertook the take over and rehabilitation of Al-Amanah Islamic Investment Bank of the Philippines where he was eventually appointed Chairman and CEO in 2008. Mr. Panganiban is an accomplished senior bank executive with widely recognized expertise in treasury, capital markets, investment

banking, trust, and wealth and risk management, built upon a foundation of exposures and postings in the Asia Pacific region.

Mr. Panganiban completed his Advanced Management Program (“AMP”) at the Templeton College, University of Oxford, United Kingdom, and Financial Asset Management and Engineering at the FAME, University of Lausanne, Switzerland. He received his BSC degree, major in Accounting, from the Ateneo de Zamboanga and took his MBA units at the Ateneo de Manila University.

**CESAR O. VIRTUSIO**, *age 77, Filipino*, has been an Independent Director since 2006, presently the Chairman of the Corporate Governance Committee and Related Party Transaction Committee, and a member of the Audit Committee and Board and Risk Oversight Committee of the Registrant.

Mr. Virtusio was until recently the Managing Director of the Bankers Association of the Philippines (“BAP”) where he served for 8 years and held Board and Executive positions in BAP related entities. He sits as a board member of a European-related automotive general distribution company, and Amalgamated Investment Corporation. He used to be the Chief Representative and an Adviser to Dresdner Bank and Dresdner Kleinwort. He has been with the Dresdner Bank Group in Germany, Hong Kong, Singapore, and the Philippines for over 20 years in various management positions in corporate and investment banking. He also had a stint with Citibank Manila where he participated in the Executive Development Program and was a Manager in the Bank’s World Corporation Group.

Mr. Virtusio has a Masters degree in Business Administration with a major in International Business from the George Washington University, Washington DC.

**JOHN E. HUANG**, *age 66, Filipino*, is an independent director since October 15, 2020, he is a member of the Board and Risk Oversight Committee, Audit Committee and alternate member of the Corporate Governance Committee and Related Party Transaction Committee of the Registrant. He is an experienced insurance and reinsurance professional. Before retiring in 2017, he was a Senior Vice President and the Head of Investments of National Reinsurance Corporation of the Philippines (NatRe) from 2014 and before that was the Senior Vice President, Chief Finance Officer, Treasurer and Head of Investments of NatRe. From 2004 to 2006, he was the Chief Finance Officer and Treasurer of Universal Malayan Reinsurance Corporation and the Chief Financial Officer and Director of C&P Homes, Inc. from 1995 to 1999. He was a First Vice President and Treasurer of the Boston Bank of the Philippines in 1989 and a Vice President for The First National Bank of Boston in Boston Mass when he left the same after 6 years in 1988.

Mr. Huang received his Masters degree in Business Administration from the Graduate School of Business Administration – Harvard University in 1982. His Bachelor of Arts Degree, Economic Honors Program came from Ateneo De Manila University where he graduated magna cum laude.

**ATTY. PAUL U. SAGAYO, JR**, *age 57, Filipino*, was elected to the BOD on June 06, 2018. He is also a member of the the Audit Committee, Board and Risk Oversight Committee, and Related Party Transaction Committee.of the Registrant.

Atty. Sagayo has 20 years of progressive law practice with extensive exposure in court litigation and arbitration. He is a Partner in Sagayo Evangelista &Rebuelta Law Offices. He also currently serves as a director in One Taipan Holdings, Inc., Calac High Power Corporation, Synergy Grid & Development Phils., Inc., ETC Realty Corporation, and Trinity University of Asia.

He graduated from Trinity College of Quezon City with a degree in Bachelor of Arts in Political Science. He received his Bachelor of Laws degree from San Beda College in 1992.

**SANTIAGO GABRIEL O. FERNANDEZ**, *age 29, Filipino*, was re-nominated and re-elected to Board at the Annual Stockholders Meeting held last June 28, 2023.

Mr. S. Fernandez served as an Investment Banking Associate in the Financial Institutions Group of Goldman Sachs International in London, United Kingdom from 2021 to 2023. He also worked as an Investment Banking Summer Associate in the Financial Institutions Group of Credit Suisse International in London, United Kingdom in 2020. In 2019, he served as Senior Financial Analyst in Fortman Cline Capital Markets and Boutique ASEAN M&A Firm.

Mr. S. Fernandez obtained his Bachelor of Commerce degree, major in Finance and Economics (with Third Class Honours), from the University of Melbourne, Australia. He completed his MBA degree at London Business School in 2021.

#### **EXECUTIVE OFFICERS:**

**ROBERTO C. FERNANDEZ**, Chairman (see credentials under “Directors”)

**JAIME C. FERNANDEZ**, President and Chief Executive Officer (see credentials under “Directors”)

**MA. EDITHA S. PALTONGAN**, age 57, Filipino, is the Senior Vice President and Comptroller. Effective September 2023, she assumed the position of Compliance Officer in place of Atty. Kaima Velasquez.

Ms. EPaltongan worked with Sycip, Gorres, Velayo & Co. (“SGV & Co.”) from 1987 to 1991 as Senior Auditor, after which, she joined the Registrant. She was also a board member of Beneficial Financial Advisors, Inc.

Ms. Paltongan graduated Magna Cum Laude with a Bachelor of Science in Business Administration (“BSBA”) degree from University of the East and passed the CPA board examination in 1987.

**REX STEWART Y. CHEUNG**, age 46, Filipino, is the Chief Investment Officer and was appointed as such on August 24, 2021. Prior to his appointment as Chief Investment Officer, he was an Investment Counsellor-Director in Bank of Singapore since 2008. He was in charge of the Portfolio Investment Management of the Meralco Foundation Incorporated from November 2003 to December 2007. He served as Senior Financial Analyst in Clemente Capital Consultant Inc. from December 1999 and 2003.

Ms. Cheung successfully passed Series 3 exam (National Commodity Futures Examinations) administered by NASD in 2005. He passed his Chartered Financial Analyst (CFA) Level I examinations in June 2002. He also successfully passed the Philippine Fixed Income Certification for Treasury Operations administered by the SEC in October 2008, and is a licensed (SEC-PSE) stock broker.

He graduated from De La Salle University in 1998 with a degree of Bachelor of Arts Major in Economics and Bachelor of Science in Commerce Major in Management of Financial Institution.

**JOY S. VIANZON**, age 55, Filipino, is the Vice President / Chief Accountant. She re-joined the Registrant in August 2010 as Chief Accountant. She first joined the Registrant from 1995 to 2007. She was previously connected with IBM Business Services, Inc., Avida Corporation, HSBC, and SGV & Co. She is currently a Director of Beneficial Financial Advisors, Inc. She completed her BSC - Accounting degree at De La Salle University, and passed the CPA board examination in the same year.

**ATTY. MA. SIGRID R. PINLAC**, age 45, Filipino, is the Corporate Secretary and Head of Human Resources and Legal and Regulatory Affairs Department. Prior to joining the Registrant in February 2018, Atty. Pinlac worked as senior legal counsel of TPPH-FHCS, Inc. (Teleperformance), and Head of Corporate Services and Compliance Unit of Malayan Insurance Group of Companies. She was an associate lawyer in the Law Firm of Aquino Regino Arceo Palma Raagas & Associates.



Atty. Pinlac is an alumna of the University of Santo Tomas where she finished her degree in Bachelor of Science Major in Biology. She received her Bachelor of Laws degree from the University of the East in 2003.

**JUANITO B. TAN**, age 70, Filipino, is the Deputy Head for Company Operations. Prior to joining the Registrant in 2012, held various key management positions in different insurance companies. He was AVP in Aetna Phil Ventures and CAP Life Insurance. He served as Director – Market Alliances in MetLife Philippines. He was likewise employed with United Coconut Planters Life, Sector Insurance Agency, and Insular Life.

Mr. Tan received his AB Economics degree from the University of the Philippines. He finished his post graduate degree on Management Processes & Practice in Asian Institute of Management.

**TERESITA E. ULLEGUE**, age 70, Filipino, is the Vice President and Head of Policy Administration and Services Department. She has been with the Registrant since 1989 and held various positions, initially from the rank of Supervisor in the Actuarial Department, then Manager of the same department, to AVP and then VP and Head of Policy Administration and Services Department.

Ms. Ullegue is an alumna of Lyceum of the Philippines with a degree in BS Marketing.

**DANILO L. MERCADO**, age 64, Filipino, is the Vice President for Metro Manila Sales Operations. He began his employment career with the Registrant in April 2013. Prior to his employment with the Registrant, Mr. Mercado was connected to First National Surety and Philippine Prudential Life.

Mr. Mercado received his degree in B.S.C Accountancy from Colegio de San Juan de Letran in 1982.

**DEVORAH Q. DELA CRUZ**, age 63, Filipino, is the Assistant Vice President for Credit and Collections. Ms. Dela Cruz joined the Registrant in June 1993. She is also currently the Accountant of Beneficial Financial Advisors, Inc.

Ms. Dela Cruz graduated with a BSBA – Accounting degree at the Pamantasan ng Lungsod ng Maynila and she passed the CPA board examination in 1985.

**MARITESS M. LLAPITAN**, age 56, Filipino, is the Assistant Vice President for Underwriting. Prior to joining the Registrant in July 2016, Ms. Llapitan was the Compliance Officer and Head of New Business and Underwriting and Licensing Department of the Philippine Prudential Life Co., Inc. She also worked as the Senior Manager of the New Business and Underwriting Department of Sunlife–Grepalife Insurance Co./Great Pacific Life Assurance Co., Operations Director at Manulife Financial Business Processing Services, Group Life Manager at The ManufactureLife Insurance Company Philippine Branch, Underwriting Manager of Philam Equitable Life Assurance Co., Manager of the Underwriting, New Business and Policy Department of John Hancock Life Assurance Co., and Senior Underwriter at First Guarantee Life Assurance Company, Inc.

Ms. Llapitan received her Bachelor of Science degree, major in Medical Technology, from San Juan De Dios College, Pasay City, graduating as a Bronze Medalist and with academic citation for Clinical Excellence.

**ELIZABETH T. FLORES**, age 64, Filipino, is the Assistant Vice President for Health Care Services. She held the position of Senior Vice President for Administration in Star Healthcare Systems, Inc. prior to joining the Registrant in October 2016. She likewise worked with First Guarantee Life Assurance Co., Inc. and Corregidor Life Insurance.

Ms. Flores graduated from the Polytechnic University of the Philippines with a BSC- Economics degree. She has a Masters degree in Business Administration from the same university.

**JOHN JORGE S. ORBE**, age 51, Filipino, is the Assistant Vice President for Facilities of the Registrant. He is a licensed Mechanical Engineer having passed the Professional Regulation Commission Licensure examination in 1994. His 26 year career as a Mechanical Engineer includes prior experience from EEI Corporation, LanDev Corporation and Quadriver Energy Corporation (Energy Company of Ayala Corporation).

Mr. Orbe received his degree of BS Mechanical Engineering from the Central Philippine University in Iloilo City.

**GLENN P. ABUZO**, age 53, Filipino, is the Assistant Vice President for Management Information System (MIS) of the Registrant. Before joining BenLife in 2016, he worked for several companies as an IT professional, the last of which was with IBM Solutions Delivery Inc. as an IT Specialist where he handled IBM Internal, Deutsche Bank and Shell Petroleum Inc. accounts among others.

Mr. Abuzo graduated from the Central Colleges of the Philippines in 1991 with a Bachelor of Science Degree major in Computer Science in 1991.

**ANNA CHRISTINA H. DOCENA**, age 57, Filipino, is the Head of Internal Audit of the Registrant. Prior to joining the Registrant in December 2019, she was the Chief Accountant of Star HealthCare Systems, Inc. for 19 years. She also worked at the Far East Bank & Trust Co. from 1988-1999.

Ms. Docena is an alumna of Polytechnic University of the Philippines where she received her degree in Business Administration, major in Accounting.

### **9.1 Significant Employees**

All employees are expected to make reasonable contributions to the success of the business of the Registrant. There is no “significant employee” as defined in Part IV (A)(2) of SRC Rule 12 (i.e., a person who is not an executive officer of the Registrant but who is expected to make a significant contribution to the business).

### **9.2 Family Relationships**

FMF is the parent company of the Registrant with 81.0732% ownership in the total outstanding capital stock. The Registrant’s financial statements are being consolidated with those of the parent company.

Merje Trading Inc. is the second major stockholder of the Registrant with 11.4167% shareholding. Roberto C. Fernandez and Jaime C. Fernandez are officers and directors also of Merje Trading Inc. Director Roberto C. Fernandez is also the Chairman and President of Manila Cordage Co., a corporate borrower of the Registrant.

No other transaction was undertaken by the Registrant in which any Director or Executive Officer was involved or had a direct or indirect material interest aside from the loans granted as disclosed under Notes 7 and 17 of the audited consolidated financial statements and Supplementary schedule B.

Chairman Roberto Fernandez, President & CEO Jaime Fernandez, and Director Maria Elena C. Fernandez are siblings. Director Santiago Gabriel O. Fernandez is the son of Chairman Roberto Fernandez.

### **9.3 Involvement in Certain Legal Proceedings**

To the knowledge and/or information of the Registrant, none of its Directors or Executive Officers have been involved in any legal proceeding including, without limitation, being the subject of any: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding, or a pending criminal proceeding, domestic or foreign; (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities

or banking activities, which is not subsequently reversed, suspended or vacated; or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction, the SEC (or comparable foreign body), or a domestic or foreign exchange, which has not been reversed, suspended or vacated, for the past 5 years that is material to the evaluation of their ability or integrity to hold the relevant positions in the Registrant.

## Item 10.Executive Compensation

### 10.1 Summary Compensation Table

Information as to the aggregate compensation paid or accrued during the last 2 fiscal years and to be paid in the ensuing fiscal year to the Registrant’s President and CEO and 4 other most highly compensated Executive Officers and all other officers/directors are as follows:

Name/Position	FY	Salaries	Bonus	Others
<i>Jaime C. Fernandez / President and CEO; Rex Stewart Y. Cheung, VP-Chief Investment Officer; Ma. Editha S. Paltongan, SVP- Comptroller; Danilo Mercado, VP; Glenn P. Abuzo, AVP</i>				
<i>Total</i>	<i>2024*</i>	<i>22,260,000</i>	<i>8,000,000</i>	<i>5,700,000</i>
	<i>2023</i>	<i>21,450,511</i>	<i>7,177,475</i>	<i>5,527,435</i>
<i>*estimate for 2024</i>	<i>2022</i>	<i>20,803,831</i>	<i>6,472,926</i>	<i>5,523,235</i>
<i>All other officers and directors as a group unnamed</i>	<i>2024*</i>	<i>15,000,000</i>	<i>5,750,000</i>	<i>6,500,000</i>
	<i>2023</i>	<i>19,550,786</i>	<i>6,908,675</i>	<i>5,464,579</i>
	<i>2022</i>	<i>18,852,588</i>	<i>8,940,657</i>	<i>6,840,708</i>

### 10.2 Compensation of Directors

All members of the BOD are entitled to a maximum total share of 5% Directors’ Bonus based on the Net Income after Tax of the preceding year. Each member receives a per diem of P40,000.00 per board meeting and P20,000.00 per committee meeting.

There are no other arrangements or contracts pursuant to which any Director of the Registrant was compensated or is to be compensated, directly or indirectly during the last fiscal year and the ensuing year.

### 10.3 Employment Contracts and Termination of Employment

All Executive Officers, except Messrs. Juanito Tan and Danilo Mercado, Ms. Teresita Ullegue, Ms. Elizabeth Flores, and Ms. Devorah Dela Cruz who are on a retainer/consultancy fee basis, are under employment contracts and are entitled to a maximum total share of 3% Management Bonus based on Net Income after Tax of the preceding year. They are also entitled to receive retirement benefits as required by law. There is no other compensatory plan or arrangement, other than retirement, which any Executive Officer shall receive in case of resignation or termination.

There are no outstanding warrants or options held by any of the Executive Officers or Directors.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 11.1 Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2023, the Registrant knows of no one who beneficially owns in excess of 5% of its common stock except as set forth in the table below:

<u>Title of Class</u>	<u>Name and Address of beneficial owner</u>	<u>Amount of ownership*</u>	<u>Percent of class</u>
Common	FMF DEVELOPMENT CORP. 3F ALPAP Bldg., 140 Leviste St., Salcedo Village, Makati City	508,131,734	81.0732%
- do-	MERJE TRADING INC. 1381 Palm Avenue, Dasmariñas Village, Makati City	71,555,127	11.4167%

Both domestic companies are the registered owners on record per books of the Registrant's stock and transfer agent. Merje Trading Inc. is a closely-held corporation while FMF has **68,557** stockholders as of December 31, 2023.

Both FMF Development Corp. and Merje Trading, Inc. as corporations, are represented by Mr. Jaime C. Fernandez as President.

The officers and shareholders of Merje Trading, Inc. are the Fernandez family, which include Messrs. Jaime, and Roberto Fernandez.

### 11.2 Security Ownership of Management as of December 31, 2023:

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and nature of beneficial ownership (all direct)</u>	<u>Percent of class</u>
Common	Ma. Editha S. Paltongan	99,143	0.0158%
-do-	Teresita E. Ullegue	8,205	0.0013%
-do-	Deborah Q. dela Cruz	8,957	0.0014%
-do-	Fernandez, Jaime C.	34,116	0.0054%
	All officers and directors as group including qualifying shares	167,089	0.0267%

Voting trust holders of 10% or more	NONE
Change in Control	NONE

## Item 12. Certain Relationships and Related Transactions

FMF is the parent company of the Registrant with 81% ownership of the total outstanding capital stock. The Registrant's financial statements are consolidated with that of the parent on an annual basis. The Registrant's wholly owned subsidiary is Beneficial Financial Advisors, Inc. (BFAI) as of December 31, 2022. On October 21, 2021, the BOD and stockholders of BFAI approved a resolution for the cessation of its business operations effective December 15, 2021, and shorten the Company's term of existence until June 30, 2023. Accordingly, BFAI changed its basis of accounting in the preparation of its 2021 financial statements from the going concern basis to liquidation basis. The Amended Articles of Incorporation was further amended to effect the shortening of corporate term, and the same was approved by the Securities and Exchange Commission on June 22, 2022.

Also in 2021, the BOD and stockholders of SIHC approved its dissolution and authorized the transfer of its net assets to the Registrant as its Parent Company. The transfer of the assets was completed in December 2021.

No other transaction was undertaken by the Registrant in which any Director or Executive Officer was involved or had a direct or indirect material interest aside from the loans granted as disclosed under Notes 7 and 17 of the audited consolidated financial statements and Supplementary Schedule B.

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

The IC, the primary regulator of the Registrant, requires the Registrant to adopt and comply with: (a) CL No. 2020-71 (Revised Code of Corporate Governance for Insurance Commission Regulated Companies) and 2020-72 (Submission of the Annual Corporate Governance Report); (b) CL No. 9-2002 dated May 8, 2002 (Operating Manual against Money-Laundering for Insurance Commission Covered Institutions); (c) CL No. 11-2006 (Money Laundering Self-Rating Form); (d) CL No. 2018-48, as amended (Anti-Money Laundering and Combating the Financing of Terrorism Guidelines for Insurance Commission Regulated Entities) and (e) CL No. 2015-02-A dated 13 January 2015 (Minimum Capitalization Requirement).

Registrant is likewise required to comply with SEC Memorandum Circular No. 13 Series of 2021 which pertains to the submission to the SEC of the Annual Corporate Governance Report. This is separate and distinct from the requirement of the Insurance Commission.

The evaluation by the Registrant to measure and determine the level of compliance of the BOD, the Executive Officers and top level management with its Manual on Corporate Governance (the “Manual”) is vested by the BOD on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual.

The Registrant aims to create and sustain value for its stakeholders. To achieve this, the BOD, senior management, and employees must understand that compliance with regulations and best practice standards is everybody’s responsibility.

The Registrant commits to the highest standards of good corporate governance in realizing its vision and mission. The Registrant believes that sound corporate practice based on integrity, fairness, accountability, and transparency is essential in achieving growth and stability, as well as enhancing investors and stockholders’ confidence.

The Registrant’s Code of Ethics ensures that all employees adhere to the highest standards of honesty, transparency, and accountability. To further emphasize the Registrant’s commitment to integrity, employees are encouraged to report, in good faith, to higher management any misconduct within their respective departments/units.

Consistent with the foregoing policies and the provisions of the Manual, the Registrant has been continuously implementing the following:

#### Rights and Equitable Treatment of Stockholders:

The BOD acknowledges and respects the fundamental rights of shareholders to obtain adequate and timely information and commits not to act in a way that will violate the same.

The BOD will strive to achieve growth based on its potential and core competencies to ensure that shareholders, over the long term, will benefit from the productive performance and good operating results of the Registrant.

#### Policies on Employees Health and Safety:

The Registrant maintains the provisions for the health, safety and welfare benefits of its employees under the HealthCare Program being managed by the Registrant’s Health Care Department in coordination with the Human Resources Department. Under the foregoing, the Registrant’s employees throughout the country can go to any of the Registrant’s accredited medical clinics, laboratories and/or hospitals.

The Registrant is committed to promote the physical, social and mental well-being of its employees. It aims to provide and maintain a workplace free from all forms of discrimination and from all forms of physical, sexual or psychological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and its clients transacting business at its various offices.

### Policies and Activities on Customer Welfare:

The Registrant recognizes that its clients are the reason for its continued business, hence, the Registrant is committed to meet the needs of its clients by providing them with high quality customer service, as well as relevant products and services.

The Registrant is also committed to treat clients fairly by complying with the Policy Holder's Bill of Rights issued by the IC as well as implementing the following minimum service standards:

- a. Communications are fair and not misleading;
- b. Ensure that clients are given clear and accurate information on the services offered, including the risks involved, prior to the conclusion of any business transaction;
- c. Products and services are suitable and beneficial, taking into account the needs of the clients, their financial and risk profiles and objectives; and
- d. Complaints and concerns are handled and addressed promptly in a professional manner.

To ensure the effective implementation of the foregoing policies, the Registrant has a customer service desk to address the concerns and receive the complaints of clients.

### Community Interaction Policy:

The Registrant considers its host community as its growth partner, and contributes to its social development agenda by paying appropriate taxes and complying with relevant laws, regulations, resolutions and ordinances.

Through its various branches nationwide, the Registrant also empowers the local communities where they operate by providing employment, livelihood opportunities, and basic services that will help improve their quality of life.

### The Registrant's Community Principles:

This policy affirms the Registrant's commitment to the range of communities with whom it interacts, guided by the following principles: (a) compliance with all laws and regulations, (b) transparency, (c) sustainability, (d) respect for human rights, (e) diversity and (f) contribution to economic development.

### The Registrant's Community Approach:

The Registrant's approach to its stakeholders is guided by the following:

- a. Building positive community relations by being an active player in the society;
- b. Identifying opportunities for partnership with the communities to create shared values;
- c. Investing in community developments that will benefit the community and be sustainable in the long run;
- d. Valuing the diversity of the stakeholders, respecting their culture and aspirations as we strive for local procurement and local employment; and
- e. Anti-corruption programs.

The Registrant adopts and institutionalizes the highest ethical standards by strict implementation of the provisions of its Code of Conduct. The Registrant is committed in complying with and strictly enforcing anti-corruption laws in all its offices. Bribery of any form is strictly prohibited.

Employees are strictly prohibited from receiving gifts from clients, suppliers or third persons to ensure that they remain objective and partial in the performance of their respective duties and responsibilities.

Pursuant to its commitment to good governance and business practice, the Registrant continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of good governance, which it determines to be in the best interest of Registrant and its stockholders. The Registrant actively participates in industry discussions on good governance issues and concerns through the PLIA.

## PART V - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-A

#### 14.1 Exhibits

- A. Statement of Management's Responsibility
- B. Audited Financial Statements and Supplementary Schedules:
  - Supplementary Schedule of Financial Soundness Indicators*
  - Supplementary Schedule of the Retained Earnings*
  - SEC Supplementary Schedule as required by Part II of the Revised Securities Regulation Code Rule 68*
  - Schedule A: Financial Assets*
  - Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)*
  - Schedule C: Amounts receivable from related parties which are eliminated during the consolidation of financial statements*
  - Schedule D: Intangible assets – other assets (Not Applicable)*
  - Schedule E: Long term debt (Not Applicable)*
  - Schedule F: Indebtedness to related parties (Not Applicable)*
  - Schedule G: Guarantees of securities of other issuers (Not Applicable)*
  - Schedule H: Capital Stock*

#### 14.2 Reports on SEC Form 17-C filed during the last 6 months:

<u>Item Reported</u>	<u>Date filed</u>
<i>No reportable 17C transactions</i>	





**SIGNATURES**


Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 3, 2024.

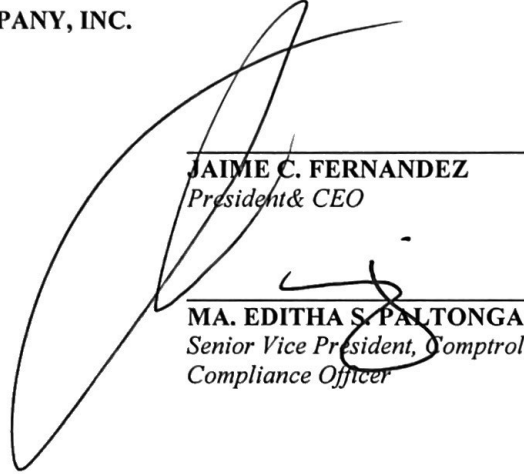
**BENEFICIAL LIFE INSURANCE COMPANY, INC.**

By:

  
**ROBERTO C. FERNANDEZ**  
*Chairman of the Board*

  
**ATTY. MA. SIGRID R. PINLAC**  
*Corporate Secretary*

  
**JOY S. VIANZON**  
*Chief Accountant*

  
**JAIME C. FERNANDEZ**  
*President & CEO*

  
**MA. EDITHA S. PALTONGAN**  
*Senior Vice President, Comptroller & Compliance Officer*

**MAY 15 2024**

SUBSCRIBED AND SWORN to before me this \_\_\_ day of May 2024, affiants, personally known to me, exhibiting to me their government issued IDs, as follows:

Name(s)	Government Issued ID	Date and Place of Issue
<b>JAIME C. FERNANDEZ</b>	Passport No. P4426338B	01/17/20/DFA Manila
<b>ROBERTO C. FERNANDEZ</b>	Passport No. P5590221A	01/11/18/DFA NCR South
<b>MA. SIGRID R. PINLAC</b>	Passport No. P7167294B	07/09/21/DFA Manila
<b>MA. EDITHA S. PALTONGAN</b>	Passport No. P2544046B	07/15/19/ DFA NCR South
<b>JOY S. VIANZON</b>	Passport No. P9135479B	03/08/22/DFA Manila

  
**ATTY. JOSHUA P. LAPUZ**

Notary Public for Makati City  
Until Dec. 31, 2025

Appointment No. M-016-(2024-2025)  
PTR No. 10073910 Jan. 2, 2024 / Makati  
IBP Lifetime No. 04897 Roll No. 45790  
MCLE Compliance No. VI-0016565  
G/F Fedman Bldg., 199 Salcedo St.  
Legaspi Village, Makati City

Doc. No. 353;  
Page No. 72;  
Book No. 100;  
Series of 2024.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The Management of **Beneficial Life Insurance Company Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

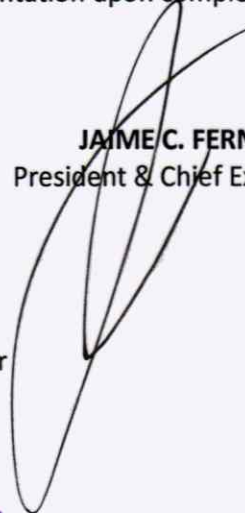
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

The Board of Directors is responsible in 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 or members.

**Reyes Tacandong & 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.

  
**ROBERTO C. FERNANDEZ**  
Chairman of the Board

  
**JAIME C. FERNANDEZ**  
President & Chief Executive Officer

  
**MA. EDITHA S. PALTONGAN**  
Treasurer & SVP, Comptroller

Signed this 12<sup>th</sup> day of April 2024


29 APR 2024

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_, affiants exhibiting to me their Passport, as follows:

<u>Name</u>	<u>Passport</u>	<u>Issued at</u>	<u>Issued &amp; Expiry Date</u>
Roberto C. Fernandez	P5590221A	NCR South	01/11/18 & 01/10/28
Jaime C. Fernandez	P4426338B	Manila	01/17/20 & 01/16/30
Ma. Editha S. Paltongan	P2544046B	NCR South	07/15/19 & 07/14/29

Doc no. 341  
Page no. 70  
Book no. 322  
Series of 2024



  
**ATTY. RAYMOND A. RAMOS**  
COMMISSION NO. M-77  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2024  
2364 ANGONO STREET  
BARANGAY POBLACION 1210, MAKATI CITY  
SC Roll No. 62179/04 26-2013  
IBP NO. 374750/12-26-2023/Pasig City

**Beneficial Life Insurance Company, Inc.**

166 Salcedo St. Legaspi Village, Makati City 1229 P.O. Box 1908  
T (+632) 8818-8671 • F (+632) 8554-7529 to 30, (+632) 8554-7527  
MISL Compliance No VII-OJ20180/04-14-2025





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Beneficial Life Insurance Company, Inc. and Subsidiary  
Beneficial Life Building  
166 Salcedo Street  
Legaspi Village, Makati City, Philippines

### *Opinion*

We have audited the consolidated financial statements of Beneficial Life Insurance Company, Inc. and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.



In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

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

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

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

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**REYES TACANDONG & Co.**

DARRYLL REESE Q. SALANGAD

Partner

CPA Certificate No. 107615

Tax Identification No. 227-770-760-000

BOA Accreditation No. 4782; Valid until April 13, 2024

IC Accreditation No. 107615-IC

Issued August 12, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-016-2022

Valid until May 15, 2025

PTR No. 10072422

Issued January 2, 2024, Makati City

April 12, 2024

Makati City, Metro Manila

**BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2023	2022
<b>ASSETS</b>			
Cash and cash equivalents	4	₱1,053,670,654	₱1,179,443,671
Short-term investments	4	64,458,355	52,182,102
Insurance receivables	5	11,842,614	8,216,046
Investment securities	6	6,853,204,834	6,256,135,242
Loans receivables	7	1,244,941,282	1,204,548,519
Accrued investment income	6	82,497,398	74,820,615
Property and equipment:	8		
At revalued amount		945,877,532	950,751,000
At cost		20,481,461	25,169,424
Other assets		130,341,448	111,474,063
		<b>₱10,407,315,578</b>	<b>₱9,862,740,682</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contract liabilities	9	₱5,122,715,389	₱4,690,387,870
Premium deposit fund	10	295,605,836	306,636,783
Insurance payables	11	75,156	21,231,689
Loans payable	12	–	5,309,184
Accounts payable and accrued expenses	13	135,454,133	128,287,367
Net retirement liability	21	130,207,064	119,896,472
Net deferred tax liabilities	22	226,678,119	250,271,650
Income tax payable		6,342,816	1,933,492
Other liabilities	14	282,041,389	257,629,661
Total Liabilities		<b>6,199,119,902</b>	<b>5,781,584,168</b>
<b>Equity</b>			
Capital stock		626,756,494	626,756,494
Additional paid-in capital		489,265,675	489,265,675
Retained earnings:	15		
Appropriated		231,755,842	172,643,555
Unappropriated		1,861,256,655	1,842,782,213
Other comprehensive income		999,161,010	949,708,577
Total Equity		<b>4,208,195,676</b>	<b>4,081,156,514</b>
		<b>₱10,407,315,578</b>	<b>₱9,862,740,682</b>

See accompanying Notes to Consolidated Financial Statements.

**BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2023	2022	2021
<b>REVENUES</b>				
Gross premiums on insurance contracts	17	₱2,155,158,646	₱2,215,484,291	₱1,761,212,819
Reinsurers' share of gross premiums on insurance contracts	17	(35,913,940)	(53,873,361)	(39,897,729)
Net insurance premiums		2,119,244,706	2,161,610,930	1,721,315,090
Interest income	4	444,456,292	327,825,432	295,364,458
Dividend income	6	47,820,624	47,440,720	33,280,478
Rental income	23	4,237,718	4,189,049	2,362,288
Gain on sale of investment securities	6	–	1,144,613	13,361,893
Net fair value gain on financial assets at fair value through profit or loss (FVPL)		–	–	5,075,212
Other income		35,482,344	27,944,300	28,837,311
		<b>2,651,241,684</b>	<b>2,570,155,044</b>	<b>2,099,596,730</b>
<b>BENEFITS, CLAIMS AND EXPENSES</b>				
Net benefits and claims incurred on insurance contracts	18	1,403,391,364	1,353,211,604	1,191,656,328
Net change in legal policy reserves	18	141,870,234	147,608,393	15,824,425
Net insurance benefits and claims		1,545,261,598	1,500,819,997	1,207,480,753
General and administrative expenses	19	609,132,148	602,877,138	507,231,953
Commission and other direct expenses	20	228,961,768	214,937,899	181,433,269
Insurance taxes		42,174,633	42,606,912	34,062,470
Finance costs and charges	20	27,086,136	32,567,946	22,761,628
Net fair value loss on financial assets at FVPL	6	13,696,100	216,970,571	–
Loss on sale of investment securities	6	10,651,959	–	–
		<b>2,476,964,342</b>	<b>2,610,780,463</b>	<b>1,952,970,073</b>
<b>INCOME (LOSS) BEFORE FOREIGN EXCHANGE CHANGES AND IMPAIRMENT LOSSES</b>				
		<b>174,277,342</b>	<b>(40,625,419)</b>	<b>146,626,657</b>
<b>NET FOREIGN EXCHANGE GAIN (LOSS)</b>				
		<b>(15,806,957)</b>	<b>236,533,392</b>	<b>156,790,646</b>
<b>PROVISION FOR IMPAIRMENT LOSSES</b>				
Investment securities	6	6,753,143	1,799,386	1,002,230
Loans receivables	7	6,476,787	–	9,991,075
Other assets		–	–	3,878,206
		<b>13,229,930</b>	<b>1,799,386</b>	<b>14,871,511</b>
<b>INCOME BEFORE INCOME TAX</b>				
		<b>145,240,455</b>	<b>194,108,587</b>	<b>288,545,792</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>				
	22			
Current		14,481,694	6,403,880	1,260,918
Final		39,428,538	28,172,640	23,201,226
Deferred		(21,257,488)	78,698,205	23,498,372
		<b>32,652,744</b>	<b>113,274,725</b>	<b>47,960,516</b>
<b>NET INCOME</b>				
		<b>₱112,587,711</b>	<b>₱80,833,862</b>	<b>₱240,585,276</b>

(Forward)

	Note	Years Ended December 31		
		2023	2022	2021
<b>NET INCOME</b>		<b>₱112,587,711</b>	<b>₱80,833,862</b>	<b>₱240,585,276</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>				
Change in revaluation reserves on investment securities [debt instruments classified as financial assets at fair value through other comprehensive income (FVOCI)]	6	<b>65,459,076</b>	(216,158,462)	(44,925,470)
Cumulative translation adjustment		–	–	(9,180,652)
		<b>65,459,076</b>	(216,158,462)	(54,106,122)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gain (loss) on legal policy reserves	9	<b>(11,783,475)</b>	537,145,750	324,661,380
Change in revaluation reserves on investment securities (equity securities classified as financial assets at FVOCI)	6	<b>2,784,958</b>	18,625,319	(2,266,495)
Remeasurement gain (loss) on retirement liability - net of deferred tax	21	<b>(4,187,675)</b>	25,326,646	(10,355,674)
Revaluation increase on property and equipment - net of deferred tax	8	–	230,199,371	–
		<b>(13,186,192)</b>	811,297,086	312,039,211
		<b>52,272,884</b>	595,138,624	257,933,089
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱164,860,595</b>	<b>₱675,972,486</b>	<b>₱498,518,365</b>

See accompanying Notes to Consolidated Financial Statements.



**BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Note	Years Ended December 31		
		2023	2022	2021
<b>CAPITAL STOCK - ₱1 par value</b>				
Authorized - 1,000,000,000 shares				
Issued and outstanding - 626,756,494 shares				
		<b>₱626,756,494</b>	₱626,756,494	₱626,756,494
<b>ADDITIONAL PAID-IN CAPITAL</b>		<b>489,265,675</b>	489,265,675	489,265,675
<b>RETAINED EARNINGS</b>				
<b>Appropriation for negative legal policy reserves</b>				
	15			
Balance at beginning of year		<b>172,643,555</b>	90,010,323	42,873,792
Appropriation		<b>59,112,287</b>	82,633,232	47,136,531
Balance at end of year		<b>231,755,842</b>	172,643,555	90,010,323
<b>Unappropriated</b>				
Balance at beginning of year		<b>1,842,782,213</b>	1,865,227,773	1,632,652,204
Net income		<b>112,587,711</b>	80,833,862	240,585,276
Appropriation for negative legal policy reserves	15	<b>(59,112,287)</b>	(82,633,232)	(47,136,531)
Transfer from revaluation reserves on investment securities	6	<b>(38,761,584)</b>	(24,208,256)	35,347,300
Transfer of revaluation surplus on property equipment	8	<b>3,760,602</b>	3,562,066	3,779,524
Balance at end of year		<b>1,861,256,655</b>	1,842,782,213	1,865,227,773
		<b>2,093,012,497</b>	2,015,425,768	1,955,238,096
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Revaluation reserves on investment securities</b>				
Balance at beginning of year		<b>(292,456,417)</b>	(94,923,274)	(47,731,309)
Change in revaluation reserves	6	<b>68,244,034</b>	(197,533,143)	(47,191,965)
Balance at end of year		<b>(224,212,383)</b>	(292,456,417)	(94,923,274)
<b>Revaluation surplus on property and equipment - net of deferred tax</b>				
	8			
Balance at beginning of year		<b>579,013,084</b>	351,485,262	330,698,577
Transfer of revaluation surplus		<b>(2,820,451)</b>	(2,671,549)	(2,834,643)
Appraisal increase		-	230,199,371	-
Effect of change in income tax rate		-	-	23,621,328
Balance at end of year		<b>576,192,633</b>	579,013,084	351,485,262

(Forward)

		<b>Years Ended December 31</b>		
		<b>2023</b>	2022	2021
	Note			
<b>Cumulative remeasurement gain (loss) on legal policy reserves</b>				
	9			
Balance at beginning of year		<b>₱660,144,459</b>	₱122,998,709	(₱201,662,671)
Remeasurement gain (loss) on legal policy reserves		<b>(11,783,475)</b>	537,145,750	324,661,380
Balance at end of year		<b>648,360,984</b>	660,144,459	122,998,709
<b>Cumulative remeasurement gain (loss) on retirement liability - net of deferred tax</b>				
	21			
Balance at beginning of year		<b>3,007,451</b>	(22,319,195)	(11,963,521)
Remeasurement gain (loss) on retirement liability		<b>(4,187,675)</b>	25,326,646	(10,355,674)
Balance at end of year		<b>(1,180,224)</b>	3,007,451	(22,319,195)
<b>Cumulative translation adjustment</b>				
Balance at beginning of year		-	-	9,180,652
Translation adjustment		-	-	(9,180,652)
Balance at end of year		-	-	-
		<b>999,161,010</b>	949,708,577	357,241,502
		<b>₱4,208,195,676</b>	₱4,081,156,514	₱3,428,501,767

See accompanying Notes to Consolidated Financial Statements.

**BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>₱145,240,455</b>	₱194,108,587	₱288,545,792
Adjustments for:				
Interest income	4	<b>(444,456,292)</b>	(327,825,432)	(295,364,458)
Dividend income	6	<b>(47,820,624)</b>	(47,440,720)	(33,280,478)
Depreciation	8	<b>23,315,344</b>	19,996,289	19,843,115
Retirement benefits cost	21	<b>20,087,449</b>	19,247,188	15,545,062
Finance costs	20	<b>19,330,621</b>	24,414,967	13,847,184
Net fair value loss (gain) on financial assets at FVPL	6	<b>13,696,100</b>	216,970,571	(5,075,212)
Unrealized foreign exchange loss (gain)		<b>12,629,136</b>	(212,870,902)	(53,084,477)
Loss (gain) on sale of investment securities	6	<b>10,651,959</b>	(1,144,613)	(13,361,893)
Provision for impairment losses on:				
Investment securities	6	<b>6,753,143</b>	1,799,386	1,002,230
Loans receivables	7	<b>6,476,787</b>	–	9,991,075
Other assets	3	–	–	3,878,206
Gain on sale of property and equipment	8	–	(1,078,542)	–
Operating loss before working capital changes		<b>(234,095,922)</b>	(113,823,221)	(47,513,854)
Decrease (increase) in:				
Loans receivables		<b>(46,869,550)</b>	58,991,604	117,432,047
Short-term investments		<b>(12,276,253)</b>	(40,301,883)	50,916,762
Insurance receivables		<b>(3,626,568)</b>	27,864,561	(2,542,216)
Increase (decrease) in:				
Insurance contract liabilities		<b>420,544,044</b>	215,445,979	282,117,108
Premium deposit fund		<b>(30,316,014)</b>	(28,746,085)	(24,900,730)
Insurance payables		<b>(21,156,533)</b>	(64,544,891)	(8,501,576)
Accounts payable and accrued expenses		<b>7,166,766</b>	(32,999,325)	82,640
Other liabilities		<b>25,137,442</b>	23,474,576	18,008,316
Net cash generated from operations		<b>104,507,412</b>	45,361,315	385,098,497
Income tax paid		<b>(49,500,908)</b>	(33,203,353)	(27,560,387)
Contributions to plan assets	21	<b>(10,000,000)</b>	(15,000,000)	(12,000,000)
Benefits paid out of Group's fund	21	<b>(5,360,424)</b>	(2,727,815)	(3,063,855)
Interest paid		<b>(45,554)</b>	(147,090)	(329,982)
Net cash provided by (used in) operating activities		<b>39,600,526</b>	(5,716,943)	342,144,273

(Forward)

		<b>Years Ended December 31</b>		
	Note	<b>2023</b>	2022	2021
<b>CASH FLOWS FROM INVESTING</b>				
<b>ACTIVITIES</b>				
Acquisitions of:				
Investment securities	6	<b>(₱3,330,428,170)</b>	(₱2,590,608,566)	(₱2,203,229,311)
Property and equipment	8	<b>(13,753,913)</b>	(17,148,416)	(19,745,567)
Other assets		<b>(18,867,385)</b>	(15,837,372)	(10,368,088)
Proceeds from sale/maturities of				
investment securities	6	<b>2,718,292,398</b>	2,083,015,741	1,910,598,424
Interest received		<b>437,597,801</b>	366,918,153	302,531,154
Dividends received		<b>47,820,624</b>	47,440,720	34,156,078
Proceeds on sale of property and equipment	8	-	1,100,000	-
Net cash provided by (used in) investing activities		<b>(159,338,645)</b>	(125,119,740)	13,942,690
<b>CASH FLOWS FROM FINANCING</b>				
<b>ACTIVITIES</b>				
Loan payments	12	<b>(5,309,184)</b>	-	(52,017,701)
Cash dividends paid	12	<b>(725,714)</b>	(79,886)	(53,559)
Loan availments	12	-	497,550	33,543,126
Net cash provided by (used in) financing activities		<b>(6,034,898)</b>	417,664	(18,528,134)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(125,773,017)</b>	(130,419,019)	337,558,829
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,179,443,671</b>	1,309,862,690	972,303,861
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	4	<b>₱1,053,670,654</b>	₱1,179,443,671	₱1,309,862,690

See accompanying Notes to Consolidated Financial Statements.

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## BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023 AND 2022

AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

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#### 1. Corporate Information

Beneficial Life Insurance Company, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 16, 1960 to engage and carry on the business of life insurance. The Parent Company extended its corporate life for another 50 years commencing on March 16, 2010. However, as prescribed by the Revised Corporation Code of the Philippines which became effective on February 23, 2019, the Group shall have perpetual existence. Also, the Parent Company is licensed to engage in the reinsurance business. The Parent Company's Certificate of Authority issued by the Insurance Commission (IC) is valid until December 31, 2024.

The Parent Company is 81%-owned by FMF Development Corporation (FMF or Ultimate Parent Company), a company incorporated in the Philippines engaged primarily to own, invest or manage properties such as buildings or other structures and shares of stock and other types of securities.

The registered office address of the Parent Company is Beneficial Life Building, 166 Salcedo Street, Legaspi Village, Makati City, Philippines.

#### **Composition of the Group**

The consolidated financial statements include the accounts of the Parent Company and its wholly-owned subsidiary (collectively referred to as the Group), as follows:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Nature of Business</u>
Beneficial Financial Advisors, Inc. (BFAI)	Philippines	Consultancy and leasing

On October 21, 2021, the Board of Directors (BOD) and stockholders of BFAI approved a resolution for the cessation of its business operations effective December 15, 2021, and shorten the Group's term of existence until June 30, 2023. Accordingly, BFAI changed its basis of accounting in the preparation of its 2021 financial statements from the going concern basis to liquidation basis. On April 22, 2022, the SEC approved BFAI's Amended Articles of Incorporation to shorten its corporate term until June 30, 2023.

#### **Approval and Authorization for Issuance of the Consolidated Financial Statements**

The consolidated financial statements as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the BOD on April 12, 2024.

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#### 2. Summary of Material Accounting Policy Information

The material accounting policy information used in the preparation of the consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

### **Basis of Preparation and Statement of Compliance**

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee, and adopted by the SEC, including SEC pronouncements.

In accordance with PAS 1, *Presentation of Financial Statement*, an entity shall prepare consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or cease operations.

As discussed in Note 1 to consolidated financial statements, the BOD and stockholders of BFAI approved a resolution for the cessation of its business operations effective December 15, 2021, and shorten the Group's term of existence until June 30, 2023. Accordingly, BFAI changed its basis of accounting in the preparation of its 2021 financial statements from the going concern basis to liquidation basis. Under the liquidation basis of accounting, assets are stated at estimated net realizable values and liabilities are stated at estimated settlement amounts. The estimated values may be different from the proceeds that may be ultimately received or payment that may be made.

There is no difference in the amounts presented in the consolidated financial statements as a result of the change in the basis of preparation of BFAI's financial statements from going concern basis to liquidation basis of accounting. BFAI's assets and liabilities mainly pertains to cash in banks, accounts and other payables, and advance rentals and deposits. These are all measured at amortized costs which approximate its net realizable values or net settlement amounts. Additional disclosures have been included as applicable.

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values represent absolute amounts unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) which are carried at fair values, certain components of property and equipment which are carried at revalued amounts, and retirement liability which is carried at the present value of the defined benefit obligation less fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and consideration received for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 6 - Investment Securities
- Note 8 - Property and Equipment
- Note 25 - Risk Management Objectives and Policies

#### **Adoption of Amendments to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) 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 (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that 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 profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amendments to PFRS did not materially affect the financial statements of the Group. Additional disclosures were included in the financial statements, as applicable.

#### **Amendments to PFRS in Issue But Not Yet Effective or Adopted**

Relevant amendments to PFRS, which are not yet effective as at December 31, 2023, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.
- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and



(iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative information* – The amendment adds a transition option for a “classification overlay” to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group except for PFRS 17. The management is currently in the process of performing detailed review and analysis to determine the financial impact of the new insurance contract standard. Additional disclosures will be included in the consolidated financial statements, as applicable.

### **Basis of Consolidation**

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

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiary is prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVPL or FVOCI, depending on the level of influence retained.

### **Current and Noncurrent Classification**

The Group presents assets and liabilities in the consolidated statements of financial position based on liquidity. The current portion is presented in Note 26.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

### **Financial Assets and Liabilities**

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

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss.

In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

### **Financial Assets**

In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

***Classification and Measurement***

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

The Group's cash and cash equivalents, short-term investments, insurance receivables, government securities assigned as investment deposit with the IC and private debt securities which are held primarily to collect contractual cash flows until maturity included under "Investment securities" account in consolidated statements of financial position, loans receivables and accrued investment income are classified under this category.

*Debt Securities at FVOCI.* Debt securities shall be measured at FVOCI if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- b. the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt securities measured at FVOCI are recognized directly in profit or loss. Changes in the fair value of these securities are recognized in other comprehensive income and accumulated in equity. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

The Group's investments in private and government debt securities which are denominated in foreign currencies are classified under this category.

*Equity Securities at FVOCI.* On initial recognition, equity securities that are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

Dividends from equity securities held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Changes in the fair value of these securities including those arising from foreign currency changes are recognized in other comprehensive income and presented in the equity section of the consolidated statements of financial position. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the equity securities, instead, these will be transferred to retained earnings.

The Group's investments in quoted equity securities which are irrevocably designated as financial assets at FVOCI at initial recognition are included under this category.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

The Group's investments in private debt securities held for trading and quoted equity securities are classified under this category.

#### ***Impairment***

The Group recognizes an allowance for expected credit losses (ECL) for all debt securities not measured at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group's financial assets at amortized cost and debt securities at FVOCI are subject to ECL using general approach. Under this approach, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

#### ***Reclassification***

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in other comprehensive income, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

### ***Derecognition***

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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

## **Financial Liabilities**

### ***Classification and Measurement***

The Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost, and (b) financial liabilities at FVPL.

As at December 31, 2023 and 2022, the Group does not have financial liabilities measured at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity securities.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Group's insurance contract liabilities, premium deposit fund, insurance payables, loans payable, accounts payable and accrued expenses (excluding statutory payables) and other liabilities are classified under this category.

### ***Classification of Financial Instrument between Liability and Equity***

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### ***Derecognition***

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

### **Offsetting of Financial Assets and Liabilities**

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

### **Insurance Contracts**

#### **Product Classification**

Insurance contracts are defined as those contracts under which the Group (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variables.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during a certain period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance contracts are classified with and without Discretionary Participation Features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the following:
  - performance of a specified pool of contracts or a specified type of contract;
  - realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Group, fund or other entity that issues the contract.

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

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

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting date. The liability is determined as the expected future discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefit expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, reserve method, and interest rate approved by the IC.

### **Reinsurance Contracts**

The Parent Company cedes insurance risk in the normal course of business to reinsurers. Balances due from reinsurance companies for its share in benefits and claims of policyholders are recognized as "Due from reinsurers" under "Insurance Receivables" account in the consolidated statements of financial position. Amounts due to reinsurers representing their share in premiums are presented under "Insurance payables" account in the consolidated statements of financial position.

An impairment review is performed at each reporting date or more frequently when there are indications of impairment during the reporting year. Impairment occurs when there is objective evidence that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

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

The Group also assumes reinsurance risk in the normal course of business for life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Estimating amounts payable is consistent with the provisions of the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

### **Property and Equipment**

Property and equipment, other than land, buildings and office condominium, are stated at cost less accumulated depreciation and any impairment in value.

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.



The Group's land, buildings and office condominium are stated at revalued amounts based on the valuation of an independent appraiser. Any increase in the value of property and equipment at revalued amounts is recognized under "Revaluation surplus on property and equipment" account in the equity section of the consolidated statements of financial position. Any decrease is first offset against an increase on earlier valuation in respect of the same class of property and is thereafter recognized as an expense. Annually, an amount from the revaluation surplus is transferred to retained earnings for the depreciation related to the revaluation surplus.

Upon the disposal of a revalued property, the relevant portion of the revaluation surplus realized in respect of previous valuation is released directly from the revaluation surplus to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Number of years
Building and office condominium	10 - 40
Transportation equipment	3 - 5
Office furniture and equipment	2 - 5

The assets' residual values, useful lives and depreciation method are reviewed periodically to ensure that the residual values, period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

#### **Impairment of Nonfinancial Assets**

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs to sell or 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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

## **Insurance Contract Liabilities**

### **Legal Policy Reserves**

Legal policy reserves are liabilities for contractual benefits that are expected to be incurred in the future related to policies that are in-force as at the reporting date based on the valuation of an independent appraiser. The liability is calculated as the sum of the present value of future benefits and expenses, less the present value of future net premiums arising from the policy discounted at the appropriate risk-free discount rate. The liability is determined using best estimate assumptions with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The Group has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be based on the schedule of spot rates published by IC and mortality and morbidity rates to be in accordance with the standard table of mortality. Reserves are computed per thousand of sum insured and depend on the issue age and policy duration.

Adjustments to the liabilities arising from changes in in-force policies are recorded in "Net change in legal policy reserves" account in profit or loss. Changes in liabilities arising from changes in discount rates are recorded in "Remeasurement gain (loss) on legal policy reserves" account in other comprehensive income.

### **Policy and Contract Claims**

Policy and contract claims are liabilities for unpaid claims and benefits of policyholders as a result of death of the insured, surrenders and maturities. This also includes cost of claims incurred but not yet reported as at reporting date based on the Group's experience and historical data.

### **Premium Deposit Fund**

Premium deposit fund pertains to the premium deposits of the policyholders which earn interest at such rates as the Group declares but not less than the lowest interest rate prevailing on savings accounts of banks. The amount of premium deposits of the policyholders shall not exceed the future contractual premiums of the insurance contracts. If at any premium date, premiums remain unpaid, and provided that the fund balance is sufficient to pay such premiums in full, the premium due shall be paid from this fund.

## **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued.

*Additional Paid-in Capital (APIC).* When the Parent Company issues shares in excess of par, the excess is recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income, net of any dividend declaration and prior period adjustments. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders while appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

*Other Comprehensive Income.* Other comprehensive income comprises items of income and expense (including items previously presented under equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income includes revaluation reserves on investment securities, remeasurement gain or loss on legal policy reserves, remeasurement gain or loss on net retirement liability and revaluation surplus on property and equipment.

Other comprehensive income items that will be reclassified subsequently to profit or loss are presented separately from those items that will not be reclassified subsequently.

### **Revenue Recognition**

*Premium Income.* Gross recurring premiums from life insurance contracts are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date from which the policy becomes effective. For regular premium contracts, revenues are recognized at the date when payments are due.

Estimates of premiums due as at the reporting date but not yet received are assessed based on the estimates from underwriting or past experience and are included in premiums earned.

*Interest Income.* For interest-bearing financial instruments classified as financial assets at FVPL, financial assets at FVOCI and financial assets at amortized cost, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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

*Dividend Income.* Dividend income is recognized when the Group's right to receive the payment is established.

*Rental Income.* Rent income is recognized on a straight-line basis over the lease term.

*Other Income.* Other income includes policy issue fees, reversal of denied claims and other income that are recognized in profit or loss when earned.

### **Benefits, Claims and Expenses Recognition**

*Benefits and Claims.* Benefits and claims consist of benefits and claims incurred during the period and changes in the valuation of legal policy reserves (including incurred but not reported losses). Death claims and surrenders are recorded on the basis of notifications received. Maturities are recorded when due.

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are recognized as expense when incurred.

*Commission and Other Direct Expenses.* Commissions and other direct expenses are recognized when the insurance contracts are entered and the premiums are recognized.

*Insurance Taxes.* Insurance taxes pertain to premium taxes and documentary stamp taxes on life insurance policies which are expensed as incurred.

*Finance Costs and Charges.* Finance costs and charges consist mainly of bank charges and interest expenses incurred by the Group. Interest expense is recognized in profit or loss as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

### **Employee Benefits**

*Short-term Benefits.* The Group provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution and other short-term benefits. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognizes restructuring-related costs.

Net interest on the net retirement liability or asset is the change during the period in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability or asset.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

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

The net retirement asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Income Taxes**

*Final Tax.* Final taxes are recognized for taxes paid on certain income payments. These are not creditable to income tax due on income subject to regular corporate income tax (RCIT). The applicable tax rates differ depending on the particular income subject to final tax.

*Current Tax.* Current tax is the expected tax payable on the taxable income for the year, using tax rate and tax laws enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of the net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over the RCIT, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of excess MCIT over RCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

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

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as OCI.

### **Leases**

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the lessee has both of the following:

- The right to obtain substantially the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

*The Group as a Lessor.* Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

*The Group as a Lessee.* At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

### **Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting year. Foreign exchange differences are credited or charged directly to profit or loss.

### **Related Party Transactions**

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

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### **Contingencies**

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

### **Events After the Reporting Date**

Post year-end events that provide additional information about the Group's consolidated financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. These are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

### **Judgments**

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

*Identifying the Product Classification.* The Group has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Group has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts also transfer financial risk.

*Classifying the Financial Instruments.* Classification of financial assets depends on the results of the business model test and "sole payment of principal and interest" (SPPI) test performed by the Group. The Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

*Defining Default and Credit-Impaired Financial Assets.* The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- a. Quantitative Criteria - the borrower is more than 1 year past due on its contractual payments, which is consistent with the Group's definition of default.
- b. Qualitative Criteria - The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent;
  - The borrower is in breach of financial covenants;
  - Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
  - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The foregoing criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

*Grouping of the Financial Assets for Measurement of ECL on a Collective Basis.* For ECL provisions that are assessed on a collective basis, grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. For loans receivables, debtors are grouped based on the type of loan and debtors' geographical location.

*Determining the Lease Commitments - Group as a Lessee.* The Group has lease agreements for its branches and regional offices. The Group has determined that it obtains substantially all of the economic benefits from use of the identified assets and the right to direct the use of such assets. Moreover, the Group assessed that these lease agreements qualify as leases of low value assets or short-term leases.

Rental expense arising from leases of low value assets and short-term leases amounted to ₱9.8 million, ₱10.1 million, and ₱9.0 million in 2023, 2022 and 2021, respectively (see Note 23).

*Determining the Lease Commitments - Group as a Lessor.* The Group has lease agreements with third parties. The Group has determined that it retains all the risks and rewards of ownership over the leased asset. Accordingly, the agreements are accounted for as operating leases.

Rental income amounted to ₱4.2 million, ₱4.2 million, and ₱2.4 million in 2023, 2022 and 2021, respectively (see Note 23).

#### **Estimates and Assumptions**

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

*Determining the Fair Value of Financial Instruments.* The fair values of investments that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date.

In accordance with the amendments to PFRS 7, *Financial Instruments: Disclosures*, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the consolidated statements of financial position. The Group uses judgment in assessing the significance of a particular input to the fair value measurements in its entirety, considering factors specific to the asset or liability.

*Estimating the Legal Policy Reserves.* Reserves are set up as requirement pursuant to the provision and guidelines set by the IC, which should not be less than the reserves required. These are computed using assumptions that are based on the standard mortality and morbidity tables, interest rates, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation as required by the IC.

The carrying amount of legal policy reserves amounted to ₱3,196.2 million and ₱3,042.5 million as at December 31, 2023 and 2022, respectively (see Note 9).

*Estimating the Claims Incurred But Not Reported.* Provision is made for the cost of claims incurred but not yet reported as at reporting date based on the Group's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in consolidated statements of comprehensive income of subsequent years.

The carrying amount of claims incurred but not reported included under policy and contract claims amounted to ₱710.9 million and ₱611.4 million as at December 31, 2023 and 2022, respectively (see Note 9).

*Estimating the Allowance for ECL of Financial Assets at Amortized Cost and Debt Instruments Under Financial Assets at FVOCI.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition, in which case, ECL is provided based on lifetime ECL.



When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors: (a) actual or expected external and internal credit rating downgrade; (b) existing or forecasted adverse changes in business, financial or economic conditions; and (c) actual or expected significant adverse changes in the operating results of the borrower.

The carrying amounts and allowance for ECL of the Group's financial assets at amortized cost and debt securities classified as financial assets at FVOCI are as follows:

	Note	2023		2022	
		Carrying Amount	Allowance for ECL	Carrying Amount	Allowance for ECL
Cash and cash equivalents	4	<b>₱1,053,670,654</b>	<b>₱-</b>	₱1,179,443,671	₱-
Short-term investments	4	<b>64,458,355</b>	-	52,182,102	-
Insurance receivables	5	<b>11,842,614</b>	-	8,216,046	-
Accrued investment income	6	<b>82,497,398</b>	-	74,820,615	-
Investment securities:	6		-		
Financial assets at FVOCI - debt securities		<b>1,898,792,221</b>	<b>14,993,029</b>	1,638,702,618	11,010,543
Financial assets at amortized cost		<b>3,404,344,958</b>	<b>4,907,055</b>	2,869,466,923	2,136,398
Loans receivables	7	<b>1,244,941,282</b>	<b>27,577,710</b>	1,204,548,519	41,101,452

*Estimating the Useful Lives of Property and Equipment.* The useful life of each of the Group's property and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at each financial yearend and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. However, it is possible that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation and decrease its carrying amounts.

There were no changes in the estimated useful lives of the Group's property and equipment at cost in 2023 and 2022. The carrying amount of property and equipment at cost amounted to ₱20.5 million and ₱25.2 million as at December 31, 2023 and 2022, respectively (see Note 8).

There were no changes in the estimated useful lives of the Group's property and equipment at revalued amounts in 2023 and 2022. The carrying amount of property and equipment at revalued amounts amounted to ₱945.9 million and ₱950.8 million as at December 31, 2023 and 2022, respectively (see Note 8).

*Determining the Revalued Amount of Property and Equipment.* The Group carries certain property and equipment at revalued amounts. The appraised values of land, buildings and office condominium were arrived using the market data approach and cost approach.

With market data approach, the values of the properties are based on sales and listings of comparable properties registered in the vicinity. The technique of this approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator and adjustment of the differences between the subject property and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use.

Cost approach is evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character and utility of the property which is to be continued in its present use as part of a going concern but without specific relation to earnings.

The latest independent property valuation of land, building and office condominium was performed for December 31, 2022 valuation cut-off date. The appraisal resulted to an increase in revaluation surplus, net of deferred tax, amounting to ₱230.2 million. The carrying amount of property and equipment at revalued amounts amounted to ₱945.9 million and ₱950.8 million as at December 31, 2023 and 2022, respectively (see Note 8).

*Assessing the Impairment of Nonfinancial Assets.* The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

The Group recognized impairment loss on other assets amounting to ₱3.9 million in 2021. No impairment loss was recognized in 2023 and 2022. The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2023	2022
Property and equipment:	8		
At revalued amounts		<b>₱945,877,532</b>	₱950,751,000
At cost		<b>20,481,461</b>	25,169,424
Other assets		<b>130,341,448</b>	111,474,063

*Determining the Retirement Liability.* The determination of the obligation and cost of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 22 to the consolidated financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation.

The net retirement liability amounted to ₱130.2 million and ₱119.9 million as at December 31, 2023 and 2022, respectively (see Note 21).

*Assessing the Realizability of Deferred Tax Assets.* The Group's assessment of the recognition of deferred tax assets on deductible temporary differences is based on the Group's past results and future expectations on revenue and expenses. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₱43.6 million and ₱40.2 million as at December 31, 2023 and 2022, respectively (see Note 22).

The Group's unrecognized deferred tax assets amounted to ₱0.2 million as at December 31, 2023 and 2022 (see Note 22). Management assessed that it is not probable that there will be sufficient future taxable profit against which these deferred tax assets can be utilized as a result of BFAI's on-going liquidation.

#### 4. Cash, Cash Equivalents and Short-term Investments

##### **Cash and Cash Equivalents**

This account consists of:

	2023	2022
Cash on hand	<b>₱53,000</b>	₱53,000
Cash in banks	<b>755,846,522</b>	867,854,452
Cash equivalents	<b>297,771,132</b>	311,536,219
	<b>₱1,053,670,654</b>	₱1,179,443,671

Cash and cash equivalents include cash in banks and short-term deposits which earn interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months from date of maturity, depending on the immediate cash requirements.

##### **Short-term Investments**

Short-term investments amounted to ₱64.5 million and ₱52.2 million as at December 31, 2023 and 2022, respectively. Short-term investments are short-term placements with maturities of more than three months but less than one year from date of acquisition. The effective annual interest rates of these investments range between 0.62% to 6.00%, 0.65% to 2.88%, and 0.25% to 2.88% in 2023, 2022 and 2021, respectively.

##### **Interest Income**

Interest income recognized in the consolidated statements of comprehensive income are as follows:

	Note	2023	2022	2021
Loans receivables	7	<b>₱125,688,876</b>	₱91,585,114	₱85,115,404
Investment securities:	6			
Financial assets at amortized cost		<b>165,566,665</b>	106,358,071	94,565,220
Financial assets at FVOCI		<b>81,127,595</b>	70,439,216	69,242,209
Financial assets at FVPL		<b>47,701,969</b>	48,681,911	40,148,511
Short-term investments		<b>14,046,437</b>	3,015,868	1,547,837
Cash and cash equivalents		<b>10,324,750</b>	7,745,252	4,745,277
		<b>₱444,456,292</b>	₱327,825,432	₱295,364,458

## 5. Insurance Receivables

This account consists of:

	2023	2022
Premiums due and uncollected	P10,267,528	P8,216,046
Due from reinsurers	1,575,086	–
	<b>P11,842,614</b>	<b>P8,216,046</b>

Premiums due and uncollected pertain to uncollected premiums on written policies which are collectible within the Group's 30-day grace period.

Due from reinsurers pertain to claims recoverable from reinsurers. These receivables are due and demandable. Reinsurers' share in net benefits and claims amounted to P14.9 million, P17.1 million and P25.0 million in 2023, 2022 and 2021, respectively (see Note 18).

## 6. Investment Securities

Movements of this account are as follows:

	2023			
	Financial Assets			Total
	At FVPL	At FVOCI	At Amortized Cost	
Balance at beginning of year	P1,119,422,195	P2,267,246,124	P2,869,466,923	P6,256,135,242
Reclassification	(242,750,706)	242,750,706	–	–
Additions	143,031,176	1,045,962,898	2,141,434,096	3,330,428,170
Maturities and disposals	(181,988,884)	(922,448,798)	(1,613,854,716)	(2,718,292,398)
Fair value changes	(13,696,100)	19,428,384	–	5,732,284
Foreign exchange changes	(5,209,475)	(12,000,040)	–	(17,209,515)
Amortization	2,142,903	(13,030,507)	10,069,312	(818,292)
Provision for impairment loss	–	–	(2,770,657)	(2,770,657)
Balance at end of year	<b>P820,951,109</b>	<b>P2,627,908,767</b>	<b>P3,404,344,958</b>	<b>P6,853,204,834</b>

	2022			
	Financial Assets			Total
	At FVPL	At FVOCI	At Amortized Cost	
Balance at beginning of year	P1,097,784,937	P2,894,483,799	P2,032,634,640	P6,024,903,376
Additions	273,517,823	892,690,353	1,424,400,390	2,590,608,566
Maturities and disposals	(106,335,465)	(1,392,644,295)	(584,035,981)	(2,083,015,741)
Fair value changes	(216,970,571)	(175,641,043)	–	(392,611,614)
Foreign exchange changes	70,730,278	95,595,063	–	166,325,341
Amortization	695,193	(47,237,753)	(3,322,558)	(49,865,118)
Provision for impairment loss	–	–	(209,568)	(209,568)
Balance at end of year	<b>P1,119,422,195</b>	<b>P2,267,246,124</b>	<b>P2,869,466,923</b>	<b>P6,256,135,242</b>

### **Financial Assets at FVPL**

This account consists of:

	<b>2023</b>	2022
Private debt securities - foreign	<b>₱820,951,109</b>	₱837,851,115
Equity securities	–	281,571,080
	<b>₱820,951,109</b>	₱1,119,422,195

Private debt securities earn annual interest of 1.25% to 9.00% in 2023 and 2022, and 1.44% to 9.00% in 2021. Interest income earned on these financial assets amounted to ₱47.7 million, ₱48.7 million and ₱40.1 million in 2023, 2022 and 2021, respectively, net of amortization of net discount amounting to ₱2.1 million, ₱0.7 million and ₱0.5 million in 2023, 2022 and 2021, respectively (see Note 4).

Equity securities pertain to preferred shares which are listed in the Philippine Stock Exchange Index (PSEi). In 2023, the Company reclassified its equity securities classified as financial assets at FVPL with fair value of ₱242.8 million to financial assets at FVOCI as a result of a change in business model in managing these investment securities. This transaction is considered as a noncash activity.

Dividend income earned on these financial assets at FVPL amounted to nil, ₱18.5 million and ₱6.5 million in 2023, 2022 and 2021, respectively.

### **Financial Assets at FVOCI**

This account consists of:

	<b>2023</b>	2022
Debt securities:		
Private debt securities - foreign	<b>₱1,028,498,441</b>	₱843,664,433
Government debt securities - foreign	<b>870,293,780</b>	795,038,185
	<b>1,898,792,221</b>	1,638,702,618
Equity securities - local and foreign	<b>729,116,546</b>	628,543,506
	<b>₱2,627,908,767</b>	₱2,267,246,124

Private and government debt securities earn annual interest of 2.45% to 8.38% and 2.64% to 8.38% in 2023 and 2022, respectively. Interest income earned on these financial assets amounted to ₱81.1 million, ₱70.4 million and ₱69.2 million in 2023, 2022 and 2021, respectively, net of amortization of net premium amounting to ₱13.0 million, ₱47.2 million and ₱4.6 million in 2023, 2022 and 2021, respectively (see Note 4).

Equity securities pertain to investments in shares listed in the PSEi and other foreign stock exchange markets. In 2023, the Group reclassified its equity securities classified as financial assets at FVPL with fair value of ₱242.8 million to financial assets at FVOCI as a result of a change in business model in managing these investment securities. This transaction is considered as a noncash activity.

Dividend income earned on these financial assets at FVOCI amounted to ₱47.8 million, ₱28.9 million and ₱26.8 million in 2023, 2022 and 2021, respectively.

Movements of revaluation reserves on financial assets at FVOCI are as follows:

	2023		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	<b>(P303,466,960)</b>	<b>P11,010,543</b>	<b>(P292,456,417)</b>
Change in revaluation reserves:			
Fair value changes	<b>19,428,384</b>	–	<b>19,428,384</b>
Foreign exchange changes	<b>(4,580,379)</b>	–	<b>(4,580,379)</b>
Transfer to retained earnings	<b>38,761,584</b>	–	<b>38,761,584</b>
Transfers to profit or loss:			
Loss on sale	<b>10,651,959</b>	–	<b>10,651,959</b>
Impairment loss	–	<b>3,982,486</b>	<b>3,982,486</b>
	<b>64,261,548</b>	<b>3,982,486</b>	<b>68,244,034</b>
Balance at end of year	<b>(P239,205,412)</b>	<b>P14,993,029</b>	<b>(P224,212,383)</b>

	2022		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	<b>(P104,343,999)</b>	<b>P9,420,725</b>	<b>(P94,923,274)</b>
Change in revaluation reserves:			
Fair value changes	<b>(175,641,043)</b>	–	<b>(175,641,043)</b>
Foreign exchange changes	<b>(46,545,561)</b>	–	<b>(46,545,561)</b>
Transfer to retained earnings	<b>24,208,256</b>	–	<b>24,208,256</b>
Transfers to profit or loss:			
Gain on sale	<b>(1,144,613)</b>	–	<b>(1,144,613)</b>
Impairment loss	–	<b>1,589,818</b>	<b>1,589,818</b>
	<b>(199,122,961)</b>	<b>1,589,818</b>	<b>(197,533,143)</b>
Balance at end of year	<b>(P303,466,960)</b>	<b>P11,010,543</b>	<b>(P292,456,417)</b>

	2021		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	<b>(P52,995,000)</b>	<b>P5,263,691</b>	<b>(P47,731,309)</b>
Change in revaluation reserves:			
Fair value changes	<b>(45,589,795)</b>	–	<b>(45,589,795)</b>
Foreign exchange changes	<b>42,949,989</b>	–	<b>42,949,989</b>
Transfer to retained earnings	<b>(35,347,300)</b>	–	<b>(35,347,300)</b>
Transfers to profit or loss:			
Gain on sale	<b>(13,361,893)</b>	–	<b>(13,361,893)</b>
Impairment loss	–	<b>4,157,034</b>	<b>4,157,034</b>
	<b>(51,348,999)</b>	<b>4,157,034</b>	<b>(47,191,965)</b>
Balance at end of year	<b>(P104,343,999)</b>	<b>P9,420,725</b>	<b>(P94,923,274)</b>

Movements of revaluation reserves on investment securities segregated for items that will be reclassified or not to profit or loss in subsequent periods follow:

	2023	2022	2021
Balance at beginning of year	<b>(P292,456,417)</b>	<b>(P94,923,274)</b>	<b>(P47,731,309)</b>
Items that will be reclassified to profit or loss	<b>65,459,076</b>	<b>(216,158,462)</b>	<b>(44,925,470)</b>
Items that will not be reclassified into profit or loss	<b>2,784,958</b>	<b>18,625,319</b>	<b>(2,266,495)</b>
Balance at end of year	<b>(P224,212,383)</b>	<b>(P292,456,417)</b>	<b>(P94,923,274)</b>

### **Financial Assets at Amortized Cost**

This account consists of:

	2023	2022
Government debt securities - local	<b>₱2,845,963,144</b>	₱1,993,606,642
Private debt securities - local	<b>563,288,869</b>	877,996,679
	<b>3,409,252,013</b>	2,871,603,321
Allowance for impairment loss (12-month ECL)	<b>4,907,055</b>	2,136,398
	<b>₱3,404,344,958</b>	₱2,869,466,923

Government and private debt securities earn annual interest of 2.38% to 12.38% and 2.38% to 13.00% in 2023 and 2022, respectively. Interest income earned on these financial assets amounted to ₱165.6 million, ₱106.4 million and ₱94.6 million in 2023, 2022 and 2021, respectively, net of amortization of net discount (premium) amounting to ₱10.1 million, (₱3.3 million) and ₱3.4 million in 2023, 2022 and 2021, respectively (see Note 4).

Movements of allowance for impairment loss (12-month ECL) on financial assets at amortized cost are as follows:

	2023	2022
Balance at beginning of year	<b>₱2,136,398</b>	₱1,926,830
Provision for impairment loss	<b>2,770,657</b>	209,568
Balance at end of year	<b>₱4,907,055</b>	₱2,136,398

### **Impairment Losses**

Impairment losses (reversal of impairment loss) on investment securities recognized in the consolidated statements of comprehensive income follow:

	2023	2022	2021
Financial assets at FVOCI	<b>₱3,982,486</b>	₱1,589,818	₱4,157,034
Financial assets at amortized cost	<b>2,770,657</b>	209,568	(3,154,804)
	<b>₱6,753,143</b>	₱1,799,386	₱1,002,230

### **Dividend Income**

Dividend income recognized in the consolidated statements of comprehensive income follows:

	2023	2022	2021
Financial assets at FVOCI	<b>₱47,820,624</b>	₱28,936,022	₱26,772,969
Financial assets at FVPL	-	18,504,698	6,507,509
	<b>₱47,820,624</b>	₱47,440,720	₱33,280,478

### **Accrued Investment Income**

This account pertains to interest receivable from the following:

	Note	2023	2022
Investment securities		<b>₱71,193,366</b>	₱63,121,200
Short-term investments		<b>1,592,628</b>	1,243,535
Loans receivables:			
Third parties		<b>9,045,787</b>	9,548,220
Related parties	16	<b>665,617</b>	907,660
		<b>₱82,497,398</b>	₱74,820,615

## 7. Loans Receivables

This account consists of:

	Note	2023	2022
Salary loans		<b>₱1,015,861,690</b>	₱969,877,855
Policy loans		<b>81,823,401</b>	81,498,379
Mortgage and collateral loans:			
Related party	16	<b>54,595,588</b>	74,448,530
Third parties		<b>5,275,175</b>	248,968
Agents' balances		<b>38,346,449</b>	35,054,866
Due from related parties	16	<b>25,129,078</b>	30,129,078
Notes receivables		<b>8,898,066</b>	8,047,680
Others		<b>42,589,545</b>	46,344,615
		<b>1,272,518,992</b>	1,245,649,971
Less allowance for impairment loss		<b>27,577,710</b>	41,101,452
		<b>₱1,244,941,282</b>	₱1,204,548,519

Movements in the allowance for impairment loss on loans receivables are as follows:

	2023		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	<b>₱6,701,041</b>	<b>₱34,400,411</b>	<b>₱41,101,452</b>
Provision	<b>6,476,787</b>	–	<b>6,476,787</b>
Transfer from 12-month ECL to lifetime ECL	<b>(4,337,670)</b>	<b>4,337,670</b>	–
Write-off	–	<b>(20,000,529)</b>	<b>(20,000,529)</b>
Balance at end of year	<b>₱8,840,158</b>	<b>₱18,737,552</b>	<b>₱27,577,710</b>

	2022		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	<b>₱12,603,824</b>	<b>₱108,618,427</b>	<b>₱121,222,251</b>
Transfer from 12-month ECL to lifetime ECL	<b>(5,902,783)</b>	<b>5,902,783</b>	–
Write-off	–	<b>(80,120,799)</b>	<b>(80,120,799)</b>
Balance at end of year	<b>₱6,701,041</b>	<b>₱34,400,411</b>	<b>₱41,101,452</b>

	2021		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	<b>₱12,580,921</b>	<b>₱99,774,917</b>	<b>₱112,355,838</b>
Provision for impairment loss	<b>9,991,075</b>	–	<b>9,991,075</b>
Transfer from 12-month ECL to lifetime ECL	<b>(8,843,510)</b>	<b>8,843,510</b>	–
Write-off	<b>(1,124,662)</b>	–	<b>(1,124,662)</b>
Balance at end of year	<b>₱12,603,824</b>	<b>₱108,618,427</b>	<b>₱121,222,251</b>



Composition of allowance for impairment loss are as follows:

	2023	2022
Salary loans	<b>₱18,916,758</b>	₱32,440,500
Agents' balances	<b>4,999,651</b>	4,999,651
Notes receivables	<b>2,860,226</b>	2,860,226
Others	<b>801,075</b>	801,075
	<b>₱27,577,710</b>	₱41,101,452

Salary loans consist of loans granted to the employees and teachers of Department of Education (DepEd). The Parent Company and DepEd entered into a Memorandum of Agreement (MOA) to provide interest-bearing loans to employees and teachers. The loans earn annual interest rate ranging from 7.50% to 9.66% with terms of one to five years.

Salary loans also consist of interest-bearing loans granted to members and employees of Tarlac Public School Teachers Association and BPA Management Services, Inc. with interest rate of 12% per annum and term of one to five years.

Policy loans pertain to loans issued to policyholders. These loans are issued with the cash surrender value of the policyholder's insurance policy as collateral. Interest is charged at 10% per annum.

Mortgage and collateral loans earn interest ranging from 5% to 9% per annum with a maximum maturity of ten (10) years.

Agents' balances pertain to advances to agents that are liquidated or settled through regular deductions from commissions or outright payments. Interest rate is 18% per annum.

Notes receivables pertain to loans to employees that are paid through salary deduction. Interest rates range from 4% to 18% per annum.

Others pertain to receivables from life insurance pools and security fund.

Interest income on financial assets at amortized cost recognized in the consolidated statements of comprehensive follows (see Note 4):

	Note	2023	2022	2021
Salary loans		<b>₱111,716,966</b>	₱75,466,388	₱68,775,908
Policy loans		<b>8,028,074</b>	8,394,982	6,014,197
Mortgage and collateral loans:				
Related party	16	<b>3,107,801</b>	4,117,761	5,944,777
Third parties		<b>24,189</b>	31,147	45,566
Notes receivables		<b>945,978</b>	720,541	909,923
Agents' balances		<b>819,219</b>	947,768	332,539
Due from related parties	16	-	343,233	709,589
Others		<b>1,046,649</b>	1,563,294	2,382,905
		<b>₱125,688,876</b>	₱91,585,114	₱85,115,404

## 8. Property and Equipment

Movements of property and equipment at revalued amounts are as follows:

	2023			
	Land	Building	Office Condominium	Total
<b>Revalued Amounts</b>				
Balances at beginning of year	₱831,879,999	₱385,245,648	₱62,510,528	₱1,279,636,175
Additions	–	–	2,618,303	2,618,303
Balance at end of year	831,879,999	385,245,648	65,128,831	1,282,254,478
<b>Accumulated Depreciation</b>				
Balances at beginning of year	–	293,048,072	35,837,103	328,885,175
Depreciation	–	3,634,951	3,856,820	7,491,771
Balances at end of year	–	–	–	336,376,946
<b>Carrying Amount</b>	<b>₱831,879,999</b>	<b>₱</b>	<b>₱</b>	<b>₱945,877,532</b>

	2022			
	Land	Building	Office Condominium	Total
<b>Revalued Amounts</b>				
Balances at beginning of year	₱535,237,999	₱384,814,902	₱49,709,031	₱969,761,932
Additions	–	–	2,941,748	2,941,748
Appraisal increase	296,642,000	430,746	9,859,749	306,932,495
Balance at end of year	831,879,999	385,245,648	62,510,528	1,279,636,175
<b>Accumulated Depreciation</b>				
Balances at beginning of year	–	292,067,427	28,444,198	320,511,625
Depreciation	–	4,715,265	3,658,285	8,373,550
Balances at end of year	–	296,782,692	32,102,483	328,885,175
<b>Carrying Amount</b>	<b>₱831,879,999</b>	<b>₱88,462,956</b>	<b>₱30,408,045</b>	<b>₱950,751,000</b>

The latest independent property valuation of land, building and office condominium was performed for December 31, 2022 valuation cut-off date. The appraisal resulted to an increase in revaluation surplus, net of deferred tax, amounting to ₱230.2 million. The Group did not obtain an updated appraisal report as at December 31, 2023 as the management believes that the fair values did not change significantly since the last valuation date.

The Group's property and equipment stated at appraised values are classified under Level 3 in the fair value hierarchy. The description of the valuation techniques used and key inputs to valuation are as follows:

Location	Valuation techniques	Unobservable inputs used	Range (weighted average)
Legazpi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila	Market approach for land and cost approach for improvements	Asking prices per square meter of comparable lots for land, and Replacement Cost for buildings	₱1,000,000 to ₱1,500,000
Cebu Holdings Center, Cardinal Rosales Avenue, Cebu Business Park, Barangay Mabolo, Cebu City	Market approach for office condominium	Selling prices per square meter of comparable condominium units	₱180,518 to ₱195,000
A. Pichon, Sr. Street, Barangay 39-D (Poblacion), Davao City	Market approach for land and cost approach for buildings and other land improvements	Asking prices per square meter of comparable lots for land, and Replacement Cost for buildings	₱50,000 to ₱69,124

Location	Valuation techniques	Unobservable inputs used	Range (weighted average)
Pendatun Avenue, Barangay Dadiangas North, General Santos City	Market approach for land and cost approach for buildings and other land improvements	Reported/Asking prices per square meter for Land; Replacement cost for buildings and other land improvements	₱25,000 to ₱30,000

Details of the valuation techniques used in measuring fair values of the Group's property and equipment are as follows:

- Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.
- Cost approach involves an analysis of the buildings by breaking them down into major components such as foundation, columns, beams, floorings, walls, and roofing, among others, by using workable units such as lineal meter, square meter, cubic meter or other appropriate basic unit. The unit costs for each component are developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality where the building is situated. Indirect costs such as contractor's profits, overhead, taxes and fees are also considered.

In relation to changes in unobservable inputs used, generally, increases or decreases in prices per square meter and current cost of labor and materials are directly proportional to the fair value measurement of property and equipment.

Had the land, building and office condominium and improvements been carried at cost less accumulated depreciation, the amounts would have been as follows:

	2023			
	Land	Building	Office Condominium	Total
Cost	₱95,963,907	₱140,860,787	₱47,883,129	₱284,707,823
Accumulated depreciation	–	(79,601,179)	(27,485,955)	(107,087,134)
Carrying amount	₱95,963,907	₱61,259,608	₱20,397,174	₱177,620,689

	2022			
	Land	Building	Office Condominium	Total
Cost	₱95,963,907	₱140,860,787	₱45,264,826	₱282,089,520
Accumulated depreciation	–	(78,563,615)	(24,792,350)	(103,355,965)
Carrying amount	₱95,963,907	₱62,297,172	₱20,472,476	₱178,733,555

Transfer of revaluation surplus on property and equipment, net of deferred tax, amounted to ₱2.8 million, ₱2.7 million and ₱2.8 million in 2023, 2022 and 2021, respectively.

Movements of cumulative revaluation surplus recognized in equity are as follows:

	2023		
	Revaluation Surplus	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱772,017,445	(₱193,004,361)	₱579,013,084
Transfer to retained earnings	(3,760,602)	940,151	(2,820,451)
Balance at end of year	₱768,256,843	(₱192,064,210)	₱576,192,633

	2022		
	Revaluation Surplus	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱468,647,016	(₱117,161,754)	₱351,485,262
Appraisal increase	306,932,495	(76,733,124)	230,199,371
Transfer to retained earnings	(3,562,066)	890,517	(2,671,549)
Balance at end of year	₱772,017,445	(₱193,004,361)	₱579,013,084

	2021		
	Revaluation Surplus	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱472,426,540	(₱141,727,963)	₱330,698,577
Transfer to retained earnings	(3,779,524)	944,881	(2,834,643)
Effect of change in income tax rate	–	23,621,328	23,621,328
Balance at end of year	₱468,647,016	(₱117,161,754)	₱351,485,262

Movements of property and equipment at cost are as follows:

	2023		
	Transportation Equipment	Office Furniture and Equipment	Total
<b>Cost</b>			
Balance at beginning of year	₱76,192,107	₱105,626,877	₱181,818,984
Additions	3,770,000	7,365,610	11,135,610
Balance at end of year	79,962,107	112,992,487	192,954,594
<b>Accumulated Depreciation</b>			
Balance at beginning of year	63,090,131	93,559,429	156,649,560
Depreciation	4,473,217	11,350,356	15,823,573
Balance at end of year	67,563,348	104,909,785	172,473,133
<b>Carrying Amount</b>	₱12,398,759	₱8,082,702	₱20,481,461

	2022		
	Transportation Equipment	Office Furniture and Equipment	Total
<b>Cost</b>			
Balance at beginning of year	₱72,354,648	₱98,285,568	₱170,640,216
Additions	6,834,459	7,372,209	14,206,668
Disposals	(2,997,000)	(30,900)	(3,027,900)
Balance at end of year	76,192,107	105,626,877	181,818,984
<b>Accumulated Depreciation</b>			
Balance at beginning of year	60,709,129	87,324,134	148,033,263
Depreciation	5,378,002	6,244,737	11,622,739
Disposals	(2,997,000)	(9,442)	(3,006,442)
Balance at end of year	63,090,131	93,559,429	156,649,560
<b>Carrying Amount</b>	₱13,101,976	₱12,067,448	₱25,169,424

Depreciation on property and equipment consists of the following (see Note 19):

	2023	2022	2021
Property and equipment:			
At revalued amount	<b>₱7,491,771</b>	₱8,373,550	₱7,011,542
At cost	<b>15,823,573</b>	11,622,739	12,831,573
	<b>₱23,315,344</b>	₱19,996,289	₱19,843,115

In 2022, the Group disposed certain items of property and equipment carried at cost with proceeds and gain on sale amounting to ₱1.1 million. The gain on sale is presented as part of “Other income” account in the consolidated statements of comprehensive income.

The Group has fully depreciated property and equipment that are still in use with cost amounting to ₱167.0 million and ₱128.2 million as at December 31, 2023 and 2022, respectively.

## 9. Insurance Contract Liabilities

This account consists of:

	2023	2022
Legal policy reserves for:		
Ordinary life policies	<b>₱1,939,920,274</b>	₱1,958,857,404
Group life policies	<b>1,227,120,309</b>	1,055,110,199
Accident and health riders	<b>29,133,370</b>	28,552,641
	<b>3,196,173,953</b>	3,042,520,244
Policy and contract claims:		
Claims payable	<b>1,593,386,357</b>	1,313,206,404
Maturities and surrenders payable	<b>242,834,830</b>	216,697,041
Policyholders’ benefits payable	<b>90,320,249</b>	117,964,181
	<b>1,926,541,436</b>	1,647,867,626
	<b>₱5,122,715,389</b>	₱4,690,387,870

Claims payable include provision for claims incurred but not yet reported amounting to ₱710.9 million and ₱611.4 million as at December 31, 2023 and 2022, respectively.

Movements in legal policy reserves are as follows:

	Note	2023	2022
Balance at beginning of year		<b>₱3,042,520,244</b>	₱3,432,057,601
Recognized in:			
Profit or loss	18	<b>141,870,234</b>	147,608,393
Other comprehensive loss (income)		<b>11,783,475</b>	(537,145,750)
Balance at end of year		<b>₱3,196,173,953</b>	₱3,042,520,244

Movements of revaluation of legal policy reserves are as follows:

	<b>2023</b>	2022	2021
Balance at beginning of year	<b>₱660,144,459</b>	₱122,998,709	(₱201,662,671)
Remeasurement gain (loss) due to change in discount rates	<b>(11,783,475)</b>	537,145,750	324,661,380
Balance at end of year	<b>₱648,360,984</b>	₱660,144,459	₱122,998,709

In compliance with IC CL No. 2017-30, the Group appropriated its retained earnings for negative legal policy reserves representing traditional life policies wherein the present value of gross premiums exceeds the present value of benefits and expenses. The appropriation for negative legal policy reserves amounted to ₱231.8 million and ₱172.6 million as at December 31, 2023 and 2022, respectively (see Note 15).

Movements in policy and contract claims are as follows:

	Note	<b>2023</b>	2022
Balance at beginning of year		<b>₱1,647,867,626</b>	₱1,567,401,807
Benefits and claims	18	<b>1,403,391,364</b>	1,353,211,604
Payments		<b>(1,124,717,554)</b>	(1,272,745,785)
Balance at end of year		<b>₱1,926,541,436</b>	₱1,647,867,626

## 10. Premium Deposit Fund

Premium deposit fund pertains to deposits of the policyholders that will be applied against future premiums. At the end of each year, interest is credited to this fund at rates as the Group declares but not less than the lowest interest rate prevailing on the savings accounts.

Premium deposit fund amounted to ₱295.6 million and ₱306.6 million as at December 31, 2023 and 2022, respectively. Interest expense amounted to ₱19.3 million, ₱24.3 million and ₱13.5 million in 2023, 2022 and 2021, respectively (see Note 20).

## 11. Insurance Payables

Insurance payables pertain to amounts due to reinsurers arising from premiums ceded under the reinsurance contracts payable within 90 days.

The movements in this account are as follows:

	Note	<b>2023</b>	2022
Balance at beginning of year		<b>₱21,231,689</b>	₱85,776,580
Premiums ceded	17	<b>35,913,940</b>	53,873,361
Payments		<b>(57,070,473)</b>	(118,418,252)
Balance at end of year		<b>₱75,156</b>	₱21,231,689

## 12. Loans Payable

Loans payable pertain to the credit line facility established by the Group with a foreign bank. The maximum loan amount under the agreement is SGD0.1 million and US\$7.0 million and bears interest rate of 1.50% to 5.10% per annum in 2023 and 2022, respectively. The loans are payable on a monthly basis. The credit facility is used to advance the funds needed by the Group in the acquisition of foreign investments.

Interest expense amounted to ₱45,554, ₱0.1 million, and ₱0.3 million in 2023, 2022 and 2021, respectively (see Note 20).

The changes in liabilities arising from financing activities as at December 31, 2023 and 2022 are as follow:

	2023		Total
	Loans Payable	Dividends Payable (see Note 14)	
Balance at beginning of year	₱5,309,184	₱73,679,247	₱78,988,431
Changes from financing cash flows:			
Loan payments	(5,309,184)	–	(5,309,184)
Dividends paid	–	(725,714)	(725,714)
Balance at end of year	₱–	₱72,953,533	₱72,953,533

	2022		Total
	Loans Payable	Dividends Payable (see Note 14)	
Balance at beginning of year	₱4,811,634	₱73,759,133	₱78,570,767
Changes from financing cash flows:			
Loan availments	497,550	–	497,550
Dividends paid	–	(79,886)	(79,886)
Balance at end of year	₱5,309,184	₱73,679,247	₱78,988,431

## 13. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Accounts payable	₱50,810,486	₱84,975,354
Accrued expenses	60,843,036	23,802,772
Statutory payables	23,800,611	19,509,241
	₱135,454,133	₱128,287,367

Accounts payable pertain to unpaid service fees and purchase of supplies. These are generally paid within 30 days.

Accrued expenses pertain to accruals for employee benefits, underwriting expenses, commissions, professional and legal fees, utilities, supplies, postage and shipping. These are generally payable within one year.

Statutory payables consist of withholding taxes, premium tax and documentary stamps tax that are payable on the next reporting period.

#### 14. Other Liabilities

This account consists of:

	Note	2023	2022
Life insurance deposits		<b>₱174,202,866</b>	₱150,701,673
Dividends payable	12	<b>72,953,533</b>	73,679,247
Agents' fund		<b>32,827,573</b>	29,531,405
Others		<b>2,057,417</b>	3,717,336
		<b>₱282,041,389</b>	₱257,629,661

Life insurance deposits pertain to premiums received from policyholders with contracts that are still for processing and approval.

Dividends payable include amounts payable to the Parent Company's stockholders for their share in the Parent Company's earnings. These are due and demandable.

Agents' fund consists of withheld commissions from agents for future liabilities that may be incurred by the agent to the Group.

Others include advance rentals and deposits amounting to ₱0.3 million and ₱2.1 million as at December 31, 2023 and 2022, respectively (see Note 23).

#### 15. Retained Earnings

##### **Appropriated**

On May 2, 2017, the IC issued CL No. 2017-30 requiring life insurance companies to appropriate portion of retained earnings for negative legal policy reserves. These reserves pertain to traditional life policies wherein the present values of gross premiums exceed the present value of benefits and expenses.

Movements of retained earnings appropriated for negative reserves are as follows:

	2023	2022	2021
Balance at beginning of year	<b>₱172,643,555</b>	₱90,010,323	₱42,873,792
Additional appropriation	<b>59,112,287</b>	82,633,232	47,136,531
Balance at end of year	<b>₱231,755,842</b>	₱172,643,555	₱90,010,323

##### **Unappropriated**

Under the Philippine Corporation Code, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at December 31, 2023, 2022 and 2021, the Parent Company's unappropriated retained earnings amounting to ₱1,861.3 million, ₱1,842.8 million and ₱1,865.2 million, respectively, is in excess of 100% of its paid-up capital. The retention of excess retained earnings is mainly due to the compliance requirements of the IC for minimum statutory net worth. Moreover, the Parent Company intends to use the excess retained earnings for future business expansion projects.



## 16. Related Party Transactions

The table below summarizes the Group's transactions and outstanding balances with its related parties.

	Note	Transactions During the Year		Balance at End of Year		Nature	Terms and Conditions
		2023	2022	2023	2022		
<b>Due from related parties</b>	7						
Key management personnel		<b>(P5,000,000)</b>	P-	<b>P17,966,654</b>	P22,966,654	Advances to officers (Collection)	Non-interest bearing, unsecured, payable in cash, no impairment,
Entity under common control		-	-	<b>7,162,424</b>	7,162,424	Advances for working capital purposes	Non-interest-bearing, unsecured, payable in cash, no impairment,
				<b>P25,129,078</b>	P30,129,078		
<b>Mortgage and collateral loans</b>							
Entity under common control	7	<b>(P19,852,942)</b>	(P28,676,471)	<b>P54,595,588</b>	P74,448,530	Mortgage loan (collection)	5% interest, payable in 8 years, payable in cash, no impairment
<b>Interest income on:</b>	6						
Mortgage loan receivable		<b>P3,107,801</b>	P4,117,761	<b>P665,617</b>	P907,660	Interest income	Due and demandable
Due from related parties		-	343,233	-	-	Interest income	Due and demandable
				<b>P665,617</b>	P907,660		

### Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2023	2022	2021
Salaries and other employee benefits	<b>P54,199,244</b>	P52,417,244	P44,640,410
Retirement expense	<b>12,014,816</b>	9,061,966	5,896,858
	<b>P66,214,060</b>	P61,479,210	P50,537,268

## 17. Net Insurance Premiums

The gross premiums on insurance contracts consist of:

	2023	2022	2021
<b>Direct:</b>			
Group life insurance	<b>P1,771,752,064</b>	P1,786,140,123	P1,327,926,294
Ordinary life insurance	<b>301,947,682</b>	304,212,230	332,133,091
Accident and health	<b>12,266,988</b>	16,265,514	22,281,618
	<b>2,085,966,734</b>	2,106,617,867	1,682,341,003
<b>Assumed -</b>			
Group life insurance	<b>69,191,912</b>	108,866,424	78,871,816
	<b>P2,155,158,646</b>	P2,215,484,291	P1,761,212,819

The reinsurers' share of gross premiums on insurance contracts consists of (see Note 11):

	2023	2022	2021
Group life insurance	P35,320,471	P54,228,846	P39,391,990
Ordinary life insurance	481,043	(471,033)	399,573
Accident and health	112,426	115,548	106,166
	<b>P35,913,940</b>	<b>P53,873,361</b>	<b>P39,897,729</b>

#### 18. Net Insurance Benefits and Claims

Net benefits and claims incurred on insurance contracts consist of (see Note 9):

	Note	2023	2022	2021
Claims		P1,137,601,990	P1,171,153,969	P998,733,622
Maturities and surrenders		237,397,061	197,314,133	208,634,769
Experience refunds		43,335,241	1,886,434	9,308,292
Gross benefits and claims		1,418,334,292	1,370,354,536	1,216,676,683
Reinsurers' share	5	(14,942,928)	(17,142,932)	(25,020,355)
		<b>P1,403,391,364</b>	<b>P1,353,211,604</b>	<b>P1,191,656,328</b>

Net change in legal policy reserves consists of:

	2023		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net (see Note 9)
Group life insurance	P166,190,702	P5,424,926	P171,615,628
Ordinary life insurance	(30,517,936)	-	(30,517,936)
Accident and health	772,542	-	772,542
	<b>P136,445,308</b>	<b>P5,424,926</b>	<b>P141,870,234</b>
	2022		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net (see Note 9)
Group life insurance	P251,487,417	(P7,418,428)	P244,068,989
Ordinary life insurance	(93,560,958)	-	(93,560,958)
Accident and health	(2,899,638)	-	(2,899,638)
	<b>P155,026,821</b>	<b>(P7,418,428)</b>	<b>P147,608,393</b>
	2021		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net
Group life insurance	P164,510,916	(P461,520)	P164,049,396
Ordinary life insurance	(148,750,744)	-	(148,750,744)
Accident and health	525,773	-	525,773
	<b>P16,285,945</b>	<b>(P461,520)</b>	<b>P15,824,425</b>

## 19. General and Administrative Expenses

This account consists of:

	Note	2023	2022	2021
Service fees		<b>₱278,934,444</b>	₱304,963,417	₱203,170,030
Personnel costs		<b>158,356,478</b>	141,934,813	128,729,504
Agency expenses		<b>59,869,983</b>	59,228,407	62,671,134
Depreciation	8	<b>23,315,344</b>	19,996,289	19,843,115
Professional fees		<b>20,683,877</b>	14,552,045	20,715,108
Outside services		<b>12,901,354</b>	11,018,902	14,856,516
Advertising and promotions		<b>11,272,980</b>	5,096,579	6,945,011
Utilities		<b>8,434,271</b>	7,735,921	7,582,420
Entertainment, amusement and recreation		<b>6,692,306</b>	4,731,853	8,690,995
Taxes and licenses		<b>6,479,484</b>	10,856,539	10,847,147
Conferences and meetings		<b>6,144,269</b>	4,853,256	4,304,869
Supplies		<b>5,822,619</b>	6,926,137	5,606,875
Repairs and maintenance		<b>5,730,755</b>	5,218,436	5,173,786
Transportation and travel		<b>1,575,452</b>	396,500	791,420
Insurance		<b>1,150,140</b>	1,235,670	1,268,400
Association dues and fees		<b>1,135,506</b>	1,044,407	714,024
Trainings and seminars		<b>632,886</b>	124,963	124,893
Others		–	2,963,004	5,196,706
		<b>₱609,132,148</b>	₱602,877,138	₱507,231,953

Personnel costs consist of:

	Note	2023	2022	2021
Salaries and wages		<b>₱102,774,797</b>	₱98,488,740	₱90,864,454
Retirement benefits cost	21	<b>20,087,449</b>	19,247,188	15,545,062
Other employee benefits		<b>35,494,232</b>	24,198,885	22,319,988
		<b>₱158,356,478</b>	₱141,934,813	₱128,729,504

Other employee benefits pertain to the Group's share in the statutory contributions of employees to various government agencies.

Agency expenses include rent expense, utilities and other expenses incurred in the operations of branches and agency offices. Rent expense amounted to ₱9.8 million, ₱10.1 million and ₱9.0 million in 2023, 2022 and 2021, respectively (see Note 23).

## 20. Commissions and Other Direct Expenses and Finance Costs and Charges

### Commissions and Other Direct Expenses

This account consists of:

	2023	2022	2021
Commissions:			
Group	<b>₱144,248,676</b>	₱124,932,070	₱106,815,727
First year	<b>36,637,515</b>	28,760,433	30,943,987
Renewal	<b>2,057,396</b>	1,400,256	3,909,816
Reinsurance	<b>1,728,870</b>	18,855,904	9,691,614
Direct taxes	<b>44,289,311</b>	40,989,236	30,072,125
	<b>₱228,961,768</b>	₱214,937,899	₱181,433,269

### Finance Costs and Charges

This account consists of:

	Note	2023	2022	2021
Interest expense on:				
Premium deposit fund	10	<b>₱19,285,067</b>	₱24,267,877	₱13,517,202
Loans payable	12	<b>45,554</b>	147,090	329,982
		<b>19,330,621</b>	24,414,967	13,847,184
Bank charges and other service fees		<b>7,755,515</b>	8,152,979	8,914,444
		<b>₱27,086,136</b>	₱32,567,946	₱22,761,628

Bank charges and other service fees represent warehousing fees on investments in treasury bonds and fees for other bank services.

## 21. Retirement Liability

The Group has a funded, non-contributory defined benefit plan providing retirement benefits for all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment. The latest actuarial report was made for the year ended December 31, 2023.

The components of retirement benefits cost recognized in the consolidated statements of comprehensive income are as follows (see Note 19):

	2023	2022	2021
Current service cost	<b>₱12,644,611</b>	₱12,682,268	₱10,957,898
Net interest expense	<b>7,442,838</b>	6,564,920	4,587,164
	<b>₱20,087,449</b>	₱19,247,188	₱15,545,062

The components of net retirement liability presented in the consolidated statements of financial position are as follows:

	2023	2022
Present value of defined benefit obligation	<b>₱273,913,521</b>	₱244,745,578
Fair value of plan assets	<b>(143,706,457)</b>	(124,849,106)
	<b>₱130,207,064</b>	₱119,896,472

Movements in the net retirement liability recognized in the consolidated statements of financial position are as follows:

	2023	2022
Balance at beginning of year	<b>₱119,896,472</b>	₱152,145,961
Current service cost	<b>12,644,611</b>	12,682,268
Net interest expense	<b>7,442,838</b>	6,564,920
Net remeasurement loss (gain)	<b>5,583,567</b>	(33,768,862)
Actual contributions	<b>(10,000,000)</b>	(15,000,000)
Benefits paid out of Group's fund	<b>(5,360,424)</b>	(2,727,815)
Balance at end of year	<b>₱130,207,064</b>	₱119,896,472

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

	2023	2022
Balance at beginning of year	<b>₱244,745,578</b>	₱262,044,645
Current service cost	<b>12,644,611</b>	12,682,268
Interest cost	<b>16,668,142</b>	12,434,844
Remeasurement loss (gain) due to:		
Changes in financial assumptions	<b>13,664,663</b>	(33,548,486)
Experience adjustments	<b>(8,449,049)</b>	(6,139,878)
Benefits paid out of Group's fund	<b>(5,360,424)</b>	(2,727,815)
Balance at end of year	<b>₱273,913,521</b>	₱244,745,578

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

	2023	2022
Balance at beginning of year	<b>₱124,849,106</b>	₱109,898,684
Actual contributions	<b>10,000,000</b>	15,000,000
Interest income	<b>9,225,304</b>	5,869,924
Remeasurement loss	<b>(367,953)</b>	(5,919,502)
Balance at end of year	<b>₱143,706,457</b>	₱124,849,106

The Group expects to contribute ₱25.5 million to the plan assets in the next reporting period.

The distribution of the plan assets is as follows:

	2023	2022
Government securities	<b>86%</b>	86%
Corporate bonds, trust funds and mutual funds	<b>14%</b>	14%

The plan exposes the Group to the following risks:

- Salary Risk - any increase in the retirement plan participants' salary will increase the retirement
- Longevity Risk - any increase in the plan participants' life expectancy will increase the retirement plan's liability
- Investment Risk - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise.
- Interest rate risk - a decrease in the bond interest rate will increase the present value of the retirement liability. However, partially counterbalanced by an increase in the return on the plan assets

The cumulative remeasurement loss (gain) on net retirement liability recognized in other comprehensive income is as follows:

	<b>2023</b>		
	<b>Cumulative</b>	<b>Deferred Tax</b>	<b>Net</b>
	<b>Remeasurement</b>	<b>(see Note 22)</b>	
	<b>Gain (Loss)</b>		
Balance at beginning of year	<b>₱4,009,935</b>	<b>(₱1,002,484)</b>	<b>₱3,007,451</b>
Remeasurement loss	<b>(5,583,567)</b>	<b>1,395,892</b>	<b>(4,187,675)</b>
Balance at end of year	<b>(₱1,573,632)</b>	<b>₱393,408</b>	<b>(₱1,180,224)</b>

	<b>2022</b>		
	<b>Cumulative</b>	<b>Deferred Tax</b>	<b>Net</b>
	<b>Remeasurement</b>	<b>(see Note 22)</b>	
	<b>Gain (Loss)</b>		
Balance at beginning of year	<b>(₱29,758,927)</b>	<b>₱7,439,732</b>	<b>(₱22,319,195)</b>
Remeasurement gain	<b>33,768,862</b>	<b>(8,442,216)</b>	<b>25,326,646</b>
Balance at end of year	<b>₱4,009,935</b>	<b>(₱1,002,484)</b>	<b>₱3,007,451</b>

	<b>2021</b>		
	<b>Cumulative</b>	<b>Deferred Tax</b>	<b>Net</b>
	<b>Remeasurement</b>	<b>(see Note 23)</b>	
	<b>Gain (Loss)</b>		
Balance at beginning of year	<b>(₱17,090,744)</b>	<b>₱5,127,223</b>	<b>(₱11,963,521)</b>
Remeasurement loss	<b>(12,668,183)</b>	<b>3,167,046</b>	<b>(9,501,137)</b>
Effect of change in income tax rate	<b>–</b>	<b>(854,537)</b>	<b>(854,537)</b>
Balance at end of year	<b>(₱29,758,927)</b>	<b>₱7,439,732</b>	<b>(₱22,319,195)</b>

The principal assumptions used in determining net retirement liability are as follows:

	<b>2023</b>	<b>2022</b>
Discount rate	<b>6.07%</b>	7.08%
Salary increase rate	<b>6.00%</b>	6.00%

The sensitivity analysis of the retirement liability as at December 31, 2023 to changes in assumptions follows:

	<b>Change in Variables</b>	<b>Increase (Decrease) in</b>
		<b>Present Value of</b>
		<b>Defined Benefit Obligation</b>
Discount rate	+1.00%	<b>(₱13,554,285)</b>
	-1.00%	15,266,785
Salary increase rate	+1.00%	15,355,055
	-1.00%	<b>(13,887,633)</b>

The sensitivity analysis above has been determined based on a method that extrapolates the impact on retirement liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The maturity analysis of the undiscounted benefit payments follow:

Period	Amount
Less than 1 year	₱26,377,278
1 year to less than 5 years	196,219,580
5 years to less than 10 years	79,755,359
10 years to less than 15 years	111,539,152
15 years to less than 20 years	118,770,730
20 years and above	171,644,494

The average duration of the expected benefit payments at the end of the reporting period is 7.95 years.

## 22. Income Tax

The current income tax expense represents RCIT in 2023 and MCIT in 2022.

As at December 31, 2023 and 2022, the deferred tax assets amounting to ₱0.1 million which pertains to unearned rental income and NOLCO was not recognized as management assessed that it is not probable that there will be sufficient future taxable profit against which these deferred tax assets can be utilized as a result of BFAI's on-going liquidation.

The components of net deferred tax liabilities of the Parent Company are as follows:

	2023	2022
Deferred tax assets:		
Net retirement liability	₱32,551,766	₱29,974,118
Allowance for impairment on loans receivables	6,894,428	10,275,363
Unrealized foreign exchange loss	4,168,775	–
	<b>43,614,969</b>	40,249,481
Deferred tax liabilities:		
Revaluation surplus on property and equipment	192,064,210	193,004,361
Accrued interest using effective interest rate	75,813,507	63,734,597
Unrealized foreign exchange gain	–	31,366,802
Others	2,415,371	2,415,371
	<b>270,293,088</b>	290,521,131
Net deferred tax liabilities	<b>₱226,678,119</b>	₱250,271,650

The components of net deferred tax liabilities (assets) presented in other comprehensive income follow:

	Note	2023	2022
Revaluation surplus	8	₱192,064,210	₱193,004,361
Cumulative remeasurement loss (gain) on net retirement liability	21	(393,408)	1,002,484
		<b>₱191,670,802</b>	₱194,006,845

The presentation of net deferred tax liabilities (assets) is as follows:

	2023	2022
Through profit or loss	<b>₱35,007,317</b>	₱56,264,805
Through other comprehensive income	<b>191,670,802</b>	194,006,845
	<b>₱226,678,119</b>	₱250,271,650

The reconciliation between the income tax expense at statutory income tax rate and provision for income tax presented in the consolidated statements of comprehensive income is as follows:

	2023	2022	2021
Income tax expense at statutory tax rate	<b>₱36,315,629</b>	₱48,527,147	₱72,136,448
Tax effects of:			
Nondeductible expenses	<b>14,137,469</b>	77,964,255	3,648,436
Interest and dividend income subjected to final tax	<b>(9,610,977)</b>	(4,999,673)	(5,708,644)
Income exempt from tax	<b>(7,614,166)</b>	(8,242,494)	(5,373,498)
Nontaxable income	<b>(597,531)</b>	–	(25,001,908)
Effect of consolidation	–	5,032	1,003,406
Change in unrecognized deferred tax asset	<b>22,320</b>	20,458	155,915
Effect of change in income tax rates	–	–	7,100,361
Effective income tax	<b>₱32,652,744</b>	₱113,274,725	₱47,960,516

### 23. Commitments and Contingencies

#### **The Group as Lessor**

The Group has various lease agreements with third parties. The lease periods vary from one (1) to ten (10) years. The lease agreements contain provisions including but not limited to escalation rate of 3% to 5% per year and early termination penalties. Rental income amounted to ₱4.2 million, ₱4.2 million and ₱2.4 million in 2023, 2022 and 2021, respectively.

Advance rentals and deposits amounted to ₱0.3 million and ₱2.1 million as at December 31, 2023 and 2022, respectively (see Note 14).

Future minimum rental receivables under the cancellable operating leases are as follows:

	2023	2022
Within one year	<b>₱4,096,484</b>	₱4,294,205
After one year but not more than five years	<b>4,245,687</b>	3,165,329
	<b>₱8,342,171</b>	₱7,459,534

#### **The Group as Lessee**

The Group has various lease agreements for its branches and agency offices. The lease periods vary from one (1) year to three (3) years with annual escalation of 5% to 10%. Rent expense included under “Agency expenses” in “General and administrative expenses” account in the consolidated statements of comprehensive income amounted to ₱9.8 million, ₱10.1 million and ₱9.0 million in 2023, 2022 and 2021, respectively (see Note 19). The Group assessed that these lease agreements qualify as leases of low value assets or short-term leases.



Future minimum lease payments under the cancellable operating leases as at December 31, 2023 and 2022 are as follows:

	2023	2022
Within one year	₱8,013,838	₱9,171,642
After one year but not more than five years	2,699,606	3,687,760
	<b>₱10,713,444</b>	<b>₱12,859,402</b>

## 24. Capital Management and Regulatory Framework

### **Capital Management Framework**

It is the Parent Company's objective that it remains in compliance with all regulatory requirements that would ensure safety and stability of its financial position and that shareholder value is optimized.

The Parent Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Model.

The Parent Company assesses its capital adequacy annually by adopting an internal capital measurement framework that reflects the regulatory capital definitions and the Parent Company's view of its exposure to risk. In 2023 and 2022, the Parent Company has complied with all externally required capital. In any event that the capital adequacy assessment falls below the minimum standard set, it is the Parent Company's policy to make capital calls and/or liquidate certain investments with substantial reserves.

### **Regulatory Framework**

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

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

### **Minimum Statutory Net Worth**

On August 5, 2013, the President of the Philippines approved Republic Act No. 10607, also known as the "Amended Insurance Code" which provides for the new capitalization requirements of all existing insurance companies as follows:

Net Worth	Compliance Date
₱900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued CL No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of the New Insurance Code. The said circular superseded Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008. The minimum net worth requirements must remain unimpaired for the continuance of the license.

Pursuant to Section 202 of The Insurance Code, the amount of non-admitted assets of the Parent Company as at December 31, 2023 and 2022 are as follows:

	<b>2023</b>	2022
Financial assets at FVOCI	<b>₱721,724,270</b>	₱439,712,324
Property and equipment	<b>622,446,449</b>	709,270,108
Loans receivables	<b>545,467,826</b>	520,373,871
Financial assets at FVPL	<b>474,281,421</b>	165,664,694
Accrued investment income	<b>12,145,642</b>	5,244,180
Other assets	<b>115,331,452</b>	88,915,242
	<b>₱2,491,397,060</b>	₱1,929,180,419

As at December 31, 2023 and 2022, the Parent Company's net worth and its excess over the requirement are as follows:

	<b>2023</b>	2022
Total assets	<b>₱10,406,951,370</b>	₱9,860,534,344
Total liabilities	<b>6,198,220,544</b>	5,778,952,979
Equity	<b>4,208,730,826</b>	4,081,581,365
Less: Non-admitted assets	<b>2,491,397,060</b>	1,929,180,419
Net worth	<b>1,717,333,766</b>	2,152,400,946
Less: Net worth requirement	<b>1,300,000,000</b>	1,300,000,000
Excess over net worth requirement	<b>₱417,333,766</b>	₱852,400,946

As at December 31, 2023 and 2022, the Parent Company is compliant with the minimum statutory net worth requirements of the IC.

### **RBC Requirements**

The Insurance Code provides that the Commissioner may require the adoption of the RBC approach and other internationally accepted forms of capital framework. Together with the insurance industry, the IC is currently in the process of adopting a new RBC approach that would be more tailored to the Philippine insurance industry. In 2016, the IC issued CL No. 2016-68 regarding the Amended RBC framework to be known as "RBC2 Framework" which was effective starting January 1, 2017.

CL No. 2016-68 provides for the RBC2 framework for the insurance industry (life and nonlife) which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks.

Every 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 all have occurred:

- a. The RBC ratio is less than 125% but is not below 100%;
- b. The RBC ratio has decreased over the past year; and
- 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.

The following table shows how the RBC ratio as at December 31, 2023 and 2022 was determined by the Parent Company based on its internal calculations:

	2023	2022
Tier 1	₱2,985,357,432	₱2,840,035,578
Tier 2	1,223,373,395	1,242,164,995
Deductions	(2,246,727,610)	(2,302,892,517)
Total available capital	1,962,003,217	1,779,308,056
RBC requirement	1,455,813,255	1,360,117,153
RBC ratio	135%	131%

The final amount of the RBC ratio can be determined only after the accounts of the Parent Company have been examined by IC specifically for the determination of admitted and non-admitted assets as defined under The Insurance Code.

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## 25. Risk Management Objectives and Policies

### **Insurance Risk**

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than the original estimate and subsequent development of long-term claims.

### **Terms and Conditions**

The Group principally writes life insurance where the life of policyholder is insured against death, illness, injury or permanent disability, usually for pre-determined amount.

Life insurance contracts offered by the Group mainly include whole life, term insurance and endowment products.

Whole life and term insurance are conventional products where lump sum benefits are payable on death.

Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the period is completed.

The risks associated with the life and accident and health products are considered as underwriting risk. Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing.

Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss due to policyholder health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Policyholder decision risk - risk of loss due to policyholder experiences (lapses and surrenders) being different than expected.

The Group generally limits its maximum underwriting exposure on life insurance of a single life to ₱3,000,000 of coverage by using yearly renewable term reinsurance. The Group is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. While reinsurance arrangements do not relieve the Group from its direct obligations to its insured, an efficient and effective reinsurance program substantially limits the Group's exposure to potentially significant losses.

The table below sets out the Group's concentration of insurance risks based on sum insured:

	2023		2022	
	Number of Policies	Amount of Coverage	Number of Policies	Amount of Coverage
Whole life	81,491	₱10,728,692,167	79,798	₱10,634,211,913
Endowment	4,423	579,045,011	5,372	687,506,333
Term	10,640	1,450,319,482	10,618	1,417,798,318
Accident and health	8,618	682,943,878	8,475	688,158,665
Group life	868	837,907,688,084	816	640,197,400,791
	<b>106,040</b>	<b>₱851,348,688,622</b>	105,079	₱653,625,076,020

The table below sets out the concentration of legal policy reserves by type of contract (see Note 9):

	2023	2022
Ordinary life	₱1,939,920,274	₱1,958,857,404
Group life	1,227,120,309	1,055,110,199
Accident and health	29,133,370	28,552,641
	<b>₱3,196,173,953</b>	₱3,042,520,244

### Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of The Insurance Code and guidelines set by the IC. For insurance contracts, the Group determines the assumptions in relation to future deaths, illness or injury and investment returns at inception of the contract.

Subsequently, new estimates are developed at each reporting date and liabilities are tested to determine whether such liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered to reflect the latest current estimates.

As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

The key assumptions to which the estimation and adequacy testing of liabilities are particularly sensitive are as follows:

*Mortality and Morbidity Rates.* Assumptions are based on standard industry and national mortality and morbidity tables, according to the type of contract written and which may be adjusted, where appropriate, to reflect the Group's own experiences. Assumptions are differentiated by sex, underwriting class and contract type.

For life insurance policies, increased mortality and morbidity rates would lead to a larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing profits for the shareholders.

*Discount Rates.* Life insurance liabilities are determined as the sum of the discounted value of the expected benefits, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. The weighted average rate of return is derived based on model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for shareholders.

*Investment Return.* The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to an increase in profits for the shareholders.

*Lapse and Surrender Rates.* Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

*Expenses.* Administrative expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for shareholders.

The assumptions that have the greatest effect on the consolidated statements of financial position and consolidated statements of comprehensive income are listed below.

	Mortality and Morbidity Rates		Discount Rates	
	2023	2022	2023	2022
Ordinary life	<b>2017 PICM, 1959 ADB, and 1952 Disability</b>	2017 PICM, 1959 ADB, and 1952 Disability	<b>5.99% to 6.99%</b>	5.5% to 7.6%
Group life	<b>Based on Experience</b>	Based on Experience	<b>Based on Experience</b>	Based on Experience

### Sensitivity Analysis

The analysis below is performed for reasonably possible changes in key assumptions, with all other assumptions held constant, on liabilities, income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. To demonstrate the impact due to changes in assumptions, sensitivity analysis has been performed based on the prescribed rate by IC for margin for adverse deviation.

The effects of changes in assumptions follow:

Change in Assumptions	2023		
	Increase (Decrease) in Liabilities	Increase (Decrease) in Income Before Tax	Increase (Decrease) in Equity
+10%	(P89,202,572)	P89,202,572	P55,721,147
-10%	122,455,892	(122,455,892)	(393,479,657)

Change in Assumptions	2022		
	Increase (Decrease) in Liabilities	Increase (Decrease) in Income Before Tax	Increase (Decrease) in Equity
+10%	(P72,186,657)	P72,186,657	P74,722,148
-10%	300,444,122	(300,444,122)	(102,145,523)

### Financial Risk

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. Taking risk is core to the insurance business, and the operational risks are inevitable consequence of being in business. The Group's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date financial information. The Group regularly reviews its risk management policies to reflect changes in markets, products and emerging best practices.

The BOD provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange, interest rate, equity price, credit, liquidity and use of derivative and non-derivative financial instruments, among others.

The BOD is responsible for the management of market, credit and liquidity risks. Their objective is to minimize adverse impacts on the Group's financial performance due to the unpredictability of financial markets. The Internal Audit is also responsible for the independent review of risk assessment measures and procedures and the control environment.

### Fair Values of Financial Instruments

The following table sets forth the estimated fair values and carrying values of financial assets and liabilities recognized as at December 31, 2023 and 2022:

	2023		2022	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	₱1,053,670,654	₱1,053,670,654	₱1,179,443,671	₱1,179,443,671
Short-term investments	64,458,355	64,458,355	52,182,102	52,182,102
Insurance receivables	11,842,614	11,842,614	8,216,046	8,216,046
Investment securities	6,900,760,739	6,853,204,834	6,244,736,715	6,256,135,242
Loans receivables	1,238,998,437	1,244,941,282	1,197,263,693	1,204,548,519
Accrued investment income	82,497,398	82,497,398	74,820,615	74,820,615
	<b>₱9,352,228,197</b>	<b>₱9,310,615,137</b>	<b>₱8,756,662,842</b>	<b>₱8,775,346,195</b>
<b>Financial Liabilities</b>				
Insurance contract liabilities	₱5,122,715,389	₱5,122,715,389	₱4,690,387,870	₱4,690,387,870
Premium deposit fund	295,605,836	295,605,836	306,636,783	306,636,783
Insurance payables	75,156	75,156	21,231,689	21,231,689
Loans payable	–	–	5,309,184	5,309,184
Accounts payable and accrued expenses*	111,653,522	111,653,522	108,778,126	108,778,126
Other liabilities	282,041,389	282,041,389	257,629,661	257,629,661
	<b>₱5,812,091,292</b>	<b>₱5,812,091,292</b>	<b>₱5,389,973,313</b>	<b>₱5,389,973,313</b>

\*Excluding statutory payables amounting to ₱23.8 million and ₱19.5 million as at December 31, 2023 and 2022, respectively.

Due to the normal operating cycle of the Group and short-term nature of cash and cash equivalents, short-term investments, insurance receivables, accrued investment income, insurance contract liabilities, premium deposit fund, loans payable, insurance payables, accounts payable and accrued expenses and other liabilities, their carrying values approximate fair values at year end.

The fair value of financial assets at FVPL and financial assets at FVOCI that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For units in unit trust and shares in open ended investment companies, fair value is by reference to net asset value per unit provided by the counterparty. These financial assets are classified under level 1 of fair value hierarchy.

The fair value of the loans receivables is estimated using the discounted cash flow technique that makes use of risk-free interest rates. The estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. The fair value of loans receivables is classified under level 2 of fair value hierarchy.

There were no transfers between fair value hierarchies in 2023 and 2022.

### **Credit Risk**

Credit risk is the risk when a party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.

The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group; setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy; and review of credit risk policy for pertinence and changing environment.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Group selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Group's reinsurance programs.

The Group is also guided by the rulings of the IC to ensure admissibility of its investment securities.

The Group sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risks associated with fixed income investments are managed by the Group by monitoring exposure against pre-established limits set by the regulators and the BOD. Provisions for impaired assets are charged against the carrying value of the asset.

The Group performs credit analysis and review for both retail and corporate financial products to ensure consistency in the risk assessment process. The BOD also ensures that the credit policies and procedures are adequate and constantly evolving to meet the changing demands of the industry.

For debt securities and other bills, external ratings such as Standard & Poor's, Moody's and Fitch's ratings or their equivalent are used by the Group for managing credit risk exposure. Investments in these securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements.

With respect to credit risk arising from its financial assets, the table below shows the maximum exposure to credit risk of the following financial instruments in the consolidated statements of financial position before taking into consideration any credit enhancements:

	<b>2023</b>	2022
Cash in banks and cash equivalents	<b>₱1,053,617,654</b>	₱1,179,390,671
Short-term investments	<b>64,458,355</b>	52,182,102
Insurance receivables	<b>11,842,614</b>	8,216,046
Investment securities	<b>6,853,204,834</b>	6,256,135,242
Loans receivables	<b>1,244,941,282</b>	1,204,548,519
Accrued investment income	<b>82,497,398</b>	74,820,615
	<b>₱9,310,562,137</b>	₱8,775,293,195

The carrying amount of the financial assets represents the gross maximum exposure to credit risk at reporting date except for mortgage and collateral loans. The financial effect of collateral or credit enhancement amounted to ₱491.9 million and ₱491.6 million in 2023 and 2022, respectively.



The Group holds cash surrender values of policyholder's insurance policy and Transfer Certificate of Title (TCT) for real properties as collaterals.

The Group has no significant concentration of credit risk on any single or group of counterparties. The Group's financial assets are categorized based on its collection experience with the counterparties and classified based on the following credit rating:

- a. High Grade - these are neither past due nor impaired with settlements obtained from counterparty following the terms of the contracts without much collection effort. The Group's cash in banks and cash equivalents, short-term investments and investment securities are classified under this category.
- b. Standard Grade - these are also neither past due nor impaired but some reminder follow-ups are performed to obtain settlement from the counterparty. The Group's insurance receivables, loans receivables and accrued investment income are classified under this category.

The following table summarizes the impairment analysis of the Group's financial assets as at December 31, 2023 and 2022. It indicates whether the financial assets were subjected to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether these were credit-impaired.

	December 31, 2023			Total
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL - credit impaired	
Cash in banks and cash equivalents	₱1,053,617,654	₱–	₱–	₱1,053,617,654
Short-term investments	64,458,355	–	–	64,458,355
Insurance receivables	11,842,614	–	–	11,842,614
Investment securities	6,853,204,834	–	–	6,853,204,834
Loans receivables	1,253,781,440	–	18,737,552	1,272,518,992
Accrued investment income	82,497,398	–	–	82,497,398
	<b>₱9,319,402,295</b>	<b>₱–</b>	<b>₱18,737,552</b>	<b>₱9,338,139,847</b>

	December 31, 2022			Total
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL - credit impaired	
Cash in banks and cash equivalents	₱1,179,390,671	₱–	₱–	₱1,179,390,671
Short-term investments	52,182,102	–	–	52,182,102
Insurance receivables	8,216,046	–	–	8,216,046
Investment securities	6,256,135,242	–	–	6,256,135,242
Loans receivables	1,211,249,560	–	34,400,411	1,245,649,971
Accrued investment income	74,820,615	–	–	74,820,615
	<b>₱8,781,994,236</b>	<b>₱–</b>	<b>₱34,400,411</b>	<b>₱8,816,394,647</b>

### **Liquidity Risk Management**

The Group's primary source of funds is cash provided by collection of premiums and net investment income. These funds are used primarily to pay policy benefits, dividends to policyholders, claims, commissions, operating expenses, taxes and licenses and shareholder dividends. Cash flows generated from operating activities are generally invested to support future payment requirements.

The Group maintains a conservative liquidity position that exceeds all the liabilities payable on demand. To strengthen its liquidity further, the Group actively manages and monitors its capital levels, asset levels, matching position, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

Based on the Group's historical cash flows, management believes that the cash flow from operating activities will continue to provide sufficient liquidity for the Group to satisfy all future obligations.

The table below summarizes the financial liabilities of the Group which are due within one year based on remaining contractual undiscounted cash flows as at December 31, 2023 and 2022:

	2023	2022
Insurance contract liabilities	<b>₱3,063,341,496</b>	₱2,702,977,826
Premium deposit fund	<b>295,605,836</b>	306,636,783
Insurance payables	<b>75,156</b>	21,231,689
Loans payable	–	5,309,184
Accounts payable and accrued expenses*	<b>111,653,522</b>	108,778,126
Other liabilities	<b>281,721,161</b>	255,527,602
	<b>₱3,752,397,171</b>	<b>₱3,400,461,210</b>

\*Excluding statutory payables amounting to ₱23.8 million and ₱19.5 million as at December 31, 2023 and 2022, respectively.

### **Market Risk**

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

Increasing market fluctuations may result in significant impact on the Group's equity, cash flows and profit. Its operating activities as well as its investing and financing activities are affected by changes in foreign exchange rates, interest rates and equity price risks. Market risks arise from foreign currency-denominated financial instruments, investments in debt securities, as well as from equity securities.

The Group manages its market risk by monitoring its exposure to capital markets against established risk tolerance levels.

The Group also has specific policies that allow it to maintain its strong financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Group invests in various types of assets with a view to matching them with its liabilities of various durations.

### **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Philippine Peso (PHP) and its exposure to foreign currency risk arise primarily with respect to the Group's investments in foreign currency-denominated debt and equity securities and dealings with foreign reinsurers in its settlement of obligations and receipt of any claim reimbursements, which are denominated in the following currencies:

- United States Dollar (USD)
- Singaporean Dollar (SGD)
- Euro (EUR)
- Australian Dollar (AUD)
- Hong Kong Dollar (HKD)
- Great Britain Pound (GBP)

The table below summarizes the Group's exposure to currency risk on foreign currency-denominated assets and liabilities and total PHP equivalents.

2023							Total
	USD	SGD	EUR	AUD	HKD	GBP	(PHP)
<b>Financial Assets</b>							
Cash and cash equivalents	\$2,957,588	SGD51,587	EUR354,795	AUD31,064	HKD1,155,045	£2,211	₱202,950,692
Accrued investment income	726,670	-	-	7,273	-	-	40,511,728
Investment securities	48,958,163	283,754	-	1,883,119	-	60,929	2,798,532,393
Loans and receivables	1,011	-	-	-	-	-	55,979
	<b>\$52,643,432</b>	<b>SGD335,341</b>	<b>EUR354,795</b>	<b>AUD1,921,456</b>	<b>HKD1,155,045</b>	<b>£63,140</b>	<b>₱3,042,050,792</b>
<b>Financial Liabilities</b>							
Accounts payable and accrued expenses	\$10,228	SGD-	EUR-	AUD-	HKD-	£-	₱566,324
Insurance contract liabilities	960,800	-	-	-	-	-	53,199,496
Premium deposit fund	1,931	-	-	-	-	-	106,920
Other current liabilities	951	-	-	-	-	-	52,657
	<b>\$973,910</b>	<b>SGD-</b>	<b>EUR-</b>	<b>AUD-</b>	<b>HKD-</b>	<b>£-</b>	<b>₱53,925,397</b>
2022							Total
	USD	SGD	EUR	AUD	HKD	GBP	(PHP)
<b>Financial Assets</b>							
Cash and cash equivalents	\$4,447,657	SGD3,483	€26,180	AUD56,879	HKD83,512	£1,778	₱252,554,364
Accrued investment income	697,303	-	-	6,036	-	-	39,106,282
Investment securities	44,271,583	281,469	264,721	1,758,595	1,305,610	169,611	2,583,148,262
Loans and receivables	1,754	-	-	-	-	-	97,818
	<b>\$49,418,297</b>	<b>SGD284,952</b>	<b>€290,901</b>	<b>AUD1,821,510</b>	<b>HKD1,389,122</b>	<b>£171,389</b>	<b>₱2,874,906,726</b>
<b>Financial Liabilities</b>							
Accounts payable and accrued expenses	\$113,674	SGD-	€-	AUD-	HKD-	£-	₱6,337,881
Insurance contract liabilities	1,074,835	-	-	-	-	-	59,927,411
Loans payable	-	127,687	-	-	-	-	5,309,184
Premium deposit fund	1,931	-	-	-	-	-	107,640
Other current liabilities	1,146	-	-	-	-	-	63,875
	<b>\$1,191,586</b>	<b>SGD127,687</b>	<b>€-</b>	<b>AUD-</b>	<b>HKD-</b>	<b>£-</b>	<b>₱71,745,991</b>

For purposes of restating the outstanding balances of the Group's foreign currency-denominated financial assets and liabilities as at December 31, 2023 and 2022, the following exchange rates were applied:

	2023	2022
USD	<b>₱55.37</b>	₱55.76
SGD	<b>42.09</b>	41.58
EUR	<b>61.47</b>	59.55
AUD	<b>37.95</b>	37.80
HKD	<b>7.11</b>	7.20
GBP	<b>70.76</b>	67.44

The following table demonstrates the sensitivity to reasonably possible change in foreign exchange rate, with all other variables held constant, of the Group's income before tax as at December 31, 2023 and 2022:

	2023			2022		
	Increase/ Decrease in Exchange Rate	Effect on Income before Tax	Effect on Equity	Increase/ Decrease in Exchange Rate	Effect on Income before Tax	Effect on Equity
USD	5.55% (5.55%)	₱150,293,262 (150,293,262)	₱131,015,218 (131,015,218)	4.57% (4.57%)	₱110,151,913 (110,151,913)	₱98,398,903 (98,398,903)
SGD	4.64% (4.64%)	560,382 (560,382)	420,286 (420,286)	2.97% (2.97%)	– –	926,529 (926,529)
EUR	3.22% (3.22%)	702,258 (702,258)	– –	3.43% (3.43%)	53,474 (53,474)	816,814 (816,814)
AUD	2.87% (2.87%)	759,695 (759,695)	2,202,284 (2,202,284)	3.44% (3.44%)	741,119 (741,119)	2,503,113 (2,503,113)
HKD	1.25% (1.25%)	102,655 (102,655)	102,655 (102,655)	4.18% (4.18%)	959,805 (959,805)	959,805 (959,805)
GBP	5.09% (5.09%)	– –	149,891 (149,891)	5.09% (5.09%)	– –	354,620 (354,620)

### Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

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

A critical element of the Group's risk management process consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income and ensuring that the exposure in interest rate is kept within acceptable limits.

An efficient matching policy of assets and liabilities arising from insurance and investment contracts are established to keep potential losses within acceptable levels.

The following tables show the information relating to the Group's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

	2023			
	Up to 1 year	1-3 years	3-5 years	Over 5 years
Financial assets at FVOCI	₱301,351,243	₱230,946,655	₱285,585,104	₱1,079,844,123
Financial assets at FVPL	36,823,542	96,122,874	104,133,802	583,870,891
	2022			
	Up to 1 year	1-3 years	3-5 years	Over 5 years
Financial assets at FVOCI	₱143,918,393	₱288,394,629	₱341,303,909	₱865,085,687
Financial assets at FVPL	–	47,066,280	170,840,088	619,944,746

The following table below presents the impact on income before tax and equity due to a reasonable possible change in the interest rate for the year ended December 31, 2023 and 2022:

<b>2023</b>			
	<b>Change in Variable</b>	<b>Impact on Income Before Tax</b>	<b>Impact on Equity</b>
USD	<b>5.1486%</b> <b>(5.1486%)</b>	<b>₱52,677,597</b> <b>(52,677,597)</b>	<b>₱97,170,690</b> <b>(97,170,690)</b>
AUD	<b>3.65%</b> <b>(3.65%)</b>	– –	<b>215,539</b> <b>(215,539)</b>
<b>2022</b>			
	<b>Change in Variable</b>	<b>Impact on Income Before Tax</b>	<b>Impact on Equity</b>
USD	5.4347% (5.4347%)	₱31,717,851 (31,717,851)	₱126,514,993 (126,514,993)
AUD	4.85% (4.85%)	– –	5,053,367 (5,053,367)

The impact on the Group's equity, caused by changes in the market value of financial assets, already excludes the impact on transactions affecting the consolidated statements of comprehensive income. The impact on the Group's income before tax is caused by changes in the market value of financial assets at FVPL.

In 2023 and 2022, the Group determined the reasonably possible change in interest rates using the percentages changes in weighted average yield rates of outstanding securities for the past five years.

#### **Equity Price Risk**

Equity price risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of PSEi and other foreign stock exchange indices.

The Group's equity price risk exposure relates to equity shares classified as financial assets at FVPL and FVOCI.

The table below shows the equity impact of reasonably possible change of PSEi and other foreign stock exchange indices as at December 31, 2023 and 2022:

Market Indices	2023		
	Change in Stock Index	Impact on Income Before Tax	Impact on Equity
PSEi	9.89% (9.89%)	₱– –	₱2,025,280 (2,025,280)
Standard and Poor's Index (SPX)	13.58% (13.58%)	– –	388,253 (388,253)
2022			
Market Indices	Change in Stock Index	Impact on Income Before Tax	Impact on Equity
Hang Seng Index (HSI)	14.66% (14.66%)	₱– –	₱462,499 (462,499)
PSEi	12.33% (12.33%)	5,496,670 (5,496,670)	2,653,565 (2,653,565)
Financial Times Stock Exchange (FTSE)	7.02% (7.02%)	– –	210,290 (210,290)
Standard and Poor's Index (SPX)	0.84% (0.84%)	– –	25,246 (25,246)
FTSE Straits Times Index (FSSTI)	7.50% (7.50%)	– –	460,325 (460,325)

The effect on equity is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities classified as financial assets at FVOCI. The effect on income is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities classified as financial assets at FVPL.

The equity impact is arrived at using the reasonably possible change for the past five years of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

The impact on the Group's equity already excludes the impact on transactions affecting the consolidated statements of comprehensive income.

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**26. Classification of Consolidated Statements of Financial Position Accounts**

The current portions of the Group's assets and liabilities as at December 31, 2023 and 2022 are as follows:

	<b>2023</b>	2022
<b>Current assets:</b>		
Cash and cash equivalents	<b>₱1,053,670,654</b>	₱1,179,443,671
Short-term investments	<b>64,458,355</b>	52,182,102
Insurance receivables	<b>11,842,614</b>	8,216,046
Investment securities	<b>1,478,901,909</b>	1,549,058,975
Loans receivables	<b>870,274,847</b>	703,350,902
Accrued investment income	<b>82,497,398</b>	74,820,615
Other current assets	<b>4,344,641</b>	1,611,730
	<b>₱3,565,990,418</b>	₱3,568,684,041
<b>Current liabilities:</b>		
Insurance contract liabilities	<b>₱3,063,341,496</b>	₱2,702,977,826
Premium deposit fund	<b>295,605,836</b>	306,636,783
Insurance payables	<b>75,156</b>	21,231,689
Loans payable	–	5,309,184
Accounts payable and accrued expenses	<b>135,454,133</b>	128,287,367
Income tax payable	<b>6,342,816</b>	1,933,492
Other liabilities	<b>281,721,161</b>	255,527,602
	<b>₱3,781,961,468</b>	₱3,421,903,943

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors  
Beneficial Life Insurance Company, Inc. and Subsidiary  
Beneficial Life Building  
166 Salcedo Street  
Legaspi Village, Makati City, Philippines

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of the Beneficial Life Insurance Company, Inc. (the Parent Company) and Subsidiary (collectively referred to as the Group) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules for the submission to the Securities and Exchange Commission are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of the Retained Earnings Available for Dividend Declaration of the Parent Company
- Schedules required by Part II of Securities Regulation Code (SRC) Rule 68, as Amended

These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

### REYES TACANDONG & Co.

  
DARRYLL REESE Q. SALANGAD

Partner

CPA Certificate No. 107615

Tax Identification No. 227-770-760-000

BOA Accreditation No. 4782; Valid until April 13, 2024

IC Accreditation No. 107615-IC

Issued August 12, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-016-2022

Valid until May 15, 2025

PTR No. 10072422

Issued January 2, 2024, Makati City

April 12, 2024

Makati City, Metro Manila



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## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Beneficial Life Insurance Company, Inc.  
Beneficial Life Building  
166 Salcedo St.  
Legaspi Village, Makati City

### *Opinion*

We have audited the separate financial statements of Beneficial Life Insurance Company, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to separate financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

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

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



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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.


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

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



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

**REYES TACANDONG & Co.**

  
DARRYLL REESE Q. SALANGAD

Partner

CPA Certificate No. 107615

Tax Identification No. 227-770-760-000

BOA Accreditation No. 4782; Valid until April 13, 2024

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Valid until May 15, 2025

PTR No. 10072422

Issued January 2, 2024, Makati City

April 12, 2024

Makati City, Metro Manila

**BENEFICIAL LIFE INSURANCE COMPANY, INC.**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2023	2022
<b>ASSETS</b>			
Cash and cash equivalents	4	₱1,051,819,070	₱1,177,531,785
Short-term investments	4	64,458,355	52,182,102
Insurance receivables	5	11,842,614	8,216,046
Investment securities	6	6,853,204,834	6,256,135,242
Loans receivables	7	1,246,723,113	1,204,548,519
Accrued investment income	6	82,497,398	74,820,615
Property and equipment:	9		
At revalued amount		945,877,532	950,751,000
At cost		20,481,461	25,169,424
Investment in a subsidiary	8	–	–
Other assets		130,046,995	111,179,611
		<b>₱10,406,951,372</b>	<b>₱9,860,534,344</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contract liabilities	10	₱5,122,715,389	₱4,690,387,870
Premium deposit fund	11	295,605,836	306,636,783
Insurance payables	12	75,156	21,231,689
Loans payable	13	–	5,309,184
Accounts payable and accrued expenses	14	134,875,003	127,758,237
Net retirement liability	22	130,207,064	119,896,472
Net deferred tax liabilities	23	226,678,119	250,271,650
Income tax liability		6,342,816	1,933,492
Other liabilities	15	281,721,161	255,527,602
Total Liabilities		<b>6,198,220,544</b>	<b>5,778,952,979</b>
<b>Equity</b>			
Capital stock		626,756,494	626,756,494
Additional paid-in capital		489,265,675	489,265,675
Retained earnings:	16		
Appropriated		231,755,842	172,643,555
Unappropriated		1,861,791,807	1,843,207,064
Other comprehensive income		999,161,010	949,708,577
Total Equity		<b>4,208,730,828</b>	<b>4,081,581,365</b>
		<b>₱10,406,951,372</b>	<b>₱9,860,534,344</b>

See accompanying Notes to Separate Financial Statements.

**BENEFICIAL LIFE INSURANCE COMPANY, INC.**  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**

		<b>Years Ended December 31</b>	
	Note	<b>2023</b>	2022
<b>REVENUES</b>			
Gross premiums on insurance contracts	18	<b>₱2,155,158,646</b>	₱2,215,484,291
Reinsurers' share of gross premiums on insurance contracts	18	<b>(35,913,940)</b>	(53,873,361)
Net insurance premiums		<b>2,119,244,706</b>	2,161,610,930
Interest income	4	<b>444,454,994</b>	327,824,109
Dividend income	6	<b>47,820,624</b>	47,440,720
Rental income	24	<b>4,237,718</b>	4,189,049
Gain on sale of investment securities	6	–	1,144,613
Other income		<b>35,482,344</b>	27,944,300
		<b>2,651,240,386</b>	2,570,153,721
<b>BENEFITS, CLAIMS AND EXPENSES</b>			
Net benefits and claims incurred on insurance contracts	19	<b>1,403,391,364</b>	1,353,211,604
Net change in legal policy reserves	19	<b>141,870,234</b>	147,608,393
Net insurance benefits and claims		<b>1,545,261,598</b>	1,500,819,997
General and administrative expenses	20	<b>609,020,550</b>	599,812,173
Commission and other direct expenses	21	<b>228,961,768</b>	217,900,903
Insurance taxes		<b>42,174,633</b>	42,606,912
Finance costs and charges	21	<b>27,086,136</b>	32,567,946
Net fair value loss on financial assets at fair value through profit or loss (FVPL)	6	<b>13,696,100</b>	216,970,571
Loss on sale of investment securities	6	<b>10,651,959</b>	–
		<b>2,476,852,744</b>	2,610,678,502
<b>INCOME (LOSS) BEFORE FOREIGN EXCHANGE CHANGES AND IMPAIRMENT LOSSES</b>		<b>174,387,642</b>	(40,524,781)
<b>NET FOREIGN EXCHANGE GAIN (LOSS)</b>		<b>(15,806,957)</b>	236,533,392
<b>PROVISION FOR IMPAIRMENT LOSSES ON INVESTMENT SECURITIES AND LOANS AND RECEIVABLES</b>	6	<b>(13,229,929)</b>	(1,799,386)
<b>INCOME BEFORE INCOME TAX</b>		<b>145,350,756</b>	194,209,225
<b>INCOME TAX EXPENSE (BENEFIT)</b>	23		
Final		<b>39,428,538</b>	28,172,640
Current		<b>14,481,694</b>	6,403,880
Deferred		<b>(21,257,488)</b>	78,698,205
		<b>32,652,744</b>	113,274,725
<b>NET INCOME</b>		<b>112,698,012</b>	80,934,500

(Forward)

	Note	Years Ended December 31	
		2023	2022
<b>NET INCOME</b>		<b>₱112,698,012</b>	<b>₱80,934,500</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Item that will be reclassified to profit or loss in subsequent periods -</i>			
Change in revaluation reserves on investment securities [debt instruments classified as financial assets at fair value through other comprehensive income (FVOCI)]	6	<b>65,459,076</b>	(216,158,462)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Change in revaluation reserves on investment securities (equity instruments classified as financial assets at FVOCI)	6	<b>2,784,958</b>	18,625,319
Remeasurement gain (loss) on legal policy reserves	10	<b>(11,783,475)</b>	537,145,750
Remeasurement gain (loss) on retirement liability - net of deferred tax	22	<b>(4,187,675)</b>	25,326,646
Revaluation increase on property and equipment - net of deferred tax	9	–	230,199,371
		<b>(13,186,192)</b>	811,297,086
		<b>52,272,884</b>	595,138,624
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱164,970,896</b>	<b>₱676,073,124</b>

See accompanying Notes to Separate Financial Statements.

**BENEFICIAL LIFE INSURANCE COMPANY, INC.**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**

		<b>Years Ended December 31</b>	
	Note	2023	2022
<b>CAPITAL STOCK - ₱1 par value</b>			
Authorized - 1,000,000,000 shares			
Issued and outstanding - 626,756,494 shares		<b>₱626,756,494</b>	₱626,756,494
<b>ADDITIONAL PAID-IN CAPITAL</b>		<b>489,265,675</b>	489,265,675
<b>RETAINED EARNINGS</b>			
<b>Appropriation for Negative Legal Policy Reserves</b>	16		
Balance at beginning of year		<b>172,643,555</b>	90,010,323
Appropriation		<b>59,112,287</b>	82,633,232
Balance at end of year		<b>231,755,842</b>	172,643,555
<b>Unappropriated</b>			
Balance at beginning of year		<b>1,843,207,064</b>	1,865,551,986
Net income		<b>112,698,012</b>	80,934,500
Appropriation for negative legal policy reserves	16	<b>(59,112,287)</b>	(82,633,232)
Transfer of revaluation surplus on property and equipment	9	<b>3,760,602</b>	3,562,066
Transfer from revaluation reserves on investment securities	6	<b>(38,761,584)</b>	(24,208,256)
Balance at end of year		<b>1,861,791,807</b>	1,843,207,064
		<b>2,093,547,649</b>	2,015,850,619
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Revaluation Reserves on Investment Securities</b>			
Balance at beginning of year		<b>(292,456,417)</b>	(94,923,274)
Change in revaluation reserves	6	<b>68,244,034</b>	(197,533,143)
Balance at end of year		<b>(224,212,383)</b>	(292,456,417)
<b>Revaluation Surplus on Property and Equipment -</b>			
Net of deferred tax	9		
Balance at beginning of year		<b>579,013,084</b>	351,485,262
Transfer of revaluation surplus		<b>(2,820,451)</b>	(2,671,549)
Appraisal increase		-	230,199,371
Balance at end of year		<b>576,192,633</b>	579,013,084

(Forward)



	Note	Years Ended December 31	
		2023	2022
<b>Cumulative Remeasurement Gain (Loss) on Legal Policy Reserves</b>			
	10		
Balance at beginning of year		<b>₱660,144,459</b>	₱122,998,709
Remeasurement gain (loss) on legal policy reserves		<b>(11,783,475)</b>	537,145,750
Balance at end of year		<b>648,360,984</b>	660,144,459
<b>Cumulative Remeasurement Gain (Loss) on Net Retirement Liability - Net of deferred tax</b>			
	22		
Balance at beginning of year		<b>3,007,451</b>	(22,319,195)
Remeasurement gain (loss) on net retirement liability		<b>(4,187,675)</b>	25,326,646
Balance at end of year		<b>(1,180,224)</b>	3,007,451
		<b>999,161,010</b>	949,708,577
		<b>₱4,208,730,828</b>	₱4,081,581,365

See accompanying Notes to Separate Financial Statements.

**BENEFICIAL LIFE INSURANCE COMPANY, INC.**

**SEPARATE STATEMENTS OF CASH FLOWS**

		<b>Years Ended December 31</b>	
	Note	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>₱145,350,756</b>	₱194,209,225
Adjustments for:			
Interest income	4	<b>(444,454,994)</b>	(327,824,109)
Dividend income	6	<b>(47,820,624)</b>	(47,440,720)
Depreciation	20	<b>23,315,344</b>	19,996,289
Retirement benefits cost	22	<b>20,087,449</b>	19,247,188
Finance costs	21	<b>19,330,621</b>	24,414,967
Net fair value loss on financial assets at FVPL	6	<b>13,696,100</b>	216,970,571
Unrealized foreign exchange loss (gain)		<b>12,629,136</b>	(212,870,902)
Loss (gain) on sale of investment securities	6	<b>10,651,959</b>	(1,144,613)
Provision for impairment losses on:			
Investment securities	6	<b>6,753,143</b>	1,799,386
Loans receivables	6	<b>6,476,786</b>	–
Gain on sale of property and equipment		–	(1,078,542)
Operating loss before working capital changes		<b>(233,984,324)</b>	(113,721,260)
Decrease (increase) in:			
Short-term investments		<b>(12,276,253)</b>	(40,301,883)
Insurance receivables		<b>(3,626,568)</b>	27,864,561
Loans receivables		<b>(48,651,380)</b>	58,991,604
Increase (decrease) in:			
Insurance contract liabilities		<b>420,544,044</b>	215,445,979
Premium deposit fund		<b>(30,316,014)</b>	(28,746,085)
Insurance payables		<b>(21,156,533)</b>	(64,544,891)
Accounts payable and accrued expenses		<b>7,116,766</b>	(32,905,680)
Other liabilities		<b>26,919,273</b>	23,474,576
Net cash generated from operations		<b>104,569,011</b>	45,556,921
Income tax paid		<b>(49,500,908)</b>	(33,203,353)
Contributions to retirement plan	22	<b>(10,000,000)</b>	(15,000,000)
Benefits paid out of Company's fund	22	<b>(5,360,424)</b>	(2,727,815)
Interest paid		<b>(45,554)</b>	(147,090)
Net cash provided by (used in) operating activities		<b>39,662,125</b>	(5,521,337)

(Forward)

		<b>Years Ended December 31</b>	
	Note	<b>2023</b>	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Investment securities	6	<b>(₱3,330,428,170)</b>	(₱2,590,608,566)
Property and equipment	9	<b>(13,753,913)</b>	(17,148,416)
Other assets		<b>(18,867,384)</b>	(15,837,373)
Proceeds from sale/maturities of investment securities	6	<b>2,718,292,398</b>	2,083,015,741
Interest received		<b>437,596,503</b>	366,916,830
Dividends received		<b>47,820,624</b>	47,440,720
Proceeds from sale of property and equipment	9	-	1,100,000
<b>Net cash used in investing activities</b>		<b>(159,339,942)</b>	(125,121,064)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan payments	13	<b>(5,309,184)</b>	-
Cash dividends paid	13	<b>(725,714)</b>	(79,886)
Loan availments	13	-	497,550
<b>Net cash provided by (used in) financing activities</b>		<b>(6,034,898)</b>	417,664
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(125,712,715)</b>	(130,224,737)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,177,531,785</b>	1,307,756,522
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	4	<b>₱1,051,819,070</b>	₱1,177,531,785

*See accompanying Notes to Separate Financial Statements.*

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**BENEFICIAL LIFE INSURANCE COMPANY, INC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**1. Corporate Information**

Beneficial Life Insurance Company, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 16, 1960 to engage and carry on the business of life insurance. The Company extended its corporate life for another 50 years commencing on March 16, 2010. However, as prescribed by the Revised Corporation Code of the Philippines which became effective on February 23, 2019, the Company shall have perpetual existence. The Company is also licensed to engage in the reinsurance business. The Company's Certificate of Authority issued by the Insurance Commission (IC) is valid until December 31, 2024.

The Company is 81%-owned by FMF Development Corporation (FMF or Parent Company), a holding company incorporated in the Philippines engaged primarily to own, invest or manage properties such as buildings or other structures and shares of stock and other types of securities.

The Company's registered office address is located at Beneficial Life Building, 166 Salcedo St., Legaspi Village, Makati City.

The accompanying separate financial statements of the Company as at and for the years ended December 31, 2023 and 2022 were approved and authorized for issuance by the Board of Directors (BOD) on April 12, 2024.

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**2. Summary of Material Accounting Policy Information**

The material accounting policy information used in the preparation of the separate financial statements are consistently applied to all the years presented, unless otherwise stated.

**Basis of Preparation and Statement of Compliance**

The separate financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards and adopted by the SEC, including SEC pronouncements.

The Company also prepares and issues consolidated financial statements in accordance with PFRS. In the consolidated financial statements, the undertakings of a subsidiary have been fully consolidated. Users of these separate financial statements should refer to the consolidated financial statements as at and for the years ended December 31, 2023 and 2022 in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiary. The consolidated financial statements are available for public use and can be obtained at the Company's registered office address and the SEC.

### **Measurement Bases**

The separate financial statements are presented in Philippine Peso (PHP), the Company's functional currency. All values represent absolute amounts unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for financial assets at FVPL and FVOCI which are carried at fair values, certain components of property and equipment which are carried at revalued amounts, and net retirement liability which is carried at the present value of the defined benefit obligation less fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and consideration received for incurring a liability.

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

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

Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 6 - Investment Securities
- Note 9 - Property and Equipment
- Note 26 - Risk Management Objectives and Policies

### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) 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 (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that 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 profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amended PFRS did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

### **Amended PFRS Issued But Not Yet Effective**

Amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024 -

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.
- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative information* – The amendment adds a transition option for a “classification overlay” to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the separate financial statements of the Company except for PFRS 17. The management is currently in the process of performing detailed review and analysis to determine the financial impact of the new insurance contract standard. Additional disclosures will be included in the separate financial statements, as applicable.

#### **Current and Noncurrent Classification**

The Company presents assets and liabilities in the separate statements of financial position based on liquidity. The current portion is presented in Note 27.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

#### **Financial Assets and Liabilities**

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.



*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

### **Financial Assets**

In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

### ***Classification and Measurement***

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI and (c) financial assets at FVPL. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

The Company’s cash and cash equivalents, short-term investments, insurance receivables, loans receivables, accrued investment income and government debt securities assigned as investment deposit with IC and private debt securities which are held primarily to collect contractual cash flows until maturity included under “Investment securities” account in the separate statements of financial position are classified under this category.

*Debt Instruments at FVOCI.* Debt instruments shall be measured at FVOCI if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- b. the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. Changes in the fair value of these instruments are recognized in other comprehensive income and accumulated in equity. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

The Company's investments in private and government debt securities which are denominated in foreign currencies are classified under this category.

*Equity Instruments at FVOCI.* On initial recognition, equity instruments that are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Changes in the fair value of these instruments including those arising from foreign currency changes are recognized in other comprehensive income and presented in the equity section of the separate statements of financial position. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the equity instruments, instead, these will be transferred to retained earnings.

The Company's investments in equity instruments which are irrevocably designated at FVOCI at initial recognition are included under this category.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

The Company's investments in private debt securities which are held for trading and preferred equity instruments are classified under this category.

### ***Impairment***

The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not measured at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Company's financial assets at amortized cost and debt instruments at FVOCI are subject to ECL using general approach. Under this approach, the ECL is based on the 12-month ECL which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

### ***Reclassification***

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in other comprehensive income, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

### ***Derecognition***

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

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

### **Financial Liabilities**

#### ***Classification and Measurement***

The Company classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost, or (b) financial liabilities at FVPL.

As at December 31, 2023 and 2022, the Company does not have financial liabilities measured at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Company’s insurance contract liabilities, premium deposit fund, insurance payables, loans payable, accounts payable and accrued expenses (excluding statutory payables) and other liabilities are classified under this category.

### ***Classification of Financial Instrument between Liability and Equity***

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### ***Derecognition***

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

### **Offsetting of Financial Assets and Liabilities**

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

### **Insurance Contracts**

#### **Product Classification**

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variables.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during a certain period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance contracts are classified with and without Discretionary Participation Features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the following:
  - performance of a specified pool of contracts or a specified type of contract;
  - realized and/or unrealized investment returns on a specified pool of assets held by the issuer;  
or
  - the profit or loss of the company, fund or other entity that issues the contract.

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

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

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting date. The liability is determined as the expected future discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefit expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, reserve method, and interest rate approved by the IC.

#### **Reinsurance Contracts**

The Company cedes insurance risk in the normal course of business to reinsurers. Balances due from reinsurance companies for its share in benefits and claims of policyholders are recognized as "Due from reinsurers" under "Insurance Receivables" account in the separate statements of financial position. Amounts due to reinsurers representing their share in premiums are presented under "Insurance payables" account in the separate statements of financial position.

An impairment review is performed at each reporting date or more frequently when there are indications of impairment during the reporting year. Impairment occurs when there is objective evidence that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Estimating amounts payable is consistent with the provisions of the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

### **Investment in a Subsidiary**

The Company's investment in a subsidiary is accounted for in the separate financial statements at cost less any impairment in value. Under the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

A subsidiary is an entity in which the Company has control. The Company controls an investee if, and only if, the Company has:

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

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

An assessment of the carrying amount of the investments in a subsidiary is performed when there is an indication that these investments are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount. Impairment loss is recognized in profit or loss.

### **Property and Equipment**

Property and equipment, other than land, buildings and office condominium, are stated at cost less accumulated depreciation and any impairment in value.

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

The Company's land, buildings and office condominium are stated at revalued amounts based on the valuation of an independent appraiser. Any increase in the value of property and equipment at revalued amounts is recognized under "Revaluation surplus on property and equipment" account in the equity section of the separate statements of financial position. Any decrease is first offset against an increase on earlier valuation in respect of the same class of property and is thereafter recognized as an expense. Annually, an amount from the revaluation surplus is transferred to retained earnings for the depreciation and related to the revaluation surplus.

Upon the disposal of a revalued property, the relevant portion of the revaluation surplus realized in respect of previous valuation is released directly from the revaluation surplus to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Number of years
Buildings and office condominium	10 - 40
Transportation equipment	3 - 5
Office furniture and equipment	2 - 5

The assets' residual values, useful lives and depreciation method are reviewed periodically to ensure that the residual values, period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

#### **Impairment of Nonfinancial Assets**

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs to sell or 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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

#### **Insurance Contract Liabilities**

##### **Legal Policy Reserves**

Legal policy reserves are liabilities for contractual benefits that are expected to be incurred in the future related to policies that are in-force as at the reporting date based on the valuation of an independent appraiser. The liability is calculated as the sum of the present value of future benefits and expenses, less the present value of future net premiums arising from the policy discounted at the appropriate risk-free discount rate. The liability is determined using best estimate assumptions with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.



The Company has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be based on the schedule of spot rates published by IC and mortality and morbidity rates to be in accordance with the standard table of mortality. Reserves are computed per thousand of sum insured and depend on the issue age and policy duration.

Adjustments to the liabilities arising from changes in in-force policies are recorded in "Net change in legal policy reserves" account in profit or loss. Changes in liabilities arising from changes in discount rates are recorded in "Remeasurement gain (loss) on legal policy reserves" account in other comprehensive income.

#### **Policy and Contract Claims**

Policy and contract claims are liabilities for unpaid claims and benefits of policyholders as a result of death of the insured, surrenders and maturities. This also includes cost of claims incurred but not yet reported as at reporting date based on the Company's experience and historical data.

#### **Premium Deposit Fund**

Premium deposit fund pertains to the premium deposits of the policyholders which earn interest at such rates as the Company declares but not less than the lowest interest rate prevailing on savings accounts of banks. The amount of premium deposits of the policyholders shall not exceed the future contractual premiums of the insurance contracts.

If at any premium date, premiums remain unpaid, and provided that the fund balance is sufficient to pay such premiums in full, the premium due shall be paid from this fund.

#### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued.

*Additional Paid-in Capital (APIC).* When the Company issues shares in excess of par, the excess is recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income, net of any dividend declaration and prior period adjustments. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders while appropriated retained earnings represent that portion which has been appropriated and therefore is not available for any dividend declaration.

*Other Comprehensive Income.* Other comprehensive income comprises items of income and expense (including items previously presented under equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income includes revaluation reserves on investment securities, revaluation surplus on property and equipment, remeasurement gain or loss on legal policy reserves and remeasurement gain or loss on net retirement liability. Other comprehensive income items that will be reclassified subsequently to profit or loss are presented separately from those items that will not be reclassified to profit or loss subsequently.

### **Revenue Recognition**

*Premium Income.* Gross recurring premiums from life insurance contracts are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date from which the policy becomes effective. For regular premium contracts, revenues are recognized at the date when payments are due.

Estimates of premiums due as at the reporting date but not yet received are assessed based on the estimates from underwriting or past experience and are included in premiums earned.

*Interest Income.* For interest-bearing financial instruments classified as financial assets at FVPL, financial assets at FVOCI and financial assets at amortized cost, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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

*Dividend Income.* Dividend income is recognized when the Company's right to receive the payment is established.

*Other Income.* Other income includes policy issue fees, reversal of denied claims and other income that are recognized in profit or loss when earned.

### **Benefits, Claims and Expenses Recognition**

*Benefits and Claims.* Benefits and claims consist of benefits and claims incurred during the period and changes in the valuation of legal policy reserves (including incurred but not reported losses). Death claims and surrenders are recorded on the basis of notifications received. Maturities are recorded when due.

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are recognized as expense when incurred.

*Commission and Other Direct Expenses.* Commissions and other direct expenses are recognized when the insurance contracts are entered and the premiums are recognized.

*Insurance Taxes.* Insurance taxes pertain to premium taxes and documentary stamp taxes on life insurance policies which are expensed as incurred.

*Finance Costs and Charges.* Finance costs and charges consist mainly of interest expense and bank charges incurred by the Company. Interest expense is recognized in profit or loss as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

### **Employee Benefits**

*Short-term Benefits.* The Company provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution and other short-term benefits. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Company has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

Net interest on the net retirement liability or asset is the change during the period in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability or asset.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company nor can they be paid directly to the Company. Fair value of plan assets is based on market price information.

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

The net retirement asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Income Taxes**

*Current tax.* Current tax is the expected tax payable on the taxable income for the year, using tax rate and tax laws enacted or substantively enacted at the reporting date.

*Final Tax.* Final taxes are recognized for taxes paid on certain income payments. These are not creditable to income tax due on income subject to regular corporate income tax (RCIT). The applicable tax rates differ depending on the particular income subject to final tax.

*Deferred tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over the RCIT, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of NOLCO and excess MCIT over RCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

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

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as OCI.

### **Leases**

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the lessee has both of the following:

- The right to obtain substantially the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

*The Company as a Lessor.* Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

*The Company as a Lessee.* At the commencement date, the Company recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

### **Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting year. Foreign exchange differences are credited or charged directly to profit or loss.

### **Related Party Transactions**

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

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### **Contingencies**

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

### **Events After the Reporting Date**

Events after reporting date that provide additional information about the Company's separate financial position at the end of reporting year (adjusting events) are reflected in the separate financial statements. Events after reporting that are non-adjusting events are disclosed in the notes to separate financial statements when material.

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

The preparation of the Company's separate financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts of assets, liabilities, income and expenses reported in the separate financial statements. These are based on management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. 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 estimated amounts. Actual results could differ from such estimates.

### **Judgments**

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

*Identifying the Product Classification.* The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts also transfer financial risk.

*Classifying the Financial Instruments.* Classification of financial assets depends on the results of the business model test and "sole payment of principal and interest" test performed by the Company. The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

*Defining Default and Credit-Impaired Financial Assets.* The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- a. Quantitative Criteria - the borrower is more than 1 year past due on its contractual payments, which is consistent with the Company's definition of default.
- b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent;
  - The borrower is in breach of financial covenants;
  - Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty; or
  - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

*Grouping of the Financial Assets for Measurement of ECL on a Collective Basis.* For ECL provisions that are assessed on a collective basis, grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. For loans receivables, debtors are grouped based on the type of loan and debtors' geographical location.

*Determining Control.* Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The management has determined that the Company has control over its subsidiary by virtue of its existing rights that give it the current ability to direct the relevant activities of its subsidiary as evidenced by its majority ownership of voting rights and/or ability to direct its relevant activities.

*Determining the Lease Commitments - Company as a Lessor.* The Company has entered into lease agreements as a lessor on its properties. The Company has determined that it retains the significant risks and rewards of ownership of the leased properties. The leases are therefore accounted for as operating leases.

Rental income earned by the Company amounted to ₱4.2 million in 2023 and 2022 (see Note 24).

*Determining the Lease Commitments - Company as a Lessee.* The Company has lease agreements for its branches and agency offices. The Company has determined that it obtains substantially all of the economic benefits from use of the identified assets and the right to direct the use of such assets. Moreover, the Company assessed that these lease agreements qualify as leases of low value assets or short-term leases.

Rental expense arising from leases of low value assets and short-term leases amounted to ₱9.8 million and ₱10.1 million in 2023 and 2022, respectively (see Note 24).

### **Estimates and Assumptions**

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

*Determining the Fair Value of Financial Instruments.* The fair values of investments that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date.

In accordance with the amendments to PFRS 7, *Financial Instruments: Disclosures*, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the separate statements of financial position. The Company uses judgment in assessing the significance of a particular input to the fair value measurements in its entirety, considering factors specific to the asset or liability.

*Estimating the Legal Policy Reserves.* Reserves are set up as requirement pursuant to the provision and guidelines set by the IC, which should not be less than the reserves required. These are computed using assumptions that are based on the standard mortality and morbidity tables, interest rates, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation as required by the IC.

The carrying amount of legal policy reserves amounted to ₱3,196.2 million and ₱3,042.5 million as at December 31, 2023 and 2022, respectively (see Note 10).

*Estimating the Claims Incurred but not Reported.* Provision is made for the cost of claims incurred but not yet reported as at reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in separate statements of comprehensive income of subsequent years.

The carrying amount of claims which are incurred but not reported and included under policy and contract claims amounted to ₱710.9 million and ₱611.4 million as at December 31, 2023 and 2022, respectively (see Note 10).

*Estimating the Allowance for ECL of Financial Assets at Amortized Cost and Debt Instruments under Financial Assets at FVOCI.* The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition, in which case, ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors: (a) actual or expected external and internal credit rating downgrade; (b) existing or forecasted adverse changes in business, financial or economic conditions; and (c) actual or expected significant adverse changes in the operating results of the borrower.

The carrying amounts and allowance for ECL of the Company's financial assets at amortized cost and debt securities classified as financial assets at FVOCI are as follows:

	Note	2023		2022	
		Carrying Amount	Allowance for ECL	Carrying Amount	Allowance for ECL
Cash and cash equivalents	4	<b>₱1,051,819,070</b>	<b>₱-</b>	₱1,177,531,785	<b>₱-</b>
Short-term investments	4	<b>64,458,355</b>	-	52,182,102	-
Insurance receivables	5	<b>11,842,614</b>	-	8,216,046	-
Accrued investment income	6	<b>82,497,398</b>	-	74,820,615	-
Investment securities:	6				
Financial assets at FVOCI - debt securities		<b>1,898,792,223</b>	<b>14,993,029</b>	1,638,702,618	11,010,543
Financial assets at amortized cost		<b>3,404,344,958</b>	<b>4,907,055</b>	2,869,466,923	2,136,398
Loans receivables	7	<b>1,246,723,113</b>	<b>82,980,733</b>	1,204,548,519	96,504,475

*Estimating the Useful Lives of Property and Equipment.* The useful life of each of the Company's property and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at each financial yearend and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. However, it is possible that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation and decrease its carrying amounts.

There were no changes in the estimated useful lives of the Company's property and equipment at cost in 2023 and 2022. The carrying amount of property and equipment at cost amounted to ₱20.5 million and ₱25.2 million as at December 31, 2023 and 2022, respectively (see Note 9).

There were no changes in the estimated useful lives of the Company's property and equipment at revalued amounts in 2023 and 2022. The carrying amount of property and equipment at revalued amounts amounted to ₱945.9 million and ₱950.8 million as at December 31, 2023 and 2022, respectively (see Note 9).

*Determining the Revalued Amount of Property and Equipment.* The Company carries certain property and equipment at revalued amounts. The appraised values of land, buildings and office condominium were arrived using the market data approach and cost approach.



With market data approach, the values of the properties are based on sales and listings of comparable properties registered in the vicinity. The technique of this approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator and adjustment of the differences between the subject property and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use.

Cost approach is evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character and utility of the property which is to be continued in its present use as part of a going concern but without specific relation to earnings.

The latest independent property valuation of land, building and office condominium was performed for December 31, 2022 valuation cut-off date. The carrying amount of property and equipment at revalued amounts amounted to ₱945.9 million and ₱950.8 million as at December 31, 2023 and 2022, respectively (see Note 9).

*Assessing the Impairment of Nonfinancial Assets.* The Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

Allowance for impairment loss on investment in a subsidiary amounted to ₱12.2 million as at December 31, 2023 and 2022 (see Note 8). The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2023	2022
Property and equipment:	9		
At revalued amounts		<b>₱945,877,532</b>	₱950,751,000
At cost		<b>20,481,461</b>	25,169,424
Other assets		<b>130,046,995</b>	111,179,611

*Determining the Retirement Liability.* The determination of the obligation and cost of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 22 to the separate financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation.

The net retirement liability amounted to ₱130.2 million and ₱119.9 million as at December 31, 2023 and 2022, respectively (see Note 22).

*Assessing the Realizability of Deferred Tax Assets.* The Company's assessment of the recognition of deferred tax assets on deductible temporary differences is based on the Company's past results and future expectations on revenue and expenses. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's recognized deferred tax assets amounted to ₱43.6 million and ₱40.2 million as at December 31, 2023 and 2022, respectively (see Note 23).

#### 4. Cash, Cash Equivalents and Short-term Investments

##### Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	<b>₱53,000</b>	₱53,000
Cash in banks	<b>753,994,938</b>	865,942,566
Short-term deposits	<b>297,771,132</b>	311,536,219
	<b>₱1,051,819,070</b>	<b>₱1,177,531,785</b>

Cash and cash equivalents include cash in banks and short-term deposits which earn interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months from date of maturity depending on the cash requirements of the Company.

##### Short-term Investments

Short-term investments amounted to ₱64.5 million and ₱52.2 million as at December 31, 2023 and 2022, respectively. Short-term investments are short-term placements with maturities of more than three months but less than one year from date of acquisition. The effective annual interest rates of these investments range between 0.62% to 6.00% and 0.65% to 2.88% in 2023 and 2022, respectively.

##### Interest Income

Interest income recognized in the separate statements of comprehensive income are as follows:

	Note	2023	2022
Cash and cash equivalents		<b>₱10,323,452</b>	₱7,743,929
Short-term investments		<b>14,046,437</b>	3,015,868
Investment securities:	6		
Financial assets at amortized cost		<b>165,566,665</b>	106,358,071
Financial assets at FVOCI		<b>81,127,595</b>	70,439,216
Financial assets at FVPL		<b>47,701,969</b>	48,681,911
Loans receivables	7	<b>125,688,876</b>	91,585,114
		<b>₱444,454,994</b>	<b>₱327,824,109</b>

## 5. Insurance Receivables

This account consists of:

	2023	2022
Premiums due and uncollected	P10,267,528	P8,216,046
Due from reinsurers	1,575,086	–
	<b>P11,842,614</b>	<b>P8,216,046</b>

Premiums due and uncollected pertain to uncollected premiums on written policies which are collectible within the Company's 30-day grace period.

Due from reinsurers pertain to claims recoverable from reinsurers. These receivables are due and demandable.

## 6. Investment Securities

Movements of this account are as follows:

	2023			Total
	Financial Assets			
	At FVPL	At FVOCI	At Amortized Cost	
Balance at beginning of year	P1,119,422,195	P2,267,246,124	P2,869,466,923	P6,256,135,242
Reclassification	(242,750,706)	242,750,706	–	–
Additions	143,031,176	1,045,962,898	2,141,434,096	3,330,428,170
Maturities and disposals	(181,988,884)	(922,448,798)	(1,613,854,716)	(2,718,292,398)
Fair value changes	(13,696,100)	19,428,384	–	5,732,284
Foreign exchange changes	(5,209,475)	(12,000,040)	–	(17,209,515)
Amortization	2,142,903	(13,030,507)	10,069,312	(818,292)
Provision for impairment loss	–	–	(2,770,657)	(2,770,657)
Balance at end of year	<b>P820,951,109</b>	<b>P2,627,908,767</b>	<b>P3,404,344,958</b>	<b>P6,853,204,834</b>

	2022			Total
	Financial Assets			
	At FVPL	At FVOCI	At Amortized Cost	
Balance at beginning of year	P1,097,784,937	P2,894,483,799	P2,032,634,640	P6,024,903,376
Additions	273,517,823	892,690,353	1,424,400,390	2,590,608,566
Maturities and disposals	(106,335,465)	(1,392,644,295)	(584,035,981)	(2,083,015,741)
Fair value changes	(216,970,571)	(175,641,043)	–	(392,611,614)
Foreign exchange changes	70,730,278	95,595,063	–	166,325,341
Amortization	695,193	(47,237,753)	(3,322,558)	(49,865,118)
Provision of impairment loss	–	–	(209,568)	(209,568)
Balance at end of year	<b>P1,119,422,195</b>	<b>P2,267,246,124</b>	<b>P2,869,466,923</b>	<b>P6,256,135,242</b>

### **Financial Assets at FVPL**

This account consists of:

	<b>2023</b>	2022
Private debt securities - foreign	<b>₱820,951,109</b>	₱837,851,115
Equity securities	-	281,571,080
	<b>₱820,951,109</b>	₱1,119,422,195

Private debt securities earn annual interest of 1.25% to 9.00% in 2023 and 2022. Interest income amounted to ₱47.7 million and ₱48.7 million in 2023 and 2022, respectively, net of amortization of net discount amounting to ₱2.1 million and ₱0.7 million in 2023 and 2022, respectively (see Note 4).

Equity securities pertain to preferred shares which are listed in the Philippine Stock Exchange Index (PSEi). In 2023, the Company reclassified its equity securities classified as financial assets at FVPL with fair value of ₱242.8 million to financial assets at FVOCI as a result of a change in business model in managing these investment securities. This transaction is a noncash activity.

Dividend income earned on these financial assets at FVPL amounted to nil and ₱18.5 million in 2023 and 2022, respectively.

### **Financial Assets at FVOCI**

This account consists of:

	<b>2023</b>	2022
Debt securities:		
Government - foreign	<b>₱870,293,780</b>	₱795,038,185
Private - foreign	<b>1,028,498,441</b>	843,664,433
	<b>1,898,792,221</b>	1,638,702,618
Equity securities - local and foreign	<b>729,116,546</b>	628,543,506
	<b>₱2,627,908,767</b>	₱2,267,246,124

Private and government debt securities earn annual interest of 2.45% to 8.38% and 2.64% to 8.38% in 2023 and 2022, respectively. Interest income amounted to ₱81.1 million and ₱70.4 million in 2023 and 2022, respectively, net of amortization of net premium amounting to ₱13.0 million and ₱47.2 million in 2023 and 2022, respectively (see Note 4).

Equity securities pertain to investments in shares listed in the Philippine Stock Exchange Index and other foreign stock exchange markets. Dividend income earned from financial assets at FVOCI amounted to ₱47.8 million and ₱28.9 million in 2023 and 2022, respectively.

Movements of revaluation reserves on investment securities are as follows:

	2023		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	(P303,466,960)	P11,010,543	(P292,456,417)
Change in revaluation reserves:			
Fair value changes	19,428,384	-	19,428,384
Foreign exchange changes	(4,580,379)	-	(4,580,379)
Transfer to retained earnings	38,761,584	-	38,761,584
Transfers to profit or loss:			
Loss on sale	10,651,959	-	10,651,959
Provision for impairment loss	-	3,982,486	3,982,486
	<b>64,261,548</b>	<b>3,982,486</b>	<b>68,244,034</b>
Balance at end of year	<b>(P239,205,412)</b>	<b>P14,993,029</b>	<b>(P224,212,383)</b>

	2022		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	(P104,343,999)	P9,420,725	(P94,923,274)
Change in revaluation reserves:			
Fair value changes	(175,641,043)	-	(175,641,043)
Foreign exchange changes	(46,545,561)	-	(46,545,561)
Transfer to retained earnings	24,208,256	-	24,208,256
Transfers to profit or loss:			
Gain on sale	(1,144,613)	-	(1,144,613)
Provision for impairment loss	-	1,589,818	1,589,818
	<b>(199,122,961)</b>	<b>1,589,818</b>	<b>(197,533,143)</b>
Balance at end of year	<b>(P303,466,960)</b>	<b>P11,010,543</b>	<b>(P292,456,417)</b>

Movements of revaluation reserves on investment securities segregated for items that will be reclassified or not to profit or loss in subsequent periods follow:

	2023	2022
Balance at beginning of year	(P292,456,417)	(P94,923,274)
Items that will be reclassified to profit or loss	65,459,076	(216,158,462)
Items that will not be reclassified into profit or loss	2,784,958	18,625,319
Balance at end of year	<b>(P224,212,383)</b>	<b>(P292,456,417)</b>

#### **Financial Assets at Amortized Cost**

This account consists of:

	2023	2022
Government debt securities - local	P2,845,963,144	P1,993,606,642
Private debt securities - local	563,288,869	877,996,679
	<b>3,409,252,013</b>	2,871,603,321
Allowance for impairment loss (12-month ECL)	4,907,055	2,136,398
	<b>P3,404,344,958</b>	<b>P2,869,466,923</b>

Government and private debt securities earn annual interest of 2.38% to 12.38% and 2.38% to 13.00% in 2023 and 2022, respectively. Interest income amounted to ₱165.6 million and ₱106.4 million in 2023 and 2022, respectively, net of amortization of net discount amounting to ₱10.1 million and ₱3.3 million in 2023 and 2022, respectively (see Note 4).

Movement of allowance for impairment loss on financial assets at amortized cost are as follows:

	2023	2022
Balance at beginning of year	₱2,136,398	₱1,926,830
Provision	2,770,657	209,568
Balance at end of year	₱4,907,055	₱2,136,398

#### **Impairment Losses**

Provision for impairment losses on investment securities and loans receivable recognized in the separate statements of comprehensive income follow:

	Note	2023	2022
Loans receivable	7	₱6,476,786	₱-
Financial assets at FVOCI		3,982,486	1,589,818
Financial assets at amortized cost		2,770,657	209,568
		₱13,229,929	₱1,799,386

#### **Dividend Income**

Dividend income recognized in the separate statements of comprehensive income follows:

	2023	2022
Financial assets at FVOCI	₱47,820,624	₱28,936,022
Financial assets at FVPL	-	18,504,698
	₱47,820,624	₱47,440,720

#### **Accrued Investment Income**

This account pertains to interest receivable from the following:

	Note	2023	2022
Investment securities		₱71,193,366	₱63,121,200
Short-term investments		1,592,628	1,243,535
Loans receivables:			
Third parties		9,045,787	9,548,220
Related parties	17	665,617	907,660
		₱82,497,398	₱74,820,615

## 7. Loans Receivables

This account consists of:

	Note	2023	2022
Salary loans		<b>₱1,015,861,690</b>	₱969,877,855
Due from related parties	17	<b>82,313,932</b>	85,532,101
Policy loans		<b>81,823,401</b>	81,498,379
Mortgage and collateral loans:			
Related party	17	<b>54,595,588</b>	74,448,530
Third parties		<b>5,275,175</b>	248,968
Agents' balances		<b>38,346,449</b>	35,054,866
Notes receivables		<b>8,898,066</b>	8,047,680
Others		<b>42,589,545</b>	46,344,615
		<b>1,329,703,846</b>	1,301,052,994
Less allowance for impairment loss		<b>82,980,733</b>	96,504,475
		<b>₱1,246,723,113</b>	₱1,204,548,519

Movements in the allowance for impairment loss on loans receivables are as follows:

	Note	2023		
		12-month ECL	Lifetime ECL	Total
Balance at beginning of year		<b>₱62,104,064</b>	<b>₱34,400,411</b>	<b>₱96,504,475</b>
Provision	6	<b>6,476,787</b>	–	<b>6,476,787</b>
Transfer from 12-month ECL to lifetime ECL		<b>(4,337,670)</b>	<b>4,337,670</b>	–
Write-off		–	<b>(20,000,529)</b>	<b>(20,000,529)</b>
Balance at end of year		<b>₱64,243,181</b>	<b>₱18,737,552</b>	<b>₱82,980,733</b>

	2022		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	₱68,006,847	₱108,618,427	₱176,625,274
Transfer from 12-month ECL to lifetime ECL	(5,902,783)	5,902,783	–
Write-off	–	(80,120,799)	(80,120,799)
Balance at end of year	₱62,104,064	₱34,400,411	₱96,504,475

Composition of allowance for impairment loss are as follows:

	Note	2023	2022
Due from related parties	17	<b>₱55,403,023</b>	₱55,403,023
Salary loans		<b>18,916,758</b>	32,440,500
Agents' balances		<b>4,999,651</b>	4,999,651
Notes receivables		<b>2,860,226</b>	2,860,226
Others		<b>801,075</b>	801,075
		<b>₱82,980,733</b>	₱96,504,475

Salary loans consist of loans granted to the employees and teachers of the Department of Education (DepEd). The Company and DepEd entered into a Memorandum of Agreement (MOA) to provide interest-bearing loans to employees and teachers. The loans earn annual interest rate ranging from 7.50% to 9.66% with terms of one to five years. Salary loans also consist of interest-bearing loans granted to members and employees of Tarlac Public School Teachers Association and BPA Management Services, Inc. with interest rate of 12% per annum and term of one to five years.

Policy loans pertain to loans issued to policyholders. These loans are issued with the cash surrender value of the policyholder's insurance policy as collateral. Interest is charged at 10% per annum.

Mortgage and collateral loans earn interest ranging from 5% to 9% per annum with a maximum maturity of 10 years.

Agents' balances pertain to advances to agents that are liquidated or settled through regular deductions from commissions or outright payments. Interest rate is 18% per annum.

Notes receivables pertain to loans to employees that are paid through salary deduction. Interest rates range from 4% to 18% per annum.

Others pertain to receivables from life insurance pools and security fund.

Interest income on loans receivables recognized in the separate statements of comprehensive income follows (see Note 4):

	Note	2023	2022
Salary loans		<b>₱111,716,966</b>	₱75,466,388
Policy loans		<b>8,028,074</b>	8,394,982
Mortgage and collateral loans:			
Related party	17	<b>3,107,801</b>	4,117,761
Third parties		<b>24,189</b>	31,147
Notes receivables		<b>945,978</b>	947,768
Agents' balances		<b>819,219</b>	720,541
Due from related parties	17	–	343,233
Others		<b>1,046,649</b>	1,563,294
		<b>₱125,688,876</b>	₱91,585,114

## 8. Investment in a Subsidiary

The Company's investment in a subsidiary pertains to the following:

Name of Subsidiaries	Country of Incorporation	Nature of Business	Effective Percentage of Ownership	Cost	
				2023	2022
Beneficial Financial Advisors, Inc. (BFAI)	Philippines	Consultancy and leasing	100%	<b>₱12,169,453</b>	₱12,169,453
Less allowance for impairment loss				<b>12,169,453</b>	12,169,453
				<b>₱–</b>	₱–



The principal office of BFAI is located at 3rd floor, Beneficial Life Building, 166 Salcedo Street, Legaspi Village, Makati City.

In 2021, the BOD and stockholders of BFAI approved a resolution on the cessation of BFAI's business operations effective December 15, 2021. The Company recognized impairment loss on its investment in BFAI amounting to ₱12.2 million because the management has assessed that the investment is no longer recoverable. Moreover, the Company has outstanding receivables from BFAI recorded as part of "Due from related parties" under "Loans receivables" account in the separate statements of financial position amounting to ₱55.4 million, for which full impairment loss is also recognized in 2023 and 2022 (see Note 17).

To date, the processing of the liquidation of BFAI is in process with the relevant government agencies.

The financial information of BFAI follows:

	2023	2022
Total assets	<b>₱1,851,584</b>	₱1,911,886
Total liabilities	<b>2,681,189</b>	2,631,189
Revenue	<b>1,298</b>	1,323
Net loss	<b>(110,302)</b>	(100,637)

## 9. Property and Equipment

Movements of property and equipment at revalued amounts are as follows:

	Note	2023			Total
		Land	Buildings	Office Condominium	
<b>Revalued amounts</b>					
Balance at beginning of year		<b>₱831,879,999</b>	<b>₱385,245,648</b>	<b>₱62,510,528</b>	<b>₱1,279,636,175</b>
Additions		-	-	<b>2,618,303</b>	<b>2,618,303</b>
Balance at end of year		<b>831,879,999</b>	<b>385,245,648</b>	<b>65,128,831</b>	<b>1,282,254,478</b>
<b>Accumulated Depreciation</b>					
Balance at beginning of year		-	<b>296,782,692</b>	<b>32,102,483</b>	<b>328,885,175</b>
Depreciation	20	-	<b>3,634,951</b>	<b>3,856,820</b>	<b>7,491,771</b>
Balance at end of year		-	<b>300,417,643</b>	<b>35,959,303</b>	<b>336,376,946</b>
<b>Carrying Amount</b>		<b>₱831,879,999</b>	<b>₱84,828,005</b>	<b>₱29,169,528</b>	<b>₱945,877,532</b>
<b>2022</b>					
	Note	Land	Buildings	Office Condominium	Total
<b>Revalued amounts</b>					
Balance at beginning of year		₱535,237,999	₱384,814,902	₱49,709,031	₱969,761,932
Additions		-	-	2,941,748	2,941,748
Appraisal increase		296,642,000	430,746	9,859,749	306,932,495
Balance at end of year		831,879,999	385,245,648	62,510,528	1,279,636,175
<b>Accumulated Depreciation</b>					
Balance at beginning of year		-	292,067,427	28,444,198	320,511,625
Depreciation	20	-	4,715,265	3,658,285	8,373,550
Balance at end of year		-	296,782,692	32,102,483	328,885,175
<b>Carrying Amount</b>		<b>₱831,879,999</b>	<b>₱88,462,956</b>	<b>₱30,408,045</b>	<b>₱950,751,000</b>

The latest independent property valuation of land, building and office condominium was performed for December 31, 2022 valuation cut-off date. The appraisal resulted to an increase in revaluation surplus, net of deferred tax, amounting to ₱230.2 million. The Company did not obtain an updated appraisal report as at December 31, 2023 as the management believes that the fair values did not change significantly since the last valuation date.

The Company's property and equipment stated at appraised values are classified under Level 3 in the fair value hierarchy. The description of the valuation techniques used and key inputs to valuation are as follows:

Location	Valuation techniques	Unobservable inputs used	Range (weighted average)
Legazpi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila	Market approach for land and cost approach for improvements	Asking prices per square meter of comparable lots for land, and Replacement Cost for buildings	₱1,000,000 to ₱1,500,000
Cebu Holdings Center, Cardinal Rosales Avenue, Cebu Business Park, Barangay Mabolo, Cebu City	Market approach for office condominium	Selling prices per square meter of comparable condominium units	₱180,518 to ₱195,000
A. Pichon, Sr. Street, Barangay 39-D (Poblacion), Davao City	Market approach for land and cost approach for buildings and other land improvements	Asking prices per square meter of comparable lots for land, and Replacement Cost for buildings	₱50,000 to ₱69,124
Pendatun Avenue, Barangay Dadiangas North, General Santos City	Market approach for land and cost approach for buildings and other land improvements	Reported/Asking prices per square meter for Land; Replacement cost for buildings and other land improvements	₱25,000 to ₱30,000

Details of the valuation techniques used in measuring fair values of the Company's property and equipment are as follows:

- Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.
- Cost approach involves an analysis of the buildings by breaking them down into major components such as foundation, columns, beams, floorings, walls, and roofing, among others, by using workable units such as lineal meter, square meter, cubic meter or other appropriate basic unit. The unit costs for each component are developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality where the building is situated. Indirect costs such as contractor's profits, overhead, taxes and fees are also considered.

In relation to changes in unobservable inputs used, generally, increases or decrease in prices per square meter and current cost of labor and materials are directly proportional to the fair value measurement of property and equipment.

Had the land, building and office condominium were carried at cost less accumulated depreciation, the amounts would have been as follows:

	2023			
	Land	Buildings	Office Condominium	Total
Cost	₱95,963,907	₱140,860,787	₱47,883,129	₱284,707,823
Accumulated depreciation	–	(79,601,179)	(27,485,955)	(107,087,134)
Carrying amount	₱95,963,907	₱61,259,608	₱20,397,174	₱177,620,689

	2022			
	Land	Buildings	Office Condominium	Total
Cost	₱95,963,907	₱140,860,787	₱45,264,826	₱282,089,520
Accumulated depreciation	–	(78,563,615)	(24,792,350)	(103,355,965)
Carrying amount	₱95,963,907	₱62,297,172	₱20,472,476	₱178,733,555

Transfer of revaluation surplus on property and equipment, net of deferred tax, amounted to ₱2.8 million and ₱2.7 million in 2023 and 2022, respectively.

Movements of revaluation surplus recognized in equity are as follows:

	2023		
	Cumulative Revaluation Surplus	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱772,017,445	(₱193,004,361)	₱579,013,084
Transfer to retained earnings	(3,760,602)	940,151	(2,820,451)
Balance at end of year	₱768,256,843	(₱192,064,210)	₱576,192,633

	2022		
	Cumulative Revaluation Surplus	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱468,647,016	(₱117,161,754)	₱351,485,262
Transfer to retained earnings	(3,562,066)	890,517	(2,671,549)
Appraisal increase	306,932,495	(76,733,124)	230,199,371
Balance at end of year	₱772,017,445	(₱193,004,361)	₱579,013,084

Movements of property and equipment at cost are as follows:

	Note	2023		Total
		Transportation Equipment	Office Furniture and Equipment	
<b>Cost</b>				
Balance at beginning of year		₱76,192,107	₱105,626,877	₱181,818,984
Additions		3,770,000	7,365,610	11,135,610
Balance at end of year		79,962,107	112,992,487	192,954,594
<b>Accumulated Depreciation</b>				
Balance at beginning of year		63,090,131	93,559,429	156,649,560
Depreciation	20	4,473,217	11,350,356	15,823,573
Balance at end of year		67,563,348	104,909,785	172,473,133
<b>Carrying Amount</b>		₱12,398,759	₱8,082,702	₱20,481,461

	Note	2022		Total
		Transportation Equipment	Office Furniture and Equipment	
<b>Cost</b>				
Balance at beginning of year		₱72,354,648	₱98,285,568	₱170,640,216
Additions		6,834,459	7,372,209	14,206,668
Disposals		(2,997,000)	(30,900)	(3,027,900)
Balance at end of year		76,192,107	105,626,877	181,818,984
<b>Accumulated Depreciation</b>				
Balance at beginning of year		60,709,129	87,324,134	148,033,263
Depreciation	20	5,378,002	6,244,737	11,622,739
Disposals		(2,997,000)	(9,442)	(3,006,442)
Balance at end of year		63,090,131	93,559,429	156,649,560
<b>Carrying Amount</b>		<b>₱13,101,976</b>	<b>₱12,067,448</b>	<b>₱25,169,424</b>

Depreciation on property and equipment consists of the following (see Note 20):

	2023	2022
Property and equipment:		
At revalued amount	<b>₱7,491,771</b>	₱8,373,550
At cost	<b>15,823,573</b>	11,622,739
	<b>₱23,315,344</b>	₱19,996,289

In 2022, the Company disposed certain items of property and equipment carried at cost with proceeds and gain on sale amounting to ₱1.1 million. The gain on sale is presented as part of “Other income” account in the separate statements of comprehensive income.

The Company has fully depreciated property and equipment that are still in use with cost amounting to ₱167.0 million and ₱128.2 million as at December 31, 2023 and 2022, respectively.

## 10. Insurance Contract Liabilities

This account consists of:

	2023	2022
Legal policy reserves for:		
Ordinary life policies	<b>₱1,939,920,274</b>	₱1,958,857,404
Group life policies	<b>1,227,120,309</b>	1,055,110,199
Accident and health riders	<b>29,133,370</b>	28,552,641
	<b>3,196,173,953</b>	3,042,520,244
Policy and contract claims:		
Claims payable	<b>1,593,386,357</b>	1,313,206,404
Maturities and surrenders payable	<b>242,834,830</b>	216,697,041
Policyholders’ benefits payable	<b>90,320,249</b>	117,964,181
	<b>1,926,541,436</b>	1,647,867,626
	<b>₱5,122,715,389</b>	₱4,690,387,870

Claims payable include provision for claims incurred but not yet reported amounting to ₱710.9 million and ₱611.4 million as at December 31, 2023 and 2022, respectively.

Movements in legal policy reserves are as follows:

	Note	2023	2022
Balance at beginning of year		<b>₱3,042,520,244</b>	₱3,432,057,601
Recognized in:			
Profit or loss	19	<b>141,870,234</b>	147,608,393
Other comprehensive loss (income)		<b>11,783,475</b>	(537,145,750)
Balance at end of year		<b>₱3,196,173,953</b>	₱3,042,520,244

Movement of cumulative remeasurement gain (loss) on legal policy reserves follows:

		2023	2022
Balance at beginning of year		<b>₱660,144,459</b>	₱122,998,709
Remeasurement gain (loss) due to changes in discount rates		<b>(11,783,475)</b>	537,145,750
Balance at end of year		<b>₱648,360,984</b>	₱660,144,459

In compliance with the IC CL No. 2017-30, the Company appropriated its retained earnings for negative legal policy reserves representing traditional life policies wherein the present value of gross premiums exceeds the present value of benefits and expenses. The appropriation for negative legal policy reserves amounted to ₱231.8 million and ₱172.6 million as at December 31, 2023 and 2022, respectively (see Note 16).

Movements in policy and contract claims are as follows:

	Note	2023	2022
Balance at beginning of year		<b>₱1,647,867,626</b>	₱1,449,437,626
Benefits and claims	19	<b>1,403,391,364</b>	1,353,211,604
Payments		<b>(1,124,717,554)</b>	(1,272,745,785)
Balance at end of year		<b>₱1,926,541,436</b>	₱1,529,903,445

## 11. Premium Deposit Fund

Premium deposit fund pertains to deposits of the policyholders. These will be applied against future premiums. At the end of each year, interest is credited to this fund at rates as the Company declares but not less than the lowest interest rate prevailing on the bank savings accounts.

Premium deposit fund amounted to ₱295.6 million and ₱306.6 million as at December 31, 2023 and 2022, respectively. Interest expense amounted to ₱19.3 million and ₱24.3 million in 2023 and 2022, respectively (see Note 21).

## 12. Insurance Payables

Insurance payables pertain to amounts due to reinsurers arising from premiums ceded under the reinsurance contracts which are payable within 90 days. The movements in this account are as follows:

	Note	2023	2022
Balance at beginning of year		<b>₱21,231,689</b>	₱85,776,580
Premiums ceded	18	<b>35,913,940</b>	53,873,361
Payments		<b>(57,070,473)</b>	(118,418,252)
Balance at end of year		<b>₱75,156</b>	₱21,231,689

## 13. Loans Payable

Loans payable pertain to the credit line facility established by the Company with a foreign bank. The maximum loan amount under the agreement is SGD0.1 million and US\$7.0 million and bears interest rate of 1.50% to 5.10% per annum in 2023 and 2022. The loans are payable on a monthly basis. The credit facility is used to advance the funds needed by the Company in the acquisition of foreign investments.

Outstanding loans payable amounted to nil and ₱5.3 million as at December 31, 2023 and 2022, respectively. Interest expense amounted to ₱45,554 and ₱0.1 million in 2023 and 2022, respectively (see Note 21).

The changes in liabilities arising from financing activities as at December 31, 2023 and 2022 are as follows:

	2023		
	Loans Payable	Dividends Payable (see Note 15)	Total
Balance at beginning of year	<b>₱5,309,184</b>	<b>₱73,679,247</b>	<b>₱78,988,431</b>
Changes from financing cash flows:			
Loan payments	<b>(5,309,184)</b>	–	<b>(5,309,184)</b>
Dividends paid	–	<b>(725,714)</b>	<b>(725,714)</b>
Balance at end of year	<b>₱–</b>	<b>₱72,953,533</b>	<b>₱72,953,533</b>
	2022		
	Loans Payable	Dividends Payable (see Note 15)	Total
Balance at beginning of year	<b>₱4,811,634</b>	<b>₱73,759,133</b>	<b>₱78,570,767</b>
Changes from financing cash flows:			
Loan availments	497,550	–	497,550
Dividends paid	–	(79,886)	(79,886)
Balance at end of year	<b>₱5,309,184</b>	<b>₱73,679,247</b>	<b>₱78,988,431</b>

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#### 14. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Accounts payable	<b>₱50,683,550</b>	₱84,848,418
Accrued expenses	<b>60,390,842</b>	23,400,578
Statutory payables	<b>23,800,611</b>	19,509,241
	<b>₱134,875,003</b>	₱127,758,237

Accounts payable pertain to unpaid service fees and purchase of supplies. These are generally paid within 30 days.

Accrued expenses pertain to accruals for employee benefits, underwriting expenses, commissions, professional and legal fees, utilities, supplies, postage and shipping. These are generally payable within one year.

Statutory payables consist of withholding taxes, premium tax and documentary stamps tax that are payable on the next reporting period.

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#### 15. Other Liabilities

This account consists of:

	Note	2023	2022
Life insurance deposits		<b>₱174,202,866</b>	₱150,701,673
Dividends payable	13	<b>72,953,533</b>	73,679,247
Agents' fund		<b>32,827,573</b>	29,531,405
Others		<b>1,737,189</b>	1,615,277
		<b>₱281,721,161</b>	₱255,527,602

Life insurance deposits pertain to premiums received from policyholders with contracts that are still for processing and approval.

Dividends payable include amounts payable to stockholders for their share in the dividend declaration of the Company.

Agents' fund consists of withheld commissions from agents for future liabilities that may be incurred by the agent to the Company.

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#### 16. Retained Earnings

##### Unappropriated

Under the Philippine Corporation Code, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

The Company's unappropriated retained earnings amounting to ₱1,861.8 million and ₱1,843.2 million as at December 31, 2023 and 2022, respectively, is in excess of its paid-up capital. The retention of excess retained earnings is mainly due to the compliance requirements of IC for minimum statutory net worth. Moreover, the Company intends to use the excess retained earnings for future business expansion projects.

### **Appropriated**

On May 2, 2017, the IC issued CL No. 2017-30 requiring life insurance companies to appropriate portion of retained earnings for negative legal policy reserves. These reserves pertain to traditional life policies wherein the present value of gross premiums exceeds the present value of benefits and expenses.

Movements of retained earnings appropriated for negative reserves are as follows (see Note 10):

	2023	2022
Balance at beginning of year	₱172,643,555	₱90,010,323
Additional appropriation	59,112,287	82,633,232
Balance at end of year	₱231,755,842	₱172,643,555

## 17. Related Party Transactions

The table below summarizes the Company's transactions and outstanding balances with its related parties.

	Note	Transactions During the Year		Balance at End of Year		Nature	Terms and Conditions
		2023	2022	2023	2022		
<b>Due from related parties</b>	7						
<i>Subsidiary -</i> BFAI		₱1,781,831	₱-	₱57,184,854	₱55,403,023	Advances for working capital purposes	Non-interest bearing, unsecured, payable in cash, fully impaired
Entity under common control		-	-	7,162,424	7,162,424	Advances for working capital purposes (Collection)	Non-interest bearing, unsecured, payable in cash, no impairment,
Key management personnel		(5,000,000)	-	17,966,654	22,966,654	Advances to officers	Non-interest bearing, unsecured, payable in cash
Allowance for impairment loss		-	-	(55,403,023)	(55,403,023)		
				₱82,313,932	₱85,532,101		
				₱26,910,909	₱30,129,078		
<b>Mortgage loan receivable</b>	7						
Entity under common control		(₱19,852,941)	(₱28,676,470)	₱54,595,588	₱74,448,530	Mortgage loan (Payments)	5% interest, payable in 8 years, no impairment, payable in cash
<b>Interest income on:</b>	6						
Mortgage loan receivable		₱3,107,801	₱4,117,761	₱665,617	₱907,660	Interest income	Due and demandable
Due from related parties		-	343,233	-	-	Interest income	Due and demandable
				₱665,617	₱907,660		



### **Compensation of Key Management Personnel**

The compensation of key management personnel are as follows:

	<b>2023</b>	2022
Salaries and other employee benefits	<b>₱54,199,244</b>	₱52,417,244
Retirement expense	<b>12,014,816</b>	9,061,966
	<b>₱66,214,060</b>	₱61,479,210

### **18. Net Insurance Premiums**

The gross premiums on insurance contracts consist of:

	<b>2023</b>	2022
Direct:		
Group life insurance	<b>₱1,771,752,064</b>	₱1,786,140,123
Ordinary life insurance	<b>301,947,682</b>	304,212,230
Accident and health	<b>12,266,988</b>	16,265,514
	<b>2,085,966,734</b>	2,106,617,867
Assumed -		
Group life insurance	<b>69,191,912</b>	108,866,424
	<b>₱2,155,158,646</b>	₱2,215,484,291

The reinsurers' share of gross premiums on insurance contracts consists of:

	<b>2023</b>	2022
Group life insurance	<b>₱35,320,471</b>	₱54,228,846
Ordinary life insurance	<b>481,043</b>	(471,033)
Accident and health	<b>112,426</b>	115,548
	<b>₱35,913,940</b>	₱53,873,361

### **19. Net Insurance Benefits and Claims**

Net benefits and claims incurred on insurance contracts consist of (see Note 10):

	<b>2023</b>	2022
Claims	<b>₱1,137,601,990</b>	₱1,171,153,969
Maturities and surrenders	<b>237,397,061</b>	197,314,133
Experience refunds	<b>43,335,241</b>	1,886,434
Gross benefits and claims	<b>1,418,334,292</b>	1,370,354,536
Reinsurers' share	<b>(14,942,928)</b>	(17,142,932)
	<b>₱1,403,391,364</b>	₱1,353,211,604

Net change in legal policy reserves consists of:

	<b>2023</b>		
	<b>Gross Change in Legal Policy Reserves</b>	<b>Reinsurers' Share of Change in Legal Policy Reserves</b>	<b>Net (see Note 10)</b>
Ordinary life insurance	<b>(P30,517,936)</b>	<b>P-</b>	<b>(P30,517,936)</b>
Group life insurance	<b>166,190,702</b>	<b>5,424,926</b>	<b>171,615,628</b>
Accident and health	<b>772,542</b>	<b>-</b>	<b>772,542</b>
	<b>P136,445,308</b>	<b>P5,424,926</b>	<b>P141,870,234</b>

	<b>2022</b>		
	<b>Gross Change in Legal Policy Reserves</b>	<b>Reinsurers' Share of Change in Legal Policy Reserves</b>	<b>Net (see Note 10)</b>
Ordinary life insurance	<b>(P93,560,958)</b>	<b>P-</b>	<b>(P93,560,958)</b>
Group life insurance	<b>251,487,417</b>	<b>(7,418,428)</b>	<b>244,068,989</b>
Accident and health	<b>(2,899,638)</b>	<b>-</b>	<b>(2,899,638)</b>
	<b>P155,026,821</b>	<b>(P7,418,428)</b>	<b>P147,608,393</b>

## 20. General and Administrative Expenses

This account consists of:

	Note	<b>2023</b>	2022
Service fees		<b>P278,934,444</b>	P304,963,417
Personnel costs		<b>158,356,478</b>	141,934,813
Agency expenses		<b>59,869,983</b>	59,228,406
Depreciation	9	<b>23,315,344</b>	19,996,289
Professional fees		<b>20,572,277</b>	14,532,322
Outside services		<b>12,901,354</b>	11,018,902
Advertising and promotions		<b>11,272,980</b>	5,096,579
Utilities		<b>8,434,271</b>	7,735,921
Taxes and licenses		<b>6,479,484</b>	10,856,539
Conferences and meetings		<b>6,144,269</b>	4,853,256
Supplies		<b>5,822,619</b>	6,926,137
Repairs and maintenance		<b>5,730,755</b>	5,218,436
Transportation and travel		<b>1,575,452</b>	396,500
Insurance		<b>1,150,140</b>	1,235,670
Association dues and fees		<b>1,135,506</b>	1,044,407
Trainings and seminars		<b>632,887</b>	124,963
Others		<b>6,692,307</b>	4,649,616
		<b>P609,020,550</b>	<b>P599,812,173</b>

Agency expenses include rent, utilities and other expenses incurred for branch and agency operations. Rent expense amounted to P9.8 million and P10.1 million in 2023 and 2022, respectively (see Note 24).

Personnel costs consist of:

	Note	2023	2022
Salaries and wages		<b>₱102,774,797</b>	₱98,488,740
Retirement benefits cost	22	<b>20,087,449</b>	19,247,188
Other employee benefits		<b>35,494,232</b>	24,198,885
		<b>₱158,356,478</b>	₱141,934,813

Other employee benefits pertain to the Company's share in the statutory contributions of employees to various government agencies.

## 21. Commissions and Other Direct Expenses and Finance Costs and Charges

### Commissions and Other Direct Expenses

This account consists of:

		2023	2022
Commissions:			
Group		<b>₱144,248,676</b>	₱124,932,070
First year		<b>36,637,515</b>	28,760,433
Reinsurance		<b>1,728,870</b>	18,855,904
Renewal		<b>2,057,396</b>	1,400,256
Direct taxes		<b>44,289,311</b>	43,952,240
		<b>₱228,961,768</b>	₱217,900,903

### Finance Costs and Charges

This account consists of:

	Note	2023	2022
Interest expense on:			
Premium deposit fund	11	<b>₱19,285,067</b>	₱24,267,877
Loans payable	13	<b>45,554</b>	147,090
		<b>19,330,621</b>	24,414,967
Bank charges and other service fees		<b>7,755,515</b>	8,152,979
		<b>₱27,086,136</b>	₱32,567,946

Bank charges and other service fees represent warehousing fees on investments on treasury bonds and fees for other bank services.

## 22. Retirement Liability

The Company has a funded, non-contributory defined benefit plan providing retirement benefits for all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment. The latest actuarial report was made for the year ended December 31, 2023.

The components of retirement benefits cost recognized in the separate statements of comprehensive income are as follows (see Note 20):

	2023	2022
Current service cost	P12,644,611	P12,682,268
Net interest expense	7,442,838	6,564,920
	<b>P20,087,449</b>	<b>P19,247,188</b>

The components of net retirement liability presented in the separate statements of financial position are as follows:

	2023	2022
Present value of defined benefit obligation	P273,913,521	P244,745,578
Fair value of plan assets	(143,706,457)	(124,849,106)
	<b>P130,207,064</b>	<b>P119,896,472</b>

Movements in the net retirement liability recognized in the separate statements of financial position are as follows:

	2023	2022
Balance at beginning of year	P119,896,472	P152,145,961
Current service cost	12,644,611	12,682,268
Net interest expense	7,442,838	6,564,920
Net remeasurement loss (gain)	5,583,567	(33,768,862)
Actual contributions	(10,000,000)	(15,000,000)
Benefits paid out of Company fund	(5,360,424)	(2,727,815)
Balance at end of year	<b>P130,207,064</b>	<b>P119,896,472</b>

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

	2023	2022
Balance at beginning of year	P244,745,578	P262,044,645
Current service cost	12,644,611	12,682,268
Interest cost	16,668,142	12,434,844
Remeasurement loss (gain) due to:		
Changes in financial assumptions	13,664,663	(33,548,486)
Experience adjustments	(8,449,049)	(6,139,878)
Benefits paid out of Company fund	(5,360,424)	(2,727,815)
Balance at end of year	<b>P273,913,521</b>	<b>P244,745,578</b>

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

	2023	2022
Balance at beginning of year	P124,849,106	P109,898,684
Actual contributions	10,000,000	15,000,000
Interest income	9,225,304	5,869,924
Remeasurement loss	(367,953)	(5,919,502)
Balance at end of year	<b>P143,706,457</b>	<b>P124,849,106</b>

The Company expects to contribute ₱25.5 million to the retirement plan in the next reporting period.

The distribution of the plan assets as at December 31 is as follows:

	<b>2023</b>	2022
Government securities	<b>86%</b>	86%
Corporate bonds, trust funds and mutual funds	<b>14%</b>	14%

The plan exposes the Company to the following risks:

- Salary Risk - any increase in the retirement plan participants' salary will increase the retirement plan's liability
- Longevity Risk - any increase in the plan participants' life expectancy will increase the retirement plan's liability
- Investment Risk - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise.
- Interest Rate Risk - a decrease in the bond interest rate will increase the present value of the retirement liability. However, partially counterbalanced by an increase in the return on the plan assets

The cumulative remeasurement loss (gain) on net retirement liability recognized in other comprehensive income is as follows:

	<b>2023</b>		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	<b>₱4,009,935</b>	<b>(₱1,002,484)</b>	<b>₱3,007,451</b>
Remeasurement loss	<b>(5,583,567)</b>	<b>1,395,892</b>	<b>(4,187,675)</b>
Balance at end of year	<b>(₱1,573,632)</b>	<b>₱393,408</b>	<b>(₱1,180,224)</b>

	<b>2022</b>		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	<b>(₱29,758,927)</b>	<b>₱7,439,732</b>	<b>(₱22,319,195)</b>
Remeasurement gain	<b>33,768,862</b>	<b>(8,442,216)</b>	<b>25,326,646</b>
Balance at end of year	<b>₱4,009,935</b>	<b>(₱1,002,484)</b>	<b>₱3,007,451</b>

The principal assumptions used in determining net retirement liability are as follows:

	<b>2023</b>	2022
Discount rate	<b>6.07%</b>	7.08%
Salary increase rate	<b>6.00%</b>	6.00%

The sensitivity analysis of the retirement liability as at December 31, 2023 to changes in assumptions follows:

	Change in Variables	Increase (Decrease) in Present Value of Defined Benefit Obligation
Discount rate	+1.00%	(₱13,554,285)
	-1.00%	15,266,785
Salary increase rate	+1.00%	15,355,055
	-1.00%	(13,887,633)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on retirement liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The maturity analysis of the undiscounted benefit payments as at December 31, 2023 follow:

Period	Amount
Less than 1 year	₱26,377,278
1 year to less than 5 years	196,219,580
5 years to less than 10 years	79,755,359
10 years to less than 15 years	111,539,152
15 years to less than 20 years	118,770,730
20 years and above	171,644,494

The average duration of the expected benefit payments at the end of the reporting period is 7.95 years.

## 23. Income Tax

The current income tax expense represents RCIT in 2023 and MCIT in 2022.

The components of net deferred tax liabilities presented in separate statements of financial position are as follows:

	2023	2022
Deferred tax assets:		
Net retirement liability	₱32,551,766	₱29,974,118
Allowance for impairment on loans receivables*	6,894,428	10,275,363
Unrealized foreign exchange loss	4,168,775	–
	<b>43,614,969</b>	40,249,481
Deferred tax liabilities:		
Revaluation surplus on property and equipment	192,064,210	193,004,361
Accrued interest using effective interest rate	75,813,507	63,734,597
Unrealized foreign exchange gain	–	31,366,802
Others	2,415,371	2,415,371
	<b>270,293,088</b>	290,521,131
Net deferred tax liabilities	<b>₱226,678,119</b>	₱250,271,650

\* Excluding allowance on due from related parties.

The components of net deferred tax liabilities presented in other comprehensive income follow:

	Note	2023	2022
Revaluation surplus	9	<b>₱192,064,210</b>	₱193,004,361
Cumulative remeasurement gain (loss) on net retirement liability	22	<b>(393,408)</b>	1,002,484
		<b>₱191,670,802</b>	₱194,006,845

The presentation of net deferred tax liabilities are as follows:

	2023	2022
Through profit or loss	<b>₱35,007,317</b>	₱56,264,805
Through other comprehensive income	<b>191,670,802</b>	194,006,845
	<b>₱226,678,119</b>	₱250,271,650

The reconciliation between the income tax expense at statutory income tax rate and provision for income tax presented in the separate statements of comprehensive income is as follows:

	2023	2022
Income tax expense at statutory income tax rate	<b>₱36,337,689</b>	₱48,552,306
Tax effects of:		
Nondeductible expenses	<b>14,137,469</b>	77,964,255
Income exempt from tax	<b>(7,614,166)</b>	(8,242,494)
Interest and dividend income subjected to lower tax rates	<b>(9,610,717)</b>	(4,999,342)
Nontaxable income	<b>(597,531)</b>	–
	<b>₱32,652,744</b>	₱113,274,725

## 24. Commitments and Contingencies

### Company as a Lessor

As discussed in Note 8 to the financial statements, the BOD of BFAI approved a resolution approving the cessation of BFAI's business operations effective December 15, 2021, and shorten BFAI's term of existence until June 2023. In December 2021, all existing lease agreements with third parties were transferred to the Company. Accordingly, all rental payments will be received by the Company following the cessation of BFAI's business operations.

Rental income recognized amounted to ₱4.2 million in 2023 and 2022.

Future minimum rental receivables under the cancellable operating leases are as follows:

	2023	2022
Within one year	<b>₱4,096,484</b>	₱4,294,205
After one year but not more than five years	<b>4,245,687</b>	3,165,329
	<b>₱8,342,171</b>	₱7,459,534

### **Company as a Lessee**

The Company has various lease agreements for its branches and agency offices. The lease periods vary from one (1) year to three (3) years with annual escalation of 5% to 10%. Rent expense included as part of "Agency expenses" in the "General and administrative expenses" account in the separate statements of comprehensive income amounted to ₱9.8 million and ₱10.1 million in 2023 and 2022, respectively (see Note 20). The Company assessed that these lease agreements qualify as leases of low value assets or short-term leases.

Future minimum lease payments under the cancellable operating leases as at December 31, 2023 and 2022 are as follows:

	<b>2023</b>	2022
Within one (1) year	<b>₱8,013,838</b>	₱9,171,642
After one (1) year but not more than five (5) years	<b>2,699,606</b>	3,687,760
	<b>₱10,713,444</b>	₱12,859,402

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## **25. Capital Management and Regulatory Framework**

### **Capital Management Framework**

It is the Company's objective that it remains in compliance with all regulatory requirements that would ensure safety and stability of its financial position and that shareholder value is optimized.

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Model.

The Company assesses its capital adequacy annually by adopting an internal capital measurement framework that reflects the regulatory capital definitions and the Company's view of its exposure to risk. In 2023 and 2022, the Company has complied with all imposed capital requirements. In any event that the capital adequacy assessment falls below the minimum standard set, it is the Company's policy to make capital calls and/or liquidate certain investments with substantial reserves.

### **Regulatory Framework**

Regulators are interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Company is satisfactorily managing affairs for the policyholders' benefit.

At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

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



### Minimum Statutory Net Worth

On August 5, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as “The Insurance Code” which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance:

Required Net Worth	Compliance Date
₱900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

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

Pursuant to Section 202 of The Insurance Code, the amount of non-admitted assets as at December 31, 2023 and 2022 are as follows:

	2023	2022
Property and equipment	<b>₱622,446,449</b>	₱709,270,108
Loans and receivables	<b>545,467,826</b>	520,373,871
Financial assets at FVOCI	<b>721,724,270</b>	439,712,324
Financial assets at FVPL	<b>474,281,421</b>	165,664,694
Accrued investment income	<b>12,145,642</b>	5,244,180
Other assets	<b>115,331,452</b>	88,915,242
	<b>₱2,491,397,060</b>	₱1,929,180,419

As at December 31, 2023 and 2022, the Company’s net worth and its excess over the requirement are as follows:

	2023	2022
Total assets	<b>₱10,406,951,372</b>	₱9,860,534,344
Total liabilities	<b>6,198,220,544</b>	5,778,952,979
Equity	<b>4,208,730,828</b>	4,081,581,365
Less: Non-admitted assets	<b>2,491,397,060</b>	1,929,180,419
Net worth	<b>1,717,333,768</b>	2,152,400,946
Less: Net worth requirement	<b>1,300,000,000</b>	1,300,000,000
Excess over net worth requirement	<b>₱417,333,768</b>	₱852,400,946

As at December 31, 2023 and 2022, the Company is compliant with the minimum statutory net worth requirements of the IC.

### RBC Requirements

The Insurance Code provides that the Commissioner may require the adoption of the RBC approach and other internationally accepted forms of capital framework. Together with the insurance industry, the IC is currently in the process of adopting a new RBC approach that would be more tailored to the Philippine insurance industry. In 2016, the IC issued CL No. 2016-68 regarding the Amended RBC framework to be known as “RBC2 Framework” which was effective starting January 1, 2017.

CL No. 2016-68 provides for the RBC2 framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks.

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 all have occurred:

- a. The RBC ratio is less than 125% but is not below 100%;
- b. The RBC ratio has decreased over the past year; and
- 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.

The RBC ratio shall be calculated as total available capital (TAC) divided by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. Tier 2 Capital which includes reserve for appraisal increment and remeasurement gains or losses on retirement pension asset or obligation shall not exceed 50% of Tier 1 Capital. RBC requirement shall be computed based on the formula provided in the RBC2 Framework and shall include asset default risk, insurance pricing risk, interest rate risk and general business risk.

The following table shows how the RBC ratio as at December 31, 2023 and 2022 was determined by the Company based on its internal calculations:

	<b>2023</b>	2022
Tier 1	<b>₱2,985,357,432</b>	₱2,840,035,578
Tier 2	<b>1,223,373,395</b>	1,242,164,995
Deductions	<b>(2,246,727,610)</b>	(2,302,892,517)
Total available capital	<b>1,962,003,217</b>	1,779,308,056
RBC requirement	<b>1,455,813,255</b>	1,360,117,153
RBC ratio	<b>135%</b>	131%

The final amount of the RBC ratio can be determined only after the accounts of the Company have been examined by IC specifically for the determination of admitted and non-admitted assets as defined under The Insurance Code.

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## 26. Risk Management Objectives and Policies

### **Insurance Risk**

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than the original estimate and subsequent development of long-term claims.

### Terms and Conditions

The Company principally writes life insurance where the life of policyholder is insured against death, illness, injury or permanent disability, usually for pre-determined amount.

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

Whole life and term insurance are conventional products where lump sum benefits are payable on death.

Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the period is completed.

The risks associated with the life and accident and health products are considered as underwriting risk. Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing.

Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss due to policyholder health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Policyholder decision risk - risk of loss due to policyholder experiences (lapses and surrenders) being different than expected.

The Company generally limits its maximum underwriting exposure on life insurance of a single life to ₱3,000,000 of coverage by using yearly renewable term reinsurance. The Company is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. While reinsurance arrangements do not relieve the Company from its direct obligations to its insured, an efficient and effective reinsurance program substantially limits the Company's exposure to potentially significant losses.

The table below sets out the Company's concentration of insurance risks based on sum insured:

	2023		2022	
	Number of Policies	Coverage	Number of Policies	Coverage
Whole life	81,491	₱10,728,692,167	79,798	₱10,634,211,913
Endowment	4,423	579,045,011	5,372	687,506,333
Term	10,640	1,450,319,482	10,618	1,417,798,318
Accident and health	8,618	682,943,878	8,475	688,158,665
Group life	868	837,907,688,084	816	640,197,400,791
	<b>106,040</b>	<b>₱851,348,688,622</b>	105,079	₱653,625,076,020

The table below sets out the concentration of legal policy reserves by type of contract (see Note 10):

	<b>2023</b>	2022
Ordinary life	<b>₱1,939,920,274</b>	₱1,958,857,404
Group life	<b>1,227,120,309</b>	1,055,110,199
Accident and health	<b>29,133,370</b>	28,552,641
	<b>₱3,196,173,953</b>	₱3,042,520,244

### **Key Assumptions**

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of The Insurance Code and guidelines set by the IC. For insurance contracts, the Company determines the assumptions in relation to future deaths, illness or injury and investment returns at inception of the contract.

Subsequently, new estimates are developed at each reporting date and liabilities are tested to determine whether such liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered to reflect the latest current estimates. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

The key assumptions to which the estimation and adequacy testing of liabilities are particularly sensitive are as follows:

*Mortality and Morbidity Rates.* Assumptions are based on standard industry and national mortality and morbidity tables, according to the type of contract written and which may be adjusted, where appropriate, to reflect the Company's own experiences. Assumptions are differentiated by sex, underwriting class and contract type.

For life insurance policies, increased mortality and morbidity rates would lead to a larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing profits for the shareholders.

*Discount Rates.* Life insurance liabilities are determined as the sum of the discounted value of the expected benefits, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. The weighted average rate of return is derived based on model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for shareholders.

*Investment Return.* The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to an increase in profits for the shareholders.

*Lapse and Surrender Rates.* Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

*Expenses.* Administrative expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for shareholders.

The assumptions that have the greatest effect on the separate statements of financial position and separate statements of comprehensive income are listed below.

	Mortality and Morbidity Rates		Discount Rates	
	2023	2022	2023	2022
Ordinary life	2017 PICM, 1959 ADB, and 1952 Disability Based on Experience	2017 PICM, 1959 ADB, and 1952 Disability Based on Experience	5.99% to 6.99%	5.5% to 7.6%
Group life	2017 PICM, 1959 ADB, and 1952 Disability Based on Experience	2017 PICM, 1959 ADB, and 1952 Disability Based on Experience	Based on Experience	Based on Experience

### Sensitivity Analysis

The analysis below is performed for reasonably possible changes in key assumptions, with all other assumptions held constant, on liabilities, income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. To demonstrate the impact due to changes in assumptions, sensitivity analysis has been performed based on the prescribed rate by IC for margin for adverse deviation.

The effects of changes in assumptions follow:

Change in Assumptions	2023		
	Increase (Decrease) in Liabilities	Increase (Decrease) in Income Before Tax	Increase (Decrease) in Equity
+10%	(P89,202,572)	P89,202,572	P55,721,147
-10%	122,455,892	(122,455,892)	(393,479,657)
Change in Assumptions	2022		
	Increase (Decrease) in Liabilities	Increase (Decrease) in Income Before Tax	Increase (Decrease) in Equity
+10%	(P72,186,657)	P72,186,657	P74,722,148
-10%	300,444,122	(300,444,122)	(102,145,523)

### **Financial Risk**

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. Taking risk is core to the insurance business, and the operational risks are inevitable consequence of being in business. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date financial information. The Company regularly reviews its risk management policies to reflect changes in markets, products and emerging best practices.

The BOD provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange, interest rate, equity price, credit, liquidity and use of derivative and non-derivative financial instruments, among others.

The BOD is responsible for the management of market, credit and liquidity risks. Their objective is to minimize adverse impacts on the Company's financial performance due to the unpredictability of financial markets. The Internal Audit is also responsible for the independent review of risk assessment measures and procedures and the control environment.

### **Fair Values of Financial Instruments**

The following table sets forth the carrying amount and estimated fair value of financial assets and liabilities recognized as at December 31, 2023 and 2022:

	2023		2022	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	₱1,051,819,070	₱1,051,819,070	₱1,177,531,785	₱1,177,531,785
Short-term investments	64,458,355	64,458,355	52,182,102	52,182,102
Insurance receivables	11,842,614	11,842,614	8,216,046	8,216,046
Investment securities	6,900,760,739	6,853,204,834	6,244,736,715	6,256,135,242
Loans receivables	1,238,998,437	1,246,723,113	1,197,263,693	1,204,548,519
Accrued investment income	82,497,398	82,497,398	74,820,615	74,820,615
	<b>₱9,350,376,613</b>	<b>₱9,310,545,384</b>	<b>₱8,754,750,956</b>	<b>₱8,773,434,309</b>
<b>Financial Liabilities</b>				
Insurance contract liabilities	₱5,122,715,389	₱5,122,715,389	₱4,690,387,870	₱4,690,387,870
Premium deposit fund	295,605,836	295,605,836	306,636,783	306,636,783
Insurance payables	75,156	75,156	21,231,689	21,231,689
Loans payable	–	–	5,309,184	5,309,184
Accounts payable and accrued expenses*	111,074,392	111,074,392	108,248,996	108,248,996
Other liabilities	281,721,161	281,721,161	255,527,602	255,527,602
	<b>₱5,811,191,934</b>	<b>₱5,811,191,934</b>	<b>₱5,387,342,124</b>	<b>₱5,387,342,124</b>

\*Excluding statutory payables amounting to ₱23.8 million and ₱19.5 million as at December 31, 2023 and 2022, respectively.

Due to the normal operating cycle of the Company and short-term nature of cash and cash equivalents, short-term investments, insurance receivables, accrued investment income, insurance contract liabilities, policyholders' dividends payable, premium deposit fund, insurance payables, loans payable, accounts payable and accrued expenses and other liabilities, their carrying values approximate fair values at year end.

The fair value of financial assets at FVPL and financial assets at FVOCI that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For units in unit trust and shares in open ended investment companies, fair value is by reference to net asset value per unit provided by the counterparty. These financial assets are classified under level 1 of fair value hierarchy.

The fair value of the loans receivables is estimated using the discounted cash flow technique that makes use of risk-free interest rates. The estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. The fair value of loans receivables is classified under level 2 of fair value hierarchy.

There is no transfer between levels of fair value hierarchy in 2023 and 2022.

### **Credit Risk**

Credit risk is the risk when a party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy; and review of credit risk policy for pertinence and changing environment.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs.

The Company is guided by the rulings of the IC to ensure admissibility of its investment securities.

The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings. Credit risks associated with fixed income investments are managed by the Company by monitoring exposure against pre-established limits set by the regulators and the BOD. Provisions for impaired assets are charged against the carrying value of the asset.

The Company performs credit analysis and review for both retail and corporate financial products to ensure consistency in the risk assessment process. The BOD also ensures that the credit policies and procedures are adequate and constantly evolving to meet the changing demands of the industry.

For debt securities and other bills, external ratings such as Standard & Poor's, Moody's and Fitch's ratings or their equivalent are used by the Company for managing credit risk exposure. Investments in these securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements.

With respect to credit risk arising from its financial assets, the table below shows the maximum exposure to credit risk of the Company's financial instruments before credit enhancements:

	<b>2023</b>	2022
Cash in banks and cash equivalents	<b>₱1,051,766,070</b>	₱1,177,478,785
Short-term investments	<b>64,458,355</b>	52,182,102
Insurance receivables	<b>11,842,614</b>	8,216,046
Investment securities	<b>6,853,204,834</b>	6,256,135,242
Loans receivables	<b>1,246,723,113</b>	1,204,548,519
Accrued investment income	<b>82,497,398</b>	74,820,615
	<b>₱9,310,492,384</b>	₱8,773,381,309

The carrying amount of the financial assets represents the gross maximum exposure to credit risk at reporting date except for policy loans and mortgage and collateral loans. The financial effect of collateral or credit enhancement amounted to ₱491.9 million and ₱491.6 million in 2023 and 2022, respectively. The Company holds cash surrender values of policyholder's insurance policy and Transfer Certificate of Title (TCT) for real properties as collaterals.

The Company has no significant concentration of credit risk on any single or group of counterparties. The Company's financial assets are categorized based on its collection experience with the counterparties and classified based on the following credit rating:

- High Grade - these are neither past due nor impaired with settlements obtained from counterparty following the terms of the contracts without much collection effort. The Company's cash in banks and cash equivalents, short-term investments and investment securities are classified under this category.
- Standard Grade - these are also neither past due nor impaired but some reminder follow-ups are performed to obtain settlement from the counterparty. The Company's insurance receivables, loans receivables and accrued investment income are classified under this category.

The following table summarizes the impairment analysis of the Company's financial assets as at December 31, 2023 and 2022. It indicates whether the financial assets were subjected to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	<b>2023</b>			<b>Total</b>
	<b>12-month ECL</b>	<b>Lifetime ECL - not credit impaired</b>	<b>Lifetime ECL - credit impaired</b>	
Cash in banks and cash equivalents	<b>₱1,051,766,070</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,051,766,070</b>
Short-term investments	<b>64,458,355</b>	<b>-</b>	<b>-</b>	<b>64,458,355</b>
Insurance receivables	<b>11,842,614</b>	<b>-</b>	<b>-</b>	<b>11,842,614</b>
Investment securities	<b>6,853,204,834</b>	<b>-</b>	<b>-</b>	<b>6,853,204,834</b>
Loans receivables	<b>1,310,966,294</b>	<b>-</b>	<b>18,737,552</b>	<b>1,329,703,846</b>
Accrued investment income	<b>82,497,398</b>	<b>-</b>	<b>-</b>	<b>82,497,398</b>
	<b>₱9,374,735,565</b>	<b>₱-</b>	<b>₱18,737,552</b>	<b>₱9,393,473</b>



	2022			Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	
Cash in banks and cash equivalents	₱1,177,478,785	₱-	₱-	₱1,177,478,785
Short-term investments	52,182,102	-	-	52,182,102
Insurance receivables	8,216,046	-	-	8,216,046
Investment securities	6,256,135,242	-	-	6,256,135,242
Loans receivables	1,266,652,583	-	34,400,411	1,301,052,994
Accrued investment income	74,820,615	-	-	74,820,615
	<b>₱8,835,485,373</b>	<b>₱-</b>	<b>₱34,400,411</b>	<b>₱8,869,885,784</b>

### **Liquidity Risk Management**

The Company's primary source of funds is cash provided by collection of premiums and net investment income. These funds are used primarily to pay policy benefits, dividends to policyholders, claims, commissions, operating expenses, taxes and licenses and shareholder dividends. Cash flows generated from operating activities are generally invested to support future payment requirements.

The Company maintains a conservative liquidity position that exceeds all the liabilities payable on demand. To strengthen its liquidity further, the Company actively manages and monitors its capital levels, asset levels, matching position, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

Based on the Company's historical cash flows, management believes that the cash flow from operating activities will continue to provide sufficient liquidity for the Company to satisfy all future obligations.

The table below summarizes the financial liabilities of the Company which are due within one year based on remaining contractual undiscounted cash flows as at December 31, 2023 and 2022:

	2023	2022
Insurance contract liabilities	<b>₱3,063,341,496</b>	₱2,702,977,826
Premium deposit fund	<b>295,605,836</b>	306,636,783
Insurance payables	<b>75,156</b>	21,231,689
Loans payable	-	5,309,184
Accounts payable and accrued expenses*	<b>111,074,392</b>	108,248,996
Other liabilities	<b>281,721,161</b>	255,527,602
	<b>₱3,751,818,041</b>	<b>₱3,399,932,080</b>

\*Excluding statutory payables amounting to ₱23.8 million and ₱19.5 million as at December 31, 2023 and 2022, respectively.

The portion of insurance contract liabilities which are due beyond one year amounted to ₱1,969.1 million and ₱1,987.4 million as at December 31, 2023 and 2022, respectively.

### **Market Risk**

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

Increasing market fluctuations may result in significant impact on the Company's equity, cash flows and profit. Its operating activities as well as its investing and financing activities are affected by changes in foreign exchange rates, interest rates and equity price risks. Market risks arise from foreign currency-denominated financial instruments, investments in debt instruments, as well as from listed equity investments.

The Company manages its market risk by monitoring its exposure to capital markets against established risk tolerance levels.

The Company also has specific policies that allow it to maintain its strong financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Company invests in various types of assets with a view to matching them with its liabilities of various durations.

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in PHP and its exposure to foreign currency risk arise primarily with respect to the Company's investments in foreign currency-denominated debt and equity instruments and dealings with foreign reinsurers in its settlement of obligations and receipt of any claim reimbursements, which are denominated in the following currencies:

- United States Dollar (USD)
- Singaporean Dollar (SGD)
- Euro (EUR)
- Australian Dollar (AUD)
- Hong Kong Dollar (HKD)
- Great Britain Pound (GBP)

The table below summarizes the Company's exposure to currency risk on foreign currency-denominated assets and liabilities and total PHP equivalents.

	2023						Total (PHP)
	USD	SGD	EUR	AUD	HKD	GBP	
<b>Financial Assets</b>							
Cash and cash equivalents	\$2,957,588	SGD51,587	EUR354,795	AUD31,064	HKD1,155,045	£82,211	₱202,950,692
Accrued investment income	726,670	—	—	7,273	—	—	40,511,728
Investment securities	48,958,163	283,754	—	1,883,119	—	60,929	2,798,532,393
Loans and receivables	1,011	—	—	—	—	—	55,979
	<b>\$52,643,432</b>	<b>SGD335,341</b>	<b>EUR354,795</b>	<b>AUD1,921,456</b>	<b>HKD1,155,045</b>	<b>£143,140</b>	<b>₱3,042,050,792</b>
<b>Financial Liabilities</b>							
Accounts payable and accrued expenses	\$10,228	SGD—	EUR—	AUD—	HKD—	£—	₱566,324
Insurance contract liabilities	960,800	—	—	—	—	—	53,199,496
Premium deposit fund	1,931	—	—	—	—	—	106,920
Other current liabilities	951	—	—	—	—	—	52,657
	<b>\$973,910</b>	<b>SGD—</b>	<b>EUR—</b>	<b>AUD—</b>	<b>HKD—</b>	<b>£—</b>	<b>₱53,925,397</b>

	2022						Total
	USD	SGD	EUR	AUD	HKD	GBP	(PHP)
<b>Financial Assets</b>							
Cash and cash equivalents	\$4,447,657	SGD3,483	€26,180	AUD56,879	HKD83,512	£1,778	₱252,554,364
Accrued investment income	697,303	–	–	6,036	–	–	39,106,282
Investment securities	44,271,583	281,469	264,721	1,758,595	1,305,610	169,611	2,583,148,262
Loans and receivables	1,754	–	–	–	–	–	97,818
	<b>\$49,418,297</b>	<b>SGD284,952</b>	<b>€290,901</b>	<b>AUD1,821,510</b>	<b>HKD1,389,122</b>	<b>£171,389</b>	<b>₱2,874,906,726</b>
<b>Financial Liabilities</b>							
Accounts payable and accrued expenses	\$113,674	SGD–	€–	AUD–	HKD–	£–	₱6,337,881
Insurance contract liabilities	1,074,835	–	–	–	–	–	59,927,411
Loans payable	–	127,687	–	–	–	–	5,309,184
Premium deposit fund	1,931	–	–	–	–	–	107,640
Other current liabilities	1,146	–	–	–	–	–	63,875
	<b>\$1,191,586</b>	<b>SGD127,687</b>	<b>€–</b>	<b>AUD–</b>	<b>HKD–</b>	<b>£–</b>	<b>₱71,745,991</b>

For purposes of restating the outstanding balances of the Company's foreign currency-denominated financial assets and liabilities as at December 31, 2023 and 2022, the following exchange rates were applied:

	2023	2022
USD	<b>₱55.37</b>	₱55.76
SGD	<b>42.09</b>	41.58
EUR	<b>61.47</b>	59.55
AUD	<b>37.95</b>	37.80
HKD	<b>7.11</b>	7.20
GBP	<b>70.76</b>	67.44

The following table demonstrates the sensitivity to reasonably possible change in foreign exchange rate, with all other variables held constant, of the Company's income before tax as at December 31, 2023 and 2022:

	2023			2022		
	Increase/ Decrease in Exchange Rate	Effect on Income before Tax	Effect on Equity	Increase/ Decrease in Exchange Rate	Effect on Income before Tax	Effect on Equity
USD	5.55% (5.55%)	₱150,293,262 (150,293,262)	₱131,015,218 (131,015,218)	4.57% (4.57%)	₱110,151,913 (110,151,913)	₱98,398,903 (98,398,903)
SGD	4.64% (4.64%)	560,382 (560,382)	420,286 (420,286)	2.97% (2.97%)	– –	926,529 (926,529)
EUR	3.22% (3.22%)	702,258 (702,258)	– –	3.43% (3.43%)	53,474 (53,474)	816,814 (816,814)
AUD	2.87% (2.87%)	759,695 (759,695)	2,202,284 (2,202,284)	3.44% (3.44%)	741,119 (741,119)	2,503,113 (2,503,113)
HKD	1.25% (1.25%)	102,655 (102,655)	102,655 (102,655)	4.18% (4.18%)	959,805 (959,805)	959,805 (959,805)
GBP	5.09% (5.09%)	– –	149,891 (149,891)	5.09% (5.09%)	– –	354,620 (354,620)

### Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

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

A critical element of the Company's risk management process consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Company's net interest income and ensuring that the exposure in interest rate is kept within acceptable limits.

An efficient matching policy of assets and liabilities arising from insurance and investment contracts are established to keep potential losses within acceptable levels.

The following tables show the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

	2023			
	Up to 1 year	1-3 years	3-5 years	Over 5 years
Financial assets at FVOCI	₱301,351,243	₱230,946,655	₱285,585,104	₱1,079,844,123
Financial assets at FVPL	36,823,542	96,122,874	104,133,802	583,870,891

	2022			
	Up to 1 year	1-3 years	3-5 years	Over 5 years
Financial assets at FVOCI	₱143,918,393	₱288,394,629	₱341,303,909	₱865,085,687
Financial assets at FVPL	-	47,066,280	170,840,088	619,944,746

The following table below presents the impact on income before tax and equity due to a reasonable possible change in the interest rate for the year ended December 31, 2023 and 2022:

	2023		
	Change in Variable	Impact on Income Before Tax	Impact on Equity
USD	5.1486%	₱52,677,597	₱97,170,690
	(5.1486%)	(52,677,597)	(97,170,690)
AUD	3.65%	-	215,539
	(3.65%)	-	(215,539)

	2022		
	Change in Variable	Impact on Income Before Tax	Impact on Equity
USD	5.4347%	₱31,717,851	₱126,514,993
	(5.4347%)	(31,717,851)	(126,514,993)
AUD	4.85%	-	5,053,367
	(4.85%)	-	(5,053,367)

The impact on the Company's equity, caused by changes in the market value of financial assets, already excludes the impact on transactions affecting the separate statements of comprehensive income. The impact on the Company's income before tax is caused by changes in the market value of financial assets at FVPL.

In 2023 and 2022, the Company determined the reasonably possible change in interest rates using the percentages changes in weighted average yield rates of outstanding securities for the past five years.

### Equity Price Risk

Equity price risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of PSEi and other foreign stock exchange indices.

The Company's equity price risk exposure relates to equity shares classified as financial assets at FVPL and FVOCI.

The table below shows the equity impact of reasonably possible change of PSEi and other foreign stock exchange indices as at December 31, 2023 and 2022:

Market Indices	2023		
	Change in Stock Index	Impact on Income Before Tax	Impact on Equity
PSEi	9.89%	–	₱2,025,280
	(9.89%)	–	(2,025,280)
Standard and Poor's Index (SPX)	13.58%	–	388,253
	(13.58%)	–	(388,253)
2022			
Market Indices	Change in Stock Index	Impact on Income Before Tax	Impact on Equity
Hang Seng Index (HSI)	14.66%	₱–	₱462,499
	(14.66%)	–	(462,499)
PSEi	12.33%	5,496,670	2,653,565
	(12.33%)	(5,496,670)	(2,653,565)
Financial Times Stock Exchange (FTSE)	7.02%	–	210,290
	(7.02%)	–	(210,290)
Standard and Poor's Index (SPX)	0.84%	–	25,246
	(0.84%)	–	(25,246)
FTSE Straits Times Index (FSSTI)	7.50%	–	460,325
	(7.50%)	–	(460,325)

The effect on equity is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities classified as financial assets at FVOCI. The effect on income is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities classified as financial assets at FVPL.

The equity impact is arrived at using the reasonably possible change for the past five years of the relevant market indices and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

The impact on the Company's equity already excludes the impact on transactions affecting the separate statements of comprehensive income.

## 27. Classification of Separate Statements of Financial Position Accounts

The current portions of the Company's assets and liabilities as at December 31, 2023 and 2022 are as follows:

	2023	2022
Current assets:		
Cash and cash equivalents	<b>₱1,051,819,070</b>	₱1,177,531,785
Short-term investments	<b>64,458,355</b>	52,182,102
Insurance receivables	<b>11,842,614</b>	8,216,046
Investment securities	<b>1,478,901,909</b>	1,549,058,975
Loans receivables	<b>870,274,847</b>	703,350,902
Accrued investment income	<b>82,497,398</b>	74,820,615
Other current assets	<b>4,344,641</b>	1,611,730
	<b>₱3,564,138,834</b>	₱3,566,772,155
Current liabilities:		
Insurance contract liabilities	<b>₱3,063,341,496</b>	₱4,690,387,870
Premium deposit fund	<b>295,605,836</b>	306,636,783
Insurance payables	<b>75,156</b>	21,231,689
Loans payable	-	5,309,184
Accounts payable and accrued expenses	<b>134,875,003</b>	108,248,996
Income tax liability	<b>6,342,816</b>	-
Other liabilities	<b>281,721,161</b>	255,527,602
	<b>₱3,781,961,468</b>	₱5,387,342,124

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULE OF  
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and Board of Directors  
Beneficial Life Insurance Company, Inc.  
Beneficial Life Building  
166 Salcedo St.  
Legaspi Village, Makati City

We have audited in accordance with the Philippine Standards on Auditing, the separate financial statements of the Beneficial Life Insurance Company, Inc. as at and for the years ended December 31, 2023 and 2022 and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2023 for the submission to the Securities and Exchange Commission is the responsibility of the Company's management. The supplementary schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**

  
DARRYLL REESE Q. SALANGAD

Partner

CPA Certificate No. 107615

Tax Identification No. 227-770-760-000

BOA Accreditation No. 4782; Valid until April 13, 2024

IC Accreditation No. 107615-IC

Issued August 12, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-016-2022

Valid until May 15, 2025

PTR No. 10072422

Issued January 2, 2024, Makati City

April 12, 2024  
Makati City, Metro Manila



Republika ng Pilipinas  
 REPUBLIC OF THE PHILIPPINES  
 Komisyon sa Regulasyong Pampropesyon  
 PROFESSIONAL REGULATION COMMISSION  
 Manila

Lupon ng Accountancy  
 Board of Accountancy  
 Katibayan ng Akreditasyon  
 CERTIFICATE OF ACCREDITATION **4782**  
 Katibayan ng Akreditasyon Blg. \_\_\_\_\_  
 Certificate of Accreditation No.

Pinatutunayan nito na ang  
 This is to certify that the

**REYES TACANDONG & CO.**

(Pangalan ng Firm/Samahan)  
 (Name of Firm/Partnership)

26th Floor, BDO Towers, Valero, 8741 Paseo de Roxas, Makati City

(Tirahan ng Punong Tanggapan)  
 (Address of Head Office)

ay kasipasyang nakatupad sa lahat ng pangangailangang itinakda ng Seksyon 31 ng Batas Republika Blg. 9298  
 has satisfactorily complied with all the requirements prescribed by Section 31 of Republic Act No. 9298  
 at, ng mga Tuntunin at Alituntunin ng Lupon sa Kapangyarihan nito, ng Katibayan ng Akreditasyon ay  
 and the Rules and Regulations of the Board and by virtue hereof, this Certificate of Accreditation is  
 ipinagkaloob sa pamamagitan nito at mayroong bisa tatlong taon hanggang sa araw na isinasaad dito,  
 hereby issued and is valid for three years from date as herein stated,  
 maliban na lang kung may nauunang pagpapawalang-bisa o pagpapatigil ng Lupon.  
 unless sooner revoked or suspended by the Board.

Bilang katunayan ay taglay nito ang tatak at mga lagda ng Tagapangulo ng Lupon at Punong  
 Witnesseth the seal and signatures of the Chairman of the Board and Commission Chairperson  
 Komisyonado ngayong ika-6 araw ng Marso, sa taong 2024 sa  
 this 6th day of March, in the year 2024 at the  
 Lungsod ng Maynila.  
 City of Manila.

  
**NOE G. QUINANOLA**  
 Tagapangulo  
 Chairman

Pinagtibay:  
 Approved:

  
**CHARITO A. ZAMORA**  
 Punong Komisyonado  
 Commission Chairperson

RENEWAL CERTIFICATE: Valid from April 14, 2024 to June 6, 2026.

SN:AA 027567

