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

	Note	December 31 2023	2022
ASSETS			
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
		₱10,407,315,578	₱9,862,740,682
LIABILITIES AND EQUITY			
Liabilities			
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		**6,199,119,902**	5,781,584,168
Equity			
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		**4,208,195,676**	4,081,156,514
		₱10,407,315,578	₱9,862,740,682

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
REVENUES				
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
		2,651,241,684	2,570,155,044	2,099,596,730
BENEFITS, CLAIMS AND EXPENSES				
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**	–	–
		2,476,964,342	2,610,780,463	1,952,970,073
INCOME (LOSS) BEFORE FOREIGN EXCHANGE CHANGES AND IMPAIRMENT LOSSES		**174,277,342**	(40,625,419)	146,626,657
NET FOREIGN EXCHANGE GAIN (LOSS)		**(15,806,957)**	236,533,392	156,790,646
PROVISION FOR IMPAIRMENT LOSSES				
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
		13,229,930	1,799,386	14,871,511
INCOME BEFORE INCOME TAX		**145,240,455**	194,108,587	288,545,792
INCOME TAX EXPENSE (BENEFIT)	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
		32,652,744	113,274,725	47,960,516
NET INCOME		**₱112,587,711**	₱80,833,862	₱240,585,276

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Forward)

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

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:

Name of Subsidiary	Country of Incorporation	Nature of Business
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.

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 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 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:

		2023		2022	
	Note	**Carrying Amount**	**Allowance for ECL**	Carrying Amount	Allowance for ECL
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	–
Accrued investment income	6	**82,497,398**	**–**	74,820,615	–
Investment securities:	6		**–**		
Financial assets at FVOCI - debt securities		**1,898,792,221**	**14,993,029**	1,638,702,618	11,010,543
Financial assets at amortized cost		**3,404,344,958**	**4,907,055**	2,869,466,923	2,136,398
Loans receivables	7	**1,244,941,282**	**27,577,710**	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 it 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		**₱945,877,532**	₱950,751,000
At cost		**20,481,461**	25,169,424
Other assets		**130,341,448**	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	**₱53,000**	₱53,000
Cash in banks	**755,846,522**	867,854,452
Cash equivalents	**297,771,132**	311,536,219
	₱1,053,670,654	₱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	**₱125,688,876**	₱91,585,114	₱85,115,404
Investment securities:	6			
Financial assets at amortized cost		**165,566,665**	106,358,071	94,565,220
Financial assets at FVOCI		**81,127,595**	70,439,216	69,242,209
Financial assets at FVPL		**47,701,969**	48,681,911	40,148,511
Short-term investments		**14,046,437**	3,015,868	1,547,837
Cash and cash equivalents		**10,324,750**	7,745,252	4,745,277
		₱444,456,292	₱327,825,432	₱295,364,458

5. **Insurance Receivables**

This account consists of:

	2023	2022
Premiums due and uncollected	**₱10,267,528**	₱8,216,046
Due from reinsurers	**1,575,086**	–
	₱11,842,614	₱8,216,046

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 ₱14.9 million, ₱17.1 million and ₱25.0 million in 2023, 2022 and 2021, respectively (see Note 18).

6. **Investment Securities**

Movements of this account are as follows:

	2023			
	Financial Assets			
	At FVPL	**At FVOCI**	**At Amortized Cost**	**Total**
Balance at beginning of year	**₱1,119,422,195**	**₱2,267,246,124**	**₱2,869,466,923**	**₱6,256,135,242**
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	**₱820,951,109**	**₱2,627,908,767**	**₱3,404,344,958**	**₱6,853,204,834**

	2022			
	Financial Assets			
	At FVPL	At FVOCI	At Amortized Cost	Total
Balance at beginning of year	₱1,097,784,937	₱2,894,483,799	₱2,032,634,640	₱6,024,903,376
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	₱1,119,422,195	₱2,267,246,124	₱2,869,466,923	₱6,256,135,242

Financial Assets at FVPL
This account consists of:

	2023	2022
Private debt securities - foreign	**₱820,951,109**	₱837,851,115
Equity securities	**–**	281,571,080
	₱820,951,109	₱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:

	2023	2022
Debt securities:		
Private debt securities - foreign	**₱1,028,498,441**	₱843,664,433
Government debt securities - foreign	**870,293,780**	795,038,185
	1,898,792,221	1,638,702,618
Equity securities - local and foreign	**729,116,546**	628,543,506
	₱2,627,908,767	₱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	**(₱303,466,960)**	**₱11,010,543**	**(₱292,456,417)**
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**
Impairment loss	**–**	**3,982,486**	**3,982,486**
	64,261,548	**3,982,486**	**68,244,034**
Balance at end of year	**(₱239,205,412)**	**₱14,993,029**	**(₱224,212,383)**

	2022		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	(₱104,343,999)	₱9,420,725	(₱94,923,274)
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)
Impairment loss	–	1,589,818	1,589,818
	(199,122,961)	1,589,818	(197,533,143)
Balance at end of year	(₱303,466,960)	₱11,010,543	(₱292,456,417)

	2021		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	(₱52,995,000)	₱5,263,691	(₱47,731,309)
Change in revaluation reserves:			
Fair value changes	(45,589,795)	–	(45,589,795)
Foreign exchange changes	42,949,989	–	42,949,989
Transfer to retained earnings	(35,347,300)	–	(35,347,300)
Transfers to profit or loss:			
Gain on sale	(13,361,893)	–	(13,361,893)
Impairment loss	–	4,157,034	4,157,034
	(51,348,999)	4,157,034	(47,191,965)
Balance at end of year	(₱104,343,999)	₱9,420,725	(₱94,923,274)

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	**(₱292,456,417)**	(₱94,923,274)	(₱47,731,309)
Items that will be reclassified to profit or loss	**65,459,076**	(216,158,462)	(44,925,470)
Items that will not be reclassified into profit or loss	**2,784,958**	18,625,319	(2,266,495)
Balance at end of year	**(₱224,212,383)**	(₱292,456,417)	(₱94,923,274)

Financial Assets at Amortized Cost

This account consists of:

	2023	2022
Government debt securities - local	**₱2,845,963,144**	₱1,993,606,642
Private debt securities - local	**563,288,869**	877,996,679
	3,409,252,013	2,871,603,321
Allowance for impairment loss (12-month ECL)	**4,907,055**	2,136,398
	₱3,404,344,958	₱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	**₱2,136,398**	₱1,926,830
Provision for impairment loss	**2,770,657**	209,568
Balance at end of year	**₱4,907,055**	₱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	**₱3,982,486**	₱1,589,818	₱4,157,034
Financial assets at amortized cost	**2,770,657**	209,568	(3,154,804)
	₱6,753,143	₱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	**₱47,820,624**	₱28,936,022	₱26,772,969
Financial assets at FVPL	**–**	18,504,698	6,507,509
	₱47,820,624	₱47,440,720	₱33,280,478

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	16	**665,617**	907,660
		₱82,497,398	₱74,820,615

7. Loans Receivables

This account consists of:

	Note	2023	2022
Salary loans		**₱1,015,861,690**	₱969,877,855
Policy loans		**81,823,401**	81,498,379
Mortgage and collateral loans:			
Related party	16	**54,595,588**	74,448,530
Third parties		**5,275,175**	248,968
Agents' balances		**38,346,449**	35,054,866
Due from related parties	16	**25,129,078**	30,129,078
Notes receivables		**8,898,066**	8,047,680
Others		**42,589,545**	46,344,615
		1,272,518,992	1,245,649,971
Less allowance for impairment loss		**27,577,710**	41,101,452
		₱1,244,941,282	₱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	**₱6,701,041**	**₱34,400,411**	**₱41,101,452**
Provision	**6,476,787**	**–**	**6,476,787**
Transfer from 12-month ECL to lifetime ECL	**(4,337,670)**	**4,337,670**	**–**
Write-off	**–**	**(20,000,529)**	**(20,000,529)**
Balance at end of year	**₱8,840,158**	**₱18,737,552**	**₱27,577,710**

	2022		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	₱12,603,824	₱108,618,427	₱121,222,251
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	₱6,701,041	₱34,400,411	₱41,101,452

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

Composition of allowance for impairment loss are as follows:

	2023	2022
Salary loans	**₱18,916,758**	₱32,440,500
Agents' balances	**4,999,651**	4,999,651
Notes receivables	**2,860,226**	2,860,226
Others	**801,075**	801,075
	₱27,577,710	₱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		**₱111,716,966**	₱75,466,388	₱68,775,908
Policy loans		**8,028,074**	8,394,982	6,014,197
Mortgage and collateral loans:				
Related party	16	**3,107,801**	4,117,761	5,944,777
Third parties		**24,189**	31,147	45,566
Notes receivables		**945,978**	720,541	909,923
Agents' balances		**819,219**	947,768	332,539
Due from related parties	16	**–**	343,233	709,589
Others		**1,046,649**	1,563,294	2,382,905
		₱125,688,876	₱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**
Revalued Amounts				
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**
Accumulated Depreciation				
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**
Carrying Amount	**₱831,879,999**	**₱**	**₱**	**₱945,877,532**

	2022			
	Land	Building	Office Condominium	Total
Revalued Amounts				
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
Accumulated Depreciation				
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
Carrying Amount	₱831,879,999	₱88,462,956	₱30,408,045	₱950,751,000

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**
Cost			
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**
Accumulated Depreciation			
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**
Carrying Amount	**₱12,398,759**	**₱8,082,702**	**₱20,481,461**

	2022		
	Transportation Equipment	Office Furniture and Equipment	Total
Cost			
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
Accumulated Depreciation			
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
Carrying Amount	₱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	**₱7,491,771**	₱8,373,550	₱7,011,542
At cost	**15,823,573**	11,622,739	12,831,573
	₱23,315,344	₱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	**₱1,939,920,274**	₱1,958,857,404
Group life policies	**1,227,120,309**	1,055,110,199
Accident and health riders	**29,133,370**	28,552,641
	3,196,173,953	3,042,520,244
Policy and contract claims:		
Claims payable	**1,593,386,357**	1,313,206,404
Maturities and surrenders payable	**242,834,830**	216,697,041
Policyholders' benefits payable	**90,320,249**	117,964,181
	1,926,541,436	1,647,867,626
	₱5,122,715,389	₱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		**₱3,042,520,244**	₱3,432,057,601
Recognized in:			
Profit or loss	18	**141,870,234**	147,608,393
Other comprehensive loss (income)		**11,783,475**	(537,145,750)
Balance at end of year		**₱3,196,173,953**	₱3,042,520,244

Movements of revaluation of legal policy reserves are as follows:

	2023	2022	2021
Balance at beginning of year	**₱660,144,459**	₱122,998,709	(₱201,662,671)
Remeasurement gain (loss) due to change in discount rates	**(11,783,475)**	537,145,750	324,661,380
Balance at end of year	**₱648,360,984**	₱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	2023	2022
Balance at beginning of year		**₱1,647,867,626**	₱1,567,401,807
Benefits and claims	18	**1,403,391,364**	1,353,211,604
Payments		**(1,124,717,554)**	(1,272,745,785)
Balance at end of year		**₱1,926,541,436**	₱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	2023	2022
Balance at beginning of year		**₱21,231,689**	₱85,776,580
Premiums ceded	17	**35,913,940**	53,873,361
Payments		**(57,070,473)**	(118,418,252)
Balance at end of year		**₱75,156**	₱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		
	Loans Payable	**Dividends Payable** (see Note 14)	**Total**
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		
	Loans Payable	Dividends Payable (see Note 14)	Total
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		**₱174,202,866**	₱150,701,673
Dividends payable	12	**72,953,533**	73,679,247
Agents' fund		**32,827,573**	29,531,405
Others		**2,057,417**	3,717,336
		₱282,041,389	₱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	**₱172,643,555**	₱90,010,323	₱42,873,792
Additional appropriation	**59,112,287**	82,633,232	47,136,531
Balance at end of year	**₱231,755,842**	₱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.

		Transactions During the Year		Balance at End of Year			
	Note	**2023**	2022	**2023**	2022	Nature	Terms and Conditions
Due from related parties	7						
Key management personnel		**(₱5,000,000)**	₱–	**₱17,966,654**	₱22,966,654	Advances to officers (Collection)	Non-interest bearing, unsecured, payable in cash, no impairment,
Entity under common control		**–**	–	**7,162,424**	7,162,424	Advances for working capital purposes	Non-interest-bearing, unsecured, payable in cash, no impairment,
				₱25,129,078	₱30,129,078		
Mortgage and collateral loans							
Entity under common control	7	**(₱19,852,942)**	(₱28,676,471)	**₱54,595,588**	₱74,448,530	Mortgage loan (collection)	5% interest, payable in 8 years, payable in cash, no impairment
Interest income on:	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		

<u>Compensation of Key Management Personnel</u>

The compensation of key management personnel are as follows:

	2023	2022	2021
Salaries and other employee benefits	**₱54,199,244**	₱52,417,244	₱44,640,410
Retirement expense	**12,014,816**	9,061,966	5,896,858
	₱66,214,060	₱61,479,210	₱50,537,268

17. Net Insurance Premiums

The gross premiums on insurance contracts consist of:

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

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

	2023	2022	2021
Group life insurance	**₱35,320,471**	₱54,228,846	₱39,391,990
Ordinary life insurance	**481,043**	(471,033)	399,573
Accident and health	**112,426**	115,548	106,166
	₱35,913,940	₱53,873,361	₱39,897,729

18. **Net Insurance Benefits and Claims**

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

	Note	**2023**	2022	2021
Claims		**₱1,137,601,990**	₱1,171,153,969	₱998,733,622
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)
		₱1,403,391,364	₱1,353,211,604	₱1,191,656,328

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	**₱166,190,702**	**₱5,424,926**	**₱171,615,628**
Ordinary life insurance	**(30,517,936)**	**–**	**(30,517,936)**
Accident and health	**772,542**	**–**	**772,542**
	₱136,445,308	**₱5,424,926**	**₱141,870,234**

	2022		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net (see Note 9)
Group life insurance	₱251,487,417	(₱7,418,428)	₱244,068,989
Ordinary life insurance	(93,560,958)	–	(93,560,958)
Accident and health	(2,899,638)	–	(2,899,638)
	₱155,026,821	(₱7,418,428)	₱147,608,393

	2021		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net
Group life insurance	₱164,510,916	(₱461,520)	₱164,049,396
Ordinary life insurance	(148,750,744)	–	(148,750,744)
Accident and health	525,773	–	525,773
	₱16,285,945	(₱461,520)	₱15,824,425

19. **General and Administrative Expenses**

This account consists of:

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

Personnel costs consist of:

	Note	**2023**	2022	2021
Salaries and wages		**₱102,774,797**	₱98,488,740	₱90,864,454
Retirement benefits cost	21	**20,087,449**	19,247,188	15,545,062
Other employee benefits		**35,494,232**	24,198,885	22,319,988
		₱158,356,478	₱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	**₱144,248,676**	₱124,932,070	₱106,815,727
First year	**36,637,515**	28,760,433	30,943,987
Renewal	**2,057,396**	1,400,256	3,909,816
Reinsurance	**1,728,870**	18,855,904	9,691,614
Direct taxes	**44,289,311**	40,989,236	30,072,125
	₱228,961,768	₱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	**₱19,285,067**	₱24,267,877	₱13,517,202
Loans payable	12	**45,554**	147,090	329,982
		19,330,621	24,414,967	13,847,184
Bank charges and other service fees		**7,755,515**	8,152,979	8,914,444
		₱27,086,136	₱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	**₱12,644,611**	₱12,682,268	₱10,957,898
Net interest expense	**7,442,838**	6,564,920	4,587,164
	₱20,087,449	₱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	**₱273,913,521**	₱244,745,578
Fair value of plan assets	**(143,706,457)**	(124,849,106)
	₱130,207,064	₱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	**₱119,896,472**	₱152,145,961
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 Group's fund	**(5,360,424)**	(2,727,815)
Balance at end of year	**₱130,207,064**	₱119,896,472

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

	2023	2022
Balance at beginning of year	**₱244,745,578**	₱262,044,645
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 Group's fund	**(5,360,424)**	(2,727,815)
Balance at end of year	**₱273,913,521**	₱244,745,578

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

	2023	2022
Balance at beginning of year	**₱124,849,106**	₱109,898,684
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	**₱143,706,457**	₱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	**86%**	86%
Corporate bonds, trust funds and mutual funds	**14%**	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:

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

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

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

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

	2023	2022
Discount rate	**6.07%**	7.08%
Salary increase rate	**6.00%**	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 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**	–
	43,614,969	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
	270,293,088	290,521,131
Net deferred tax liabilities	**₱226,678,119**	₱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
		₱191,670,802	₱194,006,845

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

	2023	2022
Through profit or loss	**₱35,007,317**	₱56,264,805
Through other comprehensive income	**191,670,802**	194,006,845
	₱226,678,119	₱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	**₱36,315,629**	₱48,527,147	₱72,136,448
Tax effects of:			
Nondeductible expenses	**14,137,469**	77,964,255	3,648,436
Interest and dividend income subjected to final tax	**(9,610,977)**	(4,999,673)	(5,708,644)
Income exempt from tax	**(7,614,166)**	(8,242,494)	(5,373,498)
Nontaxable income	**(597,531)**	–	(25,001,908)
Effect of consolidation	**–**	5,032	1,003,406
Change in unrecognized deferred tax asset	**22,320**	20,458	155,915
Effect of change in income tax rates	**–**	–	7,100,361
Effective income tax	**₱32,652,744**	₱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	**₱4,096,484**	₱4,294,205
After one year but not more than five years	**4,245,687**	3,165,329
	₱8,342,171	₱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
	₱10,713,444	₱12,859,402

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:

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

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

25. Risk Management Objectives and Policies

<u>Insurance Risk</u>

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
	106,040	**₱851,348,688,622**	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
	₱3,196,173,953	₱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	**2017 PICM, 1959 ADB, and 1952 Disability**	2017 PICM, 1959 ADB, and 1952 Disability	**5.99% to 6.99%**	5.5% to 7.6%
Group life	**Based on Experience**	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:

	2023		
Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease) in Income Before Tax**	**Increase (Decrease) in Equity**
+10%	**(₱89,202,572)**	**₱89,202,572**	**₱55,721,147**
-10%	**122,455,892**	**(122,455,892)**	**(393,479,657)**

	2022		
Change in Assumptions	Increase (Decrease) in Liabilities	Increase (Decrease) in Income Before Tax	Increase (Decrease) in Equity
+10%	(₱72,186,657)	₱72,186,657	₱74,722,148
-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
Financial Assets				
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
	₱9,352,228,197	**₱9,310,615,137**	₱8,756,662,842	₱8,775,346,195
Financial Liabilities				
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
	₱5,812,091,292	**₱5,812,091,292**	₱5,389,973,313	₱5,389,973,313

**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:

	2023	2022
Cash in banks and cash equivalents	**₱1,053,617,654**	₱1,179,390,671
Short-term investments	**64,458,355**	52,182,102
Insurance receivables	**11,842,614**	8,216,046
Investment securities	**6,853,204,834**	6,256,135,242
Loans receivables	**1,244,941,282**	1,204,548,519
Accrued investment income	**82,497,398**	74,820,615
	₱9,310,562,137	₱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			
	12-month ECL	**Lifetime ECL – not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
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**
	₱9,319,402,295	**₱–**	**₱18,737,552**	**₱9,338,139,847**

	December 31, 2022			
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL - credit impaired	Total
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
	₱8,781,994,236	₱–	₱34,400,411	₱8,816,394,647

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

**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						
	USD	**SGD**	**EUR**	**AUD**	**HKD**	**GBP**	**Total (PHP)**
Financial Assets							
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**
	$52,643,432	**SGD335,341**	**EUR354,795**	**AUD1,921,456**	**HKD1,155,045**	**£63,140**	**₱3,042,050,792**
Financial Liabilities							
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**
	$973,910	**SGD–**	**EUR–**	**AUD–**	**HKD–**	**£–**	**₱53,925,397**

	2022						
	USD	SGD	EUR	AUD	HKD	GBP	Total (PHP)
Financial Assets							
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
	$49,418,297	SGD284,952	€290,901	AUD1,821,510	HKD1,389,122	£171,389	₱2,874,906,726
Financial Liabilities							
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
	$1,191,586	SGD127,687	€–	AUD–	HKD–	£–	₱71,745,991

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	**₱55.37**	₱55.76
SGD	**42.09**	41.58
EUR	**61.47**	59.55
AUD	**37.95**	37.80
HKD	**7.11**	7.20
GBP	**70.76**	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%**	**₱150,293,262**	**₱131,015,218**	4.57%	₱110,151,913	₱98,398,903
	(5.55%)	**(150,293,262)**	**(131,015,218)**	(4.57%)	(110,151,913)	(98,398,903)
SGD	**4.64%**	**560,382**	**420,286**	2.97%	–	926,529
	(4.64%)	**(560,382)**	**(420,286)**	(2.97%)	–	(926,529)
EUR	**3.22%**	**702,258**	**–**	3.43%	53,474	816,814
	(3.22%)	**(702,258)**	**–**	(3.43%)	(53,474)	(816,814)
AUD	**2.87%**	**759,695**	**2,202,284**	3.44%	741,119	2,503,113
	(2.87%)	**(759,695)**	**(2,202,284)**	(3.44%)	(741,119)	(2,503,113)
HKD	**1.25%**	**102,655**	**102,655**	4.18%	959,805	959,805
	(1.25%)	**(102,655)**	**(102,655)**	(4.18%)	(959,805)	(959,805)
GBP	**5.09%**	**–**	**149,891**	5.09%	–	354,620
	(5.09%)	**–**	**(149,891)**	(5.09%)	–	(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:

	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 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:

	2023		
Market Indices	**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 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.

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:

	2023	2022
Current assets:		
Cash and cash equivalents	**₱1,053,670,654**	₱1,179,443,671
Short-term investments	**64,458,355**	52,182,102
Insurance receivables	**11,842,614**	8,216,046
Investment securities	**1,478,901,909**	1,549,058,975
Loans receivables	**870,274,847**	703,350,902
Accrued investment income	**82,497,398**	74,820,615
Other current assets	**4,344,641**	1,611,730
	₱3,565,990,418	₱3,568,684,041
Current liabilities:		
Insurance contract liabilities	**₱3,063,341,496**	₱2,702,977,826
Premium deposit fund	**295,605,836**	306,636,783
Insurance payables	**75,156**	21,231,689
Loans payable	**–**	5,309,184
Accounts payable and accrued expenses	**135,454,133**	128,287,367
Income tax payable	**6,342,816**	1,933,492
Other liabilities	**281,721,161**	255,527,602
	₱3,781,961,468	₱3,421,903,943