

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	1	5	2	3	8
---	---	---	---	---	---	---	---	---	---	---

Company Name

M	A	N	I	L	A	B	A	N	K	E	R	S	L	I	F	E	I	N	S	U	R	A	N	C	E

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

3	R	D	F	L	O	O	R	V	G	P	C	E	N	T	E	R	,	A	Y	A	L	A		

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

--	--	--	--

### COMPANY INFORMATION

Company's Email Address

<a href="mailto:rizalmeru@yahoo.com">rizalmeru@yahoo.com</a>
--

Company's Telephone Number/s

88810 - 1072 loc. 206
-----------------------

Mobile Number

0917-577-3885
---------------

No. of Stockholders

Three Hundred Twenty Seven (327)
----------------------------------

Annual Meeting  
Month/Day

3rd Wednesday of May
----------------------

Fiscal Year  
Month/Day

December 31
-------------

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Jason I. Trinidad
-------------------

Email Address

<a href="mailto:jason.trinidad@manilabankerslife.com">jason.trinidad@manilabankerslife.com</a>
--

Telephone Number/s

88810 - 1072 loc. 206
-----------------------

Mobile Number

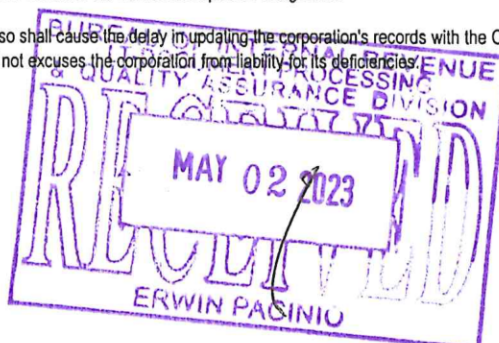
0917-7052545
--------------

Contact Person's Address

3RD FLOOR VGP CENTER, AYALA AVENUE, MAKATI CITY
---

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

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



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Manila Bankers Life Insurance Corporation** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders.

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

  
**FERDINAND N. SANTOS**  
President

  
**LOUIS BARTOLOME J. BORJA**  
Treasurer

Signed this 14<sup>th</sup> day of April 2023





## Financial Statements

# MANILA BANKERS LIFE INSURANCE CORPORATION

December 31, 2022 and 2021



**REPORT OF INDEPENDENT AUDITORS**

**The Board of Directors and Stockholders  
Manila Bankers Life Insurance Corporation**

VGP Center, 6772  
Ayala Avenue, Makati City

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of **Manila Bankers Life Insurance Corporation** (the "Company"), which comprises the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

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

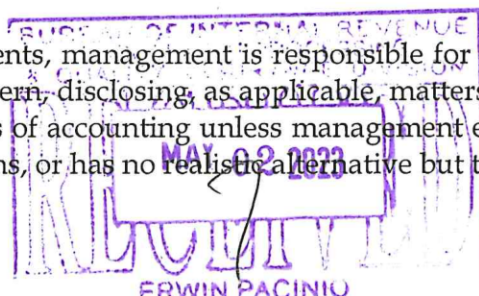
*Basis for Opinion*

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

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

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

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





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

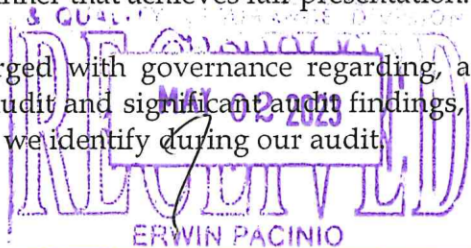
*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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



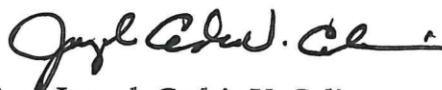




### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 36 of the financial statements is presented for purposes of additional analysis and is not a required part of basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### AMC & ASSOCIATES



By: **Joseph Cedric V. Calica**

**Partner**

CPA Cert. No. 94541

TIN 163-257-226-000

PTR No. 9566559, Jan. 3, 2023, Makati City

BIR Accreditation No. 08-002582-1-2020

(Oct. 8, 2020 to Oct. 7, 2023)

SEC Accreditation No. 94541-SEC (Group A)

(valid until 2022 audit period)

IC Accreditation No. 94541-IC (Group A)

(valid until Dec. 31, 2024)

BSP Accreditation No. 94541-BSP (Group B)

(valid until Dec. 31, 2025)

April 14, 2023

#### FIRM ACCREDITATION

**Aquino, Mata, Calica & Associates**

BOA Accreditation No. 4275 - valid until June 28, 2023

BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023

SEC Accreditation No. 4275-SEC (Group A) - valid until 2022 audit

IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024

BSP Accreditation No. 4275-BSP (Group B) - valid until December 31, 2025

CDA CEA No. 075-AF - June 2, 2021 to June 1, 2024

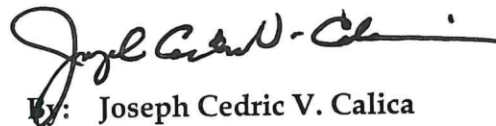


**SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS**

**The Board of Directors and Stockholders**  
**Manila Bankers Life Insurance Corporation**  
VGP Center, 6772 Ayala Avenue,  
Makati City

We have audited the financial statements of **Manila Bankers Life Insurance Corporation** for the year ended December 31, 2022, on which we have rendered the attached report dated April 14, 2023.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has 57 stockholders owning 100 or more shares each of the Company's common stock as at December 31, 2022, as disclosed in Note 29 of the financial statements.

**AMC & ASSOCIATES****By: Joseph Cedric V. Calica****Partner**

CPA Cert. No. 94541

TIN 163-257-226-000

PTR No. 9566559, Jan. 3, 2023, Makati City

BIR Accreditation No. 08-002582-1-2020

(Oct. 8, 2020 to Oct. 7, 2023)

SEC Accreditation No. 94541-SEC (Group A)

(valid until 2022 audit period)

IC Accreditation No. 94541-IC (Group A)

(valid until Dec. 31, 2024)

BSP Accreditation No. 94541-BSP (Group B)

(valid until Dec. 31, 2025)

April 14, 2023

**FIRM ACCREDITATION****Aquino, Mata, Calica & Associates**

BOA Accreditation No. 4275 - valid until June 28, 2023

BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023

SEC Accreditation No. 4275-SEC (Group A) - valid until 2022 audit

IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024

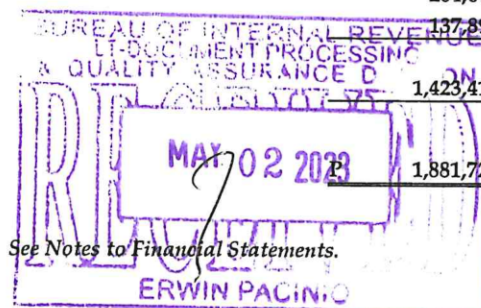
BSP Accreditation No. 4275-BSP (Group B) - valid until December 31, 2025

CDA CEA No. 075-AF - June 2, 2021 to June 1, 2024



MANILA BANKERS LIFE INSURANCE CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021  
(Amounts in Philippine Pesos)

	2022	2021
<b><u>A S S E T S</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 4)	P 201,370,514	P 375,583,192
Loans and other receivables (Note 5)	36,071,175	28,645,297
Insurance contract receivables (Note 6)	16,367,694	18,983,109
Accrued interest receivable (Note 7)	3,016,013	3,577,650
Prepayments and other current assets (Note 8)	17,112,186	18,272,301
Total Current Assets	273,937,582	445,061,549
<b>NON-CURRENT ASSETS</b>		
Financial assets at fair value through other comprehensive income (Note 9)	552,276,796	451,866,348
Loans and other receivables (Note 5)	96,199,467	110,373,185
Financial asset at amortized cost (Note 10)	732,619,682	374,456,922
Investment property (Note 11)	172,222,818	172,222,818
Property and equipment (Note 12)	28,384,700	33,935,549
Deferred tax assets (Note 28)	5,705,162	6,096,095
Other non-current assets (Note 13)	20,380,417	15,080,356
Total Non-current Assets	1,607,789,042	1,164,031,273
<b>TOTAL ASSETS</b>	P 1,881,726,624	P 1,609,092,822
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Policy and contract claims payable (Note 14)	P 11,425,985	P 13,454,608
Premium deposit fund (Note 15)	154,742,599	112,555,386
Insurance payables (Note 16)	2,548,688	1,301,306
Income tax payable	16,957,213	2,549,467
Payables and other liabilities (Note 17)	25,772,643	37,184,071
Total Current Liabilities	211,447,128	167,044,838
<b>NON-CURRENT LIABILITIES</b>		
Legal policy reserves (Note 18)	245,661,764	299,954,629
Retirement benefit obligation (Note 19)	1,206,380	3,762,669
Total Non-current Liabilities	246,868,144	303,717,298
Total Liabilities	458,315,272	470,762,136
<b>EQUITY</b>		
Capital stock (Note 29)	625,000,000	125,000,000
Deposit for future stock subscription (Note 29)	-	350,000,000
Contingency surplus (Note 29)	455,873,340	455,873,340
Revaluation reserves (Note 29)	204,640,762	185,759,500
Retained earnings (Note 29)	137,897,250	21,697,846
Total Equity	1,423,411,352	1,138,330,686
<b>TOTAL LIABILITIES AND EQUITY</b>	P 1,881,726,624	P 1,609,092,822



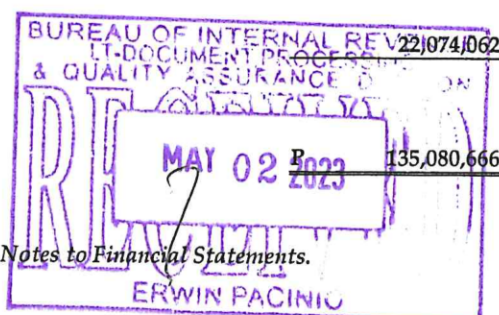
See Notes to Financial Statements.



MANILA BANKERS LIFE INSURANCE CORPORATION  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Amounts in Philippine Pesos)

	2022	2021
<b>INSURANCE PREMIUMS</b> (Note 20)		
Gross premiums on insurance contracts	P 398,650,369	P 358,488,968
Reinsurers' share of gross premiums on insurance contracts	( 2,196,732 )	( 1,645,852 )
	<u>396,453,637</u>	<u>356,843,116</u>
<b>NET INSURANCE BENEFITS AND CLAIMS</b>		
Commission (Note 21)	110,225,710	112,491,569
Gross change in legal policy reserve (Note 18)	24,004,321	26,913,065
Gross benefits and claims paid on insurance contract (Note 23)	16,667,193	18,541,062
Underwriting (Note 22)	<u>13,739,790</u>	<u>56,730,124</u>
	<u>164,637,014</u>	<u>214,675,820</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 24)	<u>99,131,389</u>	<u>81,292,316</u>
<b>OPERATING PROFIT</b>	<u>132,685,234</u>	<u>60,874,980</u>
<b>OTHER INCOME (CHARGES)</b>		
Finance income (Note 25)	25,476,213	20,126,000
Other income (Note 26)	11,444,843	6,140,436
Finance cost (Note 27)	( 9,262,229 )	( 3,919,545 )
	<u>27,658,827</u>	<u>22,346,891</u>
<b>PROFIT BEFORE TAX</b>	<u>160,344,061</u>	<u>83,221,871</u>
<b>TAX EXPENSE</b> (Note 28)	<u>47,337,457</u>	<u>27,630,052</u>
<b>NET PROFIT</b>	<u>113,006,604</u>	<u>55,591,819</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of legal policy reserves (Note 18)	78,297,186	82,538,792
Remeasurement of retirement benefit plan (Note 19)	4,476,645	2,271,034
Fair value gain (loss) on financial asset at fair value through other comprehensive income (Note 9)	( 60,699,769 )	26,212,828
	<u>22,074,062</u>	<u>111,022,654</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>P 135,080,666</u>	<u>P 166,614,473</u>

See Notes to Financial Statements.



MANILA BANKERS LIFE INSURANCE CORPORATION  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Amounts in Philippine Pesos)

	Capital Stock (Note 29)	Deposit for Future Stock Subscription (Note 29)	Contingency Surplus (Note 29)	Revaluation Reserves (Note 29)	Retained Earnings (Note 29)	Total
Balance at January 1, 2022	P 125,000,000	P 350,000,000	P 455,873,340	P 185,759,500	P 21,697,846	P 1,138,330,686
Issuance for the year	500,000,000 (	350,000,000 )	-	-	-	150,000,000
Transfer from revaluation reserves absorbed through depreciation of building	-	-	-	( 3,192,800 )	3,192,800	-
Total comprehensive income for the year	-	-	-	22,074,062	113,006,604	135,080,666
Balance at December 31, 2022	P 625,000,000	P -	P 455,873,340	P 204,640,762	P 137,897,250	P 1,423,411,352
Balance at January 1, 2021	125,000,000	350,000,000	414,623,340	77,929,646 (	37,086,773 )	930,466,213
Additions to contingency surplus	-	-	41,250,000	-	-	41,250,000.00
Transfer from revaluation reserves absorbed through depreciation of building	-	-	-	( 3,192,800 )	3,192,800	-
Total comprehensive income for the year	-	-	-	111,022,654	55,591,819	166,614,473
Balance at December 31, 2021	P 125,000,000	P 350,000,000	P 455,873,340	P 185,759,500	P 21,697,846	P 1,138,330,686

See Notes to Financial Statements.

Balance at January 1, 2022  
Issuance for the year  
Transfer from revaluation reserves  
absorbed through depreciation of building  
Total comprehensive income for the year

Balance at December 31, 2022

Balance at January 1, 2021  
Additions to contingency surplus  
Transfer from revaluation reserves  
absorbed through depreciation of building  
Total comprehensive income for the year



MANILA BANKERS LIFE INSURANCE CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Amounts in Philippine Pesos)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	P 160,344,061	P 83,221,871
Adjustments for:		
Revaluation adjustment on legal policy reserve (Note 18)	24,004,321	26,913,065
Depreciation and amortization (Note 12)	12,471,406	9,750,005
Retirement benefit expense (Note 19)	1,920,356	2,597,825
Impairment loss (Note 5)	992,554	1,003,700
Dividend income (Note 25)	( 6,882,346 )	( 6,307,785 )
Interest income (Note 25)	( 18,593,867 )	( 13,818,215 )
Discount on investment in bonds (Note 10)	-	896,776
Operating profit before working capital changes	174,256,485	104,257,242
Decrease (increase) in loans and other receivables	5,755,286	( 82,726,227 )
Decrease (increase) in insurance contract receivables	2,615,415	( 10,436,605 )
Decrease (increase) in prepayments and other current assets	1,160,115	( 727,560 )
Increase in other non-current assets	( 5,300,061 )	( 401,824 )
Increase (decrease) in policy and contract claims payable	( 2,028,623 )	5,237,426
Increase (decrease) in premium deposit fund	42,187,213	( 7,333,029 )
Increase (decrease) in insurance payables	1,247,382	( 1,552,594 )
Increase (decrease) in payables and other liabilities	( 11,411,428 )	5,345,738
Cash generated from operations	208,481,784	11,662,567
Interest received (Note 25)	4,337,142	2,648,206
Contributions to retirement benefit plan (Note 19)	-	( 1,717,939 )
Cash paid for income taxes (Note 28)	( 32,538,778 )	( 20,933,406 )
Net Cash From (Used in) Operating Activities	180,280,148	( 8,340,572 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received (Note 25)	14,818,362	11,171,230
Dividend received (Note 25)	6,882,346	6,307,785
Acquisitions of property and equipment (Notes 11 and 12)	( 6,920,557 )	( 5,983,702 )
Additions to financial asset at amortized cost (Note 10)	( 358,162,760 )	( 16,000,000 )
Additions to financial assets at fair value through other comprehensive income (Note 9)	( 161,110,217 )	( 165,302,999 )
Proceeds from retirement of financial assets at amortized cost (Note 10)	-	52,006,273
Proceeds from disposal of financial assets at fair value through other comprehensive income (Note 9)	-	29,453,350
Net Cash Used in Investing Activities	( 504,492,826 )	( 88,348,063 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital stock (Note 29)	150,000,000	-
Proceeds from contingency surplus (Note 29)	-	41,250,000
Net Cash From Financing Activities	150,000,000	41,250,000
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	( 174,212,678 )	( 55,438,635 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	375,583,192	431,021,827
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	P 201,370,514	P 375,583,192

See Notes to Financial Statements.

ERWIN PACINIO





**MANILA BANKERS LIFE INSURANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
*(Amounts in Philippine Peso)*

**1. GENERAL INFORMATION**

*Corporate Information*

Manila Bankers Life Insurance Corporation (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 15, 1967 under SEC Registration Number 15238. The Company is formed and organized primarily to conduct and transact life, accident and health insurance business. The Company is also engaged in the reinsurance of any risk and to undertake all kinds of reinsurance, to the extent allowed by law.

The Company's registered office is located at VGP Center, 6772 Ayala Avenue, Makati City.

In 2005, the Company entered into an Assumption Reinsurance Agreement with Paramount Life and General Insurance Company (Paramount), which was duly approved by the Insurance Commission. Paramount agreed to assume from the Company the Individual Life Insurance business portfolio through its regular, salary deduction and direct marketing lines under its terms and conditions.

On March 25, 2008, the Securities and Exchange Commission approved the extension of the corporate term for another fifty (50) years and after the date of its expiration which is on April 13, 2009.

*Approval of Financial Statements*

The Company's financial statements as of and for the year ended December 31, 2022 (including the comparatives as of and for the year ended December 31, 2021) was authorized for issue by the Company's Board of Directors (BOD) on April 14, 2023.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

*Basis of Preparation of Financial Statements*

*a. Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS is adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy (BOA).



*b. Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard PAS 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses in a single statement of comprehensive income.

The Company presents the third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

*c. Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

*Adoption of New and Amendments to PFRS*

*a. Effective in 2022 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatory effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	: Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)	
PFRS 9 (Amendments)	: Financial Instruments - Fees in the '10 percent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	: Leases - Lease Incentives

Discussed below are the relevant information about these pronouncements:

- i. PAS 16 (Amendments), *Property, Plant and Equipment - Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.



- ii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*. The amendments specify that the 'cost of fulfilling a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Management assessed that there is no significant impact on the Company's financial statements since none of the existing contracts as of January 1, 2022 are identified as onerous.
- iii. Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements.
  - PFRS 9 (Amendments), *Financial Instruments - Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fee include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Illustrative Examples Accompanying PFRS 16, *Leases - Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease in accordance with PFRS 16.

b. *Effective in 2022 that are not Relevant to the Company*

Among the amendments to PFRS which are mandatory effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

- i. PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework* (effective from January 1, 2022).
- ii. Annual Improvements to PFRS 2018-2022 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:
  - PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
  - PAS 41, *Agriculture – Taxation in Fair Value Measurements*





c. *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements:

- i. PAS 1 (Amendments), *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current* (effective January 1, 2023.)
- ii. PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements - Disclosure of Accounting Policies* (effective January 1, 2023).
- iii. PAS 8 (Amendments), *Accounting Estimates - Definition of Accounting Estimates* (effective from January 1, 2023).
- iv. PAS 12 (Amendments), *Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023).
- v. PFRS 17, *Insurance Contracts* (effective from January 1, 2023). The Insurance Commission (IC), through its Circular Letter 2020-62, has deferred the implementation of PFRS 17 for the life insurance and non-life insurance industry on January 1, 2025.
- vi. PFRS 17, (Amendments), *Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative Information* (effective January 1, 2023). The Insurance Commission (IC), through its Circular Letter 2020-62, has deferred the implementation of PFRS 17 for the life insurance and non-life insurance industry on January 1, 2025.
- vii. PFRS 10 (Amendments), *Consolidated Financial Statements, and PAS 28 (Amendments), Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely).

***Current versus Non-Current Classification***

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. 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 twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.



All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

### *Insurance Contracts*

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant 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 currency exchange rate, index of price rates, a credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

Insurance and investment contracts are further classified as being either with or without discretionary participation feature (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;
- which amount or timing is contractually at the discretion of the issuer; and,
- contractually based on the following
  - performance of a specified pool of contracts or a specified type of contract;
  - realized or an unrealized investment returns on a specified pool of assets held by the issuer; or,
  - the profit or loss of the Company, fund or other entity that issues the contract.

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included as part of Gross benefits and claims under the Net Insurance Benefits and Claims account in the statement of income with the corresponding liability recognized as part of Insurance Contract Liabilities account in the statement of financial position.



## *Financial Instruments*

### *a. Financial Assets*

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

The classification and measurement of financial assets are described in the succeeding pages.

#### *i. Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

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

Except for loans and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and cash equivalents, Loan and other receivables, insurance contract receivables, accrued interest receivable and financial assets at amortized cost.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.





Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Finance income.

ii. *Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)*

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as FVTPL. The Company has designated equity instruments as at FVOCI on the initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of the Revaluation Reserves account in equity.

When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Finance Income.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other income under Finance income account, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably unless the dividends represent the recovery of a part of the cost of the investment.



The Company's Financial assets at FVOCI as at December 31, 2022 and 2021 pertains to equity securities (*see Note 9*).

iii. *Financial Assets at Fair Value Through Profit or Loss (FVTPL)*

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of the business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL include equity securities that are held for trading purposes or designated as at FVTPL.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance Income in the statement of comprehensive income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments is included in the net fair value gains (losses) on these assets presented as part of Finance Income in the statement of comprehensive income.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

As at December 31, 2022 and 2021, the Company has no Financial Assets at Fair Value Through Profit or Loss (FVTPL).

b. *Impairment of Financial Assets*

The Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the collectability of the future cash flows of the financial assets.



The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses the impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due. For debt instruments measured at FVOCI and amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit-impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Company recognized a loss allowance for such losses at each reporting date.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* - It is an estimate of the likelihood of default over a given time horizon.
- *Loss given default* - It is an estimate of loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- *Exposure at default* - It represents the gross carrying amount of the financial instruments subject to the impairment calculation.
- *Forward-looking information*- It involves identifying relevant macro-economic factors and incorporating them into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*c. Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Interest Income or Interest Expense, Impairment Losses, Gain on Disposal of Financial Assets, Dividend Income and Recoveries from Accounts Written-off (presented as part of Other income) in the profit or loss.



Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

*d. Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

*e. Financial Liabilities*

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Financial liabilities, which include policy and contract claims payable, premium deposit fund and insurance payables, payables and other liabilities [except output value-added tax (VAT) and other taxes payable], and legal policy reserves are recognized when the Company becomes a party to the contractual terms of the instrument.

Policy and contract claim payable and insurance payables, premium deposit fund and payables and other liabilities are recognized initially at fair value, and subsequently measured at amortized cost, using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.



e. *Offsetting Financial Instruments*

Financial assets and liabilities are set-offs and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

*Reinsurance Contracts Held*

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from the reinsurance company for unpaid losses, while that reinsurance recoverable on paid losses is recognized as part of the Insurance Receivables account. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

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

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

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

Reinsurance liabilities represent balances due to reinsurance companies that are presented as Insurance Payables accounts in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance assets or liabilities from these contracts are derecognized when the contractual right is extinguished, has expired, or when the contract is transferred to another party.



### *Loans and Other Receivables*

Loans and other receivables consist of various receivables from the Company's employees and officers, third parties and other entities and are presented in detail in Note 5. These were initially recognized at fair value and subsequently measured at amortized cost less provision for impairment. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts.

The allowance for impairment loss is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

### *Insurance Contract Receivables*

Insurance contract receivables include premiums due and uncollected and due from ceding companies.

- *Premium due and uncollected:* are net premiums due and uncollected on life insurance policies certified by an independent actuary.
- *Due from ceding companies:* are reinsurance premiums due from ceding companies as a result of a treaty or facultative reinsurance accepted.

Insurance contract receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Receivables, such as advances to officers and employees, are stated at amortized cost less provision for impairment. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts.

The allowance for impairment loss is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

### *Accrued Interest Receivable*

These are interest income determined using the effective interest method earned by the Company from their loans and investments during the year but were not received as of the financial reporting date.





### *Prepayments and Other Assets*

Prepayments and other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Prepayments and other current assets include prepaid expenses which are paid in advance and recorded as an asset before these are utilized, tax credits which represent the total accumulated creditable withholding tax for the current year, and prepaid income tax, which will be applied in the following year against corporate income tax. Prepaid expenses are amortized over time and recognized as an expense as the benefit is derived from the asset. Prepayments and other current assets are recognized and measured at transaction costs or the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

### *Investment Property*

Investment property is measured initially at acquisition cost including transaction costs. Subsequently, investment property is stated at fair value, as determined by independent appraisers. The carrying amounts recognized in the statement of financial position reflect the prevailing market conditions at the financial reporting date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the statement of comprehensive income as Fair value gain under Other income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of comprehensive income in the year of retirement or disposal.

### *Property and Equipment*

Building and improvements are measured at fair value less depreciation for buildings and improvements. As no finite useful life for land can be determined, the related carrying amount is not depreciated. All other property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.



Following initial recognition at cost, building and improvements are carried at revalued amounts which are the fair values at the date of the revaluation, as determined by independent appraisers, less subsequent accumulated depreciation (on buildings and improvements) and any accumulated impairment losses.

Revalued amounts are fair market values determined based on appraisals by external professional appraisers once every two years or more frequently if market factors indicate a material change in fair value.

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves account is transferred to Retained Earnings account for the depreciation relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in the Revaluation Reserves account relating to them are transferred to Retained Earnings account.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	10 years
Furniture and fixtures	10 years
Office equipment	5 years
Transportation equipment	5 years
IT systems software	5 years
Other equipment	5 years
Leasehold improvements	1 year

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values estimated useful lives and methods of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

#### *Impairment of Non-financial Assets*

The Company's investments in property and equipment, and investment property are subject to impairment testing. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

### *Policy and Contract Claims Payable*

This represents claims (death, health and disability benefits) that occurred, filed or reported to the company but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported.

### *Legal Policy Reserves*

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prospective actuarial valuation method and assumptions subject to the provisions of the Insurance Code (the Code) and guidelines set by the IC.

The Company uses gross premium valuation (GPV) as the basis for the valuation of the reserves for traditional life insurance policies. GPV is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate provided by the IC. For this purpose, the expected future cash flows shall be determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation (MfAD) from the expected experience. The methods and assumptions shall be in accordance with the intentionally accepted actuarial standards and consider the generally accepted actuarial principles concerning the financial reporting framework promulgated by the Actuarial Society of the Philippines, which now considers other assumptions such as mortality, lapse, and/or persistency, non-guaranteed benefits and MfAD.

The changes in legal policy reserves for traditional life insurance policies are recognized as follow:

- i. The increase or decrease in legal policy reserves in the current year due to other assumptions excluding change in the discount rate will be recognized to profit or loss; and,
- ii. Remeasurement on life insurance reserves due to changes in discount rates will be recognized in other comprehensive income.





### *Premium Deposit Fund*

Premium deposit fund represents advance payments from policyholders provided that the maximum amount that may be held at any time in the fund should not exceed the combined amount of the total future premiums and the amount of insurance or pure endowment, as the case may be. Any excess shall be refunded to the policyholders or be used as premium payment.

In determining compliance to such limitation the amount of the said funds shall be net of all withdrawals that were used as premium payments or of other deductions for the benefits of the policyholder/s.

### *Provisions and Contingencies*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that does not yet meet the recognition criteria of an asset are considered contingent assets, hence, they are not recognized in the financial statements.

On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### *Deposit for Future Stock Subscriptions*

Deposit for future stock subscription represents payments made on subscriptions of shares which cannot be directly credited to 'Capital Stock' pending application for the approval of the proposed increase presented for filing/ filed with the SEC and registration of the amendment to the Articles of Incorporation increasing capital stock. The paid-up subscription can be classified under equity if the nature of the transaction gives rise to a contractual obligation of the Company to deliver its shares to the subscriber in exchange of the subscription amount.

In addition, deposit for stock subscription shall be classified under equity if all of the following elements are present as at reporting date:

- The unissued authorized capital of the entity is insufficient to cover the amounts of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation)

- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Securities and Exchange Commission.

If any or all of the foregoing elements are not present, the deposit for future stock subscription shall be recognized as a non-current liability in the statement of financial position.

### *Equity*

*Capital stock* is determined using the nominal value of shares that have been issued. Subscription receivables are deducted and presented net of capital stock.

*Contingency Surplus* pertains to the contribution by shareholders in proportion to the subscription interest to the Company to cover any deficiency in the Net worth as required by Insurance Code and can be withdrawn upon the approval of the Insurance Commission.

Revaluation reserves consist of the following:

- *Fair value of the financial asset at FVOCI* pertains to unrealized gain or loss due to the fair valuation of the Company's equity investments.
- *Property revaluation reserve* pertains to unrealized gain or loss due to measuring the Company's property and equipment at its fair value.
- *Defined benefit plan reserve* pertains to actuarial gain or loss due to remeasurement of retirement benefit obligation.
- *Legal policy revaluation reserve* pertains to the unrealized gain or loss due to a change in the measurement method of the legal policy reserve.

*Retained earnings* include all current and prior period results of operation as disclosed in the statement of comprehensive income.

### *Revenue and Expense Recognition*

Revenue is recognized only when (or as) the Company satisfied a performance obligation by transferring control of the promised services to the customer. Expenses and costs, if any, are recognized in the statement of income upon utilization of the resources or services or at the date, these are incurred. All finance costs are reported on an accrual basis.

The Company's significant revenues pertain to net insurance premium and investment income (loss) which are accounted for by the Company in accordance with PFRS 4 and PFRS 9 (previously PAS 39), respectively. The following provides information about the specific recognition criteria of revenues recognized in accordance with PFRS 4 and PFRS 9:

- a. *Net insurance premium*- recognized as gross premium on insurance contracts less reinsurers' share of gross premiums.



*Gross premiums on insurance contracts.* Premiums arising from insurance contracts are initially recognized as income on the effective date of the insurance policies. Subsequent to initial recognition, gross earned premiums on life insurance contracts are recognized as revenue at the date when payments are due.

*Reinsurers' share of gross premiums.* Gross reinsurance premiums on traditional and variable contracts are recognized as an expense when the policy becomes effective.

- b. *Investment income* - The Company's investment income is comprised of interest income, fair value gain (loss) on financial assets at FVOCI, gain (loss) on sale of financial assets at FVOCI and dividend income.

*Interest income.* Interest income arising from cash and cash equivalents, financial assets at FVOCI, investment securities at amortized cost, and loans and receivables are recognized on an accrual basis using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset. The EIR is established on initial recognition of the financial asset and is not revised subsequently. When the related financial asset becomes impaired, the recognition of interest income is suspended and/or limited up to the extent of cash collections received.

The calculation of the EIR includes all fees, transaction costs, and discounts or premiums that are an integral part of the EIR. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset.

Once the recorded value of financial assets or group of financial assets has been reduced due to objective evidence of impairment, interest income should be recognized using the original EIR applied to the new carrying amount.

Once the recorded value of financial assets or group of financial assets has been reduced due to objective evidence of impairment, interest income should be recognized using the original EIR applied to the new carrying amount.

*Gain (loss) on sale of financial assets at FVOCI.* Gain (loss) on the sale of financial assets at FVOCI is calculated as the difference between net sale proceeds and acquisition cost less than any impairment in value. Gain (loss) on the sale of financial assets at FVOCI is recognized in profit or loss when the sale transaction occurred.

*Dividend income.* Dividend income is recognized when the shareholder's right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when the shareholders have approved the dividend for unlisted equity securities.

The Company also earns other income from reinstatement fees, which is recognized as income once the Company performed the service. These are accounted for by the Company in accordance with PFRS 15.



The following specific recognition criteria of expenses must also be met before the expense is recognized:

- a. *Net insurance benefits and claims* – The Company's net insurance benefits and claims consist of gross benefits and claims, reinsurers' share on benefits and claims, gross change in legal policy reserves.

*Gross benefits and claims.* Gross benefits and claims of the policyholders include the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

*Gross change in legal policy reserves.* Represents the change in the valuation of legal policy reserves recognized as part of the Legal Policy Reserves account in the statements of financial position.

*Commissions.* Commissions are recognized when the insurance contracts are entered into and the related premiums are recognized.

*Underwriting expenses.* These pertain to the amount of premiums and documentary stamps taxes issued for in-force policies that are recognized when incurred.

- b. *General and administrative expenses* - Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

## *Leases*

The Company accounts for its leases as follows:

### *Company as Lessee*

- a. *Accounting for Leases in Accordance with PFRS 16*

The Company considers whether a contract contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.



At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset, and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

#### *Company as Lessor*

Leases that do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Employee Benefits*

The Company provides short-term benefits and post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans.

##### *a. Short-term Benefits*

Wages, salaries and bonuses are recognized as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognized when the absences occur.





b. *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's post-employment defined benefit pension plan covers all regular full-time employees. The retirement plan is tax-qualified and non-contributory.

The liability recognized in the statement of financial position for post-employment defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method.

The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of the Finance Costs or Finance Income account in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

c. *Defined Contribution Plan*

A defined-contribution plan under which the Company pays fixed contributions into an independent entity such as Social Security System (SSS), Philhealth and Pag-ibig. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.



### *Income Taxes*

Tax expense recognized in the profit or loss comprises the sum of deferred tax and current tax recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the profit or loss.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

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

### *Related Parties*

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

#### *Events After the End of the Reporting Period*

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

#### *Admitted and Non-admitted Classification*

The Company determines the admissibility of its assets based on the provisions of the Insurance Code. Admitted assets only include those that are legally or beneficially owned by the Company as determined under Sections 202, 204 and 205 of the Insurance Code. All other assets which did not fall under the classifications of these sections are considered as non-admitted assets.

Presented in the subsequent notes are the estimated amounts of these assets. Final amounts can only be determined upon review and assessment of the Insurance Commission.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

#### *Critical Management Judgments in Applying Accounting Policies*

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

##### *a. Determination of ECL on Loans and Other Receivables and Contract Assets*

The Company uses a provision matrix to calculate ECL for loans and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).



*b. Legal Policy Reserves*

Legal policy reserves represent estimates of the present value of future benefits and expenses in excess of the present value of future gross premiums. These estimates are based on interest rates, mortality/morbidity tables, lapses and valuation methods subject to the provisions of the Code and guidelines set by the IC.

The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on the best estimate with regard to significant recent experience and appropriate MfAD from the expected experience. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability. The main assumptions used to relate to mortality, morbidity, lapse, and discount rate.

For life insurance contracts, estimates are made as to the expected number of deaths and lapses for each of the years in which the Company is exposed to risk. The Company uses mortality tables and lapse rates subject to the guidelines set by the IC as the basis of these estimates. The estimated number of lapses, deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums.

The carrying value of the legal policy reserves amounted to P245,661,764 and P299,954,629 as at December 31, 2022 and 2021, respectively (*see Note 18*).

*c. Liabilities Arising from Claims made under Insurance Contracts*

There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. Although the ultimate liability arising from life insurance contracts is largely determined by the face amount of each policy, the Company also issues accident and health policies and riders where the claim amounts may vary.

Claims estimation by the Company considers many factors such as industry average mortality and morbidity experience, with adjustments to reflect the Company's historical experience. These liabilities form part of the Company's incurred but not reported (IBNR) claims which is recognized as part of Policy and contract claims payable under the Insurance Contract Liabilities account in the statement of financial position.

*d. Determination of Timing of Satisfaction of Performance Obligations*

The Company determines that its revenue from the sale of services shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the customers. The Company provides services without the need for the reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Company's rendering of service as it performs.



*e. Determination of Transaction Price and Amounts Allocated to Performance Obligations*

The transaction price for a contract is allocated among the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value-added taxes (VAT)].

The transaction price is considered receivable to the extent of services. Also, the Company uses the practical expedient in PFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of significant financing component as the Company expects, at contract inception, that the period between when the Company transfers promised services to the customer and payment due date is one year or less.

*f. Evaluation of Business Model Applied in Managing Financial Instruments*

Upon adoption of PFRS 9, the Company developed business models that reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at the entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of the individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relating to the Company's investment and trading strategies.

*g. Testing the Cash Flows Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing the time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents the time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as the modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of the money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of the money element in each reporting period and cumulatively over the life of the financial instrument.





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

*h. Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2 and relevant disclosures are presented in Note 31.

*Key Sources of Estimation Uncertainty*

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

*a. Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost and FVOCI is an area that requires the use of significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs assumptions and estimation used in measuring ECL is further detailed in Note 32.

*b. Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Company's financial assets are disclosed in Note 33.

*c. Estimating Useful Lives of Property and Equipment*

The Company estimates the useful life of property and equipment and based on the period over which the assets are expected to be available for use. The estimated useful life of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.



The carrying amounts of property and equipment are analyzed in Note 12. Based on management's assessment as at December 31, 2022 and 2021, there is no change in the estimated useful life of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

*d. Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

It should be noted that accounting estimates and assumptions are used in preparing the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

*e. Impairment of Loans and Other Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status, the average age of accounts, collection experience and historical loss experience.

The carrying value of loans and other receivables is shown in Note 5.

*f. Fair Value Measurement for Property and Equipment, and Investment Property*

The Company's building including improvements and investment property is carried at a revalued amount at the end of the reporting period. In determining the fair value of these assets, the Company engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 33.

For investment property with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of the fair value of those properties. A significant change in these elements may affect prices and the value of the assets. The amounts of revaluation and fair value gains recognized on building and improvements and investment property are disclosed in Notes 11 and 12, respectively.



g. *Valuation of Post-employment Benefit Obligation*

The determination of the Company's obligation and cost of the post-employment defined benefit is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment obligation in the next reporting period. The Company determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement benefit obligations.

Other key assumptions for retirement benefit obligation are based in part on current market conditions. While it is believed that the Company's assumptions reasonable and appropriate, significant differences in experience or significant changes in assumptions may materially affect the Company's obligation.

h. *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as at those dates is disclosed in Note 28.

4. **CASH AND CASH EQUIVALENTS**

This account comprises of the following:

	<u>2022</u>	<u>2021</u>
Petty cash fund	P 135,000	P 112,000
Cash in banks	193,765,822	210,217,395
Short-term placements	<u>7,469,692</u>	<u>165,253,797</u>
	<u><b>P 201,370,514</b></u>	<u><b>P 375,583,192</b></u>

Cash in banks generally earns interest at rates based on daily bank deposit rates. Short-term placements earn interest ranging from 0.75% to 1% per annum as at December 31, 2022 and 2021. The interest earned in cash in banks and short-term placements amounted to P3,481,620 in 2022 and P2,648,206 in 2021 and are presented as part of Finance income in the statement of comprehensive income (*see Note 25*).

## 5. LOANS AND OTHER RECEIVABLES

As at December 31, 2022, the details of loans and other receivables are as follows:

	2022		
	Current	Non-current	Total
Real estate mortgage loan	P 12,476,228	P 82,846,598	P 95,322,826
Receivables from other individuals	17,253,230	-	17,253,230
Receivables from other entities	11,412,669	-	11,412,669
Receivables from Paramount	203,710	8,714,438	8,918,148
Loans and receivables from employees and others	5,537,656	3,222,387	8,760,043
Receivable from insurance pools	4,915,485	-	4,915,485
Policy loan	3,878,410	35,886	3,914,296
Receivables from agents	1,365,188	704,146	2,069,334
Receivables from group policy holders	185,620	655,017	840,637
Security fund contribution	-	20,995	20,995
Gross	P 57,228,196	P 96,199,467	P 153,427,663
Allowance for impairment loss	( 21,157,021)	-	( 21,157,021)
Net	<u>P 36,071,175</u>	<u>P 96,199,467</u>	<u>P 132,270,642</u>

As at December 31, 2021, the details of loans and other receivables are as follows:

	2021		
	Current	Non-current	Total
Real estate mortgage loan	P 4,510,660	P 97,614,832	P 102,125,492
Receivables from other individuals	17,253,230	-	17,253,230
Receivables from other entities	11,470,254	-	11,470,254
Receivables from Paramount	203,710	8,714,438	8,918,148
Loans and receivables from employees and others	5,222,052	2,627,871	7,849,923
Receivable from insurance pools	5,905,170	-	5,905,170
Policy loan	3,387,175	35,886	3,423,061
Receivables from agents	672,799	704,146	1,376,945
Receivables from group policy holders	184,714	655,017	839,731
Security fund contribution	-	20,995	20,995
Gross	P 48,809,764	P 110,373,185	P 159,182,949
Allowance for impairment loss	( 20,164,467)	-	( 20,164,467)
Net	<u>P 28,645,297</u>	<u>P 110,373,185</u>	<u>P 139,018,482</u>

### *Real Estate Mortgage Loan*

The real estate mortgage loans earn annual interest ranging from 3.24% to 14% per annum and with credit terms ranging from 3 to 15 years.



### *Receivables from Paramount*

The sale of the Individual Life Insurance business portfolio of Manila Bankers Life Insurance Corporation to Paramount in the year 2005, resulted in the collection by Paramount of policyholders' payments related to an unsold insurance portfolio. This comprises the non-current receivables from Paramount amounting to P8,714,438 in 2022 and 2021. However, there are also payables to Paramount which are subject to reconciliation. Paramount and Manila Bankers Life Insurance Corporation agree to duly settle these accounts once the joint reconciliation process is completed.

### *Loans and Receivable from Employees*

This represents outstanding balances of loans and advances granted to the Company's employees.

### *Receivables from Life Insurance Pools*

This account pertains to a fund in direct group life insurance pools. A business scheme group life insurance companies who jointly accept and share life insurance business and its related risks solicited from a company that does not engage as principal in the insurance business.

As at December 31, 2022 and 2021, no collection has been made by the Company for the outstanding balance of the account as recoverability is still awaiting the decision of the court. Accordingly, the account is fully provided with an allowance for impairment loss.

### *Receivable from Agents*

This account pertains to the notarial fees for cancelled policies and license fees which are initially paid by the company, commissions claw back or previously collected commissions of the agents which policies are subsequently cancelled and other transactions which are legitimately collectible by the agents.

### *Allowance for Impairment Loss*

The movement of allowance for impairment of receivables is presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 20,164,467	P 19,160,767
Impairment loss for the year	<u>992,554</u>	<u>1,003,700</u>
Balance at end of year	<u>P 21,157,021</u>	<u>P 20,164,467</u>

All of the Company's loans and other receivables have been reviewed for indicators of impairment. Certain loans and receivables have expected credit losses using the provisional matrix as determined by the management, hence, adequate allowance for impairment has been recognized (*see Note 32*).





## 6. INSURANCE CONTRACT RECEIVABLES

As at December 31, the account consists of the following:

	<u>2022</u>	<u>2021</u>
Net due and uncollected premiums	P 16,367,694	P 18,983,109
Due from ceding companies	<u>457,245</u>	<u>457,245</u>
	16,824,939	19,440,354
Allowance for impairment	( <u>457,245</u> )	( <u>457,245</u> )
	<u>P 16,367,694</u>	<u>P 18,983,109</u>

Net due and uncollected premiums represent the uncollected premiums on direct business, including those by general agents and insurance brokers, including taxes and other charges, provided these are properly segregated and the corresponding liabilities are set up. The balances as at December 31, 2022 and 2021 are actuarially computed by the Company's Actuary.

## 7. ACCRUED INTEREST RECEIVABLE

As at December 31, 2022 and 2021, this account consists of accrued interest from real estate mortgage loans, corporate and government bonds amounting to P3,016,013 and P3,577,650, respectively.

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

As at December 31, this account consists of:

	<u>2022</u>	<u>2021</u>
Input VAT ( <i>see Note 36</i> )	P 11,122,046	P 13,313,228
Supplies on hand	2,586,661	2,384,856
Creditable withholding tax	2,360,536	1,451,343
Advances for liquidation	789,487	345,716
Documentary stamp on hand	253,456	119,383
Prepaid rent	-	334,577
Others	<u>-</u>	<u>323,198</u>
	<u>P 17,112,186</u>	<u>P 18,272,301</u>

Input VAT represents the indirect taxes passed on to the Company resulting from purchases of goods and payment of services. Input VAT is presented net of output VAT.

Supplies on hand pertain to printing, stationery and supplies which are expected to be used within 12 months after the end of the financial reporting period.

CWTs, which are claimed against income tax due, is carried over in the succeeding period for the same purpose.

Advances for liquidation pertains to advances accountable by receipts which are expected to be liquidated within 12 months after the end of the financial reporting period.

Prepaid rent consists of advance lease rentals which will be applied over the lease term.

Documentary stamp on hand is expected to be used within 12 months after the end of the financial reporting period.

Others consist of items such as prepaid expenses and other current assets which are expected to be amortized within 12 months after the end of the financial reporting period.

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

The Company's financial asset at FVOCI pertains to equity securities. As at December 31, 2022, the equity securities consist of:

	Carrying Amount	Cost	Unrealized Gain (Loss)
<i>Equity Securities</i>			
Traded	P 470,022,840	P 506,961,688	(P 36,938,848)
Non-traded	200,000	200,000	-
Golf Club membership shares	740,000	740,000	-
Mutual Fund	<u>81,313,956</u>	<u>88,661,960</u>	<u>( 7,348,004 )</u>
	<u>P 552,276,796</u>	<u>P 596,563,648</u>	<u>(P 44,286,852)</u>

As at December 31, 2021, the equity securities consist of:

	Carrying Amount	Cost	Unrealized Gain (Loss)
<i>Equity Securities</i>			
Traded	P 365,549,523	P 345,851,471	P 19,698,052
Non-traded	200,000	200,000	-
Golf Club membership shares	740,000	740,000	-
Mutual Fund	<u>85,376,825</u>	<u>88,661,960</u>	<u>( 3,285,135 )</u>
	<u>P 451,866,348</u>	<u>P 435,453,431</u>	<u>P 16,412,917</u>

The reconciliation of the carrying amount of the equity securities are as follows:

	2022	2021
Balance at beginning of year	P 451,866,348	P 289,803,871
Additions	161,110,217	165,302,999
Disposals	-	( 29,453,350 )
Fair value gain (loss)	<u>( 60,699,769 )</u>	<u>26,212,828</u>
Balance at end of year	<u>P 552,276,796</u>	<u>P 451,866,348</u>

Equity securities consist of investments in companies listed and not listed on the Philippine Stock Exchange.



The fair values of equity securities have been determined directly by reference to published prices in an active market.

Total dividend income earned on this investment amounted to P6,882,346 in 2022 and P6,307,785 in 2021 (see Note 25).

#### 10. FINANCIAL ASSET AT AMORTIZED COST

This account consists of the following:

	<u>2022</u>	<u>2021</u>
Government bonds	P 717,619,682	P 359,456,922
Corporate Bonds	<u>15,000,000</u>	<u>15,000,000</u>
	<u>P 732,619,682</u>	<u>P 374,456,922</u>

Government bonds consist of 7, 10, 20 and 25-years peso-denominated bonds issued by the Philippine government which bears fixed interest rates ranging from 5.75% to 8.125% per annum and with maturity dates ranging from April 12, 2025, to October 24, 2037.

Corporate bonds are seven and ten-year peso-denominated bonds issued by a third party that bears fixed interest ranging from 6.00% to 6.369% per annum and with maturity dates ranging from March 4, 2025 to May 6, 2026.

The interest earned on this investment in bonds amounted to P10,019,865 in 2022 and P10,016,850 in 2021 and are presented as part of Finance income under Other income in the statements of comprehensive income (see Note 25).

The reconciliation of the carrying amounts of financial asset at amortized cost are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 374,456,922	P 411,359,971
Placements	358,162,760	16,000,000
Termination	-	( 52,006,273)
Discount	<u>-</u>	<u>( 896,776)</u>
Balance at end of year	<u>P 732,619,682</u>	<u>P 374,456,922</u>

## 11. INVESTMENT PROPERTY

As at December 31, 2022, this account consists of:

	<u>Building</u>	<u>Land</u>	<u>Total</u>
Balance at beginning of year	P 11,909,400	P 160,313,418	P 172,222,818
Fair value gain (loss)	-	-	-
Balance at end of year	<u>P 11,909,400</u>	<u>P 160,313,418</u>	<u>P 172,222,818</u>

As at December 31, 2021, this account consists of:

	<u>Building</u>	<u>Land</u>	<u>Total</u>
Balance at beginning of year	P 11,909,400	P 160,313,418	P 172,222,818
Fair value gain (loss)	-	-	-
Balance at end of year	<u>P 11,909,400</u>	<u>P 160,313,418</u>	<u>P 172,222,818</u>

The Company's Investment property was revalued on June 27, 2019 by an independent appraiser. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. In 2022 and 2021, no revaluation was recognized since management assessed that the carrying amount approximates fair value.

Fair value gain (loss) from revaluation of investment property is presented as part of other income in the statements of comprehensive income.

In addition, no investment property pledged as security or collateral for liabilities for both as at December 31, 2022 and 2021.

## 12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2022 and 2021 are shown below:

	<u>Building and Improvements</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improvements</u>	<u>IT System Software and Other Assets</u>	<u>Total</u>
December 31, 2022							
Cost and revaluation	P 31,928,000	P 6,405,058	P 13,182,850	P 3,818,327	P 35,149,019	P 7,316,975	P 97,800,229
Accumulated Depreciation	( 9,578,400)	( 4,963,574)	( 11,386,005)	( 3,167,580)	( 33,104,597)	( 7,215,373)	( 69,415,529)
Carrying Amount as of December 31, 2022	<u>P 22,349,600</u>	<u>P 1,441,484</u>	<u>P 1,796,845</u>	<u>P 650,747</u>	<u>P 2,044,422</u>	<u>P 101,602</u>	<u>P 28,384,700</u>
December 31, 2021							
Cost and revaluation	P 31,928,000	P 6,228,089	P 12,103,163	P 3,818,143	P 29,609,200	P 7,193,077	P 90,879,672
Accumulated Depreciation	( 6,385,600)	( 3,921,795)	( 10,289,930)	( 2,694,130)	( 27,639,413)	( 6,013,255)	( 56,944,123)
Carrying Amount as of December 31, 2021	<u>P 25,542,400</u>	<u>P 2,306,294</u>	<u>P 1,813,233</u>	<u>P 1,124,013</u>	<u>P 1,969,787</u>	<u>P 1,179,822</u>	<u>P 33,935,549</u>

A reconciliation of the carrying amounts of property and equipment for the year ending December 31, 2022 and 2021 are shown below:

	Building and Improvements	Furniture and Fixtures	Office Equipment	Transportation Equipment	Leasehold Improvements	IT System Software and Equipment	Total
Balance at Jan. 1, 2022 net of accumulated depreciation	P 25,542,400	P 2,306,294	P 1,813,233	P 1,124,013	P 1,969,787	P 1,179,822	P 33,935,549
Additions	-	176,969	1,079,687	184	5,539,819	123,898	6,920,557
Depreciation charge for the year (see Note 24)	( 3,192,800)	( 1,041,779)	( 1,096,075)	( 473,450)	( 5,465,184)	( 1,202,118)	( 12,471,406)
Balance at Dec. 31, 2022 net of accumulated depreciation	<u>P 22,349,600</u>	<u>P 1,441,484</u>	<u>P 1,796,845</u>	<u>P 650,747</u>	<u>P 2,044,422</u>	<u>P 101,602</u>	<u>P 28,384,700</u>
Balance at Jan. 1, 2021 net of accumulated depreciation	P 28,735,200	P 2,636,769	P 2,230,875	P 1,597,463	P 455,813	P 2,045,732	P 37,701,852
Additions	-	50,062	204,348	-	5,550,723	178,569	5,983,702
Depreciation charge for the year (see Note 24)	( 3,192,800)	( 380,537)	( 621,990)	( 473,450)	( 4,036,749)	( 1,044,479)	( 9,750,005)
Balance at Dec. 31, 2021 net of accumulated depreciation	<u>P 25,542,400</u>	<u>P 2,306,294</u>	<u>P 1,813,233</u>	<u>P 1,124,013</u>	<u>P 1,969,787</u>	<u>P 1,179,822</u>	<u>P 33,935,549</u>

The Company's building and improvements are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation, and impairment losses. The revaluation surplus is presented as part of the Revaluation reserves account in the equity section of the statements of financial position. The Company's building and improvement was revalued on June 27, 2019 by an independent appraiser.

If building were carried cost model, the carrying amounts of the assets would be as follows:

	2022	2021
Cost	P 1,184,932	P 1,184,932
Accumulated depreciation	( 1,184,932)	( 1,184,932)
	<u>P -</u>	<u>P -</u>

All of the Company's property and equipment have been reviewed from indicators of impairment. Based on management's evaluation, no impairment losses on property and equipment need to be recognized for 2022 and 2021. No property has been pledged as collateral in 2022 and 2021.

### 13. OTHER NON-CURRENT ASSETS

As at December 31, this account consists of:

	2022	2021
Miscellaneous deposit	P 11,213,909	P 7,391,616
Rental deposit	6,743,783	5,266,015
Deposits with network providers	<u>2,422,725</u>	<u>2,422,725</u>
	<u>P 20,380,417</u>	<u>P 15,080,356</u>





Miscellaneous deposit consists of deferred input VAT and utilities deposit.

Rental deposits are advance deposits given to the lessor at the inception of the lease agreement that will be refunded at the end of the lease agreement after all the valid claims have been cleared.

#### 14. POLICY AND CONTRACT CLAIMS PAYABLE

As at December 31, this account consists of:

	<u>2022</u>	<u>2021</u>
Group	P 3,126,199	P 3,349,285
Microinsurance and individual	<u>8,299,786</u>	<u>10,105,323</u>
	<u>P 11,425,985</u>	<u>P 13,454,608</u>

#### 15. PREMIUM DEPOSIT FUND

This account pertains to deposits from policyholders which can be applied as premium payments in the event the policyholders fail to pay the premiums within the grace period. The fund shall earn interest at such rates as may be declared by the Company each year but never at the lowest prevailing interest rate, net of tax, of savings accounts on banks. As at December 31, 2022 and 2021, the account amounted to P154,742,599 and P112,555,386, respectively.

#### 16. INSURANCE PAYABLES

The account pertains to the reinsurance premium due and payable by the Company to its reinsurer, Hannover Rück SE Hongkong Branch, amounting to P2,548,688 in 2022 and P1,301,306 in 2021.

#### 17. PAYABLES AND OTHER LIABILITIES

This account consists of:

	<u>2022</u>	<u>2021</u>
Due to suppliers	P 10,481,110	P 21,319,984
Referror's and agent's retention fund	14,948,086	11,914,770
Rental payable	139,691	386,476
Due to government agencies	-	3,349,424
Due to employees	-	9,661
Others	<u>203,756</u>	<u>203,756</u>
	<u>P 25,772,643</u>	<u>P 37,184,071</u>

Others include payable for registration deposits and customers' miscellaneous deposits.



## 18. LEGAL POLICY RESERVES

As at December 31, 2022, and 2021, this account amounted to P245,661,764 and P299,954,629, respectively.

The movement of the legal policy reserves is shown below:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 299,954,629	P 355,580,356
Gross change in legal policy reserve	24,004,321	26,913,065
Remeasurement of legal policy reserves	( 78,297,186)	( 82,538,792)
Balance at end of year	<u>P 245,661,764</u>	<u>P 299,954,629</u>

The balances of aggregate life policy reserves at the end of the year were actuarially determined and certified true and correct by the Company's actuary.

The aggregate life policy reserve decreased by P54,292,865 and P55,625,727 in 2022 and 2021, respectively.

Re-measurement on the aggregate life policy reserve in compliance with IC Circular Letter 2016-66 dated December 28, 2016 was performed at the beginning of year. As a result, the total revaluation recognized in other comprehensive income amounted to decrease of P78,297,186 in 2022 and P82,538,792 in 2021, while an increase in legal policy expense amounting to P24,004,321 in 2022 and P26,913,065 in 2021 is recognized in the profit and loss.

## 19. PERSONNEL COSTS

### *Salaries and Employee Benefits*

Expenses recognized for salaries and employee benefits are presented below:

	<u>2022</u>	<u>2021</u>
Salaries and wages	P 20,756,113	P 15,759,207
Retirement expense	1,920,356	2,597,825
Employees benefits	2,953,180	2,547,625
Social security costs	<u>919,936</u>	<u>1,468,912</u>
	<u>P 26,549,585</u>	<u>P 22,373,569</u>

### *Retirement Plan*

The Company has a non-contributory retirement plan in trust, which took effect on September 15, 1994 covering all regular, permanent and full-time employees of the company. This provision of the Plan allows the retirement of an employee who may have served the company for even less than ten (10) years as long as the employee retires at the age of 65. The plan also provides for death, permanent disability and severance benefits.

Derivations of liability to be recognized in the Statements of Financial Position as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Present value obligation	P 7,031,717	P 9,492,560
Fair value of plan assets	( 5,825,337)	( 5,729,891)
Liability (asset), ending	<u>P 1,206,380</u>	<u>P 3,762,669</u>

Movements of present value of obligation are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 9,492,560	P 12,342,575
Interest income	465,800	467,847
Current service cost	1,735,722	2,373,576
Benefits paid	-	( 3,242,423)
Actuarial loss (gain)	( 4,662,365)	( 2,449,015)
Ending balance	<u>P 7,031,717</u>	<u>P 9,492,560</u>

Movements of fair value of plan assets are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 5,729,891	P 7,188,757
Contributions	-	1,717,939
Benefit paid	-	( 3,242,423)
Expected return on plan asset	281,166	243,599
Re-measurement on plan asset - OCI	( 185,720)	( 177,981)
Balance at end of year	<u>P 5,825,337</u>	<u>P 5,729,891</u>

Movements in net liability (asset) are as follows:

	<u>2022</u>	<u>2021</u>
Liability (asset), beginning	P 3,762,669	P 5,153,817
Amount recognized in profit or loss	1,920,356	2,597,825
Amount recognized in other comprehensive income	( 4,476,645)	( 2,271,034)
Contributions made directly by the Company	-	( 1,717,939)
Liability (asset), ending	<u>P 1,206,380</u>	<u>P 3,762,669</u>



The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2022</u>	<u>2021</u>
<i>Reported in profit or loss</i>		
Current service cost	P 1,735,722	P 2,373,575
Interest on net liability	<u>184,634</u>	<u>224,250</u>
	<u>P 1,920,356</u>	<u>P 2,597,825</u>
<i>Reported in other comprehensive income</i>		
Actuarial loss (gain)	(P 4,662,365)	(P 2,449,015)
Losses on return on plan asset	<u>185,720</u>	<u>177,981</u>
	<u>(P 4,476,645)</u>	<u>(P 2,271,034)</u>

Principal actuarial assumption (end of period):

	<u>2022</u>	<u>2021</u>
Discount Rate	7.11%	4.97%
Salary increase rate	5.00%	5.00%

As of December 31 the details of China Bank Savings Trustee report on retirement fund are as follows:

	<u>2022</u>	<u>2021</u>
Deposit in banks	P 2,541,506	P 2,068,597
Investment	3,258,681	3,647,957
Receivables	41,849	30,657
Liabilities	( <u>16,699</u> )	( <u>17,323</u> )
Fund balance	<u>P 5,825,337</u>	<u>P 5,729,888</u>

## 20. INSURANCE PREMIUMS

For the years ended December 31, the account consists of the following:

	<u>2022</u>	<u>2021</u>
Insurance premium	P 401,265,784	P 348,119,533
Premium due and uncollected	( <u>2,615,415</u> )	<u>10,369,435</u>
Gross premium on insurance contract	398,650,369	358,488,968
Reinsurer's share of gross insurance premium	( <u>2,196,732</u> )	( <u>1,645,852</u> )
	<u>P 396,453,637</u>	<u>P 356,843,116</u>



21. COMMISSION

This account consists of commission expense for insurance broker and agent amounting to P110,225,710 and P112,491,569 in 2022 and 2021, respectively.

22. UNDERWRITING EXPENSES

For the years ended December 31, the account consists of the following:

	<u>2022</u>	<u>2021</u>
Administrative	P 7,302,360	P 10,629,218
Surrender benefits	5,901,643	28,978,345
Experience refund	339,002	16,885,510
Documentary stamp tax	160,891	221,843
Medical fee	<u>35,894</u>	<u>15,208</u>
	<u>P 13,739,790</u>	<u>P 56,730,124</u>

23. GROSS BENEFIT AND CLAIMS PAID ON INSURANCE CONTRACTS

For the years ended December 31, the account consists of the following:

	<u>2022</u>	<u>2021</u>
Death benefit	P 15,104,401	P 16,840,872
Hospitalization benefit	<u>1,562,792</u>	<u>1,700,190</u>
	<u>P 16,667,193</u>	<u>P 18,541,062</u>



## 24. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, the amount consists of the following:

		<u>2022</u>		<u>2021</u>
Salaries and other benefits ( <i>see Note 19</i> )	P	26,549,585	P	22,373,569
Rental ( <i>see Note 31</i> )		20,128,229		12,846,864
Depreciation and amortization ( <i>see Note 12</i> )		12,471,406		9,750,005
Taxes and licenses ( <i>see Note 36</i> )		8,399,182		959,869
Consultancy fees		4,275,208		5,903,500
Professional fees		4,087,438		1,648,661
Input VAT expense		3,988,192		5,803,705
Representation and entertainment		2,794,317		2,930,820
Light and water		2,262,147		902,542
Communication and postages		2,014,011		1,649,179
Repairs and maintenance		1,412,019		762,186
Printing, stationery and supplies		1,395,102		1,207,375
Advertising and promotions		1,003,495		1,873,572
Impairment loss ( <i>see Note 5</i> )		992,554		1,003,700
Prizes and awards		736,950		596,322
Insurance		659,033		617,541
Transportation and travel		548,899		664,361
Shipping charges		453,216		402,375
Association dues		376,445		209,215
Fines and penalties		311,035		6,610,026
Training expense		130,261		171,286
Security expenses		95,547		43,048
Donation and contributions		33,770		-
Research and development		-		25,000
Miscellaneous		<u>4,013,348</u>		<u>2,337,595</u>
	P	<u>99,131,389</u>	P	<u>81,292,316</u>

## 25. FINANCE INCOME

For the years ended December 31, the amount consists of the following:

		<u>2022</u>		<u>2021</u>
Interest income:				
Investment in bonds ( <i>see Note 10</i> )	P	10,019,865	P	10,016,850
Mortgage and collateral loans		5,009,446		988,215
Deposit in banks ( <i>see Note 4</i> )		3,481,620		2,648,206
Policy loans		<u>82,936</u>		<u>164,944</u>
		18,593,867		13,818,215
Dividend income ( <i>see Note 9</i> )		<u>6,882,346</u>		<u>6,307,785</u>
	P	<u>25,476,213</u>	P	<u>20,126,000</u>





## 26. OTHER INCOME

This account consists of network fees amounting to P11,444,843 and P6,140,436 in 2022 and 2021, respectively.

## 27. FINANCE COST

For the years ended December 31, the account consists of the following:

	<u>2022</u>	<u>2021</u>
Bank charges	P 4,684,767	P 3,325,636
Interest expense	<u>4,577,462</u>	<u>593,909</u>
	<u>P 9,262,229</u>	<u>P 3,919,545</u>

## 28. INCOME TAXES

The components of taxes expense for each year as reported in the profit or loss are as follows:

	<u>2022</u>	<u>2021</u>
Regular corporate income tax at 25%	P 44,246,226	P 24,098,884
Deferred income tax on origination of temporary difference	390,934	96,862
Deferred income tax on origination and reversal of Net operating loss carry-over (NOLCO)	-	901,295
Final tax	<u>2,700,297</u>	<u>2,533,011</u>
	<u>P 47,337,457</u>	<u>P 27,630,052</u>

A reconciliation of tax on pre-tax loss computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income is as follows:

	<u>2022</u>	<u>2021</u>
Tax on pretax profit at 25%	P 40,884,215	P 20,805,468
Adjustment for income subjected to lower tax rate	( 675,074)	( 633,253)
Tax effect of:		
Non-taxable income	( 1,720,586)	( 4,169,305)
Non-deductible expense	<u>8,848,902</u>	<u>11,627,142</u>
	<u>P 47,337,457</u>	<u>P 27,630,052</u>



The Company's deferred tax assets as at December 31, 2022 and 2021 relate to the following:

	<u>Statements of Financial Position</u>		<u>Statements of Comprehensive Income</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Impairment losses on loans and other receivables	P 301,595	P 5,155,428	(P 639,072)	(P 250,925)
Retirement cost	5,403,567	940,667	248,138	347,787
NOLCO	-	-	-	901,295
Net deferred tax assets	<u>P 5,705,162</u>	<u>P 6,096,095</u>		
Income tax expense			<u>P 390,934</u>	<u>P 988,157</u>

In 2022 and 2021, the Company claims itemized deductions for income tax purposes.

*Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act)*

On March 26, 2021, Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- a. Regular Corporate Income Tax (RCIT) rate was reduced starting July 1, 2020 from 30% to:
  - 20%, if total assets do not exceed P100 million (excluding land on which the particular business entity's office is situated), and with net taxable income not exceeding P5 million; or,
  - 25%, if the total assets and net taxable income discussed above are not met.
- b. Reduction of minimum corporate income tax (MCIT) from 2% to 1% from July 1 to June 30, 2023.
- c. The allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax, and,
- d. Repeal of improperly accumulated earnings tax (IAET).



## 29. EQUITY

### Capital Stock

Capital stock consists of:

	Shares		Amount	
	2022	2021	2022	2021
Preferred stock - P1 par value				
Authorized	<u>75,000,000</u>	<u>125,000,000</u>	<u>P 75,000,000</u>	<u>P 125,000,000</u>
Common stock - P1 par value				
Authorized	<u>1,300,000,000</u>	<u>125,000,000</u>	<u>P 1,300,000,000</u>	<u>P 125,000,000</u>
Issued and outstanding:				
Preferred stock	<u>75,000,000</u>	<u>75,000,000</u>	<u>P 75,000,000</u>	<u>P 75,000,000</u>
Redemption of shares	<u>( 75,000,000)</u>	<u>( 75,000,000)</u>	<u>P 75,000,000</u>	<u>(P 75,000,000)</u>
Common stock				
Balance at beginning of year	125,000,000	125,000,000	125,000,000	125,000,000
Issuance of shares	<u>500,000,000</u>	<u>-</u>	<u>500,000,000</u>	<u>-</u>
Balance at end year	<u>625,000,000</u>	<u>125,000,000</u>	<u>P 625,000,000</u>	<u>P 125,000,000</u>

Preferred shares are divided and classified into P50,000,000 representing 50,000,000 Preferred "A" shares and P75,000,000 representing 75,000,000 Preferred "B" shares with the following features:

1. Preferred "A" shares are cumulative, non-participating, non-voting and not convertible to common stock with dividends payable to subscriber quarterly at fixed rate of 8% per annum.
2. Preferred "B" shares are:
  - a. Cumulative, non-participating;
  - b. With a dividend rate of 8% per annum and a s step-up dividend rate 10% per annum on the fifth year anniversary from issue date, unless the Preferred "B" shares have already been either common shares or redeemed;
  - c. Convertible to common shares on or before June 30, 2015, which shall be issued at Makati City; and
  - d. Redeemable on the fifth year anniversary from issue date at the rate of P1.00 per share, unless the Preferred "B" Shares have converted to common shares.



In 2017, the Company reacquired Preferred "A" 50,000,000 shares for a total consideration of P50,000,000. In 2019, shareholders of 75,000,000 Preferred "B" shares exercised the redeemable option of the preferred shares. As a result, the Company recognized the redemption of shares equal to the amount of redeemed shares amounting to P75,000,000 in 2020.

On February 1, 2018, the Board of Directors (BOD) and stockholders approved the Company's proposed decrease in the Company's authorized, subscribed and paid-up capital stock from P250 million divided into 125 million common shares, 50 million Preferred A shares and 75 million preferred shares B, all with par value of P1 per share to P200 million divided into 125 million common shares and 75 million preferred shares, all with a par value of P1 per share, to be able to retire the 50 million preferred A which redeemed in 2017. Further, on the same date, the BOD approved the increase of Company's authorized capital stock from P200 million divided into P125 million shares and 75 million preferred shares, both with a par value of P1 per share to P1.375 billion divided into 1.3 billion common shares and P75 million preferred shares, all with a par value of P1 per share. The said increase and decrease in authorized capital stock was approved by the SEC on October 18, 2022. With the approval of the SEC, the Company converted the deposits for future stock subscription of P350,000,000 into common stock.

On December 9, 2022, the Company issued another P150 million common shares.

As of December 31, 2022, the Company has 57 stockholders owning 100 or more shares each of the capital stock.

#### *Deposit for Future Stock Subscription*

On December 15, 2018, the Company's BOD and stockholders approved a resolution to provide additional working capital to the Company in the form of non interest-bearing deposit with the intention to convert the same to capital stock. Relative to approved resolution, the Company received P501,034,000 and shown under Deposit for future stock subscription (DFSS). In 2019, the Company received additional deposits amounting to P260,000,000. In 2020, a portion of the deposits were transferred to Contingency Surplus amounting to P411,034,000. The total DFSS as at December 31, 2021 amounted to P350,000,000 was converted to capital stock in 2022.

#### *Contingency Surplus*

The Company's contingency surplus pertains to contributed surplus amounting to P455,873,340 in both December 31, 2022 and 2021, respectively. Under the Insurance Code, stockholders are allowed to make an additional contribution in proportion to their respective interests to maintain the required net worth.



The movement of contingency surplus is as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 455,873,340	P 414,623,340
Additions	<u>-</u>	<u>41,250,000</u>
Balance at end of year	<u>P 455,873,340</u>	<u>P 455,873,340</u>

### Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statement of changes in equity at their aggregate amount under Revaluation Reserves account are shown below.

	<u>Financial Asset at FVOCI</u>	<u>Property Revaluation Reserve</u>	<u>Defined Benefit Plan</u>	<u>Legal Policy Revaluation Reserve</u>	<u>Total</u>
Balance at January 1, 2022	P 16,412,917	P 96,509,038	P 2,960,094	P 69,877,451	P 185,759,500
Fair value loss	( 60,699,769)	-	-	-	( 60,699,769)
Depreciation	-	( 3,192,800)	-	-	( 3,192,800)
Remeasurement of defined benefit plan	-	-	4,476,645	-	4,476,645
Remeasurement of legal policy reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,297,186</u>	<u>78,297,186</u>
Balance at December 31, 2022	<u>(P 44,286,852)</u>	<u>P 93,316,238</u>	<u>P 7,436,739</u>	<u>P 148,174,637</u>	<u>P 204,640,762</u>

	<u>Financial Asset at FVOCI</u>	<u>Property Revaluation Reserve</u>	<u>Defined Benefit Plan</u>	<u>Legal Policy Revaluation Reserve</u>	<u>Total</u>
Balance at January 1, 2021	(P 9,799,911)	P 99,701,838	P 689,060	(P 12,661,341)	P 77,929,646
Fair value gain	26,212,828	-	-	-	26,212,828
Depreciation	-	( 3,192,800)	-	-	( 3,192,800)
Remeasurement of defined benefit plan	-	-	2,271,034	-	2,271,034
Remeasurement of legal policy reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,538,792</u>	<u>82,538,792</u>
Balance at December 31, 2021	<u>P 16,412,917</u>	<u>P 96,509,038</u>	<u>P 2,960,094</u>	<u>P 69,877,451</u>	<u>P 185,759,500</u>

## 30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.



The Company's outstanding balances on transactions with related parties as at December 31, 2022 and 2021 are summarized below:

	2022		2021		Terms and Condition
	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance	
Real estate mortgage loan					
Anda Island Estates Corp.	(P 5,615,705)	P 79,384,295	P 85,000,000	P 85,000,000	Interest bearing, payable on demand secured, no impairment loss

### *Loans and Receivables with Related Parties*

In the ordinary course of business, the Company grants loans and other transactions with its affiliates.

### *Key Management Personnel*

Short-term benefits of key management personnel (covering senior managers and up) included under salaries, bonuses, and employee benefits in the statements of income amounted to P6,517,649 and P6,436,365 as at December 31, 2022 and 2021, respectively.

## 31. COMMITMENTS AND CONTINGENCIES

### *Operating Leases*

As of December 31, 2022 and 2021 the Company has several agreements with various entities for the lease of commercial space and offices for a period of one year with a renewal option. The Company has elected not to recognize a lease liability on short-term leases. Payments made under such leases are expensed on a straight-line basis. The total rental expense amounted to P20,128,229 and P12,846,864, in 2022 and 2021, respectively.

### *Legal Cases*

As of December 31, 2022, the Company has the following legal cases:

- A. *University of the Philippines vs. Manila Bankers Life Insurance Corporation*  
Civil Case No. Q94-22383  
Regional Trial Court of Quezon City, Branch 224

The Regional Trial Court (Branch 85) of Quezon City issued a Resolution dated July 20, 2017 denying UP's Motion for Reconsideration. Earlier the Court rendered a Decision dated December 6, 2016 dismissing UP's claim for payment of the amount of approximately P13.2 million representing purported unpaid rentals for the use of the Asian Institute of Tourism House along Commonwealth Avenue, Quezon City.

The Company expect UP to appeal the decision dismissing its complaint.





*B. Bureau of Internal Revenue (BIR) vs. Manila Bankers Life Insurance Corporation  
DST Tax Issue  
Assessment No. 125-00000-139-10-16-226*

This case involves the purported failure of the Company to pay documentary stamp taxes for insurance policies issued in 2010. The Bureau of Internal Revenue (BIR) has issued a warrant of distraint and levy for the total assessment of P32,988,999 (principal of P15,727,514 and interest of 17,261,485)

The Company file for a compromise settlement and paid the amount of approximately P6.3 million, the compromise application is still pending evaluation.

*C. Paramount Life and General Life Insurance Corporation vs Manila Bankers Life Insurance Corporation  
Civil Case No. 18-80382*

The case is currently set to undergo mediation on 28 May 2019. The plaintiffs in the case are claiming P115,503,080 for damages and P5,000,000 in attorney's fees. On September 9, 2022, the case was dismissed on the ground of prescription in favor of Manila Bankers Life Insurance Corporation.

*Others*

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. The Company's management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Company's financial statements.

## **32. RISK MANAGEMENT OBJECTIVE AND POLICY**

Risks are inherent in the business activities of the Company. Among its identified risks are insurance risk, investment risk, credit risk, liquidity risk and market risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Company identifies its key risks, obtains consistent and understandable risk measures, decides which risks to take on or reduce and how this will be done, and establishes procedures for monitoring the resultant risk positions. The objective of risk management is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives including failing to exploit opportunities. The Company recognizes the critical importance of having efficient and effective risk management systems in place.



### *Risk Management Structure and Strategies*

The Company has established a risk management function with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organizational structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed. Lastly, a policy framework that sets out the risk appetite of the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the Company.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting, and reinsurance strategy to the corporate goals and specify reporting requirement.

### *Insurance Risk*

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

For group insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its group insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Company operates to achieve a sufficiently large population of risks to reduce the variability of the outcome of the claims.

Also, the Company limits the amount of coverage that it retains and re-insures life risks in excess of this limit of retention.

Furthermore, the Company has catastrophe accident coverage from a reputable reinsurance company that serves to limit the Company's liability in the event of a covered catastrophe accident.

The Company has a claims department that sees to it that only eligible expenses and valid claims are paid. In some cases, the Company may reject payment of claims. The Company also compiles experience data to serve as a basis of comparison between pricing mortality and morbidity assumption versus experience. Such an experience study also serves as a basis for re-rating renewing group accounts and rating new business.



### *Investment Risk*

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed-rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force that will have premium receipts in the future, that is, the investment of those future premiums receipts may be at a yield below that required to meet future policy liabilities.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management reinvests the proceeds of the maturing securities and future premium receipts to financial instruments with satisfactory investment quality.

The Company's strategy is to invest primarily in high-quality securities while maintaining diversification to avoid significant exposure to issuer, industry and/or country concentrations taking into consideration limitations set by IC. Another strategy is to produce cash flows required to meet maturing insurance liabilities. The Company invests in equities for various reasons, including diversifying its overall exposure to interest rate risk. Financial assets at FVOCI are subject to changes in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest.

The Company uses asset-liability matching as a management tool to determine the composition of the invested assets and appropriate investment and marketing strategies. As part of these strategies, the Company may determine that it is economically advantageous to be temporarily in an unmatched position due to the anticipated interest rate or other economic changes.

### *Financial Management Risk*

The Company's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Long-term financial investments are managed to generate lasting returns.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

#### *a. Market Risk*

##### *1. Foreign Exchange Risk*

While the Company's revenue is currently generated in Philippine peso, a portion of the cash received from its policyholders is denominated in United States Dollar (USD). These USD denominated cash in bank represents 0.22% of the Company's total cash and cash equivalents as of December 31, 2022 and 2021, respectively. As such, fluctuations in the value of the Philippine peso against the USD are not expected to have a material adverse effect on the Company's results of operations.

## 2. Interest Rate Risk

The Company follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. Majority of the Company's loan portfolio has fixed interest rates. As a result, the Company's exposure to interest rate fluctuations, and other market risks, is significantly reduced.

The table below illustrates the sensitivity of the Company's impact on profit or loss before tax and equity to a reasonably possible change in interest rates of +/- 1.82% and +/-1.90% in 2022 and 2021, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end each reporting period that are sensitive to changes interest rates. All other variables are held constant.

	2022		2021	
	+182	-182	+190	-190
Impact on profit or loss	P 25,939,880	(P25,939,880)	P 20,492,293	(P 20,492,293)
Equity	19,454,910	( 19,454,910)	15,369,220	( 15,369,220)

## 3. Price risk

Price risk is the risk that the Company incurs losses due to changes in market values of financial instruments arising from movements in market prices.

The Company's price risk arises from its investments carried at fair value (i.e., financial assets classified as financial assets at FVTPL and FVOCI). The Company manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

For equity securities listed in the Philippines, an average volatility of 23% has been observed during 2022 and 2021. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P13,960,947 in 2022 and P6,028,950 in 2021, respectively, while equity would have changed by P11,168,758 and P4,521,712 in 2022 and 2021, respectively.

Except for those that are held for trading, the investments in listed equity securities are considered long-term strategic investments. In accordance with the Company's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from equity instruments are utilized in the Company's favor.



b. *Credit risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for insurance receivables, reinsurance assets, and various financial instruments arising from granting loans to employees, policyholders and other counterparties, receivables incidental to investment activities, placing deposits with banks, and investing in debt securities that are carried at amortized cost and FVOCI.

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of assets is the carrying amount of the assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below and in the succeeding pages.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	P 201,370,514	P 375,471,192
Insurance contract receivables	16,367,694	18,983,109
Loans and other receivables	132,270,642	139,018,482
Financial assets at FVOCI	552,276,796	451,866,348
Accrued interest receivable	3,016,013	3,577,650
Financial asset at amortized cost	<u>732,619,682</u>	<u>374,456,922</u>
	<u><b>P 1,637,921,341</b></u>	<u><b>P 1,363,373,703</b></u>

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high-quality external credit ratings.

Financial assets at an amortized cost measured at amortized cost and FVOCI are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers low credit risk for listed bonds to be an investment-grade credit rating with at least one major rating agency.

Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.



The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for loans and receivables (except for policy loans) and accrued income. Policy loans are not exposed to credit risk as these are secured by the cash surrender values of the related policies. To measure the expected credit losses, loans and receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due (age buckets). The expected loss rates are based on the payment profiles of counterparties over a period of 12 months before December 31, 2022, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables.

The following tables show the exposure to credit risk of financial instruments as of December 31, 2022 and 2021 for each internal risk grade and the related allowance for impairment:

	2022				2021
	Stage 1	Stage 2	Stage 3	Total	
Loans and other receivables	P 153,427,663	P -	P -	P 153,427,663	P 159,182,949
ECL allowance	( 21,157,021)	-	-	( 21,157,021)	( 20,164,467)
Carrying amount	<u>P 132,270,642</u>	<u>P -</u>	<u>P -</u>	<u>P 132,270,642</u>	<u>P 139,018,482</u>
Insurance contract receivable	P -	P -	P 21,980,761	P 21,980,761	P 19,440,354
ECL allowance	-	-	( 457,245)	( 457,245)	( 457,245)
Carrying amount	<u>P -</u>	<u>P -</u>	<u>P 21,523,516</u>	<u>P 21,523,516</u>	<u>P 18,983,109</u>
Financial asset at FVOCI	P 552,276,796	P -	P -	P 552,276,796	P 451,866,348
ECL allowance	-	-	-	-	-
Carrying amount	<u>P 552,276,796</u>	<u>P -</u>	<u>P -</u>	<u>P 552,276,796</u>	<u>P 451,866,348</u>
Financial asset at amortized cost	P 732,619,682	P -	P -	P 732,619,682	P 374,456,922
ECL allowance	-	-	-	-	-
Carrying amount	<u>P 732,619,682</u>	<u>P -</u>	<u>P -</u>	<u>P 732,619,682</u>	<u>P 374,456,922</u>



The following tables show the reconciliation from the opening to the closing balance of the ECL allowance by class of financial instrument.

	2022				2021
	Stage 1	Stage 2	Stage 3	Total	
<b>Loans and other receivables</b>					
Balance at beginning of year	P 20,164,467	P -	P -	P 20,164,467	P 19,160,767
ECL allowance	<u>992,554</u>	<u>-</u>	<u>-</u>	<u>992,554</u>	<u>1,003,700</u>
Balance at end of year	<u>P 21,157,021</u>	<u>P -</u>	<u>P -</u>	<u>P 21,157,021</u>	<u>P 20,164,467</u>
<b>Insurance contract receivables</b>					
Balance at beginning of year	P -	P -	P 457,245	P 457,245	P 457,245
ECL allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>P -</u>	<u>P -</u>	<u>P 457,245</u>	<u>P 457,245</u>	<u>P 457,245</u>

The following tables show the credit quality of financial assets by class (gross of a allowance) of the Company:

	2022			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	P 201,370,514	P -	P -	P 201,370,514
Loans and other receivables	14,914,154	96,199,467	21,157,021	132,270,642
Insurance contract receivables	16,367,694	-	457,245	16,824,939
Accrued interest receivable	3,016,013	-	-	3,016,013
Financial asset at FVOCI	552,276,796	-	-	552,276,796
Financial asset at amortized cost	<u>732,619,682</u>	<u>-</u>	<u>-</u>	<u>732,619,682</u>
	<u>P1,520,564,853</u>	<u>P 96,199,467</u>	<u>P 21,614,266</u>	<u>P 1,638,378,586</u>
	2021			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	P 375,583,192	P -	P -	P 375,583,192
Loans and other receivables	8,480,830	110,373,185	20,164,467	139,018,482
Insurance contract receivables	18,983,109	-	457,245	19,440,354
Accrued interest receivable	3,243,081	334,569	-	3,577,650
Financial asset at FVOCI	451,866,348	-	-	451,866,348
Financial asset at amortized cost	<u>374,456,922</u>	<u>-</u>	<u>-</u>	<u>374,456,922</u>
	<u>P1,232,613,482</u>	<u>P 110,707,754</u>	<u>P 20,621,712</u>	<u>P 1,363,942,948</u>

*c. Liquidity risk*

The Company manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as cash outflows due in day-to-day business.

The Company maintains cash to meet its liquidity requirements. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of long-term financial assets.

As at December 31, 2022, the Company's financial liabilities have contractual maturities which are presented below:

2022				
	Within 6 Months	6 to 12 months	Over One year	Total
Policy and contract claims payables	P 11,425,985	P -	P -	P 11,425,985
Premium deposit fund	154,742,599	-	-	154,742,599
Insurance payables	2,548,688	-	-	2,548,688
Payables and other liabilities	-	25,772,643	-	25,772,643
Legal policy reserves	-	-	245,661,764	245,661,764
	<u>P 168,717,272</u>	<u>P 25,772,643</u>	<u>P 245,661,764</u>	<u>P 440,151,679</u>

As at December 31, 2021, the Company's financial liabilities have contractual maturities which are presented below:

2021				
	Within 6 Months	6 to 12 months	Over One year	Total
Policy and contract claims payables	P 13,454,608	P -	P -	P 13,454,608
Premium deposit fund	112,555,386	-	-	112,555,386
Insurance payables	1,301,306	-	-	1,301,306
Payables and other liabilities	3,562,841	33,621,230	-	37,184,071
Legal policy reserves	-	-	299,954,629	299,954,629
	<u>P 130,874,141</u>	<u>P 33,621,230</u>	<u>P 299,954,629</u>	<u>P 464,450,000</u>

### 33. FAIR VALUE MEASUREMENT

#### *Categories and Fair Values of Financial Assets and Liabilities*

As at December 31, 2022 and 2021, the carrying amounts of the categories of financial assets and financial liabilities presented in the statement of financial position are shown below:

		2022		2021	
		Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial Assets</i>					
Cash and cash equivalents	P 201,370,514	P 201,370,514	P 375,583,192	P 375,583,192	
Loans and other receivables	153,247,663	132,270,642	159,182,949	139,018,482	
Insurance contract receivables	16,367,694	21,523,516	18,983,109	18,983,109	
Accrued interest receivable	3,016,013	3,016,013	3,577,650	3,577,650	
Financial assets at FVOCI	552,276,796	552,276,796	451,866,348	451,866,348	
Financial asset at amortized cost	<u>732,619,682</u>	<u>732,619,682</u>	<u>374,456,922</u>	<u>374,456,922</u>	
	<u>P 1,658,898,362</u>	<u>P 1,643,077,163</u>	<u>P 1,383,650,170</u>	<u>P 1,363,485,703</u>	



	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial Liabilities</i>				
Policy and contract claims payables	P 11,425,985	P 11,425,985	P 13,454,606	P 13,454,606
Premium deposit fund	154,742,599	154,742,599	127,393,460	127,393,460
Insurance payables	2,548,688	2,548,688	1,301,306	1,301,306
Payables and other liabilities	25,772,643	25,772,643	25,269,301	25,269,301
Legal policy reserves	<u>245,661,764</u>	<u>245,661,764</u>	<u>299,954,629</u>	<u>299,954,629</u>
	<u>P 440,151,679</u>	<u>P 440,151,679</u>	<u>P 467,373,302</u>	<u>P 467,373,302</u>

The carrying amounts of the above financial assets and liabilities approximate their fair values as at December 31, 2022 and 2021.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

- a. *Cash and cash equivalents, insurance contract receivables, and accrued interest receivable.*

The carrying amounts of these accounts approximate their fair values due to their short-term duration.

- b. *Loans and receivables*

Loans and other receivables are net of impairment losses. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value. The carrying amounts approximate fair values.

- c. *Financial assets at FVOCI*

For publicly traded equity securities, fair values are based on quoted prices published in markets. For unquoted equity securities, the fair value could not be reliably determined due to the unpredictable timing of future cash flows and the lack of suitable methods of arriving at a reliable fair value. These are carried at original cost less allowance for impairment loss.

- d. *Financial asset at amortized cost*

The fair values of these bonds are based are measured in amortized cost under the effective interest method. The carrying amounts approximate fair value.

- e. *Policy and contract claims payable, insurance payables and payables and other liabilities*

Policy and contract claim payable, premium deposit fund, insurance payables and payables and other liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Fair value of these short-term liabilities approximates their carrying values.



### *Fair Value Hierarchy*

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For financial assets and liabilities which do not have quoted market price, the fair value is determined by using generally accepted pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation techniques, it maximizes the use of observable market data where it is available and relies as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

There have been no significant transfers among Levels 1, 2 and 3 in the reporting periods.

The table below shows the Levels within the hierarchy of financial assets measured at fair value on a recurring basis as at December 31, 2022 and 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Financial asset at FVOCI	<u>P 551,336,796</u>	<u>P -</u>	<u>P 940,000</u>	<u>P 552,276,796</u>
<u>December 31, 2021</u>				
Financial asset at FVOCI	<u>P 450,926,348</u>	<u>P -</u>	<u>P 940,000</u>	<u>P 451,866,348</u>



### *Fair Value Measurement for Non-financial Assets*

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at December 31, 2022 and 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Property, Plant and Equipment:				
Building and improvements	<u>P -</u>	<u>P -</u>	<u>P 22,349,600</u>	<u>P 22,349,600</u>
Investment Property:				
Land	P -	P 160,313,418	P -	P 160,313,418
Building and improvements	<u>-</u>	<u>-</u>	<u>11,909,400</u>	<u>11,909,400</u>
	<u>P -</u>	<u>P 160,313,418</u>	<u>P 11,909,400</u>	<u>P 172,222,818</u>
<u>December 31, 2021</u>				
Property, Plant and Equipment:				
Building and improvements	<u>P -</u>	<u>P -</u>	<u>P 25,542,400</u>	<u>P 25,542,400</u>
Investment Property:				
Land	P -	P 160,313,418	P -	P 160,313,418
Building and improvements	<u>-</u>	<u>-</u>	<u>11,909,400</u>	<u>11,909,400</u>
	<u>P -</u>	<u>P 160,313,418</u>	<u>P 11,909,400</u>	<u>P 172,222,818</u>

The fair value of the Company's building and improvements classified under the Property and Equipment account (*see Note 12*), and the Company's investment property (*see Note 11*) is determined on the basis of the independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of these non-financial assets was determined based on the following approaches:

*a. Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.



*b. Fair Value Measurement for Building and Improvements*

The Level 3 fair value of the buildings and improvements under the Property and Equipment account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers' and contractor's quotes, price catalogs, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in a higher fair value of the properties.

*c. Other Fair Value Information*

There has been no change to the valuation techniques used by the Company during the year for its non-financial assets. Also, there were no transfers into or out of the Level 3 fair value hierarchy in 2022 and 2021.

**34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES, AND PROCEDURES**

The Company's capital management objective is to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

*Regulatory Framework*

Regulators are interested in protecting the rights of the policyholders and have maintained close monitoring to ensure that the Company is satisfactory in managing its affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions [e.g., fixed capitalization requirements and Risk-Based Capital (RBC) requirements].

The Company maintains a capital base to cover risks inherent in the business. Externally imposed capital requirements are set and regulated by the IC. These requirements are put in place to ensure solvency. The Company manages its capital requirements by complying with requirements and limitations enforced by the IC, by maintaining the profitability of the business and by aligning the Company's operational strategy to its corporate goals. The Company fully complied with the externally imposed capital requirements as at December 31, 2022.

The Company's primary capital management objectives are to ensure its ability to continue as a going concern in order to fulfill the Company's mission and vision and to provide an adequate return to shareholders.





The Company manages its capital structure in light of changes in the economic conditions and the risk characteristics of its activities. The Company takes into consideration future capital requirements, capital deficiency, profitability, and projected operating cash flows, expenditures and investment opportunities. No changes were made in the objectives, policies and processes as at December 31, 2022 and 2021.

### *Net Worth Requirements*

Under the Code, every domestic life and non-life insurance company duly licensed by the IC needs to comply with the following net worth requirements:

<u>Compliance Date</u>	<u>Net Worth</u>
On or before June 30, 2013	P 250,000,000
On or before December 31, 2016	550,000,000
On or before December 31, 2019	900,000,000
On or before December 31, 2022	1,300,000,000

As at December 31, 2022 and 2021, the Company complied with the net worth requirements.

### *Risk-Based Capital (RBC) Requirements*

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

IC CL No. 2016-69, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-Based Capital (RBC2) Framework, provides that the level of sufficiency for the RBC2 Framework shall be at 95% level in 2017, 97.50% in 2018 and 99.50% in 2019.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that:

- The RBC ratio is less than 125% but is not below 100%
- The RBC ratio has decreased over the past year
- The difference between the 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.



### 35. NON-ADMITTED ASSETS

The estimated amounts of non-admitted assets in 2022 and 2021 which still subject to examination by the IC, which are included in the accompanying statements of financial position follow:

	<u>2022</u>	<u>2021</u>
Loans and other receivables	P 22,483,972	P 17,253,230
Prepayments and other current assets	17,112,186	16,043,799
Deferred tax asset	6,096,095	6,096,095
Property and equipment	<u>4,236,310</u>	<u>6,492,459</u>
	<u>P 49,928,563</u>	<u>P 45,885,583</u>

### 36. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below are the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Requirements under Revenue Regulations (RR) 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

#### a. Output Value-Added Tax (VAT)

In 2022, the Company declared output VAT amounting to P261,313 based on the sale of services amounting to P2,177,606 reported as part of Gross premiums on insurance contracts in the statements of comprehensive income.

#### b. Input VAT

The movements in input VAT as at December 31, 2022, are summarized below:

Balance at beginning of year	P 13,313,228
Domestic purchase of goods other than capital goods	122,140
Domestic purchases of services	1,822,555
Deduction to input vat	( 3,988,192)
Applied against output VAT	( <u>147,685</u> )
Balance at end of the year (see Note 8)	<u>P 11,122,046</u>

#### c. Tax on Importation

The Company has no tax on importation since it does not have any transactions which are subject to importation tax.



d. *Percentage tax*

The amount of percentage taxes paid during the year is presented below.

	<u>Tax base</u>	<u>Percentage tax</u>
Insurance premium tax	P 393,122,180	P 7,862,444

e. *Excise Tax*

The Company did not have any transaction in 2022 which are subject to excise tax.

f. *Documentary Stamp Tax*

The Company paid documentary stamp during the year on the following:

Issuance of shares of stock	P 5,000,000
Insurance contract	<u>160,891</u>
	<u>P 5,160,891</u>

g. *Taxes and Licenses*

The amount of taxes and licenses for the year ended December 31, 2022 are as follows:

Documentary stamp tax	P 5,160,891
Business licenses and permits	639,417
Realty tax	154,872
Annual statement filing fee	40,400
Community tax	10,500
Annual registration	5,500
Others	<u>2,387,602</u>
	<u>P 8,399,182</u>

h. *Withholding Taxes*

An analysis of the Company's withholding taxes paid or accrued during the year as follows:

Expanded	P 13,827,154
Compensation	<u>1,322,540</u>
	<u>P 15,149,694</u>

i. *Deficiency Tax Assessment and Tax Case*

As at December 31, 2022, the Company neither has a final deficiency tax assessment with the BIR nor tax case outstanding nor pending in courts or bodies outside the BIR in any of the open years.