Accelerating Life's Journeys

2022 ANNUAL REPORT

Accelerating Life's Journeys

The race to best-in-class customer experience has begun, and Insular Life is moving at full throttle to go from strategy to execution in transforming the customer experience while adopting sustainable practices.

Throughout its 112 years of uninterrupted service, InLife continues to put the customer at the heart of the organization — going above and beyond the pursuit of profit, driven by a singular purpose to provide "A Lifetime for Good" to all Filipinos.

Our 2022 Annual Report theme, "Accelerating Life's Journeys," conveys our inspired narrative on how we manage to win the hearts and minds of our customers in a dynamic and ever-evolving market.

This narrative revolves around how we continue to make a difference, why what we do still matters, and how we are accelerating our stakeholders' life journeys, from delivering meaningful services to creating enhanced digital experiences. We meet our policyholders where they want to be met.

At InLife, sustainability and customer satisfaction are more than just a score — but a way of life and a never-ending journey.

Inside the Report

Who we are

We are the first and largest Filipino life insurance company and the only mutual company in the Philippines.

We apply over 100 years of experience in financial protection, savings, investments, and retirement to help you make confident decisions for you and your loved ones. We recognize that financial priorities change over time — that is why we are here to help you plan ahead, every step of the way.

We are proudly Filipino and remain committed to serving the Filipinos, as we spread the benefits of life insurance to every family.

Vision and Mission

To be the market leader in the insurance industry to whom more Filipinos entrust the financial security of their families

We are Insular Life, the pioneering and largest Filipino life insurance company.

Our mission is to provide a full-range of high-value insurance products and other related services that empower families to attain financial security and fulfill their dreams, thus helping build a stronger Philippines.

Core Values

LOVE OF GOD AND COUNTRY We honor God by touching lives through sharing our financial, human, and intellectual resources to our fellow Filipinos.

PRUDENCE We value the trust given to us and as such ensure that we exercise fiduciary care in all our dealings.

INTEGRITY We acknowledge the confidence that the public, particularly our policyholders, place on us.

RESPECT FOR THE INDIVIDUAL We recognize that every individual is unique and possesses a distinct worth which contributes to the organization's value.

EXCELLENCE We espouse a deep sense of responsibility for our work and seek continuous improvement of our people and processes.

TEAMWORK We recognize that our success in business requires a commendable esprit de corps among our people.

Reporting Criteria

About Our Report

The nature of insurance is about mutualizing and managing risks and looking at the long-term horizon. This is challenging given the world we now live in. One that is increasingly getting volatile and disrupted due to uncertainties brought about by climate change, the COVID-19 pandemic, the dynamic global economy, and other external events. These impact our balance sheets and our pursuit of sustainability.

This is why InLife has been embedding environmental, social, and governance (ESG) principles in its annual reports. We see ESG as inextricably linked to our business as well as to our corporate social responsibility. Through ESG reporting, we are able to demonstrate how we bring our corporate purpose to life and support our creation of long-term value. It also strengthens our brand reputation and the trust of our stakeholders.

We are guided by the principles of the following frameworks in creating this report:

1. The United Nations Sustainable Development Goals (SDGs)
2. Global Reporting Initiative (GRI) Standards
3. ASEAN Corporate Governance Scorecard (ACGS)
4. Annual Corporate Governance Report (ACGR), as mandated by the Insurance Commission (IC)

By aligning our disclosures with international reporting frameworks and standards, we are enhancing transparency and strengthening our relationship with our stakeholders, leading to long-term value creation.

Numbers that Matter

2022 FINANCIAL HIGHLIGHTS (PARENT COMPANY)

PhP 9.35B
GROSS BENEFITS AND CLAIMS PAID

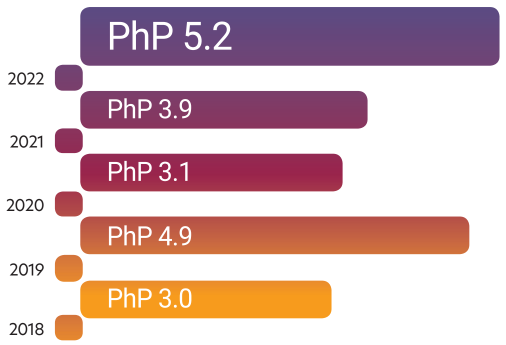
PhP 147.17B
ASSETS

PhP 50.23B
NET WORTH

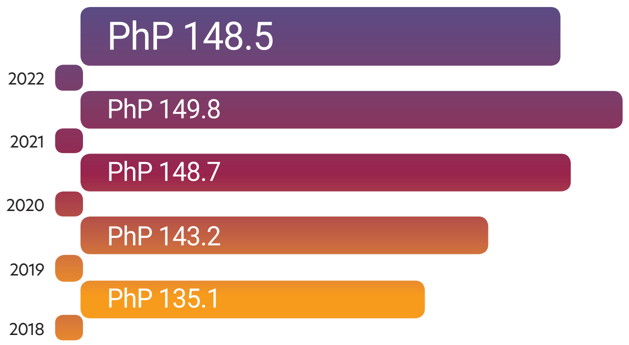
PhP 386.16B
BUSINESS-IN-FORCE

CONSOLIDATED FINANCIAL HIGHLIGHTS (IN PHP BILLION)

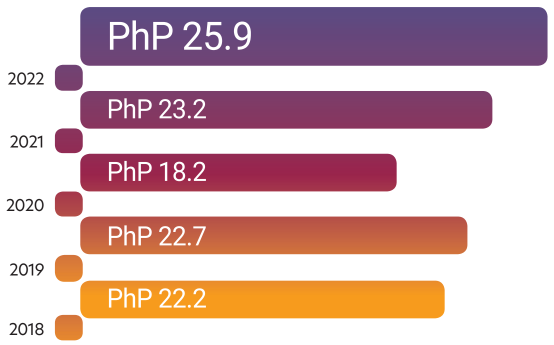
CONSOLIDATED NET INCOME



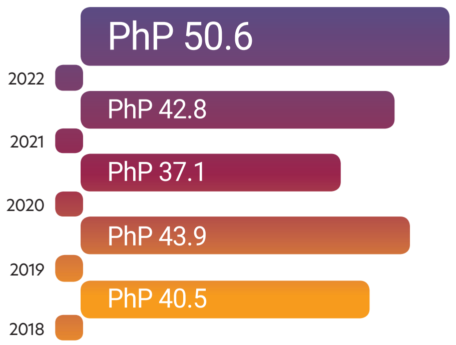
CONSOLIDATED ASSETS



CONSOLIDATED REVENUES



MEMBERS' EQUITY



INVESTMENT HIGHLIGHTS

PhP 4.345B
FRESH INVESTMENTS IN LONG-TERM FIXED INCOME SECURITIES CONSISTING OF PLACEMENTS IN GOVERNMENT & CORPORATE ISSUES

PhP 1.1B
TOTAL DIVIDENDS RECEIVED FROM EQUITY INVESTMENTS (WITH PHP 586 MILLION COMING FROM UBP INVESTMENT)

PhP 3.55B
TOTAL INTEREST INCOME FROM FIXED INCOME INVESTMENTS

PhP 1.59B
REALIZED GAINS ON SALE OF FVOCI (FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME) EQUITIES

PhP 13.2B
TOTAL VALUE TRADED IN THE PSE

1ST IN WORLD INVESTMENT IN AN ENERGY TRANSITION MECHANISM (ETM) AMOUNTING TO
PhP 1.0B
IN SUPPORT OF THE COMPANY'S ESG INITIATIVES

SERVICES LAUNCHED

InLife App

InLife App is a mobile app for InLife policyholders, making it easier to access their policies, manage their VUL funds, and connect with InLife. Recently, an update has been launched, making it more convenient for policyholders to log in via the biometric feature and adding a few more transactions in the InLife App.

Claims Portal

A portal housed inside InLife's website that allows policyholders and beneficiaries to file claims for death, disability, hospitalization, and dread diseases or critical illnesses.

Voice of the Customer Program

InLife's customer-listening program that allows the Company an outside-in perspective of its stakeholders through various customer experience metrics such as the Net Promoter Score, Customer Satisfaction Score, and the Customer Effort Score.

Products Launched

Secure 7 is a limited-offer and guaranteed-issue plan that provides protection and guaranteed anticipated payments every policy anniversary, and a return of the final sum insured upon its maturity in seven years regardless of economic or market conditions.

It has two premium bands. Under Premium Band 1 (Annual Premium from PhP 250,000 to less than PhP 500,000), policyholders between the ages of 0 and 70 will receive payouts at 4% per annum (p.a.), while policyholders between the ages of 71 and 79 will receive payouts at 3.5% p.a. Policyholders under Premium Band 2 (PhP 500,000 to PhP 12.5M,) meanwhile, will receive cash payouts at 4.5% p.a. for ages 0 - 70 and 4% p.a. for ages 71 - 79.

Wealth Assure Plus is a customizable life insurance product with investment component that provides policyholders with a higher protection benefit equivalent to a minimum of ten times the annual regular premium or their policy's fund value, whichever is higher. Funds can grow faster because of its low insurance cost and exposure to local and global equity markets for more earning potential.

Wealth Assure Plus may be set up as a plain variable unit-linked plan or personalized with attachment of riders such as renewable term insurance, critical illness coverage, accidental death benefit, and waiver of premium benefit. The product provides flexible payment and payout options, and includes investment outlets that support the customer's personal risk profile. Regular annual premiums start at PhP 10,000.

Awards and Recognitions

Insurance Asia Awards
6-time Domestic Life Insurer - Philippines

ASEAN Corporate Governance Scorecard Awards
Three Golden-Arrow award for the Insurance Sector and the Top Performing Company in the Life Sector

UN Women 2022 Asia-Pacific Women's Empowerment Principles (WEPs) Awards
2nd runner up in the Community Engagement and Partnerships category - InLife Sheroes Advocacy and Movement

2022 Philippines Women's Empowerment Principles Awards
Community Engagement and Partnerships Category champion - InLife Sheroes Advocacy and Movement

2022 Vega Digital Awards
Canopus (Platinum) awards in the following Digital Marketing Campaign Categories: Social Campaign, Cause-Related Campaign and Marketing Effectiveness.

2022 Alida Delta Award
Voice of the Customer Program

I Am Secure Cybersecurity Excellence Awards 2022
Best Chief Information Security Officer in the Insurance Industry Category - Russel A. Hernandez, Information Security and Data Privacy Division

Philippine Association of Social Workers, Inc.
One of top 10 2022 Outstanding Social Workers - Teresita T. Melad, Insular Foundation

Public Relations Society of the Philippines
Silver Anvil Award:
Public Relations Program on a Sustained Basis – Advocacy Communications - InLife Sheroes Advocacy and Movement

Specialized Public Relations Program - Advocacy Campaign - Tutor Kita Program of Insular Foundation

Life Office Management Association
18th LOMA Excellence in Education Award

Consolidated 5-Year
Financial Highlights

(IN MILLIONS PHP)

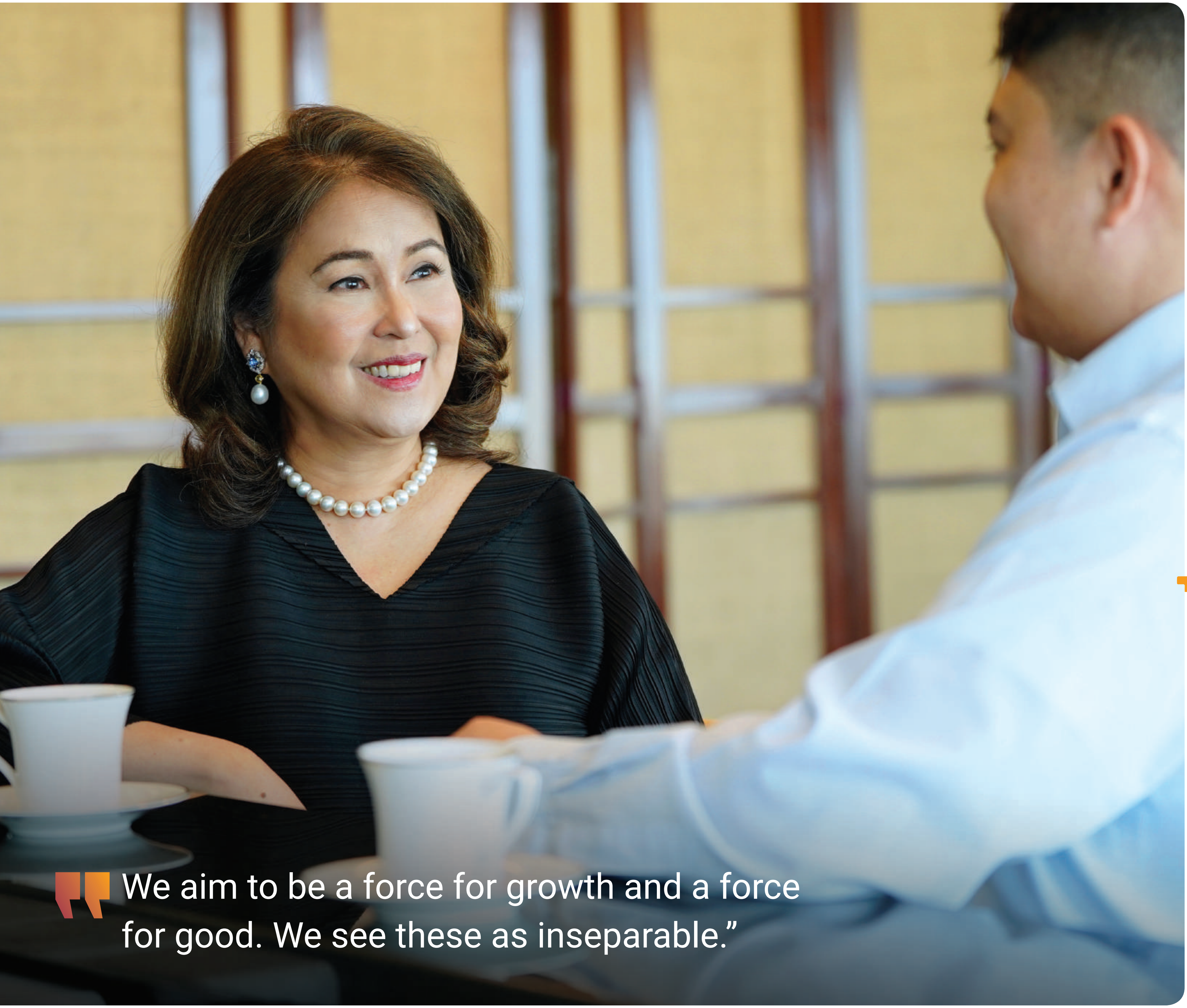
	2022	2021	2020	2019	2018
Net Income	**5,202**	**3,867**	**3,140**	**4,853**	**2,998**
Revenues	**25,900**	**23,197**	**18,155**	**22,739**	**22,209**
Net Insurance Revenue	17,029	15,626	10,667	13,500	14,381
Operating Revenue	8,871	7,571	7,488	9,239	7,828
Total Insurance Benefits and Operating Expenses	**20,033**	**18,565**	**14,455**	**17,387**	**18,553**
Assets	**148,529**	**149,812**	**148,697**	**143,208**	**135,055**
Cash and Cash Equivalents	**6,729**	**4,672**	**5,091**	**4,644**	**3,470**
Cash on Hand and In Banks	1,327	1,660	1,814	517	661
Cash Equivalents	5,402	3,012	3,277	4,127	2,809
Liabilities	**97,882**	**106,992**	**111,592**	**99,285**	**94,544**
Retained Earnings	**47,371**	**41,361**	**37,520**	**34,381**	**29,529**
RE, Appropriated	2,397	2,500	1,500	900	550
RE, Unappropriated	44,974	38,861	36,020	33,481	28,979
Members' Equity	**50,647**	**42,820**	**37,105**	**43,922**	**40,511**
Total Liabilities and Members' Equity	**148,529**	**149,812**	**148,697**	**143,207**	**135,055**

Parent Company 5-Year
Financial Highlights

(IN MILLIONS PHP)

	2022	2021	2020	2019	2018
Net Income	**2,611**	**4,748**	**1,774**	**2,894**	**2,180**
Net Insurance Revenue	**15,830**	**14,595**	**9,923**	**12,946**	**13,947**
Operating Revenue	**6,199**	**8,534**	**6,279**	**7,314**	**6,984**
Total Revenues	**22,028**	**23,129**	**16,202**	**20,260**	**20,930**
Assets	**147,172**	**154,043**	**145,128**	**138,214**	**133,297**
Cash and Cash Equivalents	**6,201**	**4,085**	**4,584**	**3,921**	**2,837**
Cash on Hand and In Banks	800	1,075	1,555	410	384
Cash Equivalents	5,401	3,011	3,029	3,511	2,452
Liabilities	**96,941**	**106,226**	**111,117**	**98,883**	**94,229**
Members' Equity	**50,231**	**47,817**	**34,011**	**39,331**	**39,069**
Retained Earnings	**32,963**	**28,302**	**23,555**	**21,780**	**18,886**
RE, Appropriated	2,397	2,500	1,500	900	550
RE, Unappropriated	30,566	25,802	22,055	20,880	18,336
New Business Premiums**	**8,803**	**8,735**	**4,864**	**7,102**	**8,729**
Total Premiums*	**14,724**	**13,248**	**10,417**	**12,904**	**13,985**
Gross Investment Income	**4,555**	**4,624**	**4,751**	**5,585**	**5,342**
Legal Policy Reserves	**43,929**	**57,764**	**69,357**	**58,162**	**54,375**
Net worth	**50,231**	**47,817**	**34,011**	**39,331**	**39,069**
Gross Benefits and Claims Paid	**9,352**	**11,520**	**8,489**	**11,030**	**8,180**

*Final TB
**IC Exhibits



"We aim to be a force for growth and a force for good. We see these as inseparable."

Do Good, Do Well

Nina D. Aguas
Executive Chairperson

If life is a continuous journey, there is no question 2022 was a turning point for many around the world after being derailed, even stalled, by the COVID-19 pandemic in the past two years.

At InLife, however, we continue to put the present and future first — not just to power our success today, but to create "A Lifetime for Good" for Filipinos.

For 112 years, we have shown that our ability to grow is not dependent on the revenues and profits we generate in the short-term, but directly connected to being a responsible business and doing good. In turn, our ability to do good is strengthened by our growth. We aim to be a force for growth and a force for good. We see these as inseparable.

ESG at the Heart of InLife

At the heart of our strategy is our adherence to environmental, social, and governance (ESG) principles. These guide us in the conduct of our business and enable us to promote and protect the interests of our stakeholders — our policyholders, employees, our agency force, and the communities we serve.

Adopting ESG principles, however, is not just about adhering to global best practices. It is the right and ethical thing to do, as citizens of this planet. It also makes business sense.

Our business is anchored on protecting people from pre-mature death, accidents and illnesses, and other uncertainties in life. We mitigate risks and provide a safety net to the insured to ease their or their family's financial burden when the unexpected happens.

To ensure that we meet our obligations that can span the lifespan of the insured — which we call our commitment to a "A Lifetime for Good" for every customer — our business must be sustainable as well as thrive in the future. This means we need to be part of the solution to ESG issues so there will be a bright future we can leave behind for people and the planet.

Walking the Talk

We want to ensure that ESG does not become a corporate box-ticking exercise. Thus, we are implementing various programs, investment preferences, and operational decisions, including philanthropic endeavors, social outreach projects, and civic-oriented initiatives, to help address various ESG issues. We promote health and wellness, regulate safe living and working conditions, customer-centricity, diversity, and inclusion, as well as impact investing.

Through our corporate social responsibility (CSR) arm, the Insular Foundation, and our women empowerment program, the InLife Sheroes Advocacy and Movement, we are tackling some of the biggest sustainability challenges the country is facing today and in the future: poverty, an education crisis, and climate change. We maintain sound governance practices because first and foremost it is our fiduciary obligation to our policyholders.

In 2022, we launched a "revolution from within" by making our organization fully customer centric in everything we do and, therefore, ESG conscious and aware. By aligning our corporate culture with our ESG aspirations, InLife's every action — whether strategic, tactical, or operational — must reflect our adherence to ESG principles from our customer's viewpoint. Our marketing teams and various communication channels are helping ensure that our customers are aware of ESG issues and why they matter to InLife and to them.

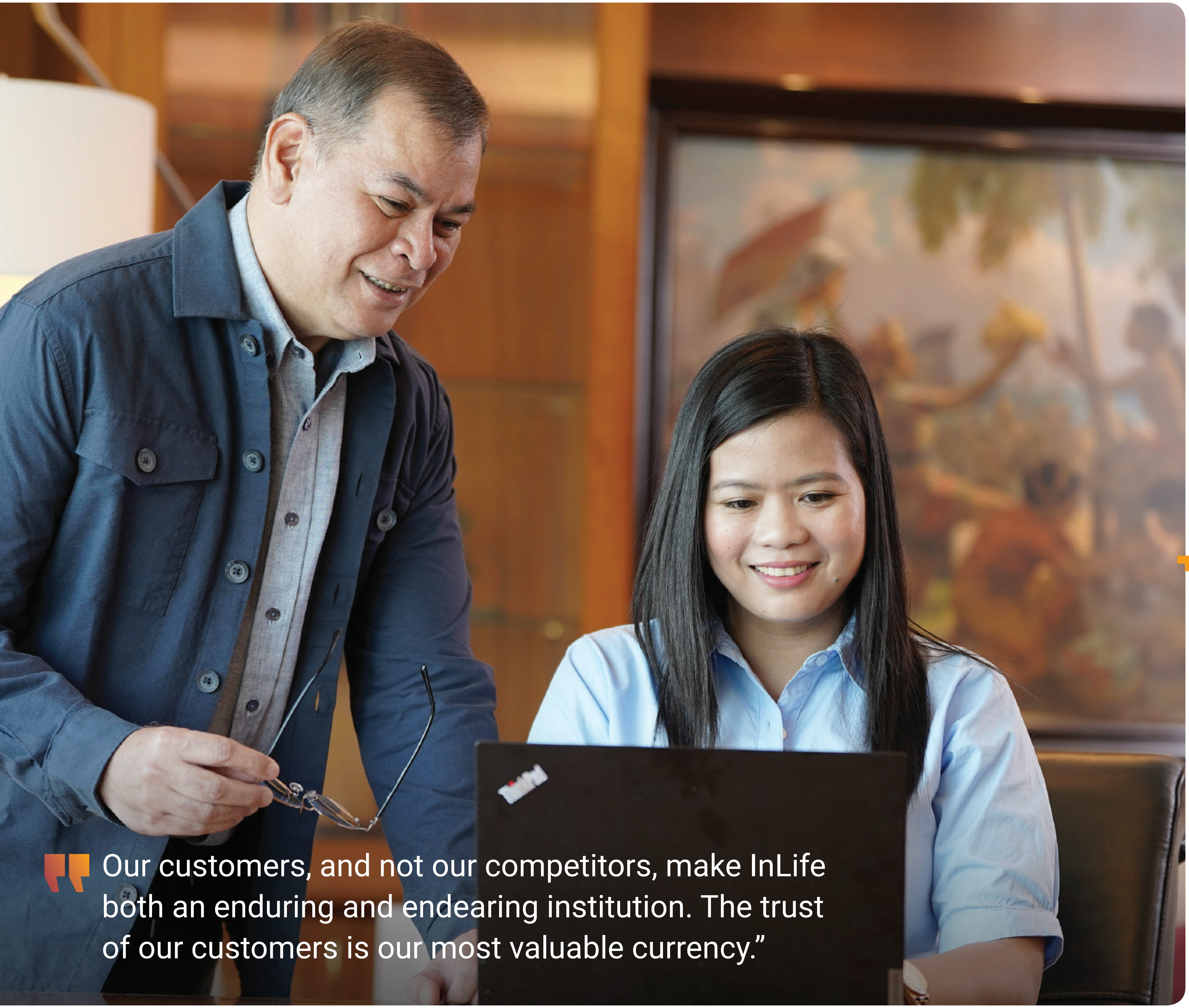
To embed ESG within the organization, we put our ESG program under the supervision of our top management and assigned a Sustainability Lead Officer and Core Team to drive and accelerate our ESG initiatives. We also mandated our employees, agents, service providers, and business partners, to adopt our ESG Sustainability Policy and ESG Framework in the context of our respective operations. With all these in place, we expect InLife and our stakeholders to live and breathe ESG principles.

Moving Forward

Just like life is a journey, our work at InLife is never done because our horizon is ever moving. Customer and societal needs are rapidly evolving, and so should we — in accelerating the way we serve so that we can continue to offer a best-in-class experience for our customers.

We have long known that InLife has a purpose much bigger than its bottom line. We are a company that goes beyond profit, with an enduring vision for the common good. We are meant to last lifetimes on a legacy that future InLifers and Filipinos can build upon.

We hope you continue to journey with us so we can truly live our purpose, create solutions at the societal level, and build community as well as individual resilience now and tomorrow.



"Our customers, and not our competitors, make InLife both an enduring and endearing institution. The trust of our customers is our most valuable currency."

Our Journey to A Lifetime For Good

Raoul E. Littaua
President and CEO

After two years of coping with the COVID-19 global pandemic and its lingering effects, we finally saw the light at the end of the tunnel.

While dark clouds continued to hover over the horizon due to rising inflation, supply chain disruption, labor market challenges, declines in asset markets, and extreme weather events, 2022 still turned out to be a good year. The reopening of the Philippine economy and the return of consumer confidence led to pent-up demand, benefiting the insurance industry.

According to the Insurance Commission, the local insurance industry's combined assets rose in 2022 by 2.14% year-on-year, with the total net worth also rising by 12.35% and premiums climbing by 1.22%.

With more purchasing power and greater awareness on the need for financial preparedness, medical insurance, and risk protection, consumers flocked to life and health protection products, as well as to variable unit-linked products that offer guaranteed income in the longer term.

Our Response

As always, InLife was ready and well positioned to respond to this heightened consumer demand for financial protection.

To ride on the upswing, we leveraged on our 112 years of experience in insurance and investments, strong digital infrastructure, and customer-focused agency force and employees. These enabled us to achieve our two main goals: to acquire more customers and to serve them better.

Our consistent industry standing bears proof of our financial stability and our capability to deliver on our obligations to our policyholders. In 2022, we ranked 2nd in terms of net worth, 3rd in net income and 4th in assets according to the Insurance Commission reports.

We also made a significant improvement in our sales performance by generating Php 1.9 billion in new business annualized premium equivalent (NBAPE), ranking us 9th in 2022 from 12th in 2021. Among the top 10 life insurers, InLife registered the highest growth rate of 43% in NBAPE. Our total premiums reached Php 14.7 billion, 11% higher versus 2021 levels.

Behind our stellar performance was a cast of thousands who make up our distribution channels (Agency, Bancassurance, and the Group Business). Thanks to their unwavering commitment and dedication, we were able to serve our noble mission of helping Filipinos achieve their financial goals given their heightened awareness on risk protection.

We also catered to the insurance needs of entrepreneurs who needed to realign their employee benefits program and recover from the pandemic-induced business slowdown. Our Group Insurance plans enabled them to extend life insurance coverage to their employees and fund retirement plans.

These partnerships led to the impressive growth of our Group Life business in 2022. New business production amounted to Php 516.4 million while renewals reached Php 1.3 billion, higher by 179% and 29% from 2021 levels, respectively.

Our Most Important Success Metric

While InLife continues to do well based on these industry metrics, we take a different view when it comes to the way we gauge our success. For us, what is paramount is not how much we take from the consumer (i.e., premiums and income), but what we are able to give to our policyholders.

In 2022, we paid a total of Php 790.5 million in claims (death; Minor Beneficiary Fund; and disability, hospitalization, or critical illness) and Php 1.9 billion and $1.8 million in policyholder benefits. While numbers matter, what mattered more is that all these benefits were paid out within our service turnaround standards, which are among the highest in the industry.

Our customers, and not our competitors, make InLife both an enduring and endearing institution. The trust of our customers is our most valuable currency. The insurance products and services we provide help them gain financial freedom and peace of mind. They make them and their loved ones sleep soundly at night. And giving them this kind of assurance — despite life's many uncertainties — is what drives our purpose.

Customers at the Heart of InLife

We foster a customer-centric culture and mindset to continuously understand our customers who demand clarity, speed, and convenience. This is why customer experience (CX) is at the heart of our operations.

We have a Voice of the Customer Program that focuses on customer listening to provide us with an outside-in perspective of our customers. We consistently monitor our customers' goals, needs, preferences, and expectations so we can craft and implement relevant products and solutions for them.

PhP 1.9B NBAPE

43% GROWTH, HIGHEST AMONG TOP 10 LIFE INSURERS

PhP 14.7B TOTAL PREMIUMS

11% HIGHER VS 2021

We track our CX performance using metrics such as the Net Promoter Score, Customer Satisfaction Score, and Customer Effort Score. Beyond scores, customer centricity is our commitment to our policyholders throughout their lifetime.

For us, an insurance plan is not just a product sold in a one-time transaction; it is a long-term investment during our customers' various life stages — from being new entrants to the workforce, starting their own family and preparing for their children's education, to saving up for retirement. We listen to our customers' pulse by gathering their feedback in every touchpoint. We serve them wherever and whenever they want, through our strong digital footprint and nationwide presence. We are able to do all these because of our heavy investments in digital technologies. Since we pioneered the Automated Underwriting System (AUS) in the industry in 2015, we have been able to provide end-to-end customer service platforms — from insurance selling and policy issuance, to post-sales service. In addition, we have a fully digital insurance selling system (Virtual Business Enabler or ViBE), e-commerce platforms (InLife Solutions, Insular Life LazMall Flagship Store, UnionBank Insurance Marketplace and GCash store), and an array of customer service touchpoints (Customer Portal, InLife Mobile App, InLife Pay, InLife Claims Portal, Facebook Messenger, email, and toll-free telephone numbers). We have digital tools for our agency force (Compass) to ensure that they can effectively serve our customers.

We also continued to implement innovative solutions and launch relevant products with our customers in mind. We launched Wealth Assure Plus, a customizable life insurance plan with investment component that provides higher protection benefit and higher fund growth, as well as ensures that specific needs of the customer are met. We also offered Secure 7 for a limited time, to give our customers the chance to invest on a life insurance product that offered guaranteed annual payouts of up to 4.5% and capital protection through a return of total premiums after seven years.

In 2022, we rolled out the InLife Agency Model (I AM) that offers our agency force the most rewarding compensation package in the industry and a more flexible agency structure.

We also renovated our offices in Baguio, La Union, Cabanatuan, Lipa, Naga and Mactan to better serve them.

Looking Ahead

While we will continue to keep a steady eye on the customer, we are mindful that 2023 and the coming years will not be devoid of changes and challenges. After all, we live in an increasingly fragile world characterized by rising inflation, global political and economic instability, and the worsening effects of climate change, to name a few.

Closer to home, we see a growing younger demographic that presents both an opportunity as well as a challenge for us at InLife. In three years, close to 80% of our population will be comprised of millennials and younger people. We need to promote financial literacy and raise their awareness on the need for life insurance and health protection. COVID-19 has taught us that there is no better time than now to prepare for the unexpected such as getting sick or losing a loved one.

While life will serve us curve balls, we remain confident in the Filipino — their ability to dream and work hard to make their dreams come true, for themselves and their loved ones. We at InLife share this dream and have made it our promise to deliver "A Lifetime for Good" for all.

As a Filipino company with more than 112 years of expertise in risk protection, we can confidently tell our fellow Filipinos to go ahead and dream again. We are your reliable partner and stand firm with you, now and in your lifetime.

Going Beyond the Bottomline

In the "New Normal" where uncertainties are becoming commonplace, anticipating, planning for, and mitigating risks have never been more critical. These, more so in the case of insurers — considered "society's risk manager."

From extreme weather disturbances brought about by climate change, to the social and economic costs of the COVID-19 pandemic and geopolitical tensions, insurers are always on the lookout for potential storms that can cloud the long-term horizon and affect their ability to secure the bright future of individuals and businesses.

As the first and the largest Filipino-owned life insurer in the Philippines, InLife believes it is uniquely positioned to shape the transition to a resilient, sustainable, and financially secure economy. Even before "sustainability" has become a buzzword, we have already been integrating environmental, social, and governance (ESG) principles into our boardroom agenda through our operations, within our organization, and the programs of Insular Foundation, our corporate social responsibility (CSR) arm.

Environment: Walking the Talk

Operating in the Philippines, among the world's most vulnerable countries to climate change, compels us to do our share in helping mitigate the risks of extreme weather disturbances and other effects of global warming.

In 2018, we invested in PhP 1 billion worth of green bonds issued by the International Finance Corporation (IFC), a member of the World Bank Group, the proceeds of which are on-lent to eligible IFC climate projects particularly on renewable power, energy efficiency, sustainable agriculture, green buildings, waste and private sector adaptation to climate change.

In 2022, we intensified our efforts on environmental sustainability and undertook the following initiatives:

- Launched our very own investment fund that supports ESG-focused outcomes with the potential to earn monthly payouts. Our Systematic Global Sustainable Investment Fund (GSIF), the first of its kind in the Philippine market, enables InLife customers to invest in a globally diversified portfolio that promotes ESG values such as companies with lower carbon emissions. Fund manager BlackRock is one of the leading asset managers in the world and one of the leaders in championing ESG's impact on investments.
- Invested PhP1 billion in the preferred shares of South Luzon Thermal Energy Corporation (SLTEC) to support its pioneering Energy Transition Mechanism (ETM). Investment proceeds will be used in the development of more renewable energy projects with the commitment of decommissioning SLTEC's coal-fired plant and transitioning it to a cleaner technology by 2040. SLTEC's parent firm, ACEN Corporation, is Ayala Group's listed energy platform.

These investments are exciting opportunities for InLife, not just as an institutional investor, but also an environmental steward, helping shrink the country's carbon footprint so we and the generations after us can enjoy a better planet.

Social: Empowering Our People and Communities

Being an enduring business for 112 years and counting means we need to earn and safeguard the trust of all our stakeholders, including our own employees and the local communities touched by our presence.

Our People, Our Strength

Through changing tides and a raging pandemic, our people have been our critical partner in sustaining our growth as well as in accelerating our policyholders' and stakeholders' life journeys. Thus, we go the extra mile to make our InLifers stay, not only service-oriented, but also happy, engaged, and thriving in the organization they choose and believe in.

To this end, we mounted the following initiatives in 2022:

Objectives	Activities/Initiatives	By the Numbers
Employee onboarding and retention		• **72** new InLifers onboarded in 2022 • **90%** new-hire retention rate • **89%** Overall employee retention rate
	Celebrating Employee Onboarding activities (3rd year): Quarterly in-person and virtual meeting sessions with our CEO	**44** participants
	Promoted the Internal Mobility (Explore InLife) for employee growth and development	**7** positions filled internally
Employee engagement	Held Townhall meetings and skip level meetings of the President/CEO with small groups of cross-functional employees (REL's Xchange)	**2** townhall meetings **2** REL's Xchange meetings
	Mental Wellness: • An employee assistance program, #TheGoodHelpline, held in partnership with Childfam Possibilities Psychosocial Services, which made a mental health professional accessible to our employees for consultation.	**67** counseling/psychotherapy and psychiatric consultation from June to December 2022
	• "From Wellness Within to Wellness Across: A Leadership Training on Creating Mentally Well Workplaces" a webinar-workshop series that aimed to equip our people managers with a working understanding of overall wellness, mental health, the Philippine Mental Health Law, and business cases and basic skills for supporting employee mental well-being.	**106** people managers attended
	• "Emergent and Transcendent: Stress Resilience and Psychological Agility Amidst Challenging Times," a webinar-workshop for practical and evidence-based strategies for stress management and coping techniques for the COVID-19 pandemic.	**379** InLifers (staff to Vice President levels) attended
	Physical Wellbeing and Fitness: • InLife Laging Magandang Araw (InLife Good Vibes) and Well-Being Breaks promoted a healthy, disease-fighting lifestyle as well as a balanced state of body and mind for InLifers. Activities included: short wellness breathers motivational videos via MS Teams on Wholeness Wednesdays, and Fitness Fridays which encouraged employees to attend fitness video sessions via the same virtual platform. • InLife Fitness Center officially opened in September 22. It houses exercise equipment and serves as a venue for group classes, including yoga and Zumba, conducted by our trusted provider, HoliFit. • Fun-themed, energizing and engaging company activities were held throughout the year to celebrate special-occassions such as Virtual Valentine, Summer Fun, Mother's Day, Father's Day, Halloween, and Christmas Party events. Our Good Squad Ambassadors were the able partners of the Employee Engagement Team in promoting these social activities.	

Objectives	Activities/Initiatives	By the Numbers
Diversity and empowerment	• Under InLife Sheroes, celebrated its third anniversary with the Great Sheroes Challenge where employees were asked to submit content on what Sheroes is to them; conducted the Creating a Respectful and Inclusive Workplace Seminar and held intensive financial wellness sessions among employees called "Thrifty Thursdays," presenting financial literacy and awareness videos from financial expert Rose Fausto during financial wellness breaks at work.	
	• Celebrated International Women's Day through Kwentong Magandang Araw with featured stories of InLife women breaking the glass ceiling and showing great strength in life. This was combined with a Human Bingo-type game and a short video interview series, Ayon sa Kalalakihan (According to Men), showing InLife men discussing and expressing support for Sheroes.	
Rewards and recognition	Recognized deserving employees through the following recognition programs: • Spot Awards	**215** employees (31% of the workforce) #spotteddoinggood and recognized for going the extra mile (30% up vs.2021)
	• Employees Leading InLife to Excellence (ELITE) Rewards and Recognition program	Honored: • **6** Employees of the Quarter • **7** Teams of the Quarter (cross-functional units ranging from 20 to 90+ members each), • A total of **290** employees (42% of total employee base)
	• Supported employee career development through internal career progression	Promoted employees who were ready to take on next level expanded roles
Learning and development	Maintained our learning management system called ILead, which is available 24/7 for InLifers to access and harness continuing education. This includes a wide variety of courses which hone soft skills, such as Creating a Respectful and Inclusive Workplace, Think and Act Like an Owner, and more. The OnBoarding Learning Path is available to new InLifers, while Blended InHouse Learning Courses afford online and hybrid learning.	Average hours of internal and external training per year: Staff: **41** hours Supervisors: **38** hours Managers: **46** hours Officers: **44** hours Average hours of training for the year per employee: **41.6** hours (vs. a target of 40 hours) Average number of hours spent on external training: **26** hours Average number of hours spent on our learning management system ILead: **10** hours Percentage of employees with external training: **96%** (654 of 678 employees) Percentage of LOMA* passers **98%** (148 of 151 employees)

Objectives	Activities/Initiatives	By the Numbers
Learning and development		Total number of FLMI-designation holders: **38** Number of Years that Insular Life has been a recipient of the LOMA Excellence in Education Awards: **18** *Life Office Management Association (LOMA) is the largest trade association supporting the insurance and related financial services industry and used by over 700 member companies around the world. https://www.loma.org/en/about/
Employee volunteerism	Organized Race for the Extra Mile where participants (employees, agents, and policyholders) generated cash donations based on the total number of kilometers walked, run, or biked during the eight-week challenge. Insular Foundation matched the amount achieved by the race participants for these selected beneficiaries: Department of Education's Last Mile Schools (LMS) in the province of Rizal and the nonprofit Waves for Water (W4W).	**257** race participants covered 60,704 total kilometers **PhP 906,500** in total fund matching and donations raised

INLIFERS BY THE NUMBERS

38.75 YEARS OLD
AVERAGE AGE OF INSULAR LIFE EMPLOYEES

AGE RANGE:
20-30 YEARS OLD: **139**
31-40 YEARS OLD: **246**
41-50 YEARS OLD: **204**
51-60 YEARS OLD: **87**
61+ YEARS OLD: **9**

63.2%
FEMALE EMPLOYEES

11 YEARS
AVERAGE NUMBER OF YEARS OF SERVICE TO INLIFE

47
INLIFERS WITH POST-GRADUATE DEGREES

DID YOU KNOW?
Parenting is the life stage where most InLifers are!

Fighting Climate Change, One Tree at a Time

They say a bamboo that bends is stronger than the oak that resists. In so many ways, the bamboo is much like InLife: while possessing raw strength, it has the ability to bend and adapt, no matter where the wind blows.

This is also how we at InLife are helping fight a global concern like climate change. Despite the mobility restrictions due to the COVID-19 pandemic in 2019, our Insular Foundation managed to embark on a three-year project called "Kawayanihan: Protecting the Environment and Lives through Community Work and Cooperation" with the Philippine Bamboo Foundation (PBF) and Municipality of Lubao, Pampanga as partner and beneficiary, respectively.

The Foundation adopted 1.8 hectares of the six-hectare Bamboo Hub, the municipal government produced the bamboo seedlings and led the marketing of bamboo products, while PBF provided technical assistance in training the workers and developed bamboo products.

Planting bamboo trees helps reforest denuded lands and provides livelihood opportunities such as handicraft-making for lahar-stricken Lubao.

In 2022, the three-year Kawayanihan project closed, but InLife opened another window. On April 22, 2022, Insular Foundation entered into a partnership with the Ramon Aboitiz Foundation, Inc. (RAFI) to plant 10,000 native tree seedlings in Catmon, Cebu.

The "Growing InLife: Native Tree Growing Project" aims to recover the tree cover lost and provide income augmentation for partner farmers. As the program implementer, RAFI will conduct technical trainings to assist partner communities to maintain production and growth of the seedlings planted.

To expand this advocacy, Insular Foundation is also encouraging InLifers, agents, as well as residents in the municipality of Catmon to develop deep environmental consciousness, as well as a changed mindset and lifestyle. The foundation continues to promote a sense of tunay na pagbabago at tunay na malasakit (real change and genuine concern) for the environment.

"With the 10,000 trees, we can be a part of the conservation effort that RAFI has been doing in Cebu. We can't do this alone; we build on what RAFI has started. We are supplementing so that in totality, we don't look at it as Insular Foundation's impact, but of course all the organizations that are pitching with their efforts together with RAFI," said Teresita Melad, program manager of Insular Foundation.

The project will run for 32 months and see project completion by September 2024.

Insular Foundation forges partnership with RAFI for the "Growing InLife: Native Tree Growing Project"

InLife employees volunteering to plant bamboo in Lubao Pampanga

Our Communities, Our Partners in Nation Building

Through the ebb and flow of the nation's fate and fortune, our Insular Foundation has been steadfast in its mandate to help uplift lives through education for social and economic mobility, women empowerment, disaster relief and response, and sustainability.

Taking a more significant frontline role at InLife than ever before, the Foundation in 2022 strategically mobilized financial, human, intellectual, and other resources to support our corporate social responsibility programs. As mobility restrictions eased, InLife hit the ground running to resume in-person volunteer activities. This translated to some of the biggest donations raised, the highest number of volunteer hours, and record engagement levels in 2022.

The following Foundation initiatives were mounted in 2022:

Pillar	Activities/Initiatives	By the Numbers
Education for Social and Economic Mobility	Gold Eagle College Scholarship (GECS) Grant	• **116** Gold Eagle scholars for AY 2022-2023 taking courses in Education, Statistics, and other Science, Technology, Engineering, Mathematics (STEM) in six partner universities • **18** Gold Eagle scholars graduated from college during AY 2021-2022, 15 of whom received Latin honors
	Company Scholarship Program	**22** scholars as of the second semester of AY 2022-23 (15 of whom were in Good Standing)
	Educational support to Alternative Learning System (ALS) in: • Tankulan, Manolo Fortich, Bukidnon • Pedro Guevara Elementary School (Manila) • Muntinlupa City Jail and Correctional Institute for Women (Mandaluyong)	**200** students from Tankulan Alternative Learning System-Community Learning Center (ALS-CLC) in Manolo Fortich, Bukidnon for AY 2022-23
	GECS Alumni Mentorship Program in partnership with Edukasyon.ph	**24** senior-year Gold Eagle scholars were mentored by eight Gold Eagle alumni-scholars from UP Diliman
	Adopt a Scholar Program: on our 5th year of assisting the 3rd batch of our adopted elementary students from four public schools in Muntinlupa and Benguet, who received school supplies with hygiene kits, backpack, school shoes, and uniform for the school year.	**414** Grade 5 and 6 students **81** InLife employees adopted one or more scholars
Women Inclusion & Empowerment	InLife Negosyo Challenge See story: Women Empowerment, From Water to STEM)	• Received online inquiries from **73** social enterprises (of which 26 completed their applications) • **4** top social enterprises awarded **PhP 2** million in cash grants and six months of incubation support
	Scholarship for Women in Data Science, in collaboration with For the Women (FTW) Foundation (See story: Women Empowerment, From Water to STEM)	• Received **493** applications nationwide (40 shortlisted) • First Batch: **18** graduates, two of whom were hired by Insular Health Care • Second Batch: **31** graduates

Pillar	Activities/Initiatives	By the Numbers
Environmental Sustainability	Growing In Life: Native Tree Growing: three-year environmental sustainability project in Catmon, Cebu, in partnership with Ramon Aboitiz Foundation	• **10,000** seedlings planted in a 13-hectare land area • **30** volunteer agents and employees from InLife Cebu participated
	Kawayanihan Project in Pampanga	• **720** bamboos planted in 1.8 hectares of eco forest land inside Lubao Eco Park in Lubao, Pampanga
	Philippine Eagle Foundation Corporate Membership	Sustained support to the Philippine Eagle Foundation (PEF) through the Foundation's **PhP 100,000** corporate membership Aided the emergency relocation of our Philippine Eagle in Malagos, Davao City due to the bird flu outbreak in Magsaysay, Davao del Sur
Disaster Relief and Response	Emergency Sleeping Quarter Donation	Donated **PhP 1.02** million to Ospital ng Muntinlupa for a 108-square meter emergency sleeping quarters facility for hospital staff
	Typhoon Odette Assistance:	
	• Manjuyod, Negros Oriental	**200** families
	• Cabitoan, Surigao Del Norte	Temporary roofing assistance to **200** households
	• San Miguel, Bohol	**100** packs of relief assistance
	• Sinsin, Cebu City	Shelter repair materials including GI sheets and plywood distributed to **65** families
	Abra Earthquake Response (in cooperation with the Philippine Rehabilitation and Development Services)	Food packs for **150** families of Lagangilang, Abra **Cash** assistance for the shelter repair of damaged homes of weavers through Anthill
Employee Volunteerism	InLife Race for the Extra Mile	**337** InLife employees, financial advisors, agency leaders and policyholders, IHC employees, and Insular Foundation partners participated **PhP 900,000** in total cash donation benefiting the Department of Education Rizal's Last Mile Schools and Waves for Water Philippines
	Tutor Kita Online Volunteering Tutoring Program (4-month pilot project)	**30** Grade 4 public school students of Bayanan Elementary School Main received a mobile allowance of PhP 300 per month to aid their online tutorial sessions **40** InLife employees signed up and trained for tutoring (26 employees from 12 divisions/ branches completed and finished the pilot run from March to June 2022)
	Cebu Volunteer Force:	
	• Responsible Parenthood for Mothers and Values Formation for Children of Polton held in our adopted community in Sitio Paulton	**43** mothers and their children ages 3 to 12 attended
	• School supplies distribution	**43** student beneficiaries from Sitio Polton enrolled in K-12
	• Christmas gift-giving to families of the student beneficiaries	

Women Empowerment, From Water to STEM

InLife stayed true to its mission of empowering Filipino women through its InLife Sheroes Advocacy and Movement, which entered its fourth year in 2022.

Since it was launched in 2019 as a partnership between InLife and the International Finance Corporation (IFC), a member of the World Bank Group, InLife Sheroes has already reached out to more than 10.8 million Filipinos. This was amidst the continuing challenges of the COVID-19 global pandemic. Thanks to various on-ground and online activities and partnerships with like-minded organizations, Sheroes has served as a vehicle for women to gain access to financial education, health and wellness, women-specific solutions, and social and business networks. This partnership gained more ground in 2022 with the addition of organizations that promote women's economic empowerment and equal access to basic services.

Providing Access to Clean Water

Among these partnerships is with Waves for Water (W4W), a nonprofit organization that provides clean water to communities inaccessible by public water systems.

With InLife's financial assistance, W4W was able to distribute over 30 water filtration systems to help 96 households in Barangay Marungko, Angat, Bulacan.

The filtration systems created a sustainable potable water source for local residents, many of whom were vulnerable to diarrhea, gastroenteritis, and other waterborne illnesses because of clean water scarcity. The turnover of the filtration systems was the culminating activity of the "Nation of Sheroes" program that was launched during InLife Sheroes' third anniversary celebration in March 2022.

30 WATER FILTRATION SYSTEM DISTRIBUTED TO

96 HOUSEHOLDS

W4W was also able to extend its outreach to various disaster-stricken areas using the P450,000 donations raised by the Insular Foundation from the "Race for the Extra Mile" InLife community event in September 2022. From October to December 2022, a total of 114 water filters were deployed to those affected by Typhoon Neneng in Ilocos Norte and Typhoon Paeng in Aklan and Maguindanao, as well as by the shearline-induced floods and landslides in Brooke's Point, Palawan.

Empowering Women-Led Businesses

InLife Sheroes also marked a milestone in 2022 with the launch of the InLife Negosyo Challenge, in partnership with Insular Foundation and Villgro Philippines, a gender-smart incubator that funds, mentors, and supports impact enterprises.

The InLife Negosyo Challenge was designed to find start-up social enterprises whose purpose is to give women and marginalized sectors livelihood and income opportunities.

Four women-led businesses won a total of PhP 2 million in cash grants from the Challenge. The grand winner, which received a cash grant of PhP 1 million, was Panublix Innovations, Inc., a social enterprise that pursues sustainable fashion by connecting designers to regenerative fabrics and artisan crafts.

Empath Corporation, a women-led business that provides online mental health services, was first runner-up and was awarded a P500,000 grant.

HeySuccess Virtual Assistance Services and MAGWAI tied for second runner-up and won a cash grant of PhP 250,000 each. HeySuccess is an enterprise that supports would-be digital professionals and virtual assistants from indigenous peoples communities in Benguet and Baguio City. MAGWAI is a sustainable, marine-friendly personal care product brand.

Creating a Safe Space for Women in STEM

To advance women's economic development, Insular Foundation sustained its partnership with For the Women (FTW) Foundation to provide a training program that could lead to career opportunities in data science and analytics, a field that suffers from a significant gender gap.

Eighteen scholars comprised the first batch of graduates in 2021, two of whom were hired by Insular Health Care.

On its second year, in 2022, the foundations selected 31 women scholars who started their 14-week intensive training in November. The scholars underwent a thorough vetting process starting September and were among 493 applicants nationwide. The women came from diverse backgrounds: new college graduates, government employees, public school teachers, and InLife employees.

"31 as a number is not statistically significant. But 31 young women, who are better equipped and driven to improve themselves to make conscious choices and better decisions for themselves, their families, their workplaces, their communities — that would create real and meaningful changes," said Insular Foundation Executive Director Ana Maria Soriano at the graduation ceremonies of the scholars.

18 SCHOLARS - FIRST BATCH

2 HIRED BY INSULAR HEALTH CARE

31 SCHOLARS - SECOND BATCH

Governance: Way of InLife

As a mutual company, InLife is primarily accountable to policyholders. As such, good corporate governance is vital to our sustainable and long-term success and this means being mindful of our reputational and business equities.

While staying resilient and revenue-generating helps our business stay afloat even amidst the turbulent times, we managed to adhere to the highest principles of corporate governance: maintaining transparency and accountability to our stakeholders at all times.

In 2022, InLife was recognized the top-performing company in the life sector by the Institute of Corporate Directors (ICD), in addition to being awarded a Three Golden-Arrow award for the Insurance Sector.

The award, given during the 2022 Annual Golden Arrow Awards for Insurance Companies, was the highest given to life insurance companies. It was also the fourth consecutive year that the ICD has recognized InLife for its good corporate governance practices. The Golden Arrow Award is a highly coveted recognition among Philippine companies for raising the level of compliance with the ASEAN corporate governance principles.

By embedding these environmental, social, and governance principles into what we do, InLife is living its purpose to be a responsible business — earning the trust of our customers and policyholders, employees, regulators, and society at large — ultimately delivering a lifetime for good for all Filipinos.

While staying resilient and revenue-generating helps our business stay afloat even amidst the turbulent times, we managed to adhere to the highest principles of corporate governance: maintaining transparency and accountability to our stakeholders at all times.

Why Good Governance Matters to Every Customer

For the fourth year in a row, InLife has been recognized by the Insurance Commission (IC) and the Institute of Corporate Directors (ICD) for its good corporate governance practices. Last year, IC and ICD bestowed the Three Golden-Arrow Award to InLife as it recognized the Company as the Top Performer on good corporate governance for the Life Insurance Sector and for the whole Insurance Industry.

But what does this recognition mean to InLife policyholders and stakeholders?

In this interview, Atty. Renato S. de Jesus, InLife Executive Vice President who is also the Chief Legal and Governance Officer and Corporate Secretary, sheds light on why these principles matter to InLife customers.

How and on what criteria did InLife win this award for consecutive years?

All of them are based on the principles of corporate governance: transparency, accountability, fairness, independence, and more. These principles are broken down into several sub-principles, such as taking care of your shareholders. And then there are standards for each, where you have to comply. In most of the areas, we got the highest score.

What do you think needs to be improved?

Good governance is always a continuing journey at InLife. We don't just comply with the standards; we always aim for the best practices. If we cannot do the best practice ourselves, we look for jurisdictions that know better and try to emulate them. If they're applicable to our organization, by all means we adopt their standards.

But these are principles or practices really; the more important thing is to really focus on who our stakeholders are and what they need. We do everything to protect and benefit them — this is the real essence of governance. It's not lip service. It's providing things they really need.

Let's talk about customer centricity. How does corporate governance benefit InLife customers?

Life insurance is a business of trust. It's inherent to InLife as an organization to ensure that the needs of our customers are provided, and the needs of our stakeholders are addressed and served. We can say we are here for them: that's the basic principle and the mindset. We deliver value.

InLife isn't just like other insurance corporations, which are stock corporations. In our case, we are a mutual company — we don't have stockholders but instead have members. Our members are the policyholders themselves, and the reason they are with us is they want to be protected and get good returns from their investments. That's what we are focusing on: what is valuable to them, and the commitment and promise to provide them with the policyholder service they need. All of this is to protect their interest as primary stakeholder.

Corporate governance is often seen as an offshoot of the heightened demand from consumers to hold companies accountable. Is that a prevalent concept here in the Philippines?

It all started because of the financial and corporate scandals in the United States. The bad players knew the reason: there was no transparency.

In our case, when InLife was starting with all these practices, the competition was always focused on sales. Eventually there was a shift to the customer perspective, highlighting the need for excellent customer service.

Apart from sales and service, there's also corporate governance and doing the right things so people trust you. Because of the nature of the business, if people trust you, they will buy from you and sales will naturally follow. That was our concept when we were trying to sell the concept of corporate governance. It's a combination of regulatory requirements and the organizational drive.

How is adherence to good corporate governance principles cascaded down the line in the organization?

As I said, it's a journey. We started many years ago even before corporate governance became a regulatory requirement or a buzzword because of the very essence of our organization: we have a lot of members, our policyholders. The objective was to have good corporate governance as a culture, a second nature or a way of life. So it has to be ingrained in the minds of all the members of our organization — from the Board of Trustees down to our employees.

Admittedly, it was a bit of a struggle at first to do this. In anything you do, you have to advocate. At the start, there was some form of resistance, as people were used to the traditional way of just doing the work they are expected to do. Focusing on the customer or policyholder has to be imbibed by everyone, and when that's done, they would know the rationale behind these requirements or practices. We had to introduce corporate governance slowly but surely. Eventually, employees became advocates themselves and from there it has always been part of their decision-making.

Governance isn't just a function of one unit in the company. It's a shared responsibility by everyone. We all have a valuable role in committing and adhering to corporate governance principles.

How did your digital transformation improve your corporate governance practices?

Digitalization fast-tracked everything. As you know, corporate governance has to rely on effective communication, sharing of ideas, and listening to stakeholders. Going digital improved all of that.

In our corporate website, we publish all our company disclosures to show transparency and financial soundness. Our policyholders get real-time information on their own records via our Customer Portal. Now there are protection policies with investment built into them, so there are things to be updated every so often depending on the performance of the market. We provide that facility in our InLife app so policyholders don't have to go to the office or call their agent to do the transaction. They can transact within the comfort of their own home or wherever they go, whenever they want to.

Digitalization also helps in effective communication, as we can easily update policyholders even regarding our corporate social responsibility (CSR) activities. It's about building an InLife community and enhancing our partnership with members so they become active participants in the business. It's InLife on demand, as they need it.

What challenges do you see in improving your corporate governance practices?

We have to maintain the spirit and keep the fire burning. Fortunately, we have put structures in place to ensure these principles stay alive in the organization, of course as guided by our regulators. We have a very strong, independent-minded Board of Trustees as well as governance committees tasked to oversee the continuing corporate governance practices in the company. The senior management, too, is very conscious of these principles.

There are challenges but we make sure continuing implementation won't be a problem. We'd like to listen more — and for us, that's the most important thing.

Governance isn't just a function of one unit in the company. It's a shared responsibility by everyone. We all have a valuable role in committing and adhering to corporate governance principles.

Reaching You Anytime, Anywhere.

At InLife, Customer Centricity is an org-wide strategy that dictates how every element in the company (people, operating model, process, system) should be carefully orchestrated in order to contribute to customer success. We work hard to make sure that every InLifer is onboarded in this strategy by making them understand their role in the entire Customer Experience Ecosystem, regardless if the role is customer-facing or not.

ACESSS your policies.

MONITOR your funds.

CONNECT with InLife.

DISCOVER InLife's online platforms.

What Our Policyholders Say

We heard, we listened, we conquered (our policyholders' hearts)! Below are some of the feedback our customers sent to InLife through our over-the-counter service, website, as well as from our internal customer satisfaction surveys.

He has accommodated my call despite the fact that it is almost close of business and committed that he will update me once he has reached the person from UWPool Team who handled my case. True to his commitment, I got a call (and an update) at 9:05 the next day. "
– MS. ROSETTE M. FARINAS ON INLIFER RODOLFO FLORENDO, JR.

"Hotline number was answered right away. Didn't have to wait forever. Agent was accomodating and knowledgeable. She suggested ways to make my payment transactions easier. Thank you… keep up the good work! "
– MS. SUZANNE CRUZ ON INLIFER JENNIFER JEAN LIQUIGAN

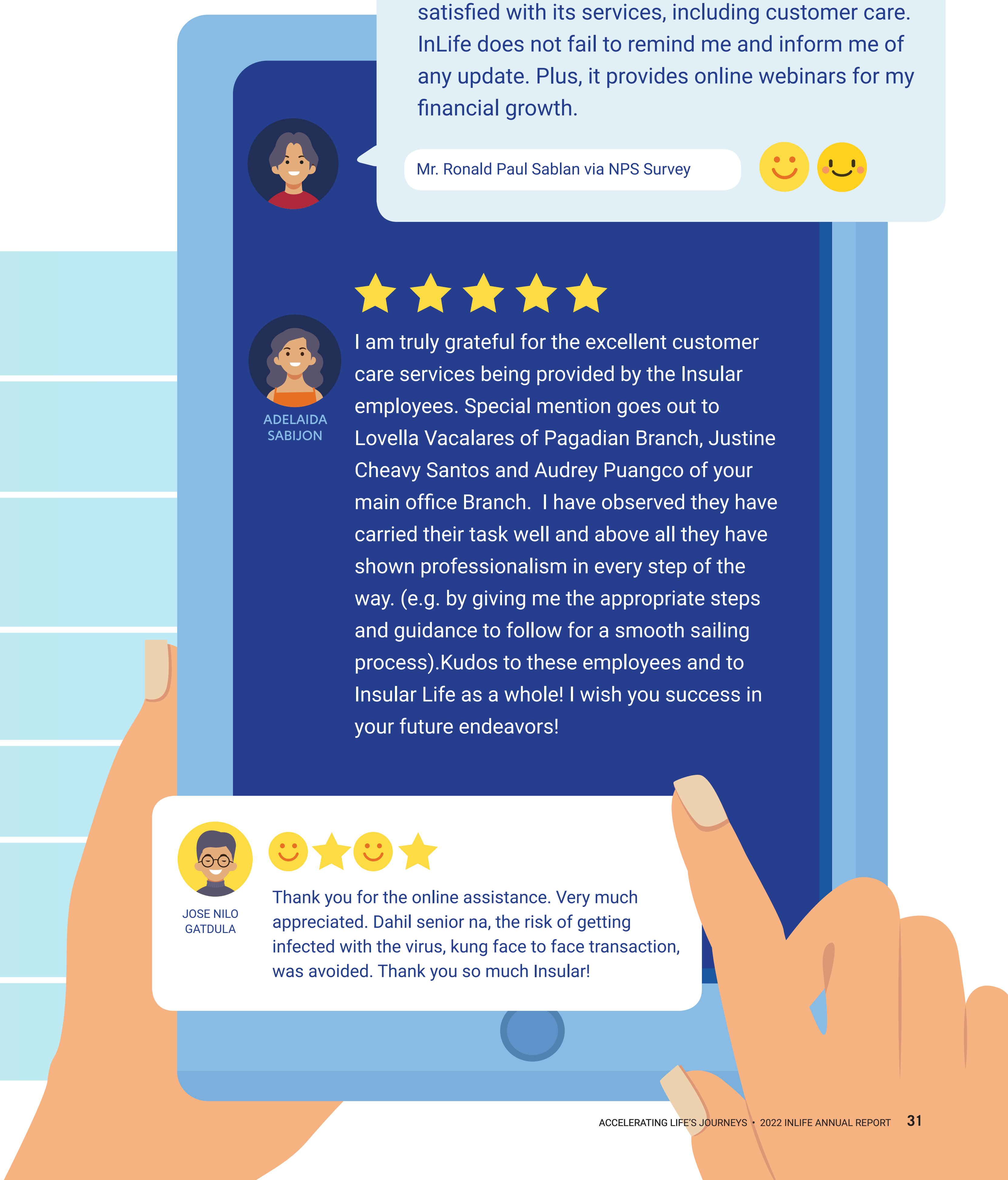
"The processing of my disability claim was well-handled, it was smooth and fast. Thank you for helping me in this time of crisis and it was such a great decision that I took an insurance from you. Furthermore, my agent also helped and guided me in the procurement of my disability claim. Happy with the service that Insular had provided me. Thank you so much."
– MS. BLANCHE ANNE UY SALUBRE ON INLIFER MARICRIS ESPORLAS

"Exemplary assistance and service provided by San Pablo Branch office. They were able to assist us in all our inquiries and clarifications with full knowledge, making us understand everything with ease. Kudos and keep it up!"
— POLICYHOLDER IN SAN PABLO BRANCH OFFICE VIA CSAT SURVEY

"InLife satisfied my need regarding insurance coverage, (particularly on my queries on) the estate taxes of our family's properties if something happens to me."
— MR. ARNEL MALLA VIA NET PROMOTER SCORE (NPS) SURVEY

"Every time I come to the office, I am warmly welcomed. My needs are taken care of immediately and the one in-charge of the documents is very helpful and accommodating. Dhic is very kind and helpful, and updated my documents so that when I come for my next appointment, it would be easy for me to get what I need. Thanks for being so courteous and considerate. God's love and God bless, Dhic and all who are working here.
— POLICYHOLDER AT PHSD HEAD OFFICE VIA CSAT SURVEY (NAME WITHHELD UPON REQUEST)

"InLife satisfied my need regarding insurance coverage, (particularly on my queries on) the estate taxes of our family's properties if something happens to me."
— MR. ARNEL MALLA VIA NET PROMOTER SCORE (NPS) SURVEY



InLife is a trusted brand/product. I am highly satisfied with its services, including customer care. InLife does not fail to remind me and inform me of any update. Plus, it provides online webinars for my financial growth.

Mr. Ronald Paul Sablan via NPS Survey

ADELAIDA SABIJON

I am truly grateful for the excellent customer care services being provided by the Insular employees. Special mention goes out to Lovella Vacalares of Pagadian Branch, Justine Cheavy Santos and Audrey Puangco of your main office Branch. I have observed they have carried their task well and above all they have shown professionalism in every step of the way. (e.g. by giving me the appropriate steps and guidance to follow for a smooth sailing process).Kudos to these employees and to Insular Life as a whole! I wish you success in your future endeavors!

JOSE NILO GATDULA

Thank you for the online assistance. Very much appreciated. Dahil senior na, the risk of getting infected with the virus, kung face to face transaction, was avoided. Thank you so much Insular!

Every InLifer Owns the Customer

At InLife, we see customer centricity beyond a servicing standpoint. For us, it is the heart of our business — every beat directing how our people, process, and systems should be carefully orchestrated to ensure a meaningful customer journey with InLife.

Two years ago, we decided to take our promise of "a lifetime for good" to the next level with the establishment of the Business Excellence (BX) division comprised of the Operational Excellence and Customer Experience (CX) teams. The CX unit is solely dedicated to developing holistic, innovative, insight-driven programs to propel customer experience success. This focused strategy makes it easier to identify and act on areas of opportunity, reduce costs and friction points, and improve customer journeys.

One of the first initiatives of the BX division is the Voice of the Customer Program (VoCP). This program deployed customer listening posts that give InLife an outside-in perspective of its most valued stakeholders.

Amplifying the Voice of Customers

With the launch of the VoCP, InLife became closer to its customers and started having a better grasp of their goals, needs, preferences, and expectations. These insights are key to shaping our innovative solutions to meet customer needs.

"We are building communities of customers that can individually and collectively support or challenge our business strategies and initiatives. Through their feedback, our policyholders help us affirm our right processes, and at the same time help us craft solutions for their unmet expectations," said InLife Executive Chairperson Nina D. Aguas.

Under VoCP, the CX unit conducts various surveys that ask customers how they feel about a specific interaction with InLife. From identifying the critical customer journeys (customer onboarding, post-sales service, and digital journeys), to addressing pressing concerns and observing experience patterns and trends, we are able to gain a deeper understanding of our customers, particularly the younger generation.

To track our progress, we use various customer experience (CX) metrics such as the Net Promoter Score (NPS), the Customer Satisfaction Score (CSAT), and the Customer Effort Score (CES). We first attempted to measure our customers' loyalty through NPS in 2019 and conducted another in 2021 with the help of our partner research-agency. In 2022, we focused on building the CX team's capability to conduct and redesign the study to align with our requirements. This study resulted in a score of +51 which is excellent by Bains and Company's* standard. To further our effort to listen to our customers, we launched CSAT and CES surveys in 2022 to quickly gauge customer experience after every interaction with InLife.

Beyond the numbers, the experience metrics made InLifers more open, responsive, and agile to acting on customer feedback. These enable us to elevate the experience we provide our internal and external customers at every encounter.

Enabling with Digital Technology

The pandemic has accelerated digital solutions, platforms, and experiences and led to more opportunities for customers to access our touchpoints and engagements. On the other hand, this has also given way to heightened customer expectations and new behavior.

*Bains and Company are the creators of NPS

In response, we launched the InLife Digital Future that tracks our readiness for digital transformation. Under the program, there were six teams who worked on specific missions to address customers' critical pain points. This enables us to adopt a more tactical strategy to ensure a delightful customer experience.

We are also introducing the Voice of Distributors Program (VoDP) for our financial advisors, who serve as the first touchpoint and main intermediary of InLife's brand experience. The program supports the CX team's bigger mission of institutionalizing a human-centered approach, ensuring that every solution, initiative, or program is founded on empathy to create experiences that will make our customers feel understood.

In 2023 and beyond, we plan to generate deeper customer insights using listening tools and metrics. We will use these data to redesign customer journey maps and asses our internal process value chains.

Beyond experience metrics, we will also start measuring the effect and correlation of customer experience to InLife's bottom line, top line, and other business metrics. This ensures that customer-centricity is embedded in our business strategy and serves as a critical path to our long-term success.

Behind the success of our VoCP is our CX Team, made up of Head Ethel Joy Salazar, Maria Cristina Calata, Bianca Marie Alvarez, and Kris Bernadette Magaling (clockwise from left)

+51

SCORE BY BAINS AND COMPANY'S STANDARD

Beyond the numbers, the experience metrics made InLifers more open, responsive, and agile to acting on customer feedback. These enable us to elevate the experience we provide our internal and external customers at every encounter.

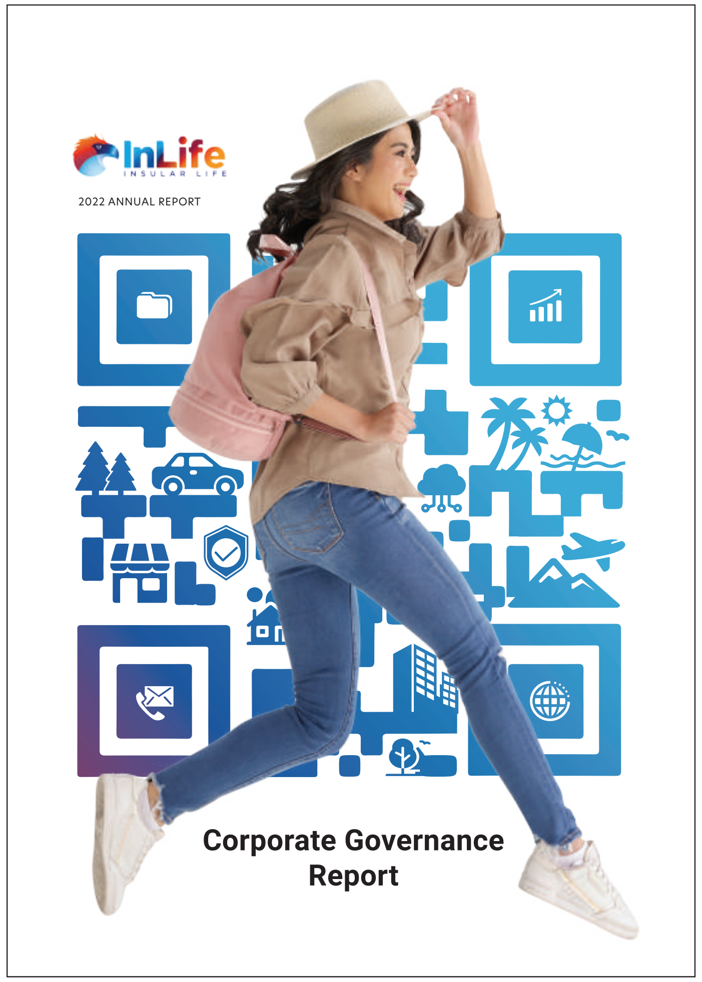
Corporate Governance Report

InLife believes that sound corporate governance is essential to creating and maintaining value for our stakeholders. Thus, we commit and adhere to the principles of good corporate governance, integrating transparency, accountability, responsibility, independence, and fairness in all our dealings.

Our Corporate Governance Report contains our adherence and commitment to these principles. It also demonstrates the way we view corporate governance as a shared responsibility — with the Board of Directors setting the tone and the rest of the organization making it the InLife way of life.

Scan the QR code below to read the full report.

SCAN ME



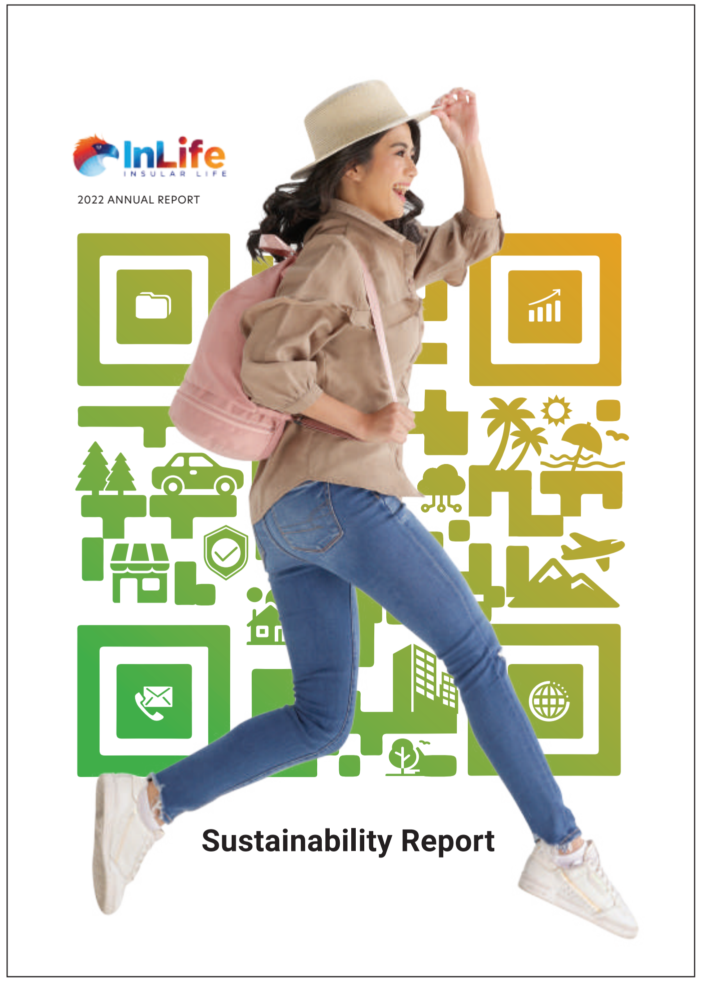
Sustainability Report

As a 112-year-old insurance company, InLife believes sustainability goes beyond regulatory compliance. It is being a responsible business enterprise so we can fulfill our promise of delivering a Lifetime for Good to all our stakeholders.

Our 2022 Sustainability Report contains the progress we have made since embarking on our sustainability reporting journey in 2021. It focuses on the key contributions to environment, social, and governance principles, as well as sustainability challenges and opportunities we face as a Group (InLife, wholly owned subsidiary Insular Health Care, affiliate Oona Insular Insurance Corporation (formerly Mapfre Insular Insurance Corporation), and corporate responsibility arm Insular Foundation) and how we are responding.

Scan the QR code below to read the full report.

SCAN ME



Board of Trustees

Nina Perpetua D. Aguas

Position: Chairperson of the Board
Type: Executive Trustee
Nationality and Age: Filipino, 70 years old
Date of First Board Appointment: 27 May 2015

Other Directorships and Experience:
Nina is InLife's Chairperson of the Board and the following InLife subsidiaries: Insular Health Care, Inc. (an Insurance Commission Regulated Entity), Insular Life Management & Development Corporation (ILMADECO), and the Insular Foundation, Inc. Outside of InLife Group, she is a Director of the following Publicly Listed Companies: Pilipinas Shell Petroleum Corporation, Monde Nissin Corporation and Union Bank of the Philippines (UBP). She is a former of member of the Advisory Council for Gender and Development of the World Bank Group. She was also a former CEO of InLife from 2016 to 2017. Prior to InLife, she was a Director, President and CEO of the Philippine Bank of Communications (PBCOM); a former Managing Director and Head of Private Bank – Asia Pacific, former Managing Director and Retail Banking Head – Asia Pacific of the Australia and New Zealand (ANZ) Banking Group, Ltd. (ANZ Group); and held the following positions in Citibank group: Managing Director and Head of Corporate Center Compliance in New York; Country Business Manager of Global Consumer Group (GCG), Philippines; Head of Sales and Distribution, GCG -Philippines; Regional Quality Director GCG – Asia Pacific; and Regional Audit Director, Citigroup, Asia Pacific.

Academic and Professional Qualifications:
Nina finished her Bachelor of Science degree in Commerce, major in Accounting, at the University of Santo Tomas. She is a Certified Public Accountant.

Seminars Attended:
Nina, as a participant, attended the following trainings and conferences: UBP's AML Refresher Webinar and InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting". She also attended "2022 Annual Corporate Governance Training" by Monde Nissin as hosted by ICD and Forbes' "Global 2022 CEO Conference".

She was also tapped as a resource speaker in the following events: Marsh & Mercer's "Breaking the Glass Ceiling: What Women Can", 13th Mansmith Market Masters Session 1: "Lessons from Warriors and Survivors" and The Manila Times Women's Forum: "Empowered Women Powering Changes". Nina was also one of the featured speakers of the Management Association of the Philippines (MAP) & Filipino CEO Circle's (FCC) virtual fireside chat on "Women on Board".

Luis C. la Ò

Position: Vice-Chairman of the Board
Type: Lead Independent Trustee
Nationality and Age: Filipino, 75 years old
Date of First Board Appointment: 22 January 2015

Other Directorships and Experience:
He is Vice-Chairman of the Board of Oona Insular (formerly "MAPFRE INSULAR Insurance Corporation"), an Insurance Commission Regulated Entity or ICRE. He previously served as an Independent Board Chairman of InLife from August 2016 to December 2017 and as the former Chairman of Oona Insular from 1986 to 2016. He is also Director of Pilipinas Shell Petroleum Corporation or PSPC, a Publicly Listed Company (PLC). Prior to this, he previously held senior management roles in MAPFRE Group-Spain, the Soriano Group and the Ayala Group.

Academic and Professional Qualifications:
Louie earned his Bachelor of Science in Management from Ateneo de Manila University, his Master's degree in Business Management from De La Salle University and completed "Course on General Insurance" from the College of Insurance, Chartered Institute of London, United Kingdom.

Seminars Attended:
Louie attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting". He also attended PSPC's trainings on "An Overview of PPPs" and "Administrative Law and Administrative Agencies".

Maria Noemi G. Azura

Position: Member of the Board
Type: Executive Trustee
Nationality and Age: Filipino, 59 years old
Date of First Board Appointment: 24 March 2022

Other Directorships and Experience:
Noemi is the latest addition to InLife's Board in 2022. She is a dynamic business Leader with over 30 years of experience in consumer banking and health insurance gained from local and global companies. The breadth of her experience includes business transformation, innovation and strategy, sales and distribution and audit and compliance. She is a Senior Executive Vice President at Insular Life and concurrently is also the President and Chief Executive Officer (CEO) of Insular Health Care, Inc. (IHCI). She is also a director of Insular Foundation, Inc. Outside of InLife group, she is a Director of City Savings Bank and Maria Health.

Prior to joining InLife in 2017, she previously served as President and CEO of Philcare. She also held various leadership roles in Citibank, American Express (AmEx) and Australia New Zealand (ANZ) Bank, including an international assignment at ANZ Melbourne.

Academic and Professional Qualifications:
She graduated from De La Salle University with a degree in accountancy and obtained her Master's degree in Business Administration from the University of the Philippines.

Seminars Attended:
Noemi attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting". She also attended the Anti-Money Laundering Council's (AMLC) Anti-Money Laundering/Counter-Terrorism Financing Fundamentals (AML/CTF) Webinar for Covered Persons; ICD's "Technology Governance: Cybersecurity, Technology and Third-Party Privacy Risks, AI Use Cases, and Strategic Opportunities"; FINEX "Meet the Presidentiables: Economic Reforms in the New Frontier"; AC Health and Ateneo de Manila University's "Health Leadership Summit 2022: Moving Forward beyond COVID-19"; MAP's "Philippines-India Business Conference on Healthcare and Medical Cooperation"; Bankers Institute of the Philippines' "Understanding the Supervisory Assessment Framework (SAFr)"; 2022 UA&P's "Midyear Business Economics Briefing: New Administration, New Economy: The Philippines after May 9 & Covid-19"; SZ&W Group's 3rd Health Insurance Innovation Congress Asia Pacific 2022 and Harvard Club of the Philippines & John Clements "Organizational Purpose as a Source of Competitive Advantage".

Luis Y. Benitez

Position: Member of the Board
Type: Non-Executive, Independent Trustee
Nationality and Age: Filipino, 75 years old
Date of First Board Appointment: 28 January 2016

Other Directorships and Experience:
Louie is a former Vice Chairman and Senior Partner of Sycip, Gorres, Velayo and Company (SGV & Co.). He is an Independent Director of Insular Health Care, Inc., CTBC Bank (Philippines) Corp. and Concepcion Industrial Corp. He is also a known senior adviser and consultant to major private companies. He specializes in the banking and financial industry and has extensive experience in public accounting and business advisory services.

Academic and Professional Qualifications:
He completed his Bachelor of Science degree in Business Administration, major in Accounting from the University of the Philippines; his Master's degree in Business Administration from the Stern School of Business of New York University and completed the Pacific Rim Bankers Program from the University of Washington. He is a Certified Public Accountant.

Seminars Attended:
Louie attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting". He also attended Association of Bank Compliance Officers' (ABCOMP) AML/CTF/PF Briefing and its 2022 Annual General Membership meeting and webinar: "BSP Awareness-Raising Session on Institutional Risk Assessment (IRA) and Results of the 2022 Thematic Review on Targeted Financial Sanctions (TFS)". He also attended BDO's 2022 Annual Corporate Governance Seminar.

Emmanuel F. Dooc

Position: Member of the Board
Type: Non-Executive, Independent Trustee
Nationality and Age: Filipino, 73 years old
Date of First Board Appointment: 26 April 2019

Other Directorships and Experience:
Before joining InLife, Manny was the President and CEO of the Social Security System (SSS). He is also a former Commissioner of the Insurance Commission and was an Honorary Insurance Commissioner of Louisiana, USA in 2015. He is a distinguished veteran in the life insurance industry and has had extensive experience in insurance operations, corporate compliance risk management, and governance. He is an Independent Director in Insular Health Care, Inc. (an Insurance Commission Regulated Entity or ICRE) and Stronghold Insurance Company, Inc. (an ICRE). He is also a columnist in Business Mirror.

Academic and Professional Qualifications:
Manny graduated with Bachelor of Science in Elementary Education from Mabini Colleges; he then took his Bachelor of Laws in San Beda College of Law. He is also a Master Fellow and a Fellow of Life Office Management Association (LOMA); an Associate in Claims of International Claims Association (ICA), a Fellow of the Institute of Corporate Directors (ICD). He completed the following: Certificate in Teaching the Blind (SPED) from Philippine Normal University; Professional Certificate in Strategic Management Program from the College of Insurance in New York; 2015 Fall International Fellows Program by the National Association of Insurance Commissioners and The Center for Insurance Policy and Research and the Executive Program for Senior Government Officials at the JFK School of Government in Harvard University. He also holds a professional certificate in Anti-Corruption from The International Centre for Parliamentary Studies (ICPS) in London, United Kingdom.

Seminars Attended:
Manny attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting". He also attended Dr. Richard Cruz' seminar on "Effective Product Marketing".

Marietta C. Gorrez

Position: Member of the Board
Type: Non-Executive Trustee
Nationality and Age: 69 years old
Date of First Board Appointment: 27 January 2011

Other Directorships and Experience:
Mayette is a Director of Insular Health Care, Inc. (an Insurance Commission Regulated Entity or ICRE) and Foundation for Professional Training, Inc. She is also a Trustee of Alliance for the Family Foundation of the Philippines, Inc. She was a former Senior Vice President of InLife and former President of ILAC General Insurance Agency, Inc (ILAC GA). She is a Professional Executive Career/Life Coach & member of International Coach Federation (ICF) and Vice President of ICF-Philippines Chapter.

Academic and Professional Qualifications:
She is a graduate of Bachelor of Science in Mathematics from University of Santo Tomas; earned her Master's degree in Business Administration at De La Salle University; and is a Master's degree candidate in Business Economics from University of Asia & the Pacific. She is also a graduate of Asian Institute of Management's (AIM) Top Management Program. She is a Registered Financial Consultant (RFC) and Registered Estate Planner of the International Association of Registered Financial Consultants (IARFC). She is also a Fellow of Life Management Institute of Life Office Management Association (LOMA).

Seminars Attended:
Mayette attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting". She also attended International Coach Federation (ICF) Philippines' Future of the Work Online Forum.

Francisco Ed. Lim

Position: Member of the Board
Type: Non-Executive, Independent Trustee
Nationality and Age: Filipino, 68 years old
Date of First Board Appointment: 27 January 2011; appointed as Independent since 2018

Other Directorships and Experience:
He is a Senior Legal Counsel of Angara Concepcion Regala & Cruz Law Offices (ACCRALAW); incumbent Chairman of the Financial Executives Institute of the Philippines (FINEX) Academy and Justice Reform Initiative (JRI) and Co-Chairman (together with Finance Secretary Benjamin Diokno) of the Capital Market Development Council. He was a former President of the Philippine Stock Exchange, Inc. (PSE), Securities Clearing Corporation of the Philippines (SCCP), FINEX, Management Association of the Philippines (MAP), and the Shareholders' Association of the Philippines (SharePHIL). Francis is also a Director of the following companies: Air Asia Aviation Group Limited (Malaysia); Alphaland Corporation; Converge Information and Communications Technology Solutions, Inc. (a Publicly Listed Company); First Philippine Holdings Corporation and Union Bank of the Philippines or UBP (a Publicly Listed Company).

He is a Law Professor at the School of Law, Ateneo de Manila University and School of Law of San Beda University (on leave). He is also the Chairman of the Commercial Law Department of the Philippine Judicial Academy, a Co-Chairperson of the Sub-Committee of the Philippine Supreme Court on E-Commerce Law and a member of the Sub-Committee on Commercial Courts and Committee on the Revision of the Rules of Court of the Philippine Supreme Court.

He is a co-author of the "The Philippine Competition Act: Salient Points and Emerging Issues" and the "Bench Book for Commercial Courts" published by the Supreme Court of the Philippines. He is a columnist of Rappler (on leave) and former columnist of the Philippine Star and Philippine Daily Inquirer.

Academic and Professional Qualifications:
Bachelor of Arts (cum laude) and Bachelor of Philosophy (magna cum laude) degrees from University of Santo Tomas; Bachelor of Laws (Second Honors), Ateneo de Manila University; Master of Laws from the University of Pennsylvania, USA; member of the Integrated Bar of the Philippines, Philippine Bar Association, New York State Bar Association and the American Bar Association; Fellow, Institute of Corporate Directors (ICD).

Seminars Attended:
Francis attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting".

Raoul Antonio E. Littaua

Position: Member of the Board
Type: Executive Trustee
Nationality and Age: Filipino, 59 years old
Date of First Board Appointment: 07 June 2021

Other Directorships and Experience:
As InLife's CEO, Raoul is also a director of the following InLife subsidiaries: Insular Health Care, Inc. (an Insurance Commission Regulated Entity or ICRE), Insular Foundation, Inc. as Vice Chairperson, and Oona Insular (formerly MAPFRE INSULAR Insurance Corporation), -an ICRE- and Chair of Insular Life Employees' Retirement Fund (ILERF). Prior to his designation as InLife's President & CEO, he was InLife's Senior Executive Vice President and Chief Distribution Officer. He first joined InLife in 2018 as its Chief Agency Officer. For decades, he occupied various key positions such as Chief Marketing Officer and Chief Distribution Officer of other life insurance companies. Aside from the life insurance industry, he was also formerly connected with retail and real estate companies where he was instrumental in growing their respective businesses and was responsible for setting the directions and laying the ground towards these companies' success. He is also a strong advocate of renewable energy, having worked as technical consultant for foreign assisted and special projects of the Department of Environment and Natural Resources. Among the projects he was involved in were the Philippine Solid Waste Management Project, Coral Reef Rehabilitation and Eco Tourism Development, Climate Change Adaptation and Biodiversity Project and the Digitization of Cadastral Lands.

He is a member of the Makati Business Club, Insurance Institute for Asia and the Pacific, Inc. (IIAP) and Philippine Life Insurance Association (PLIA).

Academic and Professional Qualifications:
Raoul graduated from the De La Salle University with an AB Psychology degree. He completed an Executive Development Course from Life Office Management Association/Life Insurance and Market Research Association (LOMA/LIMRA) in conjunction with Penn State University.

Seminars Attended:
Raoul attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World" and "Thinking Traps in the Boardroom & Trends in Environment, Social and Governance (ESG) Reporting".

Justo Antonio A. Ortiz

Position: Member of the Board
Type: Non-Executive Trustee
Nationality and Age: Filipino, 65 years old
Date of First Board Appointment: 23 November 2017

Other Directorships and Experience:
Justo holds the following directorships outside of InLife: Vice-Chairman of the Board of Union Bank of the Philippines or UBP (a Publicly Listed Company); Director/Chairman of the following UBP subsidiaries: Aboitiz Equity Ventures (AEV), Union Digital Bank, UBX Philippines Inc., and Aboitiz Feedall Holdings, Inc. He is also a Chairman of the following companies: Philippine Payments Management Inc. (PPMI), Fintech Philippine Association, Inc., and Distributed Ledger Technology Association of the Philippines, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation and Concepcion Industries Corporation. He is a member of the Management Association of the Philippines (MAP), Makati Business Club (MBC), and World Presidents Organization/Young Presidents Organization. He is a Trustee of the Philippine Trade Foundation, Inc. Prior to joining UBP, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A.

Academic and Professional Qualifications:
He is a holder of Bachelor of Arts in Economics - Honors Program (magna cum laude) from the Ateneo de Manila University. He was also conferred the degree of Doctor in Humanities - Honoris Causa, by the University of Santo Tomas (UST).

Seminars Attended:
Justo attended InLife's 2022 Annual Corporate Governance Training, hosted by ICD: "AMLA Compliance in the Age of the Digital World". He also attended the following seminars by Aboitiz Equity Ventures (AEV) Learning Series/webinars: "Breakthrough and Application of AI & Robotics"; "Web 3.0 Metaverse by Leonard Brody"; Start of Nation- The Story of Israel's Economic Miracle by Saul Singer" and "Preparing for Change in the Era of Crisis By Saul Singer".

Senior Management Team

From left to right:

Nina Perpetua D. Aguas
Executive Chairperson

Raoul Antonio E. Littaua
President and CEO

Maria Noemi G. Azura
Seconded to Insular Health Care as President & CEO
Concurrently InLife Senior Executive Vice President
and Digital Insurance Head

Efren C. Caringal, Jr.
Senior Executive Vice President
Chief Operating Officer

Renato S. De Jesus
Executive Vice President
Chief Legal & Governance Officer
Legal and Governance Division

Vera Victoria C. Morales
Executive Vice President,
Corporate Treasurer and
Chief Investment Officer
Investment Management Division

Management Team composition as of March 31, 2023

Senior Vice Presidents

From left to right:

Geraldine B. Alvarez
Agency and Branch Management Head

Maria Rosa Aurora D. Cacanando
Chief Finance Officer
Finance Division Head

Hector A. Caunan
Real Property Division Head

Rosalyn L. Martinez
Chief Marketing Officer
Marketing Division Head

Noel Andres M. Perdigon
Chief Information Security Officer
Information Security & Data Privacy
Division Head and ERM Head

Management Team composition as of March 31, 2023

First Vice Presidents

From left to right:

Alan Joseph S. Amador
Equities Head
Investment Management Division

Arnaldo I. Aquino
Territory 2 Head
Agency & Branch Management Division

Geronimo V. Francisco
Seconded to IHC as Chief Actuary,
Chief Risk Officer & Analytics,
Risk & Compliance Division Head

Gwendolyn D. Kelly
Chief Technology Officer
Information Technology Division Head

Marjorie Anne Q. Lee
Chief Auditor
Audit Division Head

Jesselyn V. Ocampo
Chief Actuary
Actuarial Division Head

Rozana G. Pecson
Chief Human Resources Officer
Human Resources Division Head

Tricci Rose V. Sadian
Seconded to Insular Health Care
as Sales & Marketing Head

Diana Rose A. Tagra
Insurance Operations Division Head

Management Team composition as of March 31, 2023

Vice Presidents

From left to right:

Analyn S. Benito
Chief Compliance Officer,
Governance & Compliance Unit Head
Legal and Governance Division

Edward Dionie F. Capili
Property Management & Project Development
Department Head
Real Property Division

Johanna C. Coronado
Customer & Channel Strategy and Management Head
Marketing Division

Christina R. Delos Santos
Product Management &
e-Commerce Strategy Head
Marketing Division

Ma. Carmela D. Francisco
InLife Learning Academy Head

**Lorenzo Luis Liborio
B. Gallardo II**
Corporate Solutions Division Head

Cedric G. Matignas
Solutions & Services Delivery Head
Information Technology Division

Management Team composition as of March 31, 2023

Vice Presidents

From left to right:

Geraldine G. Pascual
Digital Distribution Head
Digital Insurance

Roger N. Relucio
Data Analytics Division Head

Maria Rowena M. Rodriguez
Legal Affairs Unit Head
Legal and Governance Division

Armand P. Santos
Territory 5 Head
Office of the President and CEO

Ana Maria R. Soriano
Office of the Executive Chair Chief of Staff
and concurrent Insular Foundation, Inc.
Executive Director

Ruth R. Velasco
Fixed Income Desk Head
Investment Management Division

Management Team composition as of March 31, 2023

Senior Assistant Vice Presidents

Maria Suzette J. Astor
Henry G. Balangatan II
Angela A. Bien
Johana B. De Jesus
Hilario C. Delos Santos
Michael Robert T. Dijamco
Frederick D. Dioso
Peter Paul E. Esporlas
Carina B. Galang
R-Jay A. Galbizo
Pamela V. Galope
Sheila Marie D. Iglesia
Gerald B. Kim
Abigail A. Magtibay
Ma. Editha B. Mendiola
Rogie P. Niño
Herson S. Resurreccion
Maria Ritchie M. Reyes
Emerson B. Santos
Paulita A. Sioson
Darnyl B. Taguilaso

Assistant Vice Presidents

Joyce S. Apaliso
Allan D. Arante
Ruzella S. Arreza
Marisel M. Baluran
Zolah T. Botin
Adrian C. Cailao
Fay Beatrice M. Cuadra
Jerome M. De Jesus
Rose Leilani D. Fernandez
Amado P. Garcia, Jr.
Marivic P. Glorioso
Isidra Josephine M. Gonzales
Russell A. Hernandez
Ronald Joseph T. Lantin
Mervill D. Majarais
Allan V. Manahan
Carlos Benjamin F. Mercado
Jose Paolo Lorenzo T. Puno
Myra T. Santos
Ricardo B. Santos
Don Erwin B. Saunar
Marie Louise B. Tingchuy

Corporate Structure

The Insular Group

- **Subsidiaries**
  - Insular Health Care, Inc. — 100%
  - Insular Life Management and Development Corporation (ILMADECO) — 100%
  - Insular Investment Corporation — 100%
- **Associates**
  - Oona Insular Insurance Corporation — 40%
  - PPI Prime Venture, Inc. — 30%
- **Investee Companies**
  - Union Bank of the Philippines — 12.27%
  - Shell Pilipinas Corp. — 16%
- **Social Commitment**
  - Insular Foundation, Inc.

THE INSULAR LIFE ASSURANCE COMPANY, LTD AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)

Statement of Management's Responsibility for Financial Statements

The Management of **The Insular Life Assurance Co., Ltd. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for 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 the 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 Trustees is responsible for overseeing the Company's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

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

Nina D. Aguas
Executive Chairperson

Raoul Antonio E. Littaua
President and Chief Executive Officer

Vera Victoria C. Morales
Treasurer

Maria Rosa Aurora D. Cacanando
Chief Financial Officer

Signed this 19th of April 2023

The Insular Life Assurance Company, Ltd. and Subsidiaries
(A Domestic Mutual Life Insurance Company)

Consolidated Financial Statements
December 31, 2022 and 2021

And

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Members
The Insular Life Assurance Company, Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Insular Life Assurance Company, Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

SGV
Building a better
working world

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.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
Tax Identification No. 193-975-241
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 92305-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9369768, January 3, 2023, Makati City

April 19, 2023

THE INSULAR LIFE ASSURANCE COMPANY, LTD. AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash and Cash Equivalents (Note 4)	**₱6,728,620,993**	₱4,671,636,757
Insurance Receivables (Note 5)	**125,472,526**	228,197,516
Financial Assets (Note 6)		
Financial Assets at Fair value through Profit or Loss (Note 6)	**41,996,550,051**	41,154,360,019
Financial Assets at Fair value through Other Comprehensive Income (Note 6)	**79,599,721,199**	–
Available-For-Sale Investments (Note 6)	–	66,898,148,180
Financial Assets At Amortized Cost (Note 6)	**8,392,389,345**	–
Loans and Receivables (Note 6)	–	9,872,865,462
Held-to-Maturity Investments (Note 6)	–	179,206,563
Investments in Associates (Note 7)	**789,095,228**	15,690,084,921
Investment Properties (Note 9)	**6,425,301,842**	6,537,201,448
Property and Equipment (Note 10)	**1,765,523,651**	1,758,645,247
Retirement Benefits Asset - net (Note 25)	**1,021,393**	126,776,412
Deferred Income Tax Assets - net (Note 26)	**52,875,419**	328,260,783
Other Assets (Note 11)	**2,652,039,196**	2,366,207,310
TOTAL ASSETS	**₱148,528,610,843**	₱149,811,590,618
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Legal Policy Reserves (Note 12)	**₱43,928,778,766**	₱57,763,663,588
Other Insurance Liabilities (Note 13)	**48,653,359,931**	46,998,968,581
Accrued Expenses and Other Liabilities (Note 14)	**2,530,755,912**	2,219,315,259
Retirement Benefits Liability - net (Note 25)	**88,886,407**	9,553,323
Deferred Income Tax Liabilities - net (Note 26)	**2,680,073,129**	239,991
Total Liabilities	**97,881,854,145**	106,991,740,742
Members' Equity (Note 15)		
Reserve for Fluctuation in Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)		
Attributable to the Group (Note 6)		
Equity securities	**413,681,188**	–
Debt securities	**(2,662,959,776)**	–
Attributable to associates (Notes 6 and 7)	**(19,087,822)**	–
	(2,268,366,410)	–
Reserve for Fluctuation in AFS Investments		
Attributable to the Group (Note 6)		
Equity securities	–	1,308,863,440
Debt securities	–	3,206,850,677
Attributable to associates (Notes 6 and 7)	–	(188,451,928)
	–	4,327,262,189
Cumulative Re-measurement Gains (Losses) on Defined Benefit Plan		
Attributable to the Group (Note 25)	**(151,047,755)**	1,494,729
Attributable to the associates (Note 7)	**7,467,582**	(75,178,404)
	(143,580,173)	(73,683,675)
Cumulative Re-measurement Gains (Losses) on Life Insurance Reserves (Note 12)	**5,687,376,475**	(3,100,181,877)
Retained Earnings (Notes 15 and 30):		
Appropriated	**2,397,000,000**	2,500,000,000
Unappropriated	**44,974,326,806**	38,861,498,753
Premium on Deemed Disposal of Investment in an Associate (Note 7)	–	304,954,486
Total Members' Equity	**50,646,756,698**	42,819,849,876
TOTAL LIABILITIES AND MEMBERS' EQUITY	**₱148,528,610,843**	₱149,811,590,618

See accompanying Notes to Consolidated Financial Statements.

THE INSULAR LIFE ASSURANCE COMPANY, LTD. AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
REVENUES		
Insurance Revenue (Note 16)		
Gross earned premiums on insurance contracts	**₱17,457,371,964**	₱16,006,501,018
Reinsurers' share of premiums on insurance contracts	**(428,109,404)**	(380,342,042)
Net Insurance Revenue	**17,029,262,560**	15,626,158,976
Operating Revenue		
Investment income (Note 17)	**3,972,801,951**	3,921,042,223
Equity in net earnings of associates (Note 7)	**1,567,637,579**	1,997,478,831
Rental income (Notes 9 and 32)	**718,070,989**	680,268,475
Net gains on financial assets, investment in associate and sale of real properties (Note 18)	**1,723,968,776**	58,219,981
Foreign exchange gain – net	**232,246,583**	168,126,782
Other income (Note 19)	**655,865,501**	745,741,533
Total Operating Revenue	**8,870,591,379**	7,570,877,825
Total Revenues	**25,899,853,939**	23,197,036,801
INSURANCE BENEFITS AND OPERATING EXPENSES		
Insurance Benefits Expenses (Note 20)		
Gross benefits and claims on insurance contracts	**17,844,830,052**	18,454,540,506
Reinsurers' share of benefits and claims on insurance contracts	**(88,702,921)**	(72,200,205)
Net change in (Note 12):		
Legal policy reserves	**(2,110,646,261)**	(3,794,288,880)
Reinsurers' share in legal policy reserves	**(7,494,092)**	(19,371,559)
Net Insurance Benefits Expenses	**15,637,986,778**	14,568,679,862
Operating Expenses		
General insurance expenses (Note 21)	**2,707,166,900**	2,412,329,411
Commissions and other acquisition expenses	**1,441,223,980**	1,182,416,445
Investment and finance expenses (Note 22)	**246,277,655**	215,801,230
Other losses (Note 23)	**–**	185,494,065
Total Operating Expenses	**4,394,668,535**	3,996,041,151
Total Insurance Benefits and Operating Expenses	**20,032,655,313**	18,564,721,013
INCOME BEFORE INCOME TAX	**5,867,198,626**	4,632,315,788
PROVISION FOR INCOME TAX (Note 26)	**665,207,926**	765,761,638
NET INCOME	**₱5,201,990,700**	₱3,866,554,150

See accompanying Notes to Consolidated Financial Statements.

THE INSULAR LIFE ASSURANCE COMPANY, LTD. AND SUBSISIDIARIES
(A Domestic Mutual Life Insurance Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱5,201,990,700**	₱3,866,554,150
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Decrease in value of FVOCI debt securities (Note 6)	**(5,960,659,762)**	–
Share in other comprehensive income of associates (Notes 6 and 7)	**179,321,086**	–
Deferred income tax impact	**3,656,080**	–
	(5,777,682,596)	–
Increase in value of available-for-sale equity securities (Note 6)	**–**	93,922,705
Share in other comprehensive loss of associates (Notes 6 and 7)	**–**	(15,346,815)
Deferred income tax impact	**–**	61,485
	–	78,637,375
Decrease in value of available-for-sale debt securities (Note 6)	**–**	(3,412,013,189)
Share in other comprehensive loss of associates (Notes 6 and 7)	**–**	(202,722,437)
Deferred income tax impact	**–**	3,513,113
	–	(3,611,222,513)
Items that do not recycle to profit or loss in subsequent periods:		–
Decrease in value of FVOCI equity securities (Note 6)	**(183,382,854)**	–
Share in other comprehensive losses of associates (Notes 6 and 7)	**(9,956,980)**	–
Deferred income tax impact	**(22,794,647)**	–
	(216,134,481)	–
Re-measurement gains (losses) on defined benefit plan (Note 25)	**(203,220,446)**	145,998,004
Share in other comprehensive income of associates (Note 7)	**24,885,102**	39,426,463
Deferred income tax impact	**50,677,962**	(43,183,342)
	(127,657,382)	142,241,125
Re-measurement gains on life insurance reserves (Note 12)	**11,716,744,469**	7,779,280,770
Deferred income tax impact	**(2,929,186,117)**	(2,540,463,024)
	8,787,558,352	5,238,817,746
TOTAL OTHER COMPREHENSIVE INCOME	**2,666,083,893**	1,848,473,733
TOTAL COMPREHENSIVE INCOME	**₱7,868,074,593**	₱5,715,027,883

See accompanying Notes to Financial Statements .

THE INSULAR LIFE ASSURANCE COMPANY, LTD. AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Reserve for Fluctuation in Available-for-Sale Financial Assets			Reserve for Fluctuation in Financial Assets at FVOCI			Cumulative Re-measurement Gains (Losses) on Defined Benefit Plan		Premium on Deemed Disposal of Investment in an Associate (Note 7)	Cumulative Re-measurement Gains (Losses) on Life Insurance Reserves (Note 11)	Retained Earnings (Notes 15 and 30)		
	Attributable to the Parent Company			Attributable to Parent Company									
	Equity Securities (Note 6)	Debt Securities (Note 6)	Attributable to the Associates (Note 7)	Equity Securities (Note 6)	Debt Securities (Note 6)	Attributable to the Associates (Note 7)	Attributable to the Company (Note 25)	Attributable to the Associates (Note 7)			Appropriated	Unapprorpriated	Total
BALANCES AT JANUARY 1, 2022, As previously reported	**₱1,308,863,440**	**₱3,206,850,677**	**(₱188,451,928)**	**₱–**	**₱–**	**₱–**	**₱1,494,729**	**(₱75,178,404)**	**₱304,954,486**	**(₱3,100,181,877)**	**₱2,500,000,000**	**₱38,861,498,753**	**₱42,819,849,876**
Effect of adoption of PFRS 9 (Note 2)	**(1,308,863,440)**	**(3,206,850,677)**	**188,451,928**	**727,317,894**	**3,294,043,906**	**(188,451,928)**	**–**	**–**	**–**	**–**	**–**	**453,184,546**	**(41,167,771)**
BALANCES AT JANUARY 1, 2022, As adjusted	**–**	**–**	**–**	**727,317,894**	**3,294,043,906**	**(188,451,928)**	**1,494,729**	**(75,178,404)**	**304,954,486**	**(3,100,181,877)**	**2,500,000,000**	**39,314,683,299**	**42,778,682,105**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,201,990,700**	**5,201,990,700**
Other comprehensive income (loss)	**–**	**–**	**–**	**(206,177,501)**	**(5,957,003,682)**	**169,364,106**	**(152,542,484)**	**24,885,102**	**–**	**8,787,558,352**	**–**	**–**	**2,666,083,893**
Total comprehensive income (loss)	**–**	**–**	**–**	**(206,177,501)**	**(5,957,003,682)**	**169,364,106**	**(152,542,484)**	**24,885,102**	**–**	**8,787,558,352**	**–**	**5,201,990,700**	**7,868,074,593**
Transfer of other comprehensive loss to retained earnings from disposal of investment in associate (Note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,567,696**	**–**	**–**	**–**	**(8,567,696)**	**–**
Tansfer of equity items to retained earnings due to loss of significant influence in an associate (Note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,193,188**	**(304,954,486)**	**–**	**–**	**255,761,298**	**–**
Transfer of net realized gain on sale/ derecognition of equity securities at fair value through other comprehensive income to retained earnings (Note 6)	**–**	**–**	**–**	**(107,459,205)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**107,459,205**	**–**
Release of appropriation and other charges (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(103,000,000)**	**103,000,000**	**–**
BALANCES AT DECEMBER 31, 2022	**₱–**	**₱–**	**₱–**	**₱413,681,188**	**(₱2,662,959,776)**	**(₱19,087,822)**	**(₱151,047,755)**	**₱7,467,582**	**₱–**	**₱5,687,376,475**	**₱2,397,000,000**	**₱44,974,326,806**	**₱50,646,756,698**
BALANCES AT JANUARY 1, 2021	₱1,214,879,250	₱6,615,350,753	₱29,617,324	₱–	₱–	₱–	(₱101,319,933)	(₱139,798,442)	₱304,954,486	(₱8,338,999,623)	₱1,500,000,000	₱36,020,138,178	₱37,104,821,993
Total comprehensive income (loss)	93,984,190	(3,408,500,076)	(218,069,252)	–	–	–	102,814,662	39,426,463	–	5,238,817,746	–	3,866,554,150	5,715,027,883
Transfer of other comprehensive loss to retained earnings from disposal of investment in associate (Note 7)	–	–	–	–	–	–	–	25,193,575	–	–	–	(25,193,575)	–
Additional appropriation and other charges (Notes 15)	–	–	–	–	–	–	–	–	–	–	1,000,000,000	(1,000,000,000)	–
BALANCES AT DECEMBER 31, 2021	₱1,308,863,440	₱3,206,850,677	(₱188,451,928)	₱–	₱–	₱–	₱1,494,729	(₱75,178,404)	₱304,954,486	(₱3,100,181,877)	₱2,500,000,000	₱38,861,498,753	₱42,819,849,876

See accompanying Notes to Consolidated Financial Statements.

THE INSULAR LIFE ASSURANCE COMPANY, LTD. AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,867,198,626**	₱4,632,315,788
Adjustments for:		
Interest income (Note 17)	**(3,555,785,713)**	(3,612,654,131)
Net change in legal policy reserves (Note 12)	**(2,118,140,353)**	(3,813,660,439)
Equity in net earnings of associates (Note 7)	**(1,567,637,579)**	(1,997,478,831)
Dividend income (Note 17)	**(515,871,923)**	(312,237,882)
Interest and dividends expense (Note 20)	**549,551,324**	280,415,729
Net gain on remeasurement of retained interest in an investee company (Notes 7 and 18)	**(1,631,336,111)**	–
Net gains on sale/disposal of investments and real properties (Note 18):		
Investment in associate (Note 7)	**(37,822,208)**	267,989,200
Debt financial assest at FVOCI (Note 6)	**(446,803)**	–
Available-for-sale financial assets (Note 6)	**–**	(64,865,208)
Investment properties	**(54,183,654)**	(16,478,439)
Repossessed real properties	**(180,000)**	(2,195,864)
Depreciation and amortization of:		
Property and equipment and computer software (Notes 10 and 11)	**145,654,734**	152,444,802
Investment properties (Note 9)	**141,533,741**	123,225,983
Foreign exchange gain - net	**(232,246,583)**	(168,126,782)
Provision for (reversal from) credit losses (Note 6)	**(78,417,487)**	58,143,024
Net movement in retirement benefits obligations (Note 25)	**1,867,657**	(58,423,660)
Impairment loss on available-for-sale equity securities and investment properties (Notes 6 and 23)	**–**	185,494,065
Operating loss before working capital changes	**(3,086,262,332)**	(4,346,092,645)
Changes in operating assets and liabilities:		
Net decrease (increase) in:		
Insurance receivables	**102,724,990**	(5,646,000)
Financial assets at fair value through profit or loss	**(1,371,934,251)**	(4,526,852,686)
Financial assets at amortized cost	**1,123,721,740**	–
Loans and receivables	**–**	84,042,499
Other assets	**(44,852,705)**	45,032,423
Net increase (decrease) in:		
Other insurance liabilities	**1,737,504,162**	6,644,914,684
Accrued expenses and other liabilities	**316,269,294**	222,807,953
Net cash used in operations	**(1,222,829,102)**	(1,881,793,772)
Income taxes paid	**(544,666,962)**	(413,417,093)
Net cash used in operating activities	**(1,767,496,064)**	(2,295,210,865)

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	**₱3,532,925,028**	₱3,611,502,700
Collections of and proceeds from disposals and/or maturities of:		
Financial assets at FVOCI	**11,721,301,738**	–
Available-for-sale financial assets	**–**	11,464,860,864
Investment in an associate	**2,397,770,088**	2,489,425,192
Financial assets at amortized cost	**645,441,888**	–
Loans and receivables	**–**	2,020,758,534
Held-to-maturity investments	**–**	260,050,000
Investment properties	**75,910,944**	40,573,223
Property and equipment	**10,071,768**	3,872,139
Dividends received	**1,098,379,214**	1,027,025,311
Additional investments in/ additions to:		
Investment in an associate	**(5,924,161,555)**	–
Short-term investments	**–**	283,733,405
Financial assets at FVOCI	**(8,155,730,342)**	–
Available-for-sale financial assets	**–**	(18,361,281,395)
Financial assets at amortized cost	**(111,674,739)**	–
Loans and receivable	**–**	(303,777,904)
Held-to-maturity investments	**–**	(11,533,167)
Investment properties (Note 9)	**(55,314,427)**	(31,321,436)
Property and equipment and computer software (Notes 10 and 11)	**(132,937,368)**	(136,500,193)
Payment in advance for purchase of real estate property (Note 32)	**(220,000,000)**	–
Net cash provided by investing activities	**4,881,982,237**	2,357,387,273
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends and interests to members	**(631,494,929)**	(251,338,898)
Payment of lease liabilities (Note 32)	**(30,598,997)**	(7,762,230)
Cash used in financing activities	**(662,093,926)**	(259,101,128)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,452,392,247**	(196,924,720)
NET FOREIGN EXCHANGE DIFFERENCES	**(395,408,011)**	(222,552,440)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,671,636,757**	5,091,113,917
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱6,728,620,993**	₱4,671,636,757

See accompanying Notes to Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for the Issuance of the Financial Statements

1.1. Corporate Information

The Insular Life Assurance Company, Ltd. (the "Parent Company"), a mutual life insurance company primarily engaged in the life insurance business, was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 25, 1910. The Parent Company will be celebrating its 113th year anniversary on November 25, 2023.

The registered business address of the Parent Company is Level 30 Insular Life Corporate Centre, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa City.

The Parent Company and its subsidiaries (collectively referred to as the "Group") are primarily engaged in the business of life insurance, healthcare, lending, and investment management (Note 8).

1.2. Authorization for Issuance of the Financial Statements

The consolidated financial statements of the Group were approved and authorized for issuance by the Board of Trustees (BOT) on April 19, 2023.

2. Summary of Significant Accounting and Financial Reporting Policies

2.1. Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

2.2. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets that have been measured at fair value.

The financial statements are presented in Philippine Peso (Peso), which is the Parent Company's and each of the entities within the Group's functional and presentation currency. All amounts were rounded to the nearest Peso, except when otherwise indicated.

2.3. Changes in Accounting Policies

2.3.1. New Standards and Interpretations Issued and Effective as at January 1, 2022

The accounting policies adopted are consistent with those of the previous financial year except for the following new pronouncements and amendments to existing PFRS that became effective beginning January 1, 2022 and the early adoption of PFRS 9 *Financial Instruments.* Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on The Group's financial statements.

- PFRS 9, *Financial Instruments*

Under the amendments to PFRS 4 to apply temporary exemption from PFRS 9, insurers whose activities are predominantly connected with insurance can elect to defer the initial application date of PFRS 9 to align with the initial application of PFRS 17. However, the Group elected to early adopt PFRS 9 beginning January 1, 2022.

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group has adopted PFRS 9 effective January 1, 2022 using the modified retrospective approach. As permitted by the transitional provision of PFRS 9, the Group has not restated the comparative information for 2021, which continued to be reported under PAS 39. Accordingly, the comparative information for 2021 is not comparable with the information presented for 2022. Any adjustments to the carrying amounts of financial assets and liabilities arising from the adoption of PFRS 9 have been recognized in surplus and other comprehensive income, as applicable, as of January 1, 2022.

Classification and Measurement
Under PFRS 9, the classification is based on Group's business model for managing the financial assets and whether the financial instrument's contractual cash flows represent "solely payments of principal and interests" or "SPPI" on the principal amount outstanding. The SPPI and business model assessments are applied to all financial assets, except equity instruments and derivatives.

The PAS 39 measurement categories of financial assets (i.e. fair value through profit or loss, available-for-sale, held-to-maturity and loans and receivables) have been replaced by:
- Debt instruments at amortized cost (AC);
- Debt instruments at fair value through other comprehensive income (FVOCI) with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition; and
- Financial assets at fair value through profit or loss (FVTPL).

The accounting for financial liabilities remains largely the same as it was under PAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in other comprehensive income with no subsequent reclassification to profit or loss.

Under PFRS 9, embedded derivatives are no longer separated from the host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

The assessment of the Group's business model was made as at January 1, 2022. The assessment of whether the instruments' contractual cash flows are SPPI was made based on the facts and circumstances as at the initial recognition of the financial assets.

Impairment
The adoption of PFRS 9 has fundamentally changed the Group's measurement of impairment losses for its financial assets – from PAS 39's incurred loss approach to a forward-looking expected credit loss (ECL) approach. Under PFRS 9, the Group is required to provide ECL for all loans and other debt financial assets not held at FVTPL, which include, but are not limited to, investment in bonds, term loans and unquoted notes. The allowance is based on the ECLs associated with the risk of default in the next twelve months unless there has been a significant increase in credit risk since origination or the financial assets are impaired where lifetime ECL is provided. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. On the other hand, the previous incurred loss approach under PAS 39 had recognized credit losses only when there is objective evidence of impairment.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The cash shortfall is then discounted at the financial asset's original effective interest rate. Under the general approach that considers assessment of the significant increase in credit risk, the ECL calculation is comprised of three components - probability of default (PD), loss given default (LGD), and exposure at default (EAD). PD captures the counterparty's risk of default. LGD reflects the amount of expected losses upon default. EAD is largely the on-balance sheet amounts and off-balance sheet amounts in the event of a default.

In the staging assessment, the Group determines if the financial assets demonstrate significant increase/improvement in credit risk as of the reporting dates. A combination of quantitative thresholds and expert judgment is applied in classifying the financial assets into stages. Financial assets that do not demonstrate significant increase in credit risk are classified under Stage 1, while financial assets that demonstrate significant increase in credit risk since origination but there is no objective evidence of impairment as of reporting date are classified under Stage 2. Financial assets with objective evidence of impairment are classified under Stage 3.

Accordingly, the 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. Furthermore, in computing for the probability-weighted ECL, calibration factors, such as point-in-time PD as of the reporting date, forward looking inputs such as macro-economic factors and scenario weights are imputed into the baseline model.

The Group's impairment methodology is disclosed in Note 28.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2022 is as follows:

		PAS 39 Measurement			Remeasurement		PFRS 9	
	Ref	Category	Amount	Reclassification	ECL	Other	Category	Amount
Financial assets								
Cash and Cash Equivalents	A	L&R	₱4,671,636,757	₱–	₱–	₱–	AC	₱4,671,636,757
Held-to-maturity investments	A	L&R	179,206,563	–	–	–	AC	179,206,563
Loans and receivables	A	L&R	11,225,284,259	–	(53,899,161)	–	AC	11,171,385,098
		L&R	**₱16,076,127,579**	**₱–**	**(₱53,899,161)**	**₱–**	**AC**	**₱16,022,228,418**

(Forward)

	Ref	PAS 39 Measurement Category	PAS 39 Measurement Amount	Reclassification	Remeasurement ECL	Remeasurement Other	PFRS 9 Category	PFRS 9 Amount
Financial assets at FVTPL								
Quoted equity securities	B	FVTPL	₱983,638,045	(₱983,638,045)	₱–	₱–		₱–
To: Financial assets at FVOCI			–	(983,638,045)	–	–		–
Instruments mandatorily classified as FVTPL	D	FVTPL	349,049,649	–	–		FVTPL	349,049,649
Portfolio of financial assets managed under separate funds	A	FVTPL	39,821,672,325	–	–	–	FVTPL	39,821,672,325
		FVTPL	**₱41,154,360,019**	**(₱983,638,045)**	**₱–**	**₱–**	**FVTPL**	**₱40,170,721,974**
AFS investments								
Debt instruments		AFS	₱56,108,471,634	(₱56,108,471,634)	₱–	₱–		₱–
To: Financial assets at FVOCI	C		–	(56,108,471,634)	–	–		–
Equity instruments		AFS	10,789,676,546	(10,789,676,546)	–	–		–
To: Financial assets at FVOCI	B		–	(10,789,676,546)	–	–		–
		AFS	**₱66,898,148,180**	**(₱66,898,148,180)**	**₱–**	**₱–**	**N/A**	**₱–**
Investment securities at FVOCI								
Debt instruments			N/A	₱56,108,471,634	₱–	₱–	FVOCI	₱56,108,471,634
From: AFS investments	C			56,108,471,634	–	–		–
Equity instruments			N/A	11,773,314,591	–	(743,400)	FVOCI	11,772,571,191
From: Financial assets at FVPL	B			983,638,045	–	–		983,638,045
From: AFS investments	B			10,789,676,546	–	(743,400)		10,788,933,146
			N/A	**₱67,881,786,225**	**₱–**	**(₱743,400)**	**FVOCI**	**₱67,881,042,825**

The following are the changes in the classification and measurement of The Group's financial assets as a result of the adoption of PFRS 9:

A. As of January 1, 2022, the Group's cash and cash equivalents, short-term investments and loans and receivables classified as "Loans and receivables" under PAS 39 are continued to be carried at amortized costs under PFRS 9. These financial assets have contractual cash flows that are SPPI and held by the Group to collect these contractual cash flows. The Group's portfolio of financial assets managed under separate funds shall remain at FVTPL under PFRS 9.

B. The Group has elected the option to irrevocably designate portfolio of equity instruments held as strategic investments as equity instruments at FVOCI. As of January 1, 2022, this portfolio consists of:

   i. Quoted preferred shares amounting to ₱983,638,045 previously classified as financial assets at FVTPL under PAS 39; and
   ii. Quoted and unquoted equity instruments with aggregate fair value of ₱10,788,933,146 previously classified as AFS financial assets under PAS 39. The remeasurement of ₱743,400 represents the adjustment to fair value of the unquoted equity instruments previously measured at cost under PAS 39.

C. As of January 1, 2022, the Group has assessed this portfolio of debt investments classified as AFS financial assets under PAS 39 as being held to manage its liquidity and working capital requirements. Accordingly, the Group concluded that these debt instruments are managed within the business model of collecting contractual cash flows and selling financial assets, and classified them as debt financial assets at FVOCI.

D. The investments in mutual funds and unit investment trust funds totaling ₱349,049,649 do not pass the SPPI test. Accordingly, these investments are mandatorily classified as financial assets at FVTPL.

There are no changes in classification and measurement of the Group's financial liabilities. They continue to be classified at amortized costs.

The following table reconciles the aggregate opening impairment allowance under PAS 39 to the ECL allowances under PFRS 9.

Impairment for:	Impairment under PAS 39 as of Dec 31, 2021	Re-measurement	Reclassification	ECLs under PFRS 9 as of January 1, 2022
Loans and receivables per PAS 39/ Financial assets at amortized cost under PFRS 9	₱99,473,680	₱53,899,161	–	₱153,372,841
Available-for-sale debt investments per PAS 39/ Debt instruments at FVOCI under PFRS 9*	–	87,193,229	–	87,193,229
Available-for-sale equity investments per PAS 39/ Equity instruments at FVOCI under PFRS 9**	646,360,191	–	(646,360,191)	–
	₱745,833,871	₱141,092,390	(₱646,360,191)	₱240,566,070

* Under PFRS 9, ECL on debt financial assets at FVOCI is presented in "Reserve for fluctuation in value of financial assets at FVOCI – debt securities"

** Under PAS 39, no separate allowance was recognized for impairment of equity instruments. Under PFRS 9, equity instruments are not subject to impairment. Accordingly, at transition, the cumulative impairment losses previously recognized under PAS 39 would have to be reclassified from retained earnings to OCI.

The impact of transition to PFRS 9 related to classification and measurement and impairment on the Group's retained earnings, other comprehensive income and other items within equity as of January 1, 2022 is as follows:

	Fair value reserves on Financial Assets at FVOCI	Fair value reserves on AFS Investments	Unappropriated Retained Earnings	Total
Classification and measurement				
Reclassification of net unrealized gain on debt and equity securities reclassified from AFS financial assets to financial assets at FVOCI and recognition at fair value of equity instruments previously measured at cost	₱4,514,970,717	(₱4,515,714,117)	₱–	(₱743,400)
Reclassification of net unrealized gain for equity securities reclassified from financial assets at FVTPL to financial assets at FVOCI	65,558,045	–	(65,558,045)	–
Reversal of previously recognized impairment losses on AFS equity investments and recognition of fair value losses on equity investments at FVOCI	(646,360,191)	–	646,360,191	–
Deferred tax impact of the above adjustments	–	–	–	–
	3,934,168,571	(4,515,714,117)	580,802,146	(743,400)

(Forward)

	Fair value reserves on Financial Assets at FVOCI	Fair value reserves on AFS Investments	Unappropriated Retained Earnings	Total
Expected credit loss				
ECL adjustments on financial assets at amortized costs	**₱–**	**₱–**	**(₱53,899,161)**	**(₱53,899,161)**
ECL adjustments on financial assets at FVOCI	**87,193,229**	**–**	**(87,193,229)**	**–**
Deferred tax impact of the above adjustments	**–**	**–**	**13,474,790**	**13,474,790**
	87,193,229	**–**	**(127,617,600)**	**(40,424,371)**
	₱4,021,361,800	**(₱4,515,714,117)**	**₱453,184,546**	**(₱41,167,771)**

2.3.2. Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the International Accounting Standards Board (IASB).

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  As of December 31, 2022, the Group continues to test, evaluate, and perform end-to-end system process to enhance data capture, improve actuarial models and finalize the methodology and assumptions to be applied. The Group continues to review and implement changes to existing accounting policies and practices. Currently, the Group is assessing the financial impact of adopting PFRS 17 requirements.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2.4. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Parent Company and its subsidiaries (the Group) as at and for the years ended December 31, 2022 and 2021.

Specifically, the Group controls an investee if and only if it has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure (or rights) to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A subsidiary is an entity that is controlled by the Parent Company (i.e., either directly or through intermediate parent companies within the Group). Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gain control until the date the Parent Company ceases to control the subsidiary.

Following are the Parent Company's 100%-owned subsidiaries as of December 31, 2022 and 2021:
- Insular Investment Corporation (IIC)
  - IITC Properties, Inc.*
  - Insular Property Ventures, Inc.*
- Insular Health Care Incorporated (I-Care)

- Insular Life Management and Development Corporation (ILMADECO)
  - ILAC General Insurance Agency, Inc. (ILAC-Gen)**

  **Represents the Group's ownership through IIC*
  ***Represents the Group's ownership through ILMADECO*

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting years as the Group, except for ILMADECO which is consolidated based on its financial statements as of March 31, 2022 and 2021 and for the years then ended, using consistent accounting principles and policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss.

2.5. Fair Value Measurement

The Group measures its financial assets at FVTPL, FVOCI and AFS at fair value at each reporting date. Also, the fair values of financial assets at amortized cost, other financial liabilities measured at amortized cost are disclosed in Note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

2.6. Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

2.7. Financial Instruments

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

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the financial asset. Regular way purchases or sales of financial assets require delivery of financial assets within the time frame generally established by regulation or convention in the market place.

2.7.1. *Classification of financial assets - Policy applicable beginning January 1, 2022*

(a) Initial measurement of financial instruments

Financial instruments within the scope of PFRS 9 are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date, the date on which the Group commits to purchase or sell the asset.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below. Financial instruments are initially measured at their fair value; except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

(b) Measurement categories of financial assets and liabilities

Beginning January 1, 2022, financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing financial assets. The Group classifies its financial assets into financial assets into the following categories: financial assets at FVTPL, FVOCI and AC.

As of December 31, 2022, the Group has financial assets at FVTPL, FVOCI and AC.

Contractual cash flows characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

'Principal' for the purpose of the SPPI test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount). In making the assessment of 'interest', the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Instruments with cash flows that do not represent as such are classified as at FVTPL.

Business model assessment
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how managers of the business are compensated; and
- the expected frequency, value and timing of sales are also important aspects of The Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group's measurement categories are described below:

Financial assets at amortized cost
A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest Income' in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in profit or loss. Gains or losses are recognized in profit or loss when the asset is derecognized or modified.

The Group's financial assets at amortized costs comprised of term loans, policy loans, accounts receivables unquoted debt securities, housing loans, car financing loans, mortgage loans, due from agents and other receivables (Note 6).

Financial assets at fair value through other comprehensive income (FVOCI)
Debt financial assets
A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income under 'Reserve for fluctuation in value of financial assets at FVOCI' within a separate component of equity. Interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Impairment losses or reversals are based on ECL and recognized in 'Provision for credit and impairment losses' in profit or loss, with corresponding credit to other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss under 'Investment income'.

Equity instruments
The Group may also make an irrevocable election to measure at FVOCI on initial recognition with investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 9. Amounts recognized in OCI are not subsequently transferred to profit or loss. However,

the Group may transfer the cumulative gain or loss within equity upon adoption date. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:
- The Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is transferred to retained earnings.

The Group's financial assets at FVOCI consist of quoted government and corporate debt securities with fixed interest rates, and quoted and unquoted equity securities (Note 6).

Financial assets at fair value through profit or loss (FVTPL)
Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent SPPI.

A financial asset is considered as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated as a hedging instrument or financial guarantee.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized under 'Investment income' in profit or loss.

Interest earned on debt investments classified as FVTPL is reported in 'Interest income' under 'Investment income' in profit or loss while dividend income is reported in profit or loss when the right of payment has been established.

The Group's financial assets held-for-trading consist of quoted equity securities (Note 6).

This classification also includes the financial assets or a group of financial assets that are being managed and whose performance is evaluated on a fair value basis, in accordance with a documented investment strategy. The Group manages these financial assets in accordance with the investment strategy and valuation provisions of the Variable Unit-Linked (VUL) insurance contracts. Likewise, this is consistent with the valuation basis of the reserve for policies held by the policyholders. These financial assets consist primarily of quoted government and corporate debt securities with fixed interest rates, quoted equity securities, and structured notes (Note 6).

Derecognition
Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated.

2.7.2. *Embedded Derivatives – Policy applicable prior to January 1, 2022*

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized as at FVTPL.

Changes in fair values are included in the statements of income.

2.7.3. *Classification of financial assets - Policy applicable prior to January 1, 2022*

(a) Initial measurement of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs, if any, are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at FVPL.

The Group classifies its financial assets as financial assets at FVPL, HTM financial assets, loans and receivables, or AFS financial assets, as appropriate. Financial liabilities, on the other hand are classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The classification depends on the purpose for which the financial instruments were acquired or originated. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

The Group has HTM financial assets as of December 31, 2021.

(b) Categories of financial assets

Financial Assets at FVPL
Financial assets at FVPL include financial assets held-for-trading purposes or designated by management as financial asset at FVPL at initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term.

Financial assets are designated as at FVPL by management on initial recognition when any of the following is met:

i. The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or recognizing gains or losses on them on a different basis;
ii. The financial assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or
iii. The financial asset contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

These financial assets are subsequently measured at fair value. Realized and unrealized gains and losses arising from changes in fair market value of financial assets at FVPL are recognized in the statements of income. Interest earned on debt securities is recognized as the interest accrues. Dividend income on equity securities is recognized according to the terms of the contract or when the right to receive payment has been established.

These financial assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy. The Group manages these financial assets in accordance with the investment strategy and valuation provisions of the Variable Unit-Linked (VUL) insurance contracts. Likewise, this is consistent with the valuation basis of the reserve for policies held by the policyholders. These financial assets consist primarily of quoted government and corporate debt securities with fixed interest rates, quoted equity securities, and structured notes.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums and discounts. Gains and losses are recognized in the statements of income when the financial assets are derecognized, impaired, or amortized.

The Group's loans and receivables consist of cash and cash equivalents, insurance receivables, unquoted debt security, term loans, policy loans, accounts receivable, interest receivable, housing loans, car financing loans, mortgage loans, due from agents, and other receivables (Note 6).

AFS Financial Assets
AFS financial assets are non-derivative financial assets which are designated as such or do not qualify to be classified as designated as at FVPL, HTM, or loans and receivables. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are subsequently measured at fair market value. When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity securities, these financial assets are carried at cost, less any allowance for impairment losses.

The effective yield component of AFS debt securities as well as the impact of translation on foreign currency-denominated AFS debt securities is reported in the statements of income. Interest earned on holding AFS debt financial assets are reported as interest income using the effective interest method. Dividends earned on holding AFS equity financial assets are recognized in the statements of income as investment income when the right to receive payment has been established. Unrealized gains and losses arising from changes in fair market value of AFS financial assets are reported in other comprehensive income (OCI) until the financial asset is derecognized or as the financial asset is determined to be impaired.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as realized gain in the statements of income.

The Group's AFS financial assets consist of quoted government and corporate debt securities with fixed interest rates, and quoted and unquoted equity securities (Note 6).

2.7.4. *Financial Liabilities – Applicable prior to and after January 1, 2022*
Issued financial instruments or their components, which are not designated as at FVTPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums and discounts. Gains and losses are recognized in the statements of income when the financial liabilities are derecognized, impaired, or amortized.

The Group's other financial liabilities consist of accrued expenses and other liabilities except for provisions and statutory liabilities (Note 14).

2.7.5. *Day 1 gain or loss – Applicable prior to and after January 1, 2022*
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (Day 1 gain or loss) in the statements of income unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 amount.

2.7.6. *Offsetting of Financial Instruments – Applicable prior to and after January 1, 2022*
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the statement of financial position.

2.8. Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to: deliver cash or another financial asset to another entity; exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

2.9. Derecognition of Financial Instruments

2.9.1. *Financial Assets*
A financial asset is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset.

2.9.2. *Financial Liabilities*
A financial liability is derecognized when the obligation under the financial liability is extinguished, i.e., when discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability and the difference in the respective carrying amounts is recognized in the statements of income.

2.10. Impairment of Financial Assets - Policy applicable beginning January 1, 2022

PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

2.10.1. *Expected credit loss methodology*
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument and are computed for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition and for those financial assets which have indications of objective evidence of impairment.

2.10.2. *Definition of "default"*
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a counterparty is in default, the Group also considers a variety of instances that may indicate objective evidence of impairment, which include but not limited to, financial difficulty of the borrowers and significant problems in the operations of the counterparties. When such events occur, the Group carefully considers whether the event should result in treating the counterparty as defaulted.

2.10.3. *Significant increase in credit risk (SICR)*
The Group has set the criteria for determining whether credit risk has increased significantly based on changes to default risk, as evidenced either by downgrades in the counterparty's credit risk rating or the exposure's delinquency status. Qualitatively, a general movement from an investment grade to a non-investment grade would constitute an SICR. The following table provides the specific downgrade thresholds across the different credit risk ratings:

Downgrade Threshold to Signify SICR	
From	*To*
AAA	BB
AA	BB
A	BB
BBB	BB
BB	B
B	CCC/C

In addition, an exposure is deemed to have suffered SICR since initial recognition when any contractual payments are more than 30 days past due. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

2.10.4. *Staging classification*

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. These include those classified as non-performing loans and restructured accounts. The ECL model requires that lifetime ECL be recognized for these impaired financial assets.

2.10.5. *ECL calculation*

ECL is a function of the PD, LGD and EAD, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will be in default either in the next 12 months for Stage 1 or during its lifetime for Stage 2. The PD for each individual financial asset is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts, among others.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Group incorporates overlays in its measurement of ECL. These overlays are based on broad range of macro-economic variables, which based on management's expert credit judgment and available and supportable information, reflect the reasonable expectation of future credit losses.

The details of the Group's ECL models are discussed in Note 27.

2.10.6. *Write-offs*

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'Provision for credit and impairment loss' in the profit or loss.

2.11. Impairment of Financial Assets – Policy applicable prior to January 1, 2022

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.11.1. *Financial Assets Carried at Amortized Cost*

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account. HTM financial assets and loans and receivables, together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all the collaterals have been realized. The amount of the loss shall be recognized in the consolidated statements of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics such as customer type, payment history, past due status and term, and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income to the extent that the carrying value of the financial asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group.

2.11.2. *AFS Financial Assets*

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statements of income, is transferred from OCI to the consolidated statements of income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Investment income" in the consolidated statements of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss is recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

In case of equity securities classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the financial assets below its cost or where other objective evidence of impairment exists. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is removed from OCI and recognized in the consolidated statements of income. Impairment losses on equity securities are not reversed through the consolidated statements of income. Increases in fair value after impairment and reversals of impairment losses on equity instruments are recognized directly in OCI.

2.11.3. *Financial Assets Carried at Cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.12. Investments in Associates

The investments in associates are accounted for under the equity method. An associate is an entity in which the Group has significant influence.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. The Group adjusts the equity and profit or loss of the associates, as applicable, for any significant difference in accounting policies for like transaction and similar circumstances except for the accounting for financial instruments starting 2018. From January 1, 2018 to December 31, 2021, the Group has applied the temporary exemption from PFRS 9 while UBP has fully applied PFRS 9, as permitted under the Amendments to PFRS 4 (Note 7).

Under the equity method, the investments in associates are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates adjusted for the financial impact of significant differences in accounting policies for like transactions and similar circumstances. The Group determines whether it is necessary to recognize any impairment loss in respect to the Group's net investment in the associate. The consolidated statements of income reflect the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share on the said change and discloses this, when applicable, in the consolidated statements of changes in members' equity. Profits or losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate.

The statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and a joint venture is shown on the face of the statement of income outside operating profit and represents share in the profit or loss after tax.

Reduction in investment in an associate deemed as disposal is accounted for using the entity concept method. Under the entity concept method, the Group should regard the deemed disposal of investment in an associate as an equity transaction. Gain or loss from the deemed disposal of investment in an associate is recognized as a separate component in the members' equity section of the consolidated statements of financial position (Note 7).

The Group discontinued the use of the equity method from the date when its investment ceases to be an associate as follows:

- If the retained interest in the ormer associate is a financial asset, the Group shall measure the retained interest at fair value. The fair value of the retained interest shall be regardedas its fair value on initial recognition as financial asset in accordance with PFRS 9. The Group shall recognize in profit or loss any difference between:
  (i) The fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and
  (ii) The carrying amount of the investment at the date the equity method was discontinued.
- When a Group discontinues the use of the equity method, the entity shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

2.13. Investment Properties

Investment properties consist of land, buildings, and improvements (or portion of them) owned by the Group that are leased to others or held for capital appreciation or both. Investment properties are stated at cost, including transaction costs, less accumulated depreciation and amortization and any impairment in value. Depreciation of building is computed on a straight-line method over the estimated useful life of the properties of 40 years.

Investment properties are derecognized when they have been disposed, permanently withdrawn from use, or when no future economic benefit is expected from their disposal. Any gain or loss on the disposal of an investment property is recognized in the consolidated statements of income in the year of disposal.

The investment properties' use, estimated useful life, and method of depreciation and amortization are reviewed on a regular basis and transferred to other property accounts, if appropriate, upon determination of change in use.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to property and equipment and transfer of property and equipment to investment property, the Group accounts for such property in accordance with the policy stated under investment property and property and equipment, respectively, up to the date of change in use.

Where a single property is partly held for use in the supply of services and partly for capital appreciation or rentals, the Group accounts for these portions separately if these portions could be separately sold or leased out under a finance lease. If these portions could not be sold separately, the property is considered by management as investment property only if an insignificant portion is held for use in the supply of services.

2.14. Property and Equipment

Property and equipment, including owner-occupied properties, except for land, are stated at cost, net of accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statements of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the property and equipment.

Depreciation and amortization of property and equipment commence, once the property and equipment are available for use and are computed using the straight-line method over the estimated useful lives (EUL) of the assets regardless of utilization.

The EUL of property and equipment of the Group follows:

	Years
Buildings	40
Building equipment	25
Furniture, fixtures, and equipment	3-10
Electronic and data processing equipment	3-5
Transportation equipment	4-5
Right-of-use asset	5-10

Leasehold improvements are amortized over the term of the lease or the EUL of five years, whichever is shorter.

Depreciation of an item of property and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, estimated useful lives, and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from its derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment, is included in the consolidated statements of income in the year the property and equipment is derecognized.

It is the Group's policy to classify right-of-use assets as part of property and equipment. Refer to the accouting policies on Right-of-use assets in Note 2.22.1.

2.15. Computer Software

Computer software, included under "Other assets" in the consolidated statements of financial position, is carried at cost less accumulated amortization and impairment loss, if any. Costs incurred to acquire computer software (not an integral part of its related hardware) and bring it to its intended use and costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are capitalized. All other costs of developing and maintaining computer software programs are recognized as expenses as incurred. These costs are amortized over the EUL of five years. Subsequently, computer software is measured at cost, less any accumulated amortization and any accumulated impairment loss.

Periods and method of amortization for computer software are reviewed annually or earlier when an indicator of impairment exists.

2.16. Impairment of Nonfinancial Assets

The Group's nonfinancial assets consist of investments in associates, investment properties, property and equipment, and other assets.

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit).

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its estimated remaining life.

2.17. Retained Earnings

Retained earnings represent the cumulative balance of net income, dividend distributions, and other capital adjustments, including retrospective restatements. Retained earnings may be classified as unappropriated retained earnings and appropriated retained earnings. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to members. Appropriated retained earnings represent that portion which is restricted and, therefore, not available for any dividend declaration.

2.18. Insurance Contracts

2.18.1. *Product Classification*

(a) Insurance and Investment Contracts

Insurance contracts are those contracts where the Group 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 Group determines whether it has significant insurance risk by comparing benefits payable on occurrence of insured event with benefits payable on non-occurrence of insured event at inception. 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 exchange rate, index or price or rates, a credit rating or credit index, or other variable.

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 have been extinguished or have expired. 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 features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

(b) Variable Unit-Linked (VUL) Insurance Contracts

The Group issues VUL insurance contracts. In addition to providing life insurance coverage, a VUL insurance contract links payments to units of an investment fund set up by the Group with the consideration received from the policyholders. Premiums received from the issuance of VUL insurance contracts are recognized as premium revenue. As allowed by PFRS 4, *Insurance Contracts,* the Group chose not to unbundle the investment fund of its VUL insurance contracts.

The liability for the investment portion of VUL insurance contracts is increased by additional deposits and changes in unit prices and is decreased by policy administration fees, fund charges, mortality and surrender charges, and any withdrawals. As of the reporting date, this liability is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds.

The fund assets and liabilities are separately administered by, under Separate Funds by the Parent Company's trustee, a third party multinational bank accredited by the Bangko Sentral ng Pilipinas (BSP). The fund assets are designated as financial assets at FVPL and are valued on a basis consistent with the measurement basis in the consolidated statements of financial position. The fund liabilities are included in "Members' deposits and other funds on deposit" under "Other insurance liabilities" (Note 13).

(c) Options and Guarantees

Options and guarantees within insurance contracts are treated as derivative financial instruments which are clearly and closely related to the host contract and are, therefore, not accounted for separately.

2.18.2. *Recognition and Measurement*

(a) Premiums

Premiums are recognized as revenue when they become due from the policyholders which, for single premium business, is the date from which the policy is effective. Due premiums which remain unpaid within the statutory defined limit are recognized as part of assets.

(b) Membership fees

Membership fees from membership contracts of I-Care are recognized using the 365th method.

(c) Reinsurance Assets

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized in the consolidated statements of income in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Claims receivable from reinsurers on businesses ceded are offset against premiums payable to the reinsurers which is customary in the industry.

An impairment review is performed on all due premiums and reinsurance assets whenever events or circumstances indicate that impairment loss occurs. Due premiums and reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that this can be measured reliably. If such evidence exists, impairment loss is recognized in the consolidated statements of income.

The Group uses the statutory guideline in evaluating impairment wherein premiums remaining unpaid beyond a limit set by the IC are impaired and are no longer recognized in the financial statements.

(d) Legal Policy Reserves

For traditional policies with coverages beyond one year, the liability is calculated based on the Gross Premium Valuation ("GPV") method and is the sum of the present values of future benefits (including death, surrender, maturity, survivorship, dividends) and expenses (commissions, policy taxes, operational expenses), less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate for policies with coverages beyond one year. These expected future cash flows are determined using best estimate assumptions with due regard to significant recent experience and margin for adverse deviation from the expected experience mandated by recent regulations.

The GPV methodology, projecting all future cash flows that go with a policy and with margins for adverse deviation is deemed to result to acceptable sufficient levels of reserves per regulations. Thus, the GPV methodology is deemed to satisfy provisions of determining reserves sufficiency level under PFRS 4.

For policies with coverages one year or less and for the risk portion of variable unit-linked policies, unearned premium reserves method is used.

(e) Benefits and Claims

Life insurance claims reflect 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.

(f) Incurred But Not Reported (IBNR) Claims

IBNR claims are based on the estimated ultimate cost of unreported claims incurred but not settled at the reporting date, together with related claims handling costs. These costs pertain to estimates of the Group's obligations to the policyholders where the Group has not yet received notification. Delays can be experienced in the notification and settlement of obligations; therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The Group develops estimates for IBNR taking into considerations the Group's prior experience.

2.19. <u>Revenue recognition</u>

The Group is primarily engaged in the business of insurance, leasing, investing in financial instruments and fund management. Insurance contracts, leasing agreements and financial instruments are within the scope of PFRS 4, *Insurance Contracts*, PFRS 16, *Leases* and PAS 39, *Financial Instruments: Recognition and Measuremen (prior to January 1, 2022*) or PFRS 9, *Financial Instruments (beginning January 1, 2022)*, respectively. Hence, they are outside the scope of PFRS 15, *Revenue from Contracts with Customers*. Fund management is within the scope of PFRS 15.

The revenue recognition policy for premiums is discussed in Note 2.18.2. Revenue recognition criteria for revenues outside the scope of PFRS 15 follow:

2.19.1. *Interest Income*

Interest income is recognized in the statements of income as it accrues, taking into account the effective interest rate of the related asset or an applicable floating rate. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income on policy loans is earned over the term of the loan, normally over one year. The unearned portion of the interest on policy loans deducted in advance is presented as a contra asset in "Policy loans" under "Loans receivables."

Interest income on impaired mortgage loans and collateral and guaranteed loans is recognized as cash is received

2.19.2. *Dividend Income*

Dividend income is recognized when the right to receive the payment is established.

2.19.3. *Rental Income*

Rental income from investment properties is recognized on a straight-line basis over the lease term.

2.19.4. *Trading gains and losses*

Trading gains and losses arise from the buying and selling, and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at FVTPL investments and disposal of AFS financial assets as applicable prior to January 1, 2022.

For the accounting policy on foreign exchange gain, refer to Note 2.23.

For revenues within the scope of PFRS 15, the following specific recognition criteria must be met before revenue is recognized:

To account for the revenues arising from contracts with customers, the Group applies the following five step model.

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group concluded that it is acting as principal in all of its arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group recognizes management fees over time over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Management fees are earned for the provision of asset management services. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Management fees are determined based on a fixed percentage of the net asset value of the funds under management.

Amendment fees, cancellation fees and handling fees are recognized as revenue at a point in time,
generally upon billing wherein the performance obligation is substantially satisfied.

2.19.5. *Claims processing fee*

Claims processing fees pertain to revenue from management of medical funds of accounts under the Cost Plus Program (CPP) of I-Care. This is recognized as revenue upon payment of claims to accredited hospitals and clinics.

2.20. <u>Operating Expenses</u>

Operating expenses are charged to operations when incurred.

2.21. <u>Retirement Benefit Costs</u>

The net retirement benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement benefit costs comprise the following:

- Service cost; and
- Net interest on the net defined benefit liability or asset.

Service costs (which include current service costs, past service costs, and gains or losses on non-routine settlements) are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net retirement benefit liability or asset is the change during the period in the net benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on risk free rates to the net defined pension liability or asset. Net interest on the net retirement benefit liability or asset is recognized as expense or income in the consolidated statements of income.

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

2.22. Leases

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as a lessee

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

The Group applies a single recognition and measurement approach for all leases, except for leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.22.1. *Right-of-Use Asset*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets is amortized on a straight-line basis over the shorter of the estimate useful life and lease term. Right-of-use assets are subject to impairment. Refer to the accounting policies on impairment of non-financial assets discussed in Note 2.16.

2.22.2. *Lease Liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Accrued Expenses and Other Liabilities (Note 14).

2.22.3. *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption.

2.23. Foreign Currency-Denominated Transactions and Translations

Transactions in foreign currency are initially recorded at the exchange rate at the date of transaction. Foreign currency denominated monetary assets and liabilities are translated using the closing exchange rate at the reporting date. Exchange differences arising from translation of foreign currency monetary items at rates different from those at which they were originally recorded were recognized in the consolidated statements of income.

Foreign exchange gains are presented in the consolidated statements of income under "Operating revenue," and foreign exchange losses are presented as "Other losses" under "Operating expenses."

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period these are realized.

2.24. Income tax

2.24.1. *Final Tax*

Final tax on interest and dividend income is presented in the consolidated statements of income at the time interest is earned.

2.24.2. *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

2.24.3. *Deferred Income Tax*

Deferred income tax is provided, using balance sheet liability method, on all temporary differences at the reporting date between the tax bases of deferred income tax assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow all or part of the deferred income tax assets to be recovered.

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

2.25. Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement.

2.26. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

2.27. Events After the Reporting Date

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

3. Management's Use of Significant Accounting Judgments and Estimates

The Group uses accounting judgments and estimates that affect the reported amounts of assets and liabilities at the reporting date, as well as, the reported income and expenses for the year. Although the judgments and estimates are based on management's best knowledge and judgment of current facts as at the reporting date, the actual outcome may differ from these estimates, possibly significantly. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Judgments

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

Judgments applicable beginning January 1, 2022

3.1.1. *Evaluation of business model in managing financial instruments*

The Group manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual and trading activities consistent with its risk appetite.

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

In determining the classification of a financial instrument under PFRS 9, the Group 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 Group.

3.1.2. *Testing the cash flow characteristics of financial assets*

In determining the classification of financial assets under PFRS 9, the Group 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 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 time value of money and credit risk) does not meet the amortized cost criteria. In addition, SPPI of instruments with embedded prepayment options are evaluated by considering whether the fair value of the option is insignificant, and it does not represent additional compensation for the early termination.

Judgments applicable before and after January 1, 2022

3.1.3. *Product Classification*

The Group has determined that all the products including the VUL insurance contracts it issues that link the payments on the contract to units of an internal investment fund have significant insurance risk and, therefore, meet the definition of an insurance contract and should be accounted for as such. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

3.1.4 *Determination of Existence of Significant Influence*
One of the indicators of existence of significant influence in an investee company is through representation in the board. As of December 31, 2021, having ownership interest of 13.72%, the Group concluded that it had significant influence in UBP arising from its right to have two (2) board seats in UBP. In 2022, the Group sold portion of its investment in shares of UBP, which resulted in reduction of ownership interest to 12.27% as of December 31, 2022. This is below the 12.50% ownership interest that provides the Group the right to have two (2) board seats. Accordingly, the current ownership interest, the Group has the right to have only one (1) board seats in UBP. This is considered by management as a significant change that resulted in the Group's loss of significant influence in UBP. Hence, the Group changed the accounting for its investment in UBP from equity method from an investment in associate to equity investment at fair value through other comprehensive income under PFRS 9 (see Note 7).

3.1.5 *Distinction Between Property and Equipment and Investment Property*
The Group determines whether a property qualifies as property and equipment or investment property. In making its judgment, the Group considers whether the property is held for use in the supply of services, or is held for capital appreciation, and to earn rentals, in which case the property shall be classified as property and equipment or investment property respectively, as the case may be.

There were reclassifications between property and equipment and investment properties amounting to (₱23,185,277) and ₱331,863,809 in 2022 and 2021, respectively (Notes 9 and 10).

3.1.6 *Lease-related judgments*

Classification of Leases - Group as lessor
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are entered.

Determination of the Lease Term - Group as lessee
The Group has several lease contracts that include extension and termination options. The renewal periods for leases of branches are not included as part of the lease term as the contract renewals are subject to the agreement of both the lessor and the lessee and are therefore legally unenforceable. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Judgment applicable prior to January 1, 2022

3.1.7 *Impairment of AFS equity instruments*
The Group determines AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In making this judgement, the Group considers, among other factors, the normal volatility in share price. In addition, the Group also considers the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The carrying value of the Group's AFS equity securities amounted to ₱31,949,761,759 as of December 31, 2021 (Note 6).

3.2 Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities follow:

Estimate applicable beginning January 1, 2022

3.2.1 *Estimation of credit losses on financial assets*
The measurement of impairment losses for financial assets at amortized cost, FVOCI and loans and receivables and FVOCI under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Significant factors affecting the estimates on the ECL model include:
(i) The Group's credit rating process and assignment of PD based on this credit rating;
(ii) The Group's criteria for assessing if there has been a significant increase in credit risk;
(iii) The Group's definition of default;
(iv) The segmentation of financial assets when the ECL is assessed on a collective basis;
(v) Development of ECL models, including the various assumptions and the choice of inputs;
(vi) Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, EADs and LGDs; and
(vii) Definition of forward-looking macroeconomic scenario variables.

As of December 31, 2022, the credit losses provided for financial assets at amortized costs and at FVOCI amounted to ₱90,701,246 and ₱71,447,337, respectively.

Estimates applicable before and after January 1, 2022

3.2.2 *Adequacy of Legal Policy Reserves*
In determining legal policy reserves, best estimates are made as to the policy expense, expected number of deaths, illness, or injury, and also on the number of withdrawing or lapsing policies for each of the years in which the Group is exposed to risk.

These estimates are based on expense, mortality and morbidity, and persistency assumptions based on the Group's actual experience from its latest studies. The estimated number of deaths, illness, or injury and withdrawing or lapsing policies determine the value of possible future benefits to be paid out, which will be factored into ensuring sufficiency of reserves, which in return is monitored against current and future premiums.

Inclusive in the amount of calculated legal policy reserves are the non-guarantee benefits or the policy dividends. Mortality and lapse assumptions are also factored in the computation of the value of these benefits.

The interest rate used to discount these future cash flows are based on the risk-free discount rate, which are obtained from the following sources:

(i) For Philippine Peso policies: PHP BVAL Reference rates from Bloomberg as of December 31, 2020 and 2021;
(ii) For US Dollar policies: International Yield Curve (IYC) from Bloomberg

These yield curve and risk-free discount rates are provided by the IC.

Regulations also mandate provision for Margins for Adverse Deviations (MfAD) to be applied to the above assumptions.

As prescribed by IC, the fixed MfAD are subject to a minimum of:
(i) Interest: +/- 10% of discount rate;
(ii) Expense: 10% of best estimate expense;
(iii) Other assumptions including but not limited to mortality, morbidity, lapse and conversion: +/- 10% of best estimate assumptions.

The sign (positive or negative) of MfAD for mortality, lapse and interest assumptions are tested by product at the time of valuation. The sign that give higher reserves for a product is used in calculation of the liability.

The carrying value of legal policy reserves amounted to ₱43,928,778,766 and ₱57,763,663,588 as of December 31, 2022 and 2021, respectively (Note 12).

3.2.3 *Estimation of IBNR claims*
Estimates have to be made for the expected ultimate cost of IBNR. The Group develops estimates for the IBNR claims using an actuarial process that is centrally controlled. The actuarial models consider the time from the date the insured event occurred to the time the claim was filed.

Total IBNR claims included under "Other insurance liabilities" in the statements of financial position amounted to ₱310,616,412 and ₱361,134,205 as of December 31, 2022 and 2021, respectively (Note 13).

3.2.4 *Estimation of Retirement Benefits Cost*
The cost of defined benefit plans, as well as, the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates, and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Net retirement benefits asset (liability) amounted to (₱87,865,014) and ₱117,223,089 as of December 31, 2022 and 2021, respectively (Note 25).

3.2.5 *Realizability of Deferred Income Tax Assets*
The carrying amount of deferred income tax assets recognized is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to 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.

Deferred income tax assets – net recognized as of December 31, 2022 and 2021 amounted to ₱52,875,419 and ₱328,260,783, respectively, while net deferred income tax liability – net amounted to ₱2,680,073,129 is recognized as of December 31, 2022. Based on forecast of reversal of taxable temporary differences and taxable profit, it is not probable that the Group will be able utilize in full the tax benefits from certain deferred tax assets. Accordingly, the Group did not recognize deferred income tax assets on items with expiration under the tax rules such as NOLCO amounting to ₱1,588,617,762 and ₱1,408,175,180 and excess MCIT over RCIT amounting to ₱53,894,419 and ₱65,320,295 as of December 31, 2022 and 2021, respectively (Note 26).

3.2.6 *Contingencies*
The Group is currently involved in various legal proceedings, including claims for punitive damages, in the normal course of its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon an analysis of potential results. The Group, however, does not believe that such litigations, which are common in the insurance industry in general, will have a material effect on its operating results and financial condition.

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	**₱2,265,383**	₱918,776
Cash in banks	**1,324,276,993**	1,659,175,562
Cash equivalents	**5,402,078,617**	3,011,542,419
	₱6,728,620,993	₱4,671,636,757

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates.

Cash equivalents earn interest at rates ranging from 1.00% to 5.50% and from 0.08% to 1.00% in 2022 and 2021, respectively.

5. Insurance Receivables

	2022	2021
Due premiums	**₱119,109,692**	₱222,042,137
Reinsurance assets	**6,362,834**	6,155,379
	₱125,472,526	₱228,197,516

Due premiums are premiums earned which remain unpaid within the statutory defined limit. Premiums due and uncollected represent premiums on in-force policies which are collectible within the Group's grace period.

Reinsurance assets represent balances due from reinsurance companies, which arise from ceded reinsurance arrangements. Reinsurance assets pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Group which are due and demandable.

6. Financial Assets

The Group's financial assets, excluding cash and cash equivalents and insurance receivables are summarized by measurement categories below:

	2022	2021
Financial assets at FVTPL	**₱41,996,550,051**	₱41,154,360,019
Financial assets at FVOCI	**79,599,721,199**	–
AFS financial assets	–	66,898,148,180
Financial assets at amortized cost	**8,392,389,345**	–
Loans and receivables	–	9,872,865,462
HTM investments	–	179,206,563
	₱129,988,660,595	₱118,104,580,224

The financial assets included in each of the categories above are detailed below:

6.1. Financial Assets at FVTPL

The financial assets at FVTPL are comprised of:

	2022	2021
Quoted equity securities:		
Held-for-trading portfolio	**₱147,797,056**	₱–
Designated at fair value through profit or loss	–	₱1,332,687,694
Debt instruments mandatorily classified as FVTPL	**382,596,020**	–
Managed and evaluated on a fair value basis under separate funds:		
Traditional VULs:		
Cash and cash equivalents	**2,533,769,892**	869,283,185
Equity securities – quoted	**20,546,115,036**	22,487,066,910
Debt securities – quoted		
Government:		
Local currency	**2,118,876,990**	3,831,982,188
Foreign currency	**1,927,910,468**	2,260,793,881
Corporate:		
Local currency	**291,682,143**	424,888,203
Foreign currency	**34,264,653**	36,414,433
Investment in unit investment trust fund (UITF)		
Local currency	**11,149,570,784**	7,450,366,988
Foreign currency	**2,724,373,164**	2,051,280,161
Other receivables	**183,903,042**	253,486,767
Other payables	**(178,176,952)**	(92,765,512)
Structured VULs:		
Foreign currency	**133,867,755**	248,875,121
	41,466,156,975	39,821,672,325
	₱41,996,550,051	₱41,154,360,019

As of December 31, 2022 and 2021, quoted securities represent investment in common shares and preferred shares, respectively. Fair value gains on these securities amounted to ₱19,240,545 in 2022 and ₱8,638,030 in 2021.

The portion of the segregated fund assets attributable to the seed capital of the Group amounted to ₱1,179,257,738 and ₱1,363,989,817 as of December 31, 2022 and 2021, respectively.

Fair value gains (losses) included in the carrying amounts of FVTPL financial assets presented in the separate financial statements of VUL funds (i.e., inclusive of fair value gains and losses attributable to the Group and the policy holders) amounted to (₱4,549,054,165) and ₱1,913,950,487 as of December 31, 2022 and 2021, respectively. These financial assets are designated as FVTPL in accordance with the investment strategy and valuation provisions of the VUL insurance contracts. Likewise, the valuation basis of reserves for VUL policies held by policyholders is consistent with the reserves valuation methodology set for VUL insurance contracts.

Traditional VULs

Cash and cash equivalents
Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods not exceeding three months depending on the immediate cash requirements of the funds, and earn interest at the prevailing short-term deposit rates.

Equity securities
Equity securities under the separate fund are included quoted equity securities traded in the Philippine Stock Exchange.

Government debt securities
Interest rate for peso government debt securities under FVPL ranged from 2.38% to 8.00% in 2022 and from 0.00% to 8.00%in 2021. Interest rate for dollar bonds ranged from 2.65% to 10.63% both in 2022 and 2021.

Corporate debt securities
Corporate debt securities include bonds issued by reputable counterparties. Interest rate for peso corporate debt securities under FVPL is from 3.38% to 7.11% in 2022 and from 3.00% to 5.25% in 2021. Interest rate for dollar bonds 2.50% both in 2022 and 2021.

Investment in Unit Investment Trust Fund
Unit investment trust fund (UITF) is an open-ended pooled trust fund denominated in peso and dollar, operated and administered by a trust entity and made available by participation.

Other receivables
Other receivables are comprised of accrued interest income from government and corporate debt securities and accrued dividend income from equity securities.

Other payables
Other payables are comprised of custodial fee, fund administration fee, professional fees, and taxes that remain unpaid as of year-end.

Structured VULs
Structured VULs are structured notes issued by Global Issuers and constitute direct, unconditional, unsubordinated, and unsecured obligation of the Issuer.

6.2. Financial Assets at FVOCI/ AFS Financial Assets

Financial Assets at FVOCI/AFS financial assets are comprised of:

	2022*	2021**
Equity securities:		
Quoted	**₱32,680,823,430**	₱10,388,632,154
Unquoted	**1,058,540,410**	401,044,392
	33,739,363,840	10,789,676,546
Debt securities:		
Quoted:		
Government:		
Local currency	**31,207,137,383**	38,687,389,469
Foreign currency	**940,828,426**	1,066,840,895
Corporate:		
Local currency	**13,247,484,615**	15,838,115,070
Foreign currency	**464,906,935**	516,126,200
	45,860,357,359	56,108,471,634
	₱79,599,721,199	₱66,898,148,180

*Classified as financial assets at FVOCI
**Classified as AFS financial assets

Equity securities classified as FVOCI/AFS financial assets
Equity securities include quoted equity securities traded in the Philippine Stock Exchange. These likewise include quoted and unquoted club shares and other non-traded securities.

As of December 31, 2021, the Group has equity investments in private companies, golf and club shares classified as AFS financial assets under PAS 39 with carrying amount of ₱10,789,676,546.

On January 1, 2022, the Group irrevocably designated equity investments amounting to ₱10,789,676,546 and ₱983,638,045, which were previously classified as AFS and FVTPL under PAS 39, as equity investments at FVOCI upon adoption of PFRS 9 on the basis that these are not held for trading and these are held either for strategic investment purposes or for capital appreciation due to the long-term nature of these investments. These include investments in Philippine Stock Exchange Equity Index (PSEi) listed equities, golf and club shares, listed Real Estate Investment Trust (REIT) companies and shares of unlisted corporate entities.

In 2022 and 2021, the Group recognized dividend income amounting to ₱515,871,923 and ₱312,237,882 , respectively. In 2022, dividend income related to equity investments derecognized during the year amounted to ₱8,693,160, while dividend income related to equity investments held as of December 31, 2022 amounted to ₱507,178,763 (Note 17).

In 2022, the Group disposed equity investments at FVOCI for total consideration of ₱357,860,576, with carrying amount of ₱243,440,762, and these sales were made in accordance with the Group's strategic plans for these equity investments identified at portfolio level. The net cumulative gain transferred from OCI to retained earnings from the derecognition of these equity investments amounted to ₱107,459,205.

Debt securities classified as FVOCI/AFS financial assets
The Group's debt securities consist of quoted government and corporate bonds.

Government debt securities
Interest rate for peso government debt securities ranged from 3.50% to 13.75% in 2022 and from 0.00% to 13.75% in 2021. Interest rate for dollar bonds ranged from 2.65% to 9.50% both in 2022 and 2021.

Corporate debt securities
Corporate debt securities include bonds issued by reputable counterparties. Interest rate for peso corporate debt securities ranged from 3.38% to 8.51% in 2022 and from 3.00% to 8.51% in 2021. Interest rate for dollar bonds ranged from 2.13% to 5.13% both in 2022 and 2021.

The Group's financial assets under this measurement category may be disposed for liquidity requirements or to fund higher-yielding and acceptable investments. Sale of these assets may also be considered if and when offers are received and found acceptable by the Group.

The movement in reserve for fluctuation in value of Financial assets at FVOCI and AFS financial assets for the years ended December 31, 2022 and 2021 follows:

	2022*	2021**
Equity securities:		
Attributable to the Parent Company:		
Beginning balance	**₱1,308,863,440**	₱1,214,879,250
Effect of adoption of PFRS 9 (Note 2)	**(581,545,546)**	–
Beginning balance, as restated	**727,317,894**	1,214,879,250
Fair value gains (losses) taken directly to OCI (net of income tax effect)	**(206,177,501)**	(81,766,940)
Realized gain (loss) on sale of equity securities at FVOCI, closed to retained earnings	**(107,459,205)**	–
Realized gain (loss) on sale of AFS equity investments		(9,619,554)
Impairment loss (Note 23)	–	185,370,684
Net change during the year	**(313,636,706)**	93,984,190
Ending balance	**₱413,681,188**	₱1,308,863,440
Attributable to the associates:		
Beginning balance	**₱20,569,343**	₱35,916,157
Share in net fair value losses on FVOCI/AFS equity financial assets of the associate (Note 9)	**(9,956,980)**	(15,346,814)
Ending balance	**10,612,363**	20,569,343
	₱424,293,551	₱1,329,432,783

	2022*	2021**
Debt securities:		
Attributable to the Parent Company:		
Beginning balance	**₱3,206,850,676**	₱6,615,350,753
Effect of Adoption of PFRS 9 (Note 2)	**87,193,229**	–
Beginning balance, as restated	**3,294,043,906**	6,615,350,753
Fair value gains (losses) taken directly to OCI (net of income tax effect)	**(5,934,876,698)**	(3,347,900,026)
Realized gain (loss) on sale of equity securities at FVOCI	**(446,803)**	–
Realized gain on sale of AFS debt investment	–	(55,245,654)

(Forward)

	2022*	2021**
Provision for (reversal from) expected credit losses recognized in profit or losses	**(₱15,745,892)**	₱–
Amortization of premium on AFS investments reclassified to HTM financial assets in prior years	**(5,934,288)**	(5,354,397)
Net change during the year	**(5,957,003,682)**	(3,408,500,077)
Ending balance	**(₱2,662,959,776)**	₱3,206,850,676
Attributable to the associates:		
Beginning balance	**(₱209,021,271)**	(₱6,298,833)
Share in net fair value losses on FVOCI/AFS debt financial assets of the associate	**(1,714,587,192)**	(228,041,968)
Reclassification to profit or loss from sale of investment in shares of associate (Note 7)	**203,829,852**	25,319,530
Reclassification to profit or loss from loss of significant influence in associate (Note 7)	**1,690,078,426**	–
Ending balance	**(29,700,185)**	(209,021,271)
	(₱2,692,659,961)	₱2,997,829,406

**Classified as financial assets at FVOCI*
***Classified as AFS financial assets*

As of December 31, 2022, the credit losses on debt financial asset at FVOCI amounted to ₱71,447,337

Debt securities deposited with IC
As of December 31, 2022 and 2021, government securities totaling ₱325,000,000 are deposited with the IC in accordance with the provision of the Code as security for the benefit of policyholders and creditors of the Group. The amount represents 25% of required minimum capital as mandated by IC.

6.3. Financial Assets at AC/Loans and Receivables

The details of Financial assets at Amortized Cost of the Group as of December 31 follow:

	2022*	2021**
Investment in debt securities:		
Government	**₱149,204,489**	₱159,206,563
Corporate	–	20,000,000
	149,204,489	179,206,563
Policy loans (net of unearned interest income)	**3,658,624,631**	4,787,613,601
Term loans	**2,403,125,000**	2,841,125,000
Unquoted debt securities	**724,160,000**	793,120,000
Interest receivable	**596,608,439**	536,165,628
Housing loans	**92,662,164**	102,016,791
Rent receivable	**64,744,175**	69,886,696
Accounts receivable	**49,088,571**	209,427,457

(Forward)

	2022*	2021**
Due from agents	**₱46,979,101**	₱33,156,319
Mortgage loans	**26,135,345**	29,522,736
Car financing loans	**19,102,766**	18,326,961
Others	**652,655,910**	551,977,953
	8,483,090,591	10,151,545,705
Allowance for credit losses (Note 28)	**(90,701,246)**	(99,473,680)
	₱8,392,389,345	₱10,052,072,025

*Classified as Financial assets at AC
**Classified as Loans and receivables, except for investment in debt securities classified as HTM investments

The classes of financial assets at amortized cost/loans and receivables of the Group follow:

- Policy loans pertain to loans granted to policyholders. The loan is issued with the cash surrender value of the policyholder's insurance policy as collateral. Interest rates on policy loans range from 6% to 14% in both 2022 and 2021.

  Policy loans as of December 31, 2022 and 2021 follows:

	2022	2021
Policy loans – gross	**₱3,858,611,078**	₱5,068,748,350
Unearned interest income	**(199,986,447)**	(281,134,749)
Policy loans – net	**₱3,658,624,631**	₱4,787,613,601

- Term loans pertain to investments in fixed-rate loans of corporate borrowers with terms ranging from 6 to 10 years in 2022 and from 7 to 10 years in 2021. Interest rates range from 4.00% to 7.15% in 2022 and from 4.00% to 6.27% in 2021.

- Unquoted debt security pertains to a fixed rate callable amortizing green bond issued by the International Finance Corporation. Interest on this bond is payable semi-annually in arrears at an annual interest of 6.34%.

- Interest receivable pertains to accrued interest arising from investments in debt financial assets at FVOCI and AFS debt securities, cash equivalents, term loans, housing loans, mortgage loans and other receivables.

- Accounts receivable pertain to miscellaneous receivables from employees, agents, related parties and third parties.

- Rent receivables pertain to accrual of rent income and receivables from tenants.

- Due from agents pertains to advances by agents, unremitted collections, and charges for amendment/replacement of policies.

- Mortgage loans pertain to housing loans granted to third parties and former employees with terms ranging from 7 to 15 years. Interest rates on these loans range from 6.00% to 18.00% both in 2022 and 2021.

- Housing loans pertain to long-term loans granted to employees at an annual interest of 8.00% payable semi-monthly with terms ranging from 6 to 20 years.

- Car financing loans pertain to car loans granted to employees at an annual interest of 6.00% payable semi-monthly with terms ranging from 5 to 7 years.

  Day 1 loss was recognized on loans with off-market interest rates. The nominal amount of these loans as of December 31 follows:

	2022	2021
Housing loans	**₱108,240,510**	₱119,384,837
Less: unamortized deferred interest income	**15,578,346**	17,368,046
	92,662,164	102,016,791
Car financing loans	**23,679,285**	22,247,605
Less: unamortized deferred interest income	**4,576,519**	3,920,644
	19,102,766	18,326,961
	₱111,764,930	₱120,343,752

The amortization of deferred interest income amounting to ₱3,941,039 and ₱3,776,097 in 2022 and 2021, respectively, is recognized as part of interest on financial assets at AC/ loans and receivables included under "Investment income" in the statements of income (Note 17).

The allowance for credit losses below is determined based on individual and collective impairment assessment.

The reconciliation of changes in allowance for impairment on loans and receivables follows:

	2022				
	Receivables from Operations*	**Mortgage loans and other finance receivables**	**Loans receivables and accrued interest****	**Others**	**Total**
Balances at beginning of year	**₱84,211,310**	**₱543,773**	**₱–**	**₱14,718,597**	**₱99,473,680**
Effect of adoption of PFRS 9 (Note 2)	**42,722,327**	**5,783,396**	**5,393,438**	–	**53,899,161**
Balances at beginning of year, as restated	**126,933,637**	**6,327,169**	**5,393,438**	**14,718,597**	**153,372,841**
Provision for (reversal from) credit losses and other adjustments	**(64,353,260)**	**(924,064)**	**(533,758)**	**3,139,487**	**(62,671,595)**
Balances at end of year	**₱62,580,377**	**₱5,403,105**	**₱4,859,680**	**₱17,858,084**	**₱90,701,246**

*Receivables from operations consist primarily of rental receivables, receivables from agents and employees, among others.
**Loans receivables and accrued interest pertain primarily to term loans, unquoted debt and related interest receivables on financial assets at FVOCI and AC.

Upon adoption of PFRS 9, beginning January 1, 2022, the Group has started recognizing credit losses for non-defaulted or non-credit impaired exposures.

	2021				
	Accounts Receivable	Mortgage loans	Due from agents	Others	Total
Beginning balances	₱22,975,880	₱168,078	₱2,189,149	₱15,997,549	₱41,330,656
Provision, net of reversal	59,580,329	375,694	(534,048)	(1,278,951)	58,143,024
Ending balances	₱82,556,209	₱543,7723	₱1,655,101	₱14,718,598	₱99,473,680

As of December 31, 2021, the Group's allowance for credit losses under the incurred loss model was provided for accounts receivable, mortgage loans and due from agents.

7. **Investment in Associates**

The Group's percentages of ownership in the shares of stock of associates as of December 31 are as follows:

	Percentage of Ownership	
	2022	2021
PPI Prime Ventures, Inc. (PPVI)	**30.00%**	30.00%
Oona Insular Insurance Corporation (formerly Mapfre Insular Insurance Corporation) (OIIC)	**39.99%**	25.00%
Union Bank of the Philippines (UBP)	**12.27%***	13.72%

* Represents the Company's ownership in UBP as of November 30, 2022, i.e., when Parent Company lost its significant influence in UBP (Note 3)

This account consists of investments in the following entities, which are all incorporated and operating in the Philippines, as of December 31, 2022:

	Incorporation Date	Nature of Business
PPVI	December 9, 1975	Development and sale of real estate
OIIC	September 1, 1934	Provision of nonlife general insurance
UBP	August 16, 1968	Universal commercial banking

*After November 30, 2022, UBP is not considered as an associate due to the loss of significant influence

The movement of investments in associates follows:

	December 31, 2022			
	UBP	**OIIC (formerly MIIC)**	**PPVI**	**Total**
Acquisition cost				
Beginning balance	**₱2,716,159,330**	**₱349,848,654**	**₱4,500,000**	**₱3,070,507,984**
Shares purchased	**5,595,699,186**	**208,462,369**		**5,804,161,555**
Capital infusion		**120,000,000**		**120,000,000**
Shares sold	**(914,528,444)**	–	–	**(914,528,444)**
Loss of significant influence	**(7,397,330,072)**	–	–	**(7,397,330,072)**
Ending balance	**–**	**678,311,023**	**4,500,000**	**682,811,023**
Accumulated equity in net earnings				
Beginning balance	**₱12,446,030,069**	**133,005,734**	**(783,020)**	**12,578,252,783**
Equity in net earnings for the year	**1,581,955,848**	**(14,369,134)**	**50,865**	**1,567,637,579**
Shares sold	**(1,453,987,132)**	–	–	**(1,453,987,132)**
Dividends (Note 31)	**(585,578,319)**	–	–	**(585,578,319)**
Loss of significant influence	**(11,988,420,466)**	–	–	**(11,988,420,466)**
Ending balance	**–**	**118,636,600**	**(732,155)**	**117,904,445**
Equity in reserve for fluctuation in AFS/FVOCI				
Beginning balance	**(179,321,086)**	**(9,130,842)**	–	**(188,451,928)**
Shares sold (Note 18)	**203,829,852**	–	–	**203,829,852**
Share in net movement of reserve for fluctuation in AFS/FVOCI financial assets of the associates during the year	**(1,714,587,191)**	**(9,956,980)**	–	**(1,724,544,171)**
Loss of significant influence	**1,690,078,425**	–	–	**1,690,078,425**
Ending balance	**–**	**(19,087,822)**	**–**	**(19,087,822)**

(Forward)

	December 31, 2022			
	UBP	**OIIC (formerly MIIC)**	**PPVI**	**Total**
Equity in reserve for re-measurement gains (losses) in defined benefit pension plan				
Beginning balance	**(₱82,645,986)**	**₱7,467,582**	**₱–**	**(₱75,178,404)**
Shares sold	**8,567,696**	**–**	**–**	**8,567,696**
Share in net movement of reserve for re-measurement gains on defined benefit plan	**24,885,101**	**–**	**–**	**24,885,101**
Loss of significant influence	**49,193,189**	**–**	**–**	**49,193,189**
Ending balance	**–**	**7,467,582**	**–**	**7,467,582**
Premium on deemed disposal of investment in associate				
Beginning balance	**304,954,486**	**–**	**–**	**304,954,486**
Loss of significant influence	**(304,954,486)**	**–**	**–**	**(304,954,486)**
	₱–	**₱785,327,383**	**₱3,767,845**	**₱789,095,228**

	December 31, 2021			
	UBP	OIIC (formerly MIIC)	PPVI	Total
Acquisition cost				
Beginning balance	₱3,210,459,331	₱349,848,654	₱4,500,000	₱3,564,807,985
Shares sold	(494,300,001)	–	–	(494,300,001)
Ending balance	2,716,159,330	349,848,654	4,500,000	3,070,507,984
Accumulated equity in net earnings				
Beginning balance	13,436,253,242	128,229,455	(702,022)	13,563,780,675
Equity in net earnings for the year	1,992,783,5550	4,776,279	(80,998)	1,997,478,831
Shares sold	(2,288,307,881)	–	–	(2,288,307,881)
Dividends (Note 31)	(694,698,842)	–	–	(694,698,842)
Ending balance	12,446,030,069	133,005,734	(783,020)	12,578,252,783
Equity in reserve for fluctuation in AFS/FVOCI				
Beginning balance	23,401,352	6,215,972	–	29,617,324
Shares sold	25,319,530	–	–	25,319,530
Share in net movement of reserve for fluctuation in AFS/FVOCI financial assets of the associates during the year	(228,041,968)	(15,346,814)	–	(243,388,782)
Ending balance	(179,321,086)	(9,130,842)	–	(188,451,928
Equity in reserve for re-measurement gains (losses) in defined benefit pension plan				
Beginning balance	(147,266,024)	7,467,582	–	(139,798,442)
Shares sold	25,193,575	–	–	25,193,575
Share in net movement of reserve for re-measurement gains on defined benefit plan	39,426,463	–	–	39,426,463
Ending balance	(82,645,986)	7,467,582	–	(75,178,404)
Premium on deemed disposal of investment in associate	304,954,486	–	–	304,954,486
	₱15,502,176,813	₱481,191,128	₱3,716,980	₱15,690,084,921

Investment in UBP
UBP has commitments and contingent accounts amounting to ₱291.57 billion and ₱244.87 billion as of December 31, 2022 and 2021, respectively. These primarily pertain to guarantees and commitments to extend credit which are part of the regular operations of a bank, trust department accounts and forward and spot exchange transactions.

BSP, UBP's lead regulator, sets and monitors the capital requirements of UBP. In implementing current capital requirements, the BSP requires UBP to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio." Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under its circulars. These, among others, may impose significant restrictions as to the use or transfer of assets or the settlement of liabilities as of December 31, 2021.

On various dates in 2021, the Group sold 31,177,270 shares for ₱2.5 billion decreasing its interest in UBP from 16.29% in 2020 to 13.72% in 2021.

On April 6, 2022 and May 10, 2022, the Group acquired aggregate shares of 86,267,501 shares from UBP's stock rights offer for total amount of ₱5.6 billion.

On various dates in 2022, the Group acquired additional 59,320 shares for ₱4.7 million and disposed 32,619,550 shares for ₱2.4 billion. On November 28, 2022, the Group sold 30,184,030 shares for ₱2.1 billion decreasing its interest in UBP from 13.72% to 12.27% resulting in Group's loss of significant influence in UBP (Note 3). On the same date, the Group assessed that it has lost significant influence in UBP, and accordingly, classified its retained interest of 12.27% as financial asset at FVOCI without recycling to profit or loss, in accordance with PFRS 9. Such investment was remeasured from its carrying amount of ₱17.95 billion, after the sale in November 2022, to its fair value as of November 28, 2022 of ₱21.17 billion. The difference amounting to ₱3.32 billion and the recycling of accumulated share in other comprehensive loss of ₱1.69 billion, resulted in a net gain from remeasurement of retained interest in UBP of ₱1.63 billion as a consequence of the loss of significant influence (Note 18).

Investment in OIIC
MAPFRE Insular Insurance Corporation is now officially Oona Insular Insurance Corporation, as the Securities and Exchange Commission approved its amended articles of incorporation. This comes after Mapfre Internacional SA of Spain divested its business interests in Asia in October 2022 while the Group increased its stake in its non-life insurance business to 40%.

On October 28, 2022, the Group purchased 1,498,771 shares from Mapfre Internacional SA of Spain for ₱208.45 million, thereby, increasing its ownership interest in OIIC from 25.00% to 39.99%. This resulted in a gain on bargain purchase as follows (in thousands):

Cost of additional investment	**₱208,462**
Carrying value of net assets acquired	1,438,700
Fair value adjustments	112,531
Fair value of net assets acquired	1,551,231
Share in fair value of net assets acquired (at 25%)	**232,685**
Additional Investment	208,462
Gain on bargain purchase	**₱24,223**

The fair value adjustments on the net assets of OIIC relate primarily to building and building improvements. The gain on bargain purchase is included in the Group's share in net loss of OIIC.

Furthermore, as approved by the Group's BOT, the Group infused additional capital of ₱120.00 million in OIIC in compliance with the IC's required minimum net worth as of December 31, 2022.

OIIC is subject to statutory regulations on capital requirements. OIIC submits annual financial statements to the IC to determine adequacy of the OIIC's investments. IC classifies assets according to admitted and non-admitted assets for the purpose of calculating financial ratios that OIIC is required to maintain. These, among others, may pose restrictions as to the use or transfer of assets, as well as, the settlement of liabilities as of December 31, 2022 and 2021.

The financial information of the material associates is shown below (amounts in thousands):

Financial position (amounts in thousands)

	December 31, 2022
	OIIC (formerly MIIC)*
Financial assets	**₱2,845,010**
Property and equipment	**117,647**
Investment properties	**13,107**
Deferred tax asset	**9,049**
Other assets	**2,030,935**
Accounts payable	**(399,877)**
Other liabilities	**(2,881,701)**
Equity	**₱1,734,170**

	December 31, 2021	
	UBP*	OIIC (formerly MIIC)*
Financial assets	₱781,655,751	₱2,565,650
Property and equipment	6,765,771	106,048
Investment properties	8,673,344	13,542
Deferred tax asset	7,046,605	3,435
Other assets	26,953,990	1,752,487
Accounts payable	–	(346,457)
Other liabilities	(718,882,233)	(2,494,470)
Equity	₱112,213,228	₱1,600,235

Financial performance (amounts in thousands)

	December 31, 2022
	OIIC (formerly MIIC)*
Revenue	**₱757,923**
Direct costs	**(511,006)**
Operating expenses	**(437,674)**
Other income	**63,116**
Net loss before tax	**(127,641)**
Income tax expense	**(12,395)**
Net loss for the year	**(₱140,036)**
Group share in the net loss of the associate*	**(₱14,369)**

**Includes gain on bargain purchase of ₱24.22 million*

	December 31, 2021	
	UBP*	OIIC (formerly MIIC)*
Revenue	₱36,327,569	₱850,629
Direct costs	(6,512,479)	(450,789)
Operating expenses	(24,319,554)	(422,587)
Other income	15,300,664	74,735
Provision for credit losses	(5,811,398)	–
Profit before tax	14,984,802	51,988
Income tax expense	(2,407,069)	(26,117)
Net profit for the year	₱12,577,733	₱25,871
Group share in the net profit of the associate	₱1,725,822	₱6,468

***As allowed under PAS 27, investments in associates are accounted in the separate financial statements as Available-for-sale investments as of December 31, 2021 and prior in accordance with PAS 39, and as equity investments at fair value through other comprehensive income upon adoption of PFRS 9 beginning January 1, 2022.*

Beginning January 1, 2018, UBP adopted the final version of PFRS 9 (2014 version), which replaced PAS 39 and the previous versions of PFRS 9 (2009, 2010 and 2013 versions). UBP previously adopted the 2010 version of PFRS 9 with initial application date of January 1, 2014. Accordingly, as of and for the year ended December 31, 2021, under PFRS 4, the Group is permitted to retain the PFRS 9-related accounting policies applied by UBP for purposes of the Group's application of the equity method of accounting.

8. Group Information

The Group comprises the Parent Company and its subsidiaries. Among the Group's subsidiaries, IIC and ILMADECO are intermediate parents of their respective subsidiaries. IPI and IPVI are wholly-owned subsidiaries of IIC; while ILAC Gen is a wholly-owned subsidiary of ILMADECO.

The Parent Company's subsidiaries are all incorporated and based in Philippines (i.e., principal place of business). The Parent Company's subsidiaries are engaged in the following activities:

Subsidiaries	**Date of Incorporation**	**Nature of Business**
IIC	September 5, 1989	Investment banking in the areas of corporate finance, money market, and securities underwriting
• IPI	May 31, 1994	Development and sale of real estate
• IPVI	May 31, 1994	*-do-*
I-Care	October 14, 1991	Provision of medical and managed care services and facilities to its members
ILMADECO	March 9, 1987	Holding organization of ILACGA-Gen
• ILAC-Gen	November 11, 2003	Provision of nonlife general insurance

For the relevant corporate information of the Group's associates, refer to Note 7.

The Parent Company is subject to statutory regulations on Risk-Based Capital (RBC2) and other externally imposed capital requirements (Note 30). All asset investments of the Parent Company require approval from the IC. The Parent Company submits annual financial statements to the IC to determine adequacy of the Parent Company's investments. IC classifies assets according to admitted and non-admitted assets for the purpose of calculating financial ratios that the Parent Company is required to maintain. These, among others, pose restrictions as to the use or transfer of assets within the Group, as well as, the settlement of liabilities as of December 31, 2022 and 2021.

The Parent Company is not subject (i.e., under guarantyship, suretyship, or other similar arrangements) to any contingent liability, or capital or purchase commitments as of December 31, 2022 and 2021.

The subsidiaries, except I-Care, have no contingent liabilities or capital commitments as of December 31, 2022 and 2021 and are not subject to restrictions (i.e., whether through legal, contractual, or discretionary restrictions) as to the use or transfer of their assets within the Group, or settlement of liabilities.

IC, I-Care's lead regulator, sets and monitors the capital requirements of I-Care. In implementing current capital requirements, the IC requires I-Care to maintain a minimum capital amount, minimum deposit to IC, minimum net worth, prescribed acid test ratio and a prescribed ratio of qualifying capital to gross membership fees. These, among others, may impose significant restrictions as to the use or transfer of assets or the settlement of liabilities as of December 31, 2022 and 2021.

While IIC is subject to the minimum capital requirements imposed by SEC, the compliance with the said regulation does not pose significant restrictions as the use or transfer of assets within the Group or the settlement of liabilities as of December 31, 2022 and 2021.

On March 8, 2018, the BOD approved, and the stockholders of the respective entities confirmed and ratified to shorten the term of IPI and IPVI until December 31, 2019. On February 13, 2019, the BOD approved, and the stockholders confirmed and ratified, to extend the intended end date of corporate life of IPI and IPVI from December 31, 2019 to March 31, 2020 to consider the necessary regulatory process and approval. The amendment was approved by the Securities and Exchange Commission (SEC) with the issuance of the Certificate of Filing of the Amended Articles of Incorporation dated March 15, 2019 and April 16, 2019 respectively.

On August 19, 2020 and September 9, 2020, the BOD approved, and the stockholders, respectively, of ILAC Gen confirmed and ratified the amendment of the Articles of Incorporation to shorten the corporate term from "fifty (50) years from and after the date of issuance of the certificate of incorporation" to "until March 31, 2022". The amendment was approved by the SEC with the issuance of the Certificate of Filing of the Amended Articles of Incorporation dated March 23, 2021.

On February 19, 2019 the BOD approved, and the stockholders of IIC confirmed and ratified the amendment of the Articles of Incorporation to shorten the corporate term to "until May 31, 2022". The amendment was approved by the SEC with the issuance of the Certificate of Filing of the Amended Articles of Incorporation dated June 10, 2021.

Application for Closure of Business with the BIR for IIC, IPI, IPVI, and ILAC-Gen is ongoing as of December 31, 2022. After completing the requirements and obtaining the BIR clearance, the Subsidiaries' remaining assets will be distributed as liquidating dividends to the Parent Company.

9. Investment Properties

The movements in carrying amounts of investment properties follow:

	2022		
	Land	**Building and Improvements**	**Total**
Cost			
Balances at beginning of year	**₱3,679,909,031**	**₱4,345,854,460**	**₱8,025,763,491**
Additions	**790,600**	**54,523,828**	**55,314,428**
Disposals	**(19,350,290)**	**(2,377,000)**	**(21,727,290)**
Reclassification (Note 10)	**–**	**(23,185,278)**	**(23,185,278)**
Adjustment	**–**	**(693,002)**	**(693,002)**
Balances at end of year	**3,661,349,341**	**4,374,123,008**	**8,035,472,349**
Accumulated Depreciation and Impairment Loss			
Balances at beginning of year	**156,116,205**	**1,332,445,838**	**1,488,562,043**
Depreciation (Note 21)	**–**	**141,533,741**	**141,533,741**
Disposals	**–**	**–**	**–**
Reclassification (Note 10)	**–**	**(19,232,275)**	**(19,232,275)**
Adjustment	**–**	**(693,002)**	**(693,002)**
Ending balances	**156,116,205**	**1,454,054,302**	**1,610,170,507**
Net Book Values	**₱3,505,233,136**	**₱2,920,068,706**	**₱6,425,301,842**

	2021		
	Land	Building and Improvements	Total
Costs			
Beginning balances	₱3,693,111,952	₱3,991,488,596	₱7,684,600,548
Additions		31,321,436	31,321,436
Disposals	(13,202,921)	(8,696,000)	(21,898,921)
Impairment loss	–	(123,381)	(123,381)
Reclassification (Note 10)	–	331,863,809	331,863,809
Ending balances	3,679,909,031	4,345,854,460	8,025,763,491
Accumulated Depreciation and Impairment Loss			
Beginning balances	156,116,205	1,114,066,150	1,270,182,355
Depreciation (Note 21)	–	123,225,983	123,225,983
Disposals	–	–	–
Reclassification (Note 10)	–	95,153,705	95,153,705
Ending balances	156,116,205	1,332,445,838	1,488,562,043
Net Book Values	₱3,536,995,746	₱3,013,408,622	₱6,537,201,488

As of December 31, 2022 and 2021, the fair value of investment properties amounted to ₱7,688,833,341 and ₱7,759,060,801 for land, respectively, and ₱4,547,877,494 and ₱4,556,689,877 for building and improvements, respectively, based on independent appraiser valuation.

The fair value hierarchy of the investment properties is under Level 3 category. The fair value of the investment properties was arrived at using the following approaches:

	Valuation Technique	Significant Unobservable Inputs
Land	Market Data approach	• Sales price • Location and proximity to important landmarks • Marketability and desirability
Building and Improvements	Cost approach	• Replacement cost or reproduction cost • Condition and economic life • Facilities and amenities

Market Data approach is a comparative approach that considers the sales of similar or substitute assets and other related market data. In general, an asset being valued is compared with similar items that have been transacted in the market or that are listed or offered for sale, with appropriate adjustment to reflect different properties or characteristics. Market data considered in the valuation includes location of the properties, size, shape and characteristics of the lot, desirability in the market and present and prospective use.

Cost approach is a comparative approach used to estimate the replacement cost or reproduction cost of the building and improvements, considering the prevailing market prices for material, labor, contractor's overhead, profit and other charges, less allowance for physical depreciation and obsolescence.

Highest and best use is defined as the most probable use of a property, which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

Movements in the significant unobservable inputs are positively correlated to the fair value of the properties subject to valuation.

The Group enters into operating leases for its investment properties (Note 32). Rental income amounted to ₱718,070,989 in 2022 and ₱680,268,475 in 2021 (Note 32). Direct expenses (excluding depreciation) arising in respect of such investment properties amounted to ₱216,619,785 in 2022 and ₱183,312,178 in 2021 while indirect operating expenses amounted to ₱23,857,251 in 2022 and ₱21,910,602 in 2021 (Note 21).

Future minimum lease rentals receivable under non-cancellable operating leases are disclosed in Note 32.

10. Property and Equipment

The movement in carrying amount of property and equipment follows:

	2022						
	Land and Buildings	**Furniture Fixtures and Equipment**	**Electronic and Data Processing Equipment**	**Transportation Equipment**	**Building Improvements**	**Right of Use Asset**	**Total**
Costs							
Beginning balances	**₱2,033,815,962**	**₱231,471,097**	**₱267,897,933**	**₱81,823,609**	**₱115,883,605**	**₱102,830,212**	**₱2,833,722,418**
Additions		**35,347,568**	**47,659,532**	**16,719,430**	**20,003,807**	**24,601,149**	**144,331,486**
Retirements/disposals	–	**(8,251,414)**	**(5,459,002)**	**(12,065,188)**	–	**(32,861,921)**	**(58,637,525)**
Reclassification/adjustment (Note 9)	**23,185,277**	**10,949**	**(9,046,806)**	–	**103,624**	**(97,684)**	**14,155,360**
Ending balances	**2,057,001,239**	**258,578,200**	**301,051,657**	**86,477,851**	**135,991,036**	**94,471,756**	**2,933,571,739**
Accumulated Depreciation and Amortization							
Beginning balances	**607,200,390**	**111,797,897**	**138,879,977**	**53,948,999**	**94,648,845**	**68,601,063**	**1,075,077,171**
Depreciation and amortization (Note 21)	**24,295,148**	**11,670,155**	**47,795,061**	**12,804,665**	**4,084,718**	**30,100,451**	**130,750,198**
Retirements/disposals	–	–	**(5,074,063)**	**(10,629,773)**	–	**(32,861,921)**	**(48,565,757)**
Reclassification/adjustment (Note 9)	**19,232,275**	**(213,186)**	**(8,393,421)**	–	**69,110**	**91,698**	**10,786,476**
Ending balances	**650,727,813**	**123,254,866**	**173,207,554**	**56,123,891**	**98,802,673**	**65,931,291**	**1,168,048,088**
Net Book Values	**₱1,406,273,426**	**₱135,323,334**	**₱127,844,103**	**₱30,353,960**	**₱37,188,363**	**₱28,540,465**	**₱1,765,523,651**

	2021						
	Land and Buildings	Furniture Fixtures and Equipment	Electronic and Data Processing Equipment	Transportation Equipment	Building Improvements	Right of Use Asset	Total
Costs							
Beginning balances	₱2,351,567,074	₱221,664,773	₱281,832,204	₱86,614,092	₱109,875,009	₱75,308,683	₱3,126,861,835
Additions	14,112,697	15,797,940	46,134,414	17,802,017	6,055,096	36,598,028	136,500,192
Reclassification (Note 9)	(331,863,809)	-	4,009,124	-	-	(285,487)	(328,140,172)
Retirements/disposals	-	(5,991,616)	(64,077,809)	(22,592,500)	(46,500)	(8,791,012)	(101,499,437)
Ending balances	2,033,815,962	231,471,097	267,897,933	81,823,609	115,883,605	102,830,212	2,833,722,418
Accumulated Depreciation and Amortization							
Beginning balances	658,703,933	106,243,496	159,540,499	59,541,053	91,652,004	51,787,999	1,127,468,984
Depreciation and amortization (Note 21)	43,650,162	11,307,999	41,256,919	13,281,867	3,043,341	26,127,423	138,667,711
Retirements/disposals	-	(5,753,598)	(64,077,809)	(18,873,921)	(46,500)	(8,875,469)	(97,627,297)
Reclassification (Note 9)	(95,153,705)	-	2,160,368	-	-	(438,890)	(93,432,227)
Ending balances	607,200,390	111,797,897	138,879,977	53,948,999	94,648,845	68,601,063	1,075,077,171
Net Book Values	₱1,426,615,572	₱119,673,200	₱129,017,956	₱27,874,610	₱21,234,760	₱34,229,149	₱1,758,645,247

The cost of fully depreciated property and equipment that are still in use in the Group's operations amounted to ₱411,686,004 and ₱184,216,593 as of December 31, 2022 and 2021, respectively.

11. Other Assets

	2022	2021
Creditable withholding tax	**₱1,538,258,564**	₱1,423,825,759
Prepaid expenses	**864,145,845**	897,894,307
Deposits	**237,225,398**	15,882,094
Computer software	**42,768,984**	44,467,889
Others	**103,740,300**	52,719,301
	2,786,139,091	2,434,789,350
Allowance for impairment loss	**(134,099,895)**	(68,582,040)
	₱2,652,039,196	₱2,366,207,310

Computer Software

The movements in the carrying amount of computer software follow:

	2022	2021
Cost		
Balance at beginning of year	**₱177,885,180**	₱164,447,402
Additions	**13,207,031**	18,073,535
Retirements	–	(4,635,757)
Balance at end of year	**191,092,211**	177,885,180
Accumulated Amortization		
Balance at beginning of year	**133,417,291**	126,767,721
Amortization (Note 21)	**14,905,936**	11,285,327
Retirements	–	(4,635,757)
Balance at end of year	**148,323,227**	133,417,291
Net Book Value	**₱42,768,984**	₱44,467,889

Others

Others include input taxes and miscellaneous current assets.

12. Legal Policy Reserves

This account consists of:

	December 31, 2022		
	Legal policy reserves	**Reinsurers' share of liabilities**	**Net**
Aggregate reserves for:			
Ordinary life policies	**₱39,849,525,117**	**₱72,365,434**	**₱39,777,159,683**
Group life policies	**3,360,429,611**	**19,024,523**	**3,341,405,088**
Unit-linked policies	**864,643,773**	**76,123,530**	**788,520,243**
Accident and health policies	**21,895,714**	**201,962**	**21,693,752**
	₱44,096,494,215	**₱167,715,449**	**₱43,928,778,766**

	December 31, 2021		
	Legal policy reserves	Reinsurers' share of liabilities	Net
Aggregate reserves for:			
Ordinary life policies	₱53,886,493,281	₱75,056,169	₱53,811,437,112
Group life policies	2,940,990,937	15,859,800	2,925,131,137
Unit-linked policies	1,073,449,435	69,128,828	1,004,320,607
Accident and health policies	22,951,292	176,560	22,774,732
	₱57,923,884,945	₱160,221,357	₱57,763,663,588

Movement of insurance contract liabilities is as follows:

	December 31	
	2022	2021
Balance at beginning of year	**₱57,763,663,588**	₱69,356,604,797
Remeasurement gains on reserves recognized in OCI, net of reinsurers' share (gross of deferred income tax impact)	**(11,716,744,469)**	(7,779,280,770)
Decrease in reserves recognized in profit or loss, net of reinsurers' share (Note 20)	**(2,118,140,353)**	(3,813,660,439)
Balance at end of year	**₱43,928,778,766**	₱57,763,663,588

As discussed under Note 2, legal policy reserves reflect the statutory reserves calculated based on the Gross Premium Valuation method.

13. Other Insurance Liabilities

	2022	2021
Members' deposits and other funds on deposit		
Subscriptions to variable unit-linked funds	**₱40,286,899,242**	₱38,457,682,509
Reserve for dividends to members	**4,599,253,368**	4,682,366,180
Advances from policyholders	**901,820,343**	736,394,992
Claims pending settlement	**2,619,682,625**	2,761,390,695
Incurred but not yet reported	**245,704,353**	361,134,205
	₱48,653,359,931	₱46,998,968,581

Claims pending settlement pertains to approved but unpaid claims. Incurred but not reported (IBNR) claims are claims that already occurred but notice had not been received by the Group and which is based on a reasonable estimate of unreported claims based on Company's historical experience.

The liabilities are not subjected to covenants and warranties.

14. Accrued Expenses and Other Liabilities

	2022	2021
Accounts payable and other accrued expenses	**₱1,479,873,057**	₱1,174,894,755
Accrued employee benefits	**466,097,379**	509,016,272
Remittances not yet allocated	**224,559,357**	235,555,252
Commissions payable	**146,147,650**	126,576,683
Taxes payable	**156,946,773**	121,233,517
Lease liability	**28,503,207**	36,210,640
Others	**28,628,489**	15,828,140
	₱2,530,755,912	₱2,219,315,259

The classes of accrued expense and other liabilities of the Group follow:

- Accounts payable pertain to amounts due to vendors.
- Accrued employee benefits pertain to various unpaid short term employee benefits such as vacation leave, sick leave, service awards, and other benefits offered by the Group to its employees.
- Remittances not yet allocated pertain to new business deposits with pending underwriting requirements and collections from policyholders unapplied to their corresponding receivable set-up as of reporting date.
- Others pertain primarily to agents license fee, exam fees and other unearned income.

15. Members' Equity

On November 4, 2020, Insular Life appropriated ₱600,000,000 out of its Retained Earnings as of December 31, 2020, to increase the Group's appropriation for its Total Members' Equity to ₱1,500,000,000. This is more than the required total Members' Equity of ₱1,300,000,000 and ahead of the deadline on December 31, 2022 under IC CL No. 2017-14 as amended by IC CL No. 2019-67. See Note 30 for the schedule of minimum total members' equity as required by IC.

On November 25, 2021, the Board of Trustees appropriated ₱1,000,000,000 out of its Retained Earnings as of December 31, 2021 for technology initiatives thereby increasing the Group's appropriation of its Total Members' Equity to ₱2,500,000.000. In 2022, appropriations of ₱103,000,000 pertaining to completed major IT projects were released from appropriated retained earnings to unappropriated retained earnings.

16. Insurance Revenue

This account consists of:

	2022	2021
VUL insurance contracts	**₱11,230,451,155**	₱10,219,030,369
Life insurance contracts	**4,858,145,699**	4,573,107,652
Accident and health contracts	**1,368,775,110**	1,214,362,997
Gross earned premiums on insurance contracts	**17,457,371,964**	16,006,501,018
Reinsurers' share of premiums on insurance contracts	**(428,109,404)**	(380,342,042)
	₱17,029,262,560	₱15,626,158,976

17. Investment Income

This account consists of:

	2022	2021
Interest income on:		
Financial assets at FVOCI	**₱2,848,255,718**	₱–
AFS financial assets	**–**	2,734,868,623
Financial assets at amortized costs	**706,971,884**	–
Loans and receivables	**–**	868,302,641
HTM financial assets	**–**	8,331,436
Other financial assets	**558,111**	1,151,430
Dividend income	**515,871,923**	312,237,882
Trading losses on financial assets at FVTPL	**(98,855,685)**	(3,849,789)
	₱3,972,801,951	₱3,921,042,223

18. Gains on Financial Assets, Investment in Associate and Sale of Real Properties

This account consists of:

	2022	2021
Net gain on remeasurement of retained interest in an investee company (Note 7)	**₱1,631,336,111**	₱–
Net gain (loss) on sale of:		
Investment properties	**54,183,654**	16,478,439
Investment in associate	**37,822,208**	(25,319,530)
Debt financial assets at FVOCI	**446,803**	–
AFS financial assets	**–**	64,865,208
Repossessed real properties	**180,000**	2,195,864
	₱1,723,968,776	₱58,219,981

19. Other Income

Other income includes management fees, amendment fees, cancellation fees, and guarantee fees.

20. Insurance Benefits Expense

	2022	2021
VUL funds allocation	**₱11,335,856,530**	₱9,537,567,532
Maturities	**1,969,868,248**	4,811,495,530
Death and hospitalization benefits	**2,195,680,023**	2,724,947,446
Surrenders	**1,866,257,529**	756,206,888
Interest on policy and contract funds	**268,802,216**	278,581,476
Dividends paid to policyholders	**72,114,219**	181,041,324
Increase/(decrease) in dividend liability to policyholders	**56,883,303**	(42,053,972)
Others	**79,367,984**	206,754,282
Total gross benefits and claims on insurance contracts	**17,844,830,052**	18,454,540,506
Reinsurers' share of benefits and claims on insurance contracts	**(88,702,921)**	(72,200,205)
Net change in (Note 12):		
Legal policy reserves	**(2,110,646,261)**	(3,794,288,880)
Reinsurers' share in legal policy reserves	**(7,494,092)**	(19,371,559)
	₱15,637,986,778	₱14,568,679,862

Details of net change in legal policy reserves follows:

	2022		
	Gross Change In Legal Policy Reserves	**Reinsurers' Share of Change in Legal Policy Reserves**	**Net**
Life insurance contracts	**(₱2,178,480,395)**	**(₱499,390)**	**(₱2,178,979,785)**
VUL insurance contracts	**67,834,134**	**(6,994,702)**	**60,839,432**
	(₱2,110,646,261)	**(₱7,494,092)**	**(₱2,118,140,353)**

	2021		
	Gross Change In Legal Policy Reserves	Reinsurers' Share of Change in Legal Policy Reserves	Net
Life insurance contracts	(₱3,319,536,395)	(₱8,771,050)	(₱3,328,307,445)
VUL insurance contracts	(474,752,485)	(10,600,509)	(485,352,994)
	(₱3,794,288,880)	(₱19,371,559)	(₱3,813,660,439)

Changes presented above pertain to changes due to impact of assumptions and portfolio movements. Any impact of change in discount rates is not reflected in profit or loss but included in other comprehensive income.

21. General Insurance Expenses

This account consists of:

	2022	2021
Personnel (Notes 24 and 25)	**₱1,350,890,954**	₱1,346,927,915
Depreciation and amortization (Notes 9, 10, and 11)	**287,189,875**	275,670,785
Outside services	**297,078,447**	218,232,637
Marketing, advertising, and promotion	**234,984,961**	193,200,932
Repairs and maintenance	**135,058,147**	116,934,863
Transportation and communication	**54,571,966**	51,903,037
Taxes and licenses	**138,398,319**	56,360,919
Printing and supplies	**14,312,254**	19,904,414
Training	**8,576,619**	9,362,902
Utilities	**8,538,369**	8,089,689
Provision for (reversal from) credit and impairment losses (Note 6)	**(78,417,487)**	58,143,024
Others – net	**255,984,476**	57,598,294
	₱2,707,166,900	₱2,412,329,411

Others pertain primarily to medical examination fees, cloud subscription fees and donations.

22. Investment and Finance Expenses

This account consists of:

	2022	2021
Real estate expenses (Note 9)	**₱240,477,036**	₱205,222,780
Investment management expenses	**4,631,412**	8,800,400
Interest expense on lease liabilities (Note 32)	**1,169,207**	1,778,050
	₱246,277,655	₱215,801,230

"Real estate expenses" pertains to building administration fees, real estate taxes and other expenses incurred by the Group related to its properties held for lease.

"Investment management expenses" commissions paid to securities brokers.

23. Other Losses

This account consists of:

	2022	2021
Impairment loss on AFS equity securities (Note 6)	**₱–**	₱185,370,684
Impairment loss on Investment property (Note 9)	–	123,381
	₱–	₱185,494,065

24. Personnel Expenses

This account consists of:

	2022	2021
Salaries and bonuses	**₱1,139,001,082**	₱1,105,545,570
Employee benefits	**81,680,132**	135,424,990
Retirement benefits expense (Note 25)	**130,209,740**	105,957,355
	₱1,350,890,954	₱1,346,927,915

25. Retirement Benefits

The Group accrues the provision for retirement benefits covering all of its regular employees based on the Group's retirement plan that is compliant with the provision of Republic Act (RA) No. 7641. The benefits are based on the years of service and compensation of the employees.

The retirement plan of the Parent Company is administered by a trustee-bank under the supervision of the Retirement Committee of the Plan. The Retirement Committee is responsible for investment strategy of the Plan. The Retirement Committee of the Plan has the following major responsibilities as provided in the declaration of trust:

a. Manages and administers the Plan in accordance with its provisions;
b. Settles all questions involving interpretation of the provisions of the Plan and questions of entitlement to benefits;
c. Considers and approves investment policies and guidelines as provided for in the Trust Agreement;
d. Approves all payments and disbursements from the Retirement Fund; and
e. Helps in the compliance risk of the Parent Company.

The subsidiaries' retirement funds are administered by UBP under the supervision of the Retirement Committee of the respective plans. The Retirement Committee of the subsidiaries' plans is responsible for the investment strategy of the plans.

Effective January 1, 2020, the Parent Company amended the Insular Life Assurance Co., Ltd. Employees' Retirement Plan from a hybrid (defined contribution with defined benefit guarantees) retirement plan to a defined benefit retirement plan.

Under the amended plan, the credited monthly salary is equivalent to the latest month basic salary in contrast to the old plan whereby it is equivalent to the latest monthly basic salary multiplied by 14/12.

Under the amended plan, the eligibility for normal retirement is age 65 (effective one day after the 65th birthday) with benefit equivalent to 175% of the Plan salary per year of credited service. Moreover, eligibility for early retirement is age 50 and 10 years of service, subject to the consent of the Company with benefit equivalent to the applicable percentage of the Plan salary depending on the years of service. Upon death of a member of the Plan, a benefit equals to 175% of the employee's latest monthly basic salary, overtime pay, commissions, bonuses, and/or profit-sharing payments and other fluctuating emoluments or monetary benefits which are not considered as part of or integrated into the basic salary, for every year of continuous service.

The tables below summarize the components of retirement benefits cost recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the retirement plans.

a. Retirement benefits expense recognized in the consolidated statements of income follows:

	2022	2021
Current service cost	**₱88,123,455**	₱102,912,248
Net interest cost (income)	**(5,907,823)**	3,336,347
Retirement benefits expense	**₱82,215,632**	₱106,248,595

b. Net retirement benefits liability (asset) recognized in the consolidated statements of financial position follow:

	2022	2021
Present value of defined benefit obligation	**₱1,343,291,651**	₱1,161,714,011
Fair value of net plan assets	**(1,255,426,637)**	(1,278,937,100)
Retirement benefits liability (asset)	**₱87,865,014**	(₱117,223,089)

The net retirement benefit liability (asset) as presented in the consolidated statements of financial position follow:

	2022			
	Parent Company	**IIC**	**I-Care**	**Total**
Net retirement benefit asset	**₱-**	**(₱1,021,393)**	**₱–**	**(₱1,021,393)**
Net retirement benefit liability	**78,375,991**	**–**	**10,510,416**	**88,886,407**
	₱78,375,991	**(₱1,021,393)**	**₱10,510,416**	**₱87,865,014**

	2021			
	Parent Company	IIC	I-Care	Total
Net retirement benefit asset	(₱125,755,019)	(₱1,021,393)	₱–	(₱126,776,412)
Net retirement benefit liability	–	–	9,553,323	9,553,323
	(₱125,755,019)	(₱1,021,393)	₱9,553,323	(₱117,223,089)

c. Movements in net retirement benefits liabilities (assets) recognized in the consolidated statements of financial position follow:

	2022	2021
Balance at beginning of year	**(₱117,223,089)**	₱86,007,852
Retirement benefits expense	**82,215,632**	106,248,595
Actual contributions	**(79,812,475)**	(158,444,196)
Remeasurements recognized in OCI (gross of deferred income tax impact)	**203,220,446**	(150,744,100)
Benefits paid from Company operating funds	**(535,500)**	(291,240)
Balance at end of year	**₱87,865,014**	(₱117,223,089)

d. Changes in the present value of defined benefit obligation follow:

	2022	2021
Balance at beginning of year	**₱1,161,714,011**	₱1,571,929,618
Current service cost	**88,123,455**	102,912,248
Interest cost on defined benefit obligation	**57,065,604**	58,193,847
Benefits paid	**(105,927,775)**	(380,151,095)
Benefits paid from Company operating funds	**(535,500)**	(976,678)
Re-measurements on:		
Actuarial losses (gains) arising from changes in financial assumptions	**115,489,647**	(165,893,939)
Actuarial losses (gains) arising from experience adjustments	**27,362,209**	(24,299,990)
Balance at end of year	**₱1,343,291,651**	₱1,161,714,011

e. Changes in the fair value of plan assets follow:

	2022	2021
Balance at beginning of year	**₱1,278,937,100**	₱1,486,549,470
Actual contributions	**79,812,475**	158,444,196
Interest income	**62,973,427**	54,857,500
Actuarial losses on returns excluding amount recognized in net interest cost	**(60,368,590)**	(40,077,533)
Benefits paid	**(105,927,775)**	(380,836,533)
Balance at end of year	**₱1,255,426,637**	₱1,278,937,100

The major categories of plan assets (before deducting the related liabilities) as a percentage of fair value of plan assets of the Parent Company as of December 31 are as follows:

	December 31, 2022	**Percentage**	December 31, 2021	Percentage
Cash and cash equivalents	**₱431,594,223**	**35%**	₱77,336,894	6%
Receivables	**6,499,584**	**1%**	9,735,196	1%
Equity investment portfolio by industry classification:				
Food, beverage, and tobacco	**42,128,436**	**3%**	64,915,910	5%
Electricity, energy, power and water	**85,998,000**	**7%**	78,820,200	6%
Construction	**37,332,000**	**3%**	39,345,000	3%
Real Estate	**42,999,670**	**3%**	–	0%
Telecommunications	**8,743,720**	**1%**	3,190,000	0%
Others	**6,236,180**	**1%**	1,274,900	0%
	661,531,813	**54%**	274,618,100	22%
Debt securities:				
Government	**372,096,772**	**30%**	728,744,122	58%
Private	**205,054,095**	**16%**	256,239,238	20%
	577,150,867	**46%**	984,983,360	78%
Fair value of plan assets	**₱1,238,682,680**	**100%**	₱1,259,601,460	100%

**Excluding liabilities amounting to ₱693,964 and ₱2,443,847 for 2022 and 2021, respectively.*

All equity and debt securities held have quoted prices in an active market. As of December 31, 2021, the plan assets have significant concentration on the sovereign debt of the Philippines. As of December 31, 2022, significant portion of the Group's plan assets have been placed in bank deposit accounts.

The Parent Company's Retirement Committee reviews the level of funding of the Parent Company's pension plan annually. The said review includes, among others, asset-liability matching (ALM) and investment strategy. The principal objective of the Parent Company's ALM is to ensure the expected return on plan assets to be sufficient to support the desired level of funding arising from the projected maturity profile of the defined benefit plans. The Retirement Committee decides to gear towards investing in fixed income securities based on a matrix of allowable types of investments maintained by the Parent Company. For fixed income instruments, government securities with tenors of one to three years and more than three years may account for up to 30% and 80% of the portfolio, respectively, while treasury bills can consist of up to 10%. Corporate issues with maturities of five years and less and those more than five years may comprise up to 15% and 10% of the portfolio, respectively. Investments in equities are allowed up to 20%, and cash and cash equivalents can reach up to 10% of the portfolio, except in certain circumstances as approved by the Retirement Committee.

The latest actuarial valuation of the plan is as of December 31, 2022. The principal actuarial assumptions used to determine retirement benefits costs follow:

	2022	2021
Discount rate*	**7.29%-7.22%**	4.99% - 5.08%
Future salary increases	**5.00% - 8.00%**	4.00% - 5.00%

** This is the single weighted average discount rate which is based on BVAL reference rates at various tenors as of December 31, 2022 and of December 29, 2021, respectively. Rates for intermediate durations were interpolated.*

The Group contributed ₱79,812,475 to its defined benefit plan in 2022 and expects to contribute ₱132,481,511 to its defined benefit plan in 2023.

The discount rate and salary increase rate were identified as significant actuarial assumptions. The sensitivity analysis below has been determined based on methods that extrapolate the impact in the Group's defined benefit obligation as of December 31 as a result of reasonably possible changes in each significant assumption, assuming all other assumptions were held constant. The below amounts disclosed shows the defined benefit obligation balance as of December 31 depending on the changes in the assumptions:

	Group	
	2022	2021
Discount rate:		
Increase of 1%	**(₱130,248,234)**	(₱110,218,028)
Decrease of 1%	**153,160,118**	129,682,115
Salary increase rate:		
Increase of 1%	**157,165,528**	134,278,199
Decrease of 1%	**(136,001,505)**	(116,069,317)

Shown below is the maturity analysis of the undiscounted benefit payments as of:

	Group	
	2022	2021
Less than 1 year	**₱55,314,674**	₱73,971,694
1 year to less than 5 years	**422,891,137**	343,585,355
5 years to less than 10 years	**839,341,108**	640,391,924
10 years to less than 15 years	**1,181,233,853**	766,330,462
15 years to less than 20 years	**1,625,900,961**	861,726,008
20 years and above	**5,302,073,188**	2,304,888,243
	₱9,426,754,921	₱4,990,893,686

The range of the average duration of the defined benefit obligation at the end of the reporting period is 14.57 years to 19 years and 18 years to 18.01 years in 2022 and 2021, respectively.

26. Income Taxes

a. The components of provision for income tax follow:

	2022	2021
Current		
MCIT	**₱21,133,748**	₱12,785,208
RCIT	**–**	29,088,601
Final	**573,027,608**	547,726,469
	594,161,356	589,600,278
Deferred	**71,046,570**	176,161,357
	₱665,207,926	₱765,761,638

b. The components of the Group's net deferred income tax assets (liabilities) follow:

	2022					
				Provision for (benefit) from income tax		
	Beginning of Year	**PFRS 9 transition adjustments***	**Beginning of Year (as adjusted)**	**Charged to Income**	**Charged to OCI**	**End of Year**
Deferred income tax assets:						
Accrued expenses not yet deductible	**₱148,201,635**	**₱–**	**₱148,201,635**	**(₱13,956,537)**	**₱–**	**₱134,245,098**
Unamortized past service cost contributions	**51,627,327**	**–**	**51,627,327**	**(9,522,219)**	**–**	**42,105,108**
Allowance for impairment on loans and receivables	**24,073,754**	**13,474,790**	**37,548,544**	**(14,873,234)**	**–**	**22,675,310**
NOLCO	**–**	**–**	**–**	**25,097,123**	**–**	**25,097,123**
Excess MCIT over RCIT	**–**	**–**	**–**	**1,309,714**	**–**	**1,309,714**
Retirement benefit asset (liability)	**(31,719,844)**	**–**	**(31,719,844)**	**492,478**	**50,677,962**	**19,450,596**
	192,182,872	**13,474,790**	**205,657,662**	**(11,452,675)**	**50,677,962**	**244,882,949**
Deferred income tax liabilities:						
Loss (gain) on re-measurement on life insurance reserves	**1,035,739,335**	**–**	**1,035,739,335**	**–**	**(2,929,186,117)**	**(1,893,446,782)**
Unrealized foreign exchange difference	**(53,319,243)**	**–**	**(53,319,243)**	**(61,382,732)**	**–**	**(114,701,975)**
Revaluation increment in investment properties	**(823,268,773)**	**–**	**(823,268,773)**	**1,930,910**	**–**	**(821,337,863)**
Reserve for fluctuation in AFS financial assets	**(15,583,007)**	**–**	**(15,583,007)**	**–**	**(19,138,567)**	**(34,721,574)**
Accrued rent income	**(7,730,392)**	**–**	**(7,730,392)**	**(142,073)**	**–**	**(7,872,465)**
	135,837,920	**–**	**135,837,920**	**(59,593,895)**	**(2,948,324,684)**	**(2,872,080,659)**
Net deferred income tax assets (liabilities)	**₱328,020,792**	**₱13,474,790**	**₱341,495,582**	**(₱71,046,570)**	**(₱2,897,646,722)**	**(₱2,627,197,710)**

**Deferred tax asset amounting to ₱13,474,790 and charged to unappropriated retained earnings resulted from additional ECL, recognized upon adoption of PFRS 9 as of January 1, 2022.*

	2021			
		Provision for (benefit) from income tax		End of Year
	Beginning of Year	Charged to Income	Charged to OCI	
Deferred income tax assets:				
Loss (gain) on re-measurement on life insurance reserves	₱3,576,449,518	(₱247,159)	(₱2,540,463,024)	₱1,035,739,335
Accrued expenses not yet deductible	160,634,967	(12,433,332)	–	148,201,635
Unamortized past service cost contributions	61,078,552	(8,533,604)	(917,621)	51,627,327
Allowance for impairment on loans and receivables	12,388,754	11,685,000	–	24,073,754
Impairment of investment properties and property and equipment	6,843,543	(6,843,543)	–	–
	3,817,395,334	(16,372,639)	(2,541,380,645)	1,259,642,051
Deferred income tax liabilities:				
Retirement benefit liability (asset)	21,684,039	(11,138,162)	(42,265,721)	(31,719,844)
Unrealized foreign exchange difference	272,383,639	(325,702,882)	–	(53,319,243)
Revaluation increment in investment properties	(990,287,991)	167,019,218	–	(823,268,773)
Reserve for fluctuation in AFS financial assets	(19,034,635)	–	3,451,628	(15,583,007)
Accrued rent income	(17,763,498)	10,033,106	–	(7,730,392)
	(733,018,446)	(159,788,718)	(38,814,093)	(931,621,259)
Net deferred income tax assets (liabilities)	₱3,084,376,888	(₱176,161,357)	(₱2,580,194,738)	₱328,020,792

The net deferred tax asset and net deferred tax liability as presented in the consolidated statements of financial position follow:

	2022			
	Parent Company	**IIC**	**I-Care**	**Total**
Net deferred tax asset	**₱–**	**₱**	**₱52,875,419**	**₱52,875,419**
Net deferred tax liability	**(2,679,774,145)**	**(298,984)**	**–**	**(2,680,073,129)**
	(₱2,679,774,145)	**(₱298,984)**	**₱52,875,419**	**(₱2,627,197,710)**

	2021			
	Parent Company	IIC	I-Care	Total
Net deferred tax asset	₱300,126,646	₱–	₱28,134,137	₱328,260,783
Net deferred tax liability	–	(239,991)	–	(239,991)
	₱300,126,646	(₱239,991)	₱28,134,137	₱328,020,792

c. Deferred income tax assets were not recognized on the following items since it is not expected that sufficient future taxable profits will be available against which these items can be utilized prior to their expiration:

	2022	2021
NOLCO	**₱1,588,617,762**	₱1,408,175,180
Excess of MCIT over RCIT	**53,894,419**	65,320,295
	₱1,642,512,181	₱1,473,495,475

d. The Group's NOLCO available for deduction from future taxable income follows:

Year Incurred	Expiration	January 1, 2022	Incurred	Expired	December 31, 2022
2018	2021	₱–	₱–	₱–	₱–
2019	2022	460,512,793	–	(460,512,793)	–
2020	2025*	922,236,127	–	–	922,236,127
2021	2026*	25,426,260	–	–	25,426,260
2022	2025	–	741,343,867	–	741,343,867
		₱1,408,175,180	₱741,343,867	(₱460,512,793)	₱1,689,006,254

**The NOLCO incurred in 2021 and 2020 can be carried over as a deduction from taxable income for the next five consecutive taxable years from the year it was incurred pursuant to Revenue Regulations No. 25-2020 (RR 25-2020), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act.*

e. The Group's unused excess of MCIT over RCIT follows:

Year Incurred	Expiration	January 1, 2022	Incurred	Applied	Expired	December 31, 2022
2018	2021	₱–	₱–	₱–	₱–	₱–
2019	2022	31,092,967	–	–	(31,092,967)	–
2020	2025	15,850,625	–	–	–	15,850,625
2021	2026	18,376,703	–	–	–	18,376,703
2022	2025		24,905,547	–	–	24,905,547
		₱65,320,295	₱24,905,547	₱–	(₱31,092,967)	₱59,132,875

f. The reconciliation of the provision for income tax at the statutory income tax rates to the provision for income tax shown in the statements of income is shown below.

	2022	2021
Provision for income tax at statutory income tax rates	**₱1,466,810,634**	₱1,158,078,947
Adjustments for:		
Equity in net earnings of associates	**(391,909,395)**	(499,369,708)
Interests subjected to final tax at lower tax rates and dividends/interest exempt from tax	**(974,801,605)**	(913,966,815)
Movement in NOLCO and excess MCIT over RCIT without deferred income tax asset set up	**180,714,125**	25,026,506
Nontaxable income	**(29,611,202)**	(320,780,736)
Final taxes	**571,907,467**	545,289,172
Nondeductible expenses	**(157,902,097)**	861,862,781
Impact of CREATE	**–**	(90,378,512)
Provision for income tax	**₱665,207,927**	₱765,761,635

Relevant Tax Regulations

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

RA 11534 otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) was signed into law by President Rodrigo Duterte last March 26, 2021. The law became effective on April 11, 2021, fifteen (15) days after its publication in a newspaper of general circulation on March 27, 2021.

The following are the relevant tax regulations under the CREATE Act affecting the Group:

Income Tax

a) MCIT, computed at 1% gross income from July 1, 2020 to June 30, 2023, net of allowable deductions as defined under the tax regulations, or to RCIT of 25% effective July 1, 2020, whichever is higher. Starting July 1, 2023, the MCIT rate will revert to 2%;
b) NOLCO can be claimed as deductions against taxable income within three years after NOLCO is incurred. The excess of the MCIT over income tax due may be carried over to the three succeeding taxable years and credited against income tax due provided the Group is in RCIT position. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

27. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

The following are short term in nature; hence, the carrying value approximates the fair value:

- Cash and cash equivalents;
- Short term investments;
- Insurance receivable;
- Financial assets at amortized cost/ Loans and receivable including:
  - Policy loans;
  - Accounts receivable;
  - Interest receivable;
  - Due from agents; and
  - Other receivables;
- Other insurance liabilities; and
- Accrued expenses and other liabilities excluding taxes and other statutory liabilities.

Equity Securities

The fair values of equity securities are based on closing prices as published by the PSE.

Investment in Unit Investment Trust Fund (UITF)

Fair values of Investment in UITF are based on Net Asset Value per unit released by the counterparty based on the performance of the fund.

Debt Securities

The fair values of debt securities are based on quoted prices. For unquoted debt securities, where fair value is not reasonably determinable, fair values are estimated using the discounted cash flow technique that makes use of market rates.

Structured VULs

The fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer.

Term, Mortgage, Housing and Car Financing Loans

For disclosure purposes, fair values of these loans are estimated using the discounted cash flow technique that makes use of the Group's incremental lending rates for similar types of instruments.

Legal Policy Reserves

The carrying amounts of legal policy reserves reflect the statutory reserves.

The tables show analysis of financial instruments at fair value by level of the fair value hierarchy as of December 31:

	2022				
			Fair Value		
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL					
Equity securities - quoted	₱147,797,056	₱147,797,056	₱–	₱–	₱147,797,056
Investments in mutual funds and	349,049,648	349,049,648	–	–	349,049,648
Under separate funds*:					
Traditional VULs					
Equity securities - quoted	20,546,115,036	20,546,115,036	–	–	20,546,115,036
Debt securities – quoted					
Government:					
Local currency	2,118,876,990	341,239,482	1,777,637,508	–	2,118,876,990
Foreign currency	1,927,910,468	1,927,910,468	–	–	1,927,910,468
Corporate:					
Local currency	525,043,009	291,682,143	233,360,866	–	525,043,009
Foreign currency	34,264,653	34,264,653	–	–	34,264,653
Investment in UITF					
Local currency	11,298,805,939	–	11,298,805,939	–	11,298,805,939
Foreign currency	2,724,373,164	–	2,724,373,164	–	2,724,373,164
Structured VULs					
Foreign currency	133,867,755	–	–	133,867,755	133,867,755
	39,806,103,718	23,638,058,486	16,034,177,477	133,867,755	39,806,103,718
Financial Assets at FVOCI					
Equity securities:					
Quoted	32,680,823,430	32,680,823,430	–	–	32,680,823,430
Unquoted**	1,058,540,410	–	1,010,972,925	20,685,061	1,031,657,986
Debt securities – quoted					
Government:					
Local currency	31,207,137,383	2,798,203,229	28,408,934,154	–	31,207,137,383
Foreign currency	940,828,426	940,828,426	–	–	940,828,426
Corporate:					
Local currency	13,247,484,615	12,997,248,575	250,236,040	–	13,247,484,615
Foreign currency	464,906,935	464,906,935	–	–	464,906,935
	79,599,721,199	49,882,010,595	29,670,143,119	20,685,061	79,572,838,775
Financial Assets at Amortized Costs					
Investments in debt securities					
Government:					
Local currency	137,204,489	137,204,489	–	–	137,204,489
Corporate:					
Local currency	12,000,000	–	12,635,082	–	12,635,082
Term loans	2,403,125,000	–	–	1,759,767,610	1,759,767,610
Unquoted debt security	724,160,000	–	–	697,539,079	697,539,079
Housing loans	92,662,164	–	–	71,229,400	71,229,400
Car financing loans	19,102,766	–	–	18,221,402	18,221,402
	3,388,254,419	137,204,489	12,635,082	2,546,757,491	2,696,597,062
TOTAL FINANCIAL ASSETS	₱122,794,079,336	₱73,657,273,570	₱45,716,955,678	₱2,701,310,307	₱122,075,539,555

**Excluding cash and cash equivalents, other receivables and other payables with carrying amount of ₱869,283,185, ₱253,486,767 and ₱92,765,512, respectively.*

	2021				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets at FVPL					
Equity securities - quoted	₱983,638,045	₱983,638,045	₱–	₱–	₱983,638,045
Under separate funds*:	349,049,648	349,049,648	–	–	349,049,648
Traditional VULs					
Equity securities - quoted					
Debt securities – quoted	22,487,066,910	22,487,066,910	–	–	22,487,066,910
Government:					
Local currency					
Foreign currency	3,831,982,188	878,697,441	2,953,284,747	–	3,831,982,188
Corporate:	2,260,793,881	2,260,793,881	–	–	2,260,793,881
Local currency					
Foreign currency	424,888,203	424,888,203	–	–	424,888,203
Investment in UITF	36,414,433	36,414,433	–	–	36,414,433
Local currency					
Foreign currency	7,450,366,988	–	7,450,366,988	–	7,450,366,988
Structured VULs	2,051,280,161	–	2,051,280,161	–	2,051,280,161
Local currency					
Foreign currency	248,875,121	–	–	248,875,121	248,875,121
	40,124,355,578	27,420,548,562	12,454,931,896	248,875,121	40,124,355,578
AFS Financial Assets					
Equity securities:					
Quoted	10,388,632,154	10,388,632,154	–	–	10,388,632,154
Unquoted**	401,044,392	–	–	18,734,728	18,734,728
Debt securities – quoted					
Government:					
Local currency	38,687,389,469	38,687,389,469	–	–	38,687,389,469
Foreign currency	1,066,840,895	1,066,840,895	–	–	1,066,840,895
Corporate:					
Local currency	15,838,115,070	15,566,110,786	272,004,284	–	15,838,115,070
Foreign currency	516,126,200	516,126,200	–	–	516,126,200
	66,898,148,180	66,225,099,504	272,004,284	18,734,728	66,515,838,516
HTM Financial Assets					
Government:					
Local currency	159,206,563	169,658,320	–	–	169,658,320
Foreign currency	–	–	–	–	–
Corporate:					
Local currency	20,000,000	20,000,000	–	–	20,000,000
	179,206,563	189,658,320			189,658,320
Loans and receivables					
Term loans	2,841,125,000	–	–	2,568,840,606	2,568,840,606
Unquoted debt security	793,120,000	–	–	911,869,120	911,869,120
Housing loans	102,016,791	–	–	84,358,535	84,358,535
Car financing loans	18,326,961	–	–	16,900,894	16,900,894
	3,754,588,752	–	–	3,581,969,155	3,581,969,155
TOTAL FINANCIAL ASSETS	₱110,956,299,074	₱93,835,306,386	₱12,726,936,180	₱3,849,579,004	₱110,411,821,570

**Excluding cash and cash equivalents, other receivables and other payables with carrying amount of ₱2,468,026,878, ₱153,746,033 and ₱110,554,837, respectively.*
***Excluding club and equity shares carried at cost*

The following table shows the reconciliation of the beginning and ending balances of Level 3 financial assets at FVOCI/AFS investments and financial assets at FVTPL which are recorded at fair value as of December 31:

	2022	2021
Financial assets at FVPL:		
Peso		
Beginning balance	**₱–**	₱455,041,000
Maturity	**–**	(460,355,897)
Fair value gain	**–**	5,314,897
Ending balance	**–**	–

(Forward)

	2022	2021
USD		
Beginning balance	**₱248,875,121**	₱707,525,980
Fair value loss	**(138,216,645)**	(117,570,141)
Foreign exchange adjustments	**23,209,280**	39,061,781
Maturity	**–**	(380,142,499)
Ending balance	**133,867,756**	248,875,121
Total Level 3 financial assets at FVTPL	**₱133,867,756**	₱248,875,121
FVOCI/AFS financial assets:		
Balance at beginning of year	**₱18,734,728**	₱19,024,806
Acquisitions during the year	**1,000,000,000**	–
Fair value gain (loss)	**1,950,335**	(290,078)
Balance at end of year	**₱20,685,063**	₱18,734,728

In 2022 and 2021, no transfers were made among the three levels in the fair value hierarchy.

Investment in non-listed companies
The Group has investments in a holding company, classified as financial assets at FVOCI and available-for-sale (AFS) investments as of December 31, 2022 and 2021, respectively, which are not quoted in the market.

The investee-holding company was valued using adjusted net asset method in 2022 and 2021 since majority of its net assets are carried at fair value. The carrying value of the investment in a holding company amounted to ₱20,217,176 and ₱18,266,841 as of December 31, 2022 and 2021, respectively. Increases (decreases) in the net book value per share would result in a higher (lower) fair value measurement.

Structured VULs
Fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The management performs an independent testing to validate the reasonableness of counterparty values. The sensitivity analysis requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer. Market observable inputs used in the sensitivity analysis include credit default swap (CDS) of the Republic of the Philippines, USD interest rate swap rates (IRS) (for the USD denominated issuances) and USD/PHP cross currency swap rates (for the PHP-denominated issuances).

The sensitivity analysis of the fair market value of the structured notes as of December 31 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss.

Sensitivity of the fair value measurement to changes in observable inputs follows:

	Significant observable input	**Range level at yearend**	**Sensitivity of the input to fair value**
2022	**ROP CDS Level (7 years)**	**97 basis points**	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱267,792 and ₱269,580, respectively.
	USD IRS (7 years)	**388 basis points**	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱267,792 and ₱269,580, respectively.

	Significant observable input	Range level at yearend	Sensitivity of the input to fair value
2021	ROP CDS level (3yrs-8yrs)	56 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱1,138,771 and ₱1,151,130, respectively.
	USD IRS (3yrs-8yrs)	143 basis points	50 basis points increase or decrease in USD IRS would result in the decrease and increase in market value of the note by ₱1,138,771 and ₱1,151,130, respectively.

Note: The structured VULs can be decomposed into bond components and option components. The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

Dollar-denominated notes:

	Significant unobservable input	**Range level at yearend**	**Sensitivity of the input to fair value**
2022	**Bank CDS Level (7-10 years)**	**63-71 basis points**	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱267,792 and ₱269,580, respectively.
2021	Bank CDS Level (3-8 years)	44 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱1,138,771 and ₱1,151,130, respectively.

Note: The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

The Bank CDS level is based on the closest available CDS maturity of the counterparty matched to the remaining maturity of the structured notes. Further, the Bank CDS, is a proxy for the funding cost of the counterparty which is considered as a significant unobservable input.

The above estimates are based on assumptions that, if altered, can change the analysis expressed herein. This shall not constitute a representation or warranty as to future performance of the structured notes. Further, past performance is not indicative of future results.

There is no other impact on the Group's equity other than those already affecting profit or loss.

Fair value disclosure under the Amendments to PFRS 4

The table below presents an analysis of the fair value of classes of financial assets of the Group as of December 31, 2021, prior to the adoption of PFRS 9, as well as the corresponding change in fair value for the year then ended. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and

	2021			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Financial assets at FVPL				
Equity securities - quoted	₱–	₱–	₱983,638,045	₱6,788,880
Under separate fund:			349,049,648	1,849,150
Traditional VULs:				
Cash and cash equivalents				
Equity securities	–	–	869,283,185	–
Investment in UITF	–	–	22,487,066,910	992,394,868
Debt securities	–	–	9,501,647,149	1,093,213,452
Other receivables	–	–	6,554,078,705	(48,173,359)
Other payables	–	–	253,486,767	–
Structured VULs	–	–	(92,765,512)	–
Available-for-sale financial assets	–	–	248,875,121	(73,193,463)
Equity securities				
Debt securities	2,506,880	–	31,949,761,759	7,127,294,400

(Forward)

	2021			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Held-to-maturity financial assets	₱56,108,471,634	(₱3,406,658,792)	₱–	₱–
Loans and receivables	229,206,563	–	–	–
Cash and cash equivalents*				
Short term investments	5,083,425,862	–	–	–
Term loans	2,568,840,606	–	–	–
Unquoted debt securities	911,869,120	–	–	–
Housing loans	84,358,535	–	–	–
Car financing loans	16,900,894	–	–	–
Others	7,113,674,965	–	–	–
	₱72,119,255,059	(₱3,406,658,792)	₱73,104,121,777	₱9,100,173,928

- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

All financial assets under VULs are managed on a fair value basis. Accordingly, these are all presented under "Other financial assets" in the above table.

For disclosures related to credit quality of SPPI financial assets, refer to Note 28.

28. Insurance and Financial Risk Management

The primary objective of the Group's risk and financial management framework is to protect the Group's policyholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the BOT, its committees, and the associated executive management committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the BOT to executive management committees and senior managers. Lastly, a group policy framework which sets out the risk profiles for the Group, risk management, control, and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The BOT approves the Group risk management policies and meets regularly to approve any commercial, regulatory, and organizational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Regulatory Framework

A substantial portion of the Group's long term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints. IC, the Group's leading regulator, is interested in protecting the rights of the policyholders and maintains close vigil to ensure that the Group is satisfactorily managing its affairs for their benefit. At the same time, the IC is also interested in ensuring that the Group maintains an appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

The operations of the Group are also 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., capital adequacy, to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

28.1 Insurance Risk

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The risks associated with life insurance contracts are underwriting risk and investment risk.

28.1.1 *Underwriting risk*

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected; and
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group primarily comprises life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle, and natural disasters, thus resulting in earlier or more claims than expected.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums.

The Group has an objective to control and minimize insurance risk and to reduce volatility of operating profits. The Group manages insurance risk through the following mechanism:

- the use and maintenance of management information systems that provide up to date, accurate and reliable data on risk exposure at any point in time;
- actuarial models based on past experience and statistical techniques aid in pricing decisions and monitoring claims patterns;
- guidelines are issued for concluding insurance contracts and assuming insurance risks;
- pro-active claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims;
- reinsurance is used to limit the Group's exposure to large claims by placing risk with reinsurers providing high security;
- diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography; and
- the mix of insurance assets is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claim payments with the maturity dates of assets.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums, or avail of the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behavior and decisions.

The Group's concentration of insurance risk before and after reinsurance in relation to the type of insurance contract based on sum assured is as follows:

	2022	2021
Whole Life		
Gross	**₱78,833,196,432**	₱84,135,160,162
Net	**71,172,632,012**	75,878,200,965
Endowment		
Gross	**14,804,457,630**	15,344,526,853
Net	**13,396,609,777**	13,767,589,501
Term Insurance		
Gross	**4,317,417,328**	4,937,940,527
Net	**4,259,301,906**	4,894,116,444
Group Insurance		
Gross	**143,026,763,168**	132,233,497,629
Net	**109,107,552,557**	100,761,757,137
Variable Life		
Gross	**143,529,741,436**	127,829,861,349
Net	**103,529,405,855**	89,455,374,910
Total		
Gross	**₱384,511,575,994**	₱364,480,986,520
Net	**₱301,465,502,107**	₱284,757,038,957

28.1.2 Life Insurance Contracts

a. Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions, and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of the Code and guidelines set forth by the IC.

b. Terms

Life insurance contracts offered by the Group mainly include whole life, endowments, term insurance, group insurance, and variable insurance.

Whole life and term insurance are conventional products where lump sum benefits are payable upon death of insured.

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

Group insurance policies are yearly renewable life plan products issued to corporate accounts that provide the beneficiaries of the insured employee cash proceeds in the event of the employee's death.

Variable life products provide, in addition to life insurance coverage, living benefit where payments are linked to units of an investment fund set up by the Group from the premiums paid by the policyholders.

For legal policy reserves, the following assumptions are used:

a. Mortality and morbidity rates
Assumptions on mortality and morbidity are based on the Group's actual experience. Rates are differentiated by age, gender, underwriting class and product type. For life insurance policies, increased mortality rates would lead to larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing profits for stakeholders.

b. Discount rates
Discount rates relate to the time value of money. These are based on the risk-free discount rates prescribed by IC. An increase (decrease) in discount rate would result in decrease (increase) in liability that needs to be set up to meet obligations to policyholders.

c. Expenses
Operating expense assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. The current level of expense is adjusted for inflation in the future. An increase in the level of expense would result in an increase in expenditure thereby reducing profits for the stakeholders.

d. Lapses rates
Assumptions on lapse are based on the Group's actual experience. These are differentiated by product type, annual premium level and duration of the policy. Higher lapse rates on lapse-supported products would translate to a decrease in the reserves that needs to be set-up.

c. Sensitivities
The application of the MfAD in the assumptions ensure that the resulting legal policy reserves will be sufficient. The scenarios tested involved increasing and decreasing one type of assumption by the recommended minimum MfAD while retaining the others constant at the original base run results.

28.1.3 Reinsurance Contracts
a. Terms and Assumptions
The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on excess share basis with retention limits varying by issue age and underwriting classification.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligation to its policyholders. Thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any reinsurance contract.

28.2 Financial Risk
The Group is exposed to financial risk through its financial assets, financial liabilities, insurance assets, and insurance liabilities. In particular, the key financial risk that the Group is exposed to is that proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, and market risk.

These risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements.

The Group has guidelines and procedures on fixed and equity investments. On fixed investments, the Group has to place its investment portfolio in negotiable instruments that will give high-yield, low-risks return without sacrificing the IC and the Group's requirements. The IC requirements state that the investment in fixed instruments shall only come from financial institutions or corporate entities with acceptable ratings from PhilRatings, or at least the rank is within the top 15, in case of banks. Meanwhile, investment in negotiable instruments involving reserve and surplus investments shall follow the guidelines set by the Code (Note 30). On equity investments, the Group has to place its investment portfolio in equity market that will give high-yield, low-risks return taking into account the IC and Group's requirements.

28.2.1 *Credit risk*
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Key areas where the Group is exposed to credit risk pertain to the amounts due from the following:
- Reinsurers in respect of unpaid claims;
- Reinsurers in respect of claims already paid;
- Financial assets at FVPL;
- Financial assets at FVOCI;
- Financial assets at Amortized Cost

Risk Concentrations of the Maximum Exposure to Credit Risk
The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved by the Division Heads.

The following table analyses the Group's concentration of credit risk in the Group's debt securities portfolio under "Financial assets" in the statement of financial position by industrial distribution as percentage of total debt securities:

	2022*	2021**
Property	**34%**	34%
Holding firms	**23%**	21%
Electricity, energy, power, and water	**16%**	15%
Financial institutions	**7%**	9%
Food, beverage, and tobacco	**9%**	9%
Telecommunications	**0%**	3%
Tollways operation and maintenance	**7%**	5%
Others	**4%**	4%
Total	**100%**	100%

*Consists of debt securities classified as financial assets at FVOCI, AC and investments under VUL classified as FVTPL

**Consists of debt securities classified as AFS financial assets, loans and receivable and investments under VUL classified as FVTPL

The Group has a significant concentration of credit risk with counterparties under the "Property" industry as of December 31, 2022 and 2021. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each year-end, management performs assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain a suitable allowance for impairment of reinsurance assets.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Internal audit makes regular reviews to assess the degree of compliance with the Group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

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

Loans to policyholders, which are granted at amount not to exceed the policyholder's cash surrender value, are netted off against the cash surrender values of policies and carry substantially no credit risk.

In respect of investment securities, the Group secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers and setting the minimum ratings for each issuer or group of issuers.

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

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed on the expiry of which the policy is either paid up or terminated.

The maximum credit exposure of the financial assets of the Group is equal to their carrying value except for mortgage loans and housing loans with collaterals. The financial effect of collaterals for mortgage loans amounted to ₱27,179,678 and ₱16,152,376 as of December 31, 2022 and 2021, respectively. The financial effect of collaterals for housing loans amounted to ₱214,686,025 and ₱54,517,542 as of December 31, 2022 and 2021, respectively.

Financial effect is the lower of the carrying value of the financial asset or the fair value of the collateral for each financial asset.

Credit quality per class of financial assets - Applicable beginning January 1, 2022

The table below shows the credit quality of the Group's exposures based on their risk rating and stage classification as of December 31, 2022. The amounts presented are gross of impairment allowances:

	2022				
Segments/Internal rating grade	**ECL staging Stage 1**	**Stage 2**	**Stage 3**	**Total**	2021 Total
Financial assets at FVOCI					
Corporate bonds					
AAA	**₱13,412,308,309**	**₱–**	**₱–**	**₱13,412,308,309**	₱16,001,371,913
BBB	**300,083,240**	**–**	**–**	**300,083,240**	352,869,358
	13,712,391,549	**–**	**–**	**13,712,391,549**	16,354,241,271
Sovereign bonds					
BBB	**32,147,965,808**	**–**	**–**	**32,147,965,808**	39,754,230,364
	45,860,357,357	**–**	**–**	**45,860,357,357**	56,108,471,635
Financial assets at amortized cost					
Term loans and unquoted debt					
AAA	**1,419,535,000**	**–**	**–**	**1,419,535,000**	1,122,875,000
No Rating	**1,707,750,000**	**–**	**–**	**1,707,750,000**	1,718,250,000
	3,127,285,000	**–**	**–**	**3,127,285,000**	3,634,245,000
	₱48,987,642,357	**₱–**	**₱–**	**₱48,987,642,357**	₱59,742,716,635

An analysis of changes in the gross carrying amounts (excluding accrued interest receivable) and corresponding allowance for expected credit loss of its financial assets is as follows:

Financial assets at FVOCI – Corporate Debt Securities

	Gross Carrying Amount				Expected Credit Losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances at January 1, 2022	**₱16,354,241,271**	**₱–**	**₱–**	**₱16,354,241,271**	**₱31,449,617**	**₱–**	**₱–**	**₱31,449,617**
New financial assets originated or purchased	500,000,000	–	–	500,000,000	961,513	–	–	961,513
Financial assets derecognized or matured	(2,472,000,000)	–	–	(2,472,000,000)	(4,753,718)	–	–	(4,753,718)
Other changes in the gross carrying amounts*	(669,849,722)	–	–	(669,849,722)	(1,288,139)	–	–	(1,288,139)
Changes to models, inputs and assumptions	–	–	–	–	–	–	–	–
Balances at December 31, 2022	**₱13,712,391,549**	**₱–**	**₱–**	**₱13,712,391,549**	**₱26,369,273**	**₱–**	**₱–**	**₱26,369,273**

*Pertain to movements in fair value, foreign exchange differences and amortization of premium/discount

Financial assets at FVOCI – Sovereign Debt Securities

	Gross Carrying Amount				Expected Credit Losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances at January 1, 2022	**₱39,754,230,364**	**₱–**	**₱–**	**₱39,754,230,364**	**₱55,743,612**	**₱–**	**₱–**	**₱55,743,612**
New financial assets originated or purchased	6,420,244,806	–	–	6,420,244,806	9,002,504	–	–	9,002,504
Financial assets derecognized or matured	(8,890,696,957)	–	–	(8,890,696,957)	(12,466,587)	–	–	(12,466,587)
Other changes in the gross carrying amounts*	(5,135,812,405)	–	–	(5,135,812,405)	(7,201,465)	–	–	(7,201,465)
Changes to models, inputs and assumptions	–	–	–	–	–	–	–	–
Balances at December 31, 2022	**₱32,147,965,808**	**₱–**	**₱–**	**₱32,147,965,808**	**₱45,078,064**	**₱–**	**₱–**	**₱45,078,064**

*Pertain to movements in fair value, foreign exchange differences and amortization of premium/discount

Financial assets at AC – Term Loans and Unquoted Debt

	Gross Carrying Amount				Expected Credit Losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances at January 1, 2022	**₱3,634,245,000**	**₱–**	**₱–**	**₱3,634,245,000**	**₱4,598,440**	**₱–**	**₱–**	**₱4,598,440**
New financial assets originated or purchased	75,000,000	–	–	75,000,000	81,128	–	–	81,128
Financial assets derecognized or matured	(581,960,000)	–	–	(581,960,000)	(687,526)	–	–	(687,526)
Other changes in the gross carrying amounts*	–	–	–	–	–	–	–	–
Changes to models, inputs and assumptions	–	–	–	–	–	–	–	–
Balances at December 31, 2022	**₱3,127,285,000**	**₱–**	**₱–**	**₱3,127,285,000**	**₱3,992,042**	**₱–**	**₱–**	**₱3,992,042**

*Pertain to movements in fair value, foreign exchange differences and amortization of premium/discount

The Group has segmented its financial assets between loans and investments exposures (in which ECL is measured in an individual approach), and receivables (whereby ECL is calculated on a collective basis). The methodologies for PD, EAD, LGD, and FL adjustments are set separately between these two segments.

Given that the Group has insufficient default history on its portfolio, the PD model for the Individual exposures followed an external benchmarking approach, wherein credit ratings sourced from S&P have been used and transition/migration matrices have been referred to. Cumulative and marginal PD term structures have been calculated based from such.

EAD estimate for the Individual segment follows the scheduled amortization schedule of the exposure, reflecting contractual payments, refinancing, overpayments, and future drawdowns, as applicable.

Similar to PD, the Individual segment's LGD estimates have also been benchmarked externally from S&P's published average recoveries per type of exposure.

In determining the forward-looking adjustment for the Individual segment, macroeconomic variables have undergone univariate and multivariate analyses in order to identify which set of variables produces a statistically significant model in relation to historical defaults. The combination of unemployment rate and inflation has resulted in the highest goodness-of-fit, while satisfying other criteria. The forecasted values of these two macroeconomic variables have been integrated into producing the forward-looking PD estimates.

The Collective segment generally follows an operational simplification, in asset impairment factors are derived from historical aging reports per each type of receivable, and these are used as PD estimates. Considering the use of a provision matrix as practical expedient, the carrying value or outstanding balance per delinquency bucket as of reporting date is used as the EAD in this approach. For receivables in which an underlying security security, collateral, or guarantee can be foreclosed, repossessed, or recovered to offset any loss partially or fully, an LGD has been applied.

The following tables show the breakdown of receivables and the related ECL allowance under the Collective segment. The credit quality of these receivables is analyzed based on days past due.

	December 31, 2022						
	Days Past Due						
	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total	December 31, 2021
Gross carrying amount							
Receivable from operations*	**₱199,926,847**	**₱14,169,005**	**₱8,041,118**	**₱818,903**	**₱42,986,595**	**₱268,942,467**	₱358,535,793
Mortgage loans and other finance receivables**	**120,714,913**	–	–	**536,282**	**15,864,931**	**137,116,126**	149,023,509
Total	**₱320,641,760**	**₱14,169,005**	**₱8,041,118**	**₱4,355,185**	**₱58,851,526**	**₱406,058,593**	₱507,559,302

	December 31, 2022						
	Days Past Due						
	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total	December 31, 2021
ECL allowance							
Receivable from operations*	**₱6,574,315**	**₱5,083,894**	**₱4,820,430**	**₱3,115,143**	**₱42,986,595**	**₱62,580,377**	₱126,933,637
Mortgage loans and other finance receivables**	–	–	–	**2,457**	**5,400,648**	**5,403,105**	6,327,169
Total	**₱6,574,315**	**₱5,083,894**	**₱4,820,430**	**₱3,117,600**	**₱48,387,243**	**67,983,482**	₱133,260,806

	December 31, 2022						
	Days Past Due						
	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total	December 31, 2021
ECL Cover %							
Receivable from operations*	**3.29%**	**35.88%**	**59.95%**	**81.58%**	**100.00%**	**23.27%**	35.40%
Mortgage loans and other finance receivables**	**0.00%**	**0.00%**	**0.00%**	**0.46%**	**34.04%**	**3.94%**	4.25%
Total	**2.05%**	**35.88%**	**59.95%**	**71.58%**	**82.22%**	**16.74%**	26.26%

*Receivables from operations consist primarily of rental receivables, receivables from agents and employees, among others.
**Loans receivables and accrued interest pertain primarily to term loans, unquoted debt and related interest receivables on financial assets at FVOCI and AC.

Credit quality per class of financial assets - Applicable prior to January 1, 2022

The Group uses a credit rating concept based on the borrowers' and counterparties' overall creditworthiness, as follows:

- Investment grade - rating given to borrowers and counterparties who possess strong to very strong capacity to meet their obligations.
- Non-investment grade - rating given to borrowers and counterparties who possess above average capacity to meet their obligations.

The tables below provide the credit quality of the Group 's financial assets as of December 31, 2021.

	2021				
	Neither past due nor impaired				
	Investment Grade	Non-investment Grade	Past due but not impaired	Impaired	Total
Insurance receivables:					
Due premiums	₱–	₱222,042,137	₱–	₱–	₱222,042,137
Reinsurance assets	–	6,155,379	–	–	6,155,379
	–	228,197,516	–	–	228,197,516
Financial assets at FVPL:					
Equity securities – quoted	983,638,045	–	–	–	983,638,045
Investments in funds	349,049,648	–	–	–	349,049,648
Under separate fund: Traditional VULs:					
Cash and cash equivalents	869,283,185	–	–	–	869,283,185
Equity securities – quoted	22,487,066,910	–	–	–	22,487,066,910
Debt securities – quoted					
Government:					
Local currency	3,831,982,188	–	–	–	3,831,982,188
Foreign currency	2,260,793,881	–	–	–	2,260,793,881
Corporate:					
Local currency	424,888,203	–	–	–	424,888,203
Foreign currency	36,414,433	–	–	–	36,414,433
Investment in UITF					
Local currency	7,450,366,988	–	–	–	7,450,366,988
Foreign currency	2,051,280,161	–	–	–	2,051,280,161
Other receivables	253,486,767	–	–	–	253,486,767
Structured VULs:					
Foreign currency	248,875,121	–	–	–	248,875,121
	41,247,125,530	–	–	–	41,247,125,530
AFS financial assets:					
Equity securities:					
Quoted	10,388,632,154	–	–	–	10,388,632,154
Unquoted	401,044,392	–	–	–	401,044,392
Debt securities - fixed rates:					
Quoted:					
Government:					
Local currency	38,687,389,469	–	–	–	38,687,389,469
Foreign currency	1,066,840,895	–	–	–	1,066,840,895
Corporate:					
Local currency	15,838,115,071	–	–	–	15,838,115,071
Foreign currency	516,126,200	–	–	–	516,126,200
	66,898,148,181	–	–	–	66,898,148,181
HTM financial assets					
Government:					
Local currency	159,206,563	–	–	–	159,206,563
Foreign currency	–	–	–	–	–
Corporate:					
Local currency	20,000,000	–	–	–	20,000,000
Foreign currency	–	–	–	–	–
	179,206,563	–	–	–	179,206,563
Loans and receivables:					
Cash and cash equivalents*	₱4,670,717,981	₱–	₱–	₱–	₱4,670,717,981
Short-term investments	–				-
Term loans	2,841,125,000	–	–	–	2,841,125,000
Policy loans	4,787,613,601	–	–	–	4,787,613,601
Accounts receivable	–	1,480,436,749	13,855,000	82,556,209	1,576,847,958
Unquoted bonds	793,120,000	–	–	–	793,120,000
Interest receivable	591,050,620	–	–	–	591,050,620
Housing loans	102,016,791	–	–	–	102,016,791
Car financing loans	18,326,961	–	–	–	18,326,961
Mortgage loans	60,832	26,723,430	2,194,702	543,772	29,522,736
Due from agents	–	31,501,217	–	1,655,102	33,156,319
Others	489,897,177	62,080,776	-	-	551,977,953
	14,293,928,963	1,600,742,172	16,049,702	84,755,083	15,995,475,920
	₱122,618,409,237	₱1,828,939,688	₱16,049,702	₱84,755,083	₱124,548,153,710

(Forward)

**Excluding cash on hand as of December 31, 2021.*

The following tables provide the breakdown of past due but not impaired financial assets as of December 31:

	2021			
	Past due but not impaired			
	Less than 30 days	31 to 60 days	More than 60 days	Total
Loans and receivables:				
Accounts receivable	₱3,647,202	₱906,401	₱9,301,397	₱13,855,000
Mortgage loans	11,925	12,304	2,170,473	2,194,702
	₱3,659,127	₱918,705	₱11,471,870	₱16,049,702

For assets to be classified as "past due and impaired," contractual payments in arrears are more than 90 days. Allowance is recognized in the statements of income for these assets. When credit exposure is adequately secured, arrears of more than 90 days might still be classified as "past due but not impaired," with no impairment adjustment recorded. The Group operates mainly on a "neither past due nor impaired basis" and when evidence of impairment is available, an impairment assessment is performed if applicable.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

Collaterals obtained by the Group are investment properties upon default on mortgage loans and housing loans. The fair value of the collaterals obtained where the Group has the right by contract or custom to sell the assets amounted to ₱339,540,189 and ₱178,388,333 for housing loans and mortgage loans as of December 31, 2022 and 2021, respectively.

Credit risk disclosures under the Amendments to PFRS 4

Prior to the adoption of PFRS 9, the following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel as of December 31, 2021. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	2021				
	Credit Rating				
	Total	AAA	BBB	PRSAaa	Unrated
Available-for-sale debt securities	₱56,108,471,634	₱–	₱40,107,099,721	₱15,086,584,701	₱914,787,212
Held-to-maturity debt securities	179,206,563	179,206,563	–	–	–
Loans and receivables					
Cash and cash equivalents	5,083,425,862	15,293,269	5,066,828,229	–	1,304,364
Term loans	2,841,125,000	–	–	–	2,841,125,000
Unquoted debt securities	793,120,000	793,120,000	–	–	–
Housing loans	102,016,791	–	–	–	102,016,791
Car financing loans	18,326,961	–	–	–	18,326,961
Others*	7,570,169,187	–	–	–	7,570,169,187
	₱72,695,861,998	₱987,619,832	₱45,173,927,950	₱15,086,584,701	₱11,447,729,515

**includes policy loans, accounts receivables, interest receivable, mortgage loans, due from agents and others*

The following table provides information on the fair value and carrying amount under PAS 39 for those SPPI assets that do not have low credit risk as determined by the Group. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	2021	
	Fair value	Carrying amount
Financial assets at FVTPL		
Other receivables	₱253,486,767	₱253,486,767
Loans and receivables		
Term loans	2,568,840,606	2,841,125,000
Housing loans	84,358,535	102,016,791
Car financing loans	16,900,894	18,326,961
Others*	7,570,169,187	7,570,169,187
	₱10,493,755,989	₱10,785,124,706

**includes policy loans, accounts receivables, interest receivable, mortgage loans, due from agents and others*

For the fair value disclosures required by the Amendments to PFRS 4, refer to Note 27.

28.2.2 *Liquidity Risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, or failing on repayment of a contractual obligation, or insurance liability falling due for payment earlier than expected or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the matching of available cash resources in respect of claims arising from insurance contracts.

The Group manages liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Group, specifies minimum proportion of funds to meet emergency calls, sets up contingency funding plans, specifies the sources of funding and the events that would trigger the plan, determines concentration of funding sources, reports of liquidity risk exposures and breaches to the monitoring authority, monitors compliance with liquidity risk policy, and reviews liquidity risk policy for pertinence and changing environment.

The amounts disclosed in the maturity analysis of financial assets used to manage liquidity, insurance liabilities, and financial liabilities of the Group are the contractual undiscounted cash flows based on the remaining period at the reporting date to their contractual maturities or in the case of financial assets at FVTPL and legal policy reserves, the expected repayment dates detailed as follows:

	2022				
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Financial assets:					
Cash and cash equivalents	**₱ 6,728,620,993**	**₱–**	**₱–**	**₱–**	**₱ 6,728,620,993**
Insurance receivables	**125,472,526**	**–**	**–**	**–**	**125,472,526**
Financial assets at FVPL	**38,644,650,476**	**1,154,159,610**	**849,612,330**	**2,824,431,425**	**43,472,853,841**
Financial assets at FVOCI	**41,894,610,090**	**10,949,120,974**	**9,587,613,424**	**48,340,697,801**	**110,772,042,289**
Financial assets at AC	**2,433,320,546**	**716,792,366**	**1,451,051,641**	**4,520,902,444**	**9,122,066,997**
Total financial assets	**89,826,674,631**	**12,820,072,950**	**11,888,277,395**	**55,686,031,670**	**170,221,056,646**
Financial liabilities:					
Insurance liabilities:					
Legal policy reserves	**4,511,999,565**	**2,685,068,346**	**931,111,498**	**35,800,599,356**	**43,928,778,765**
Other insurance liabilities:					
Members' deposits and other funds on deposit*	**41,157,729,854**	**112,297,590**	**28,131,068**	**4,489,814,441**	**45,787,972,953**
Claims pendingsettlement	**2,580,926,851**	**–**	**–**	**–**	**2,580,926,851**
Incurred but not reported	**284,460,127**	**–**	**–**	**–**	**284,460,127**
	48,535,116,397	**2,797,365,936**	**959,242,566**	**40,290,413,797**	**92,582,138,696**
Other financial liabilities:					
Accrued expenses and other liabilities:					
Accounts payable	**₱724,445,811**	**₱–**	**₱461,456,390**	**₱–**	**1,185,902,201**
Accrued employee benefits	**117,966,178**	**–**	**–**	**348,131,204**	**466,097,382**
Commissions payable	**146,147,650**	**–**	**–**	**–**	**146,147,650**
General expenses due and accrued	**293,970,858**	**–**	**–**	**–**	**293,970,858**
Others	**26,841,981**	**–**	**–**	**–**	**26,841,981**
	1,309,372,478	**–**	**461,456,390**	**348,131,204**	**2,118,960,072**
Total financial liabilities	**49,844,488,875**	**2,797,365,936**	**1,420,698,956**	**40,638,545,001**	**94,701,098,768**
Liquidity position	**₱39,982,185,756**	**₱10,022,707,014**	**₱10,467,578,439**	**₱15,047,486,669**	**₱75,519,957,878**

**Excluding unearned membership fees of I-Care amounting to ₱408,168,185*

	2021				
	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	₱4,671,636,757	₱–	₱–	₱–	₱4,671,636,757
Insurance receivables	228,197,516	–	–	–	228,197,516
Financial assets at FVPL	36,874,716,376	1,591,838,817	999,905,252	2,724,255,415	42,190,715,860
AFS financial assets	44,580,508,543	11,121,501,954	13,370,208,703	44,370,666,558	113,442,885,758
HTM financial assets	32,461,582	146,744,981	–	–	179,206,563
Loans and receivables	2,121,444,871	1,328,524,099	562,223,222	8,256,461,791	12,268,653,983
Total financial assets	88,508,965,645	14,188,609,851	14,932,337,177	55,351,383,764	172,981,296,437
Financial liabilities:					
Insurance liabilities:	4,653,554,458	1,408,049,972	3,034,531,069	48,667,528,089	57,763,663,588
Legal policy reserves					
Other insurance liabilities:	39,138,334,289	190,898,647	44,410,656	4,502,800,090	43,876,443,682
Members' deposits and	2,761,390,695	–	–	–	2,761,390,695
other funds on deposit*					
Claims pending settlement	361,134,205	–	–	–	361,134,205
	46,914,413,647	1,598,948,619	3,078,941,725	53,170,328,179	104,762,632,170
Other financial liabilities:					
Accrued expenses and other liabilities:					
Accounts payable	₱645,139,508	₱-	₱422,393,610	₱-	₱1,067,533,118
Accrued employee benefits	121,843,447	–	–	387,172,825	509,016,272
Commissions payable	126,576,683	–	–	–	126,576,683
General expenses due and accrued	107,361,637	–	–	–	107,361,637
Others	15,828,141	–	–	–	15,828,141
	1,016,749,416	–	422,393,610	387,172,825	1,826,315,851
Total financial liabilities	47,931,163,063	1,598,948,619	3,501,335,335	53,557,501,004	106,588,948,021
Liquidity position	₱40,577,802,582	₱12,589,661,232	₱11,431,001,842	₱1,793,882,760	₱66,392,348,416

**Excluding unearned membership fees of I-Care amounting to ₱285,914,056*

It is unusual for a company primarily transacting an insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are, thus, based on management's best estimate based on statistical techniques and past experience.

28.2.3 *Market Risk*
Market risk is the risk of change in fair value of financial instruments from fluctuations in market interest rates (fair value interest rate risk), market prices (equity price risk), and foreign exchange rates (currency risk) whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- The Group structures levels of market risk it accepts through a group market risk policy that determines what constitutes market risk for the Group; basis used to fair value financial assets and financial liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type and duration of instrument; reporting of market risk exposures and breaches to the monitoring authority; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment;

- Set out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment; and

- Establish asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

a. Fair Value Interest Rate Risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate investments in particular are exposed to such risk.

The following tables show the information relating to the Group's exposure to fair value interest rate risk:

	2022							
	Maturity							
Fixed Rate Instruments	**Effective Interest Rate**	**In 1 year or less**	**More than 1 year but not 2 years**	**More than 2 years but not 3 years**	**More than 3 years but not 4 years**	**More than 4 years but not 5 years**	**More than 5 years**	**Total**
Financial assets at FVTPL- debt securities								
Government:								
Local currency	0.0% - 8.0%	₱701,072,429	₱88,327,141	₱181,060,683	₱80,329,143	₱304,401,830	₱763,685,762	₱2,118,876,988
Foreign currency	2.7% - 10.6%	-	274,203,954	252,286,915	-	-	1,401,419,599	1,927,910,468
Corporate:								
Local currency	3.0% - 5.3%	323,573,901	-	-	-	129,821,949	71,647,159	525,043,009
Foreign currency	2.50%	-	-	-	-	-	34,264,652	34,264,652
Structured VULs:								
Local currency	0.00%	-	-	-	-	-	-	-
Foreign currency	0.80%	133,867,755	-	-	-	-	-	133,867,755
Financial assets at FVOCI - debt								
Quoted:								
Government:								
Local currency	0.0% - 13.8%	91,838,226	657,859,110	913,425,732	1,868,311,533	228,734,741	27,446,968,042	31,207,137,384
Foreign currency	2.7% - 9.5%	-	-	-	-	-	940,828,425	940,828,425
Corporate:								
Local currency	3.0% - 8.5%	5,048,026,463	1,231,068,756	2,684,551,111	1,986,891,794	707,541,589	1,589,404,903	13,247,484,616
Foreign currency	2.1% - 5.1%	-	-	49,847,200	-	-	415,059,734	464,906,934
		₱6,298,378,774	₱2,251,458,961	₱4,081,171,641	₱3,935,532,470	₱1,370,500,109	₱32,663,278,276	₱50,600,320,231

	2021							
	Maturity							
Fixed Rate Instruments	Effective Interest Rate	In 1 year or less	More than 1 year but not 2 years	More than 2 years but not 3 years	More than 3 years but not 4 years	More than 4 years but not 5 years	More than 5 years	Total
Financial assets at FVPL - debt securities								
Government:								
Local currency	0.0% - 8.0%	₱2,359,866,178	₱587,925,835	₱91,746,587	₱169,323,172	₱32,755,846	₱590,364,569	₱3,831,982,187
Foreign currency	2.5% - 10.6%	–	–	–	334,806,191	265,872,067	1,660,115,623	2,260,793,881
Corporate:								
Local currency	3.0% - 6.1%	160,148,143	90,918,665	–	–	–	173,821,396	424,888,204
Foreign currency	2.1% - 4.4%	–	–	–	–	–	36,414,432	36,414,432
Structured VULs:								
Local currency	1.50%	-	–	–	–	–	–	-
Foreign currency	1.5% - 2.5%	-	248,875,121	-	–	–	–	248,875,121
AFS debt securities:								
Quoted:								
Government:								
Local currency	0.0% - 13.8%	6,809,994,144	-	548,433,891	2,768,217,892	831,851,079	27,728,892,462	38,687,389,468
Foreign currency	2.7% - 9.5%	–	–	–	–	–	1,066,840,895	1,066,840,895
Corporate:								
Local currency	3.0% - 8.5%	3,000,904,278	4,019,805,071	1,285,767,649	2,839,274,909	2,729,067,948	1,963,295,216	15,838,115,071
Foreign currency	2.1% - 5.1%	–	–	–	51,078,558	-	465,047,641	516,126,199
		₱12,330,912,743	₱4,947,524,692	₱1,925,948,127	₱6,162,700,722	₱3,859,546,940	₱33,684,792,234	₱62,911,425,458

The following tables provide the sensitivity analysis of the fair value of financial assets and its impact to profit before tax and equity due to changes in interest rates as of December 31:

		Changes in variable	Effect on income before tax	Effect on equity
2022	**USD**	**+ 25 basis points**	**(₱2,413,057)**	**(₱43,495,626)**
	PHP	**+ 25 basis points**	**(240,046)**	**(580,287,644)**
	USD	**- 25 basis points**	**2,473,534**	**44,888,138**
	PHP	**- 25 basis points**	**243,560**	**593,414,662**
2021	USD	+ 25 basis points	(₱2,980,537)	(₱43,411,773)
	PHP	+ 25 basis points	(197,340)	(698,395,410)
	USD	- 25 basis points	3,064,031	44,621,923
	PHP	- 25 basis points	200,182	715,442,369

The impact on the Group's equity already excludes the impact on transactions affecting profit or loss.

The use of +/-25 basis points is a reasonably possible change in the market value of the debt securities.

b. Equity Price Risk
The Group's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, financial assets at FVOCI/ AFS investments, and financial assets at FVPL.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial recognized in the statements of income) and on statements of changes in members' equity (due to changes in fair value of financial assets recognized in OCI).

	Change in PSE index	Effect on income before tax	Effect on Equity
2022	**Increase by 5%**	**₱922,367,928**	**₱1,884,196,919**
	Decrease by 5%	**(915,236,142)**	**(1,812,029,918)**
2021	Increase by 5%	954,564,491	1,753,171,301
	Decrease by 5%	(954,564,491)	(1,753,171,301)

The impact on the Group's equity already excludes the impact on transactions affecting profit or loss.

Risk Concentrations of the Maximum Exposure to Equity Price Risk
The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The following table below analyses the Group's concentration of equity price risk in the Group's equity portfolio under "Financial assets" in the statement of financial position by industrial distribution as percentage of total equity securities:

	2022*	2021**
Financial institutions	**58%**	52%
Electricity, energy, power, and water	**11%**	12%
Holding firms	**10%**	11%
Property	**8%**	9%
Food, beverage, and tobacco	**5%**	6%
Telecommunications	**1%**	2%
Others	**6%**	8%
Total	**100%**	100%

*Consists of equity instruments classified as FVOCI and investments under VUL at FVTPL
**Consists of equity instruments classified as AFS financial assets and investments under VUL at FVPL

28.2.4 *Currency Risk*
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign currency-denominated assets and liability as of December 31 consist of the following:

	2022		2021	
	United States Dollar Value	**Peso Equivalent**	United States Dollar Value	Peso Equivalent
Assets				
Cash and cash equivalents	**$3,868,780**	**₱215,703,856**	$8,963,441	₱457,126,546
Financial assets at FVPL	**90,327,137**	**5,036,189,504**	95,424,321	4,866,544,948
Financial assets at FVOCI	**25,212,723**	**1,405,735,359**	–	–
AFS investments	–	–	31,039,179	1,582,967,095
	$119,408,640	**₱6,657,628,719**	$135,426,941	₱6,906,638,589
Liabilities				
Legal policy reserves	**$336,974**	**₱18,788,008**	$439,581	₱22,418,183
	$336,974	**₱18,788,008**	$439,581	₱22,418,183

The foregoing United States Dollar amounts have been restated to their Peso equivalents using the exchange rate of 55.755 and 50.999 to US$1.00, as recommended by IC, as of December 31, 2022 and 2021, respectively. Net foreign exchange gain amounted to ₱232,246,583 in 2022 and ₱168,126,782 in 2021.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before tax (due to changes in fair value of currency sensitive monetary assets and liabilities).

	Change in USD - PHP exchange rate	**Effect on income before tax**
2022	**Increase by 2.40%**	**(₱160,234,001)**
	Decrease by 2.40%	**160,234,001**
	Change in USD - PHP exchange rate	Effect on income before tax
2021	Increase by 0.61%	(₱42,267,246)
	Decrease by 0.61%	42,267,246

There is no other impact on the Group's equity other than those already affecting profit or loss.

29. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be realized or settled:

	2022		
	Less than 12 months	**Over 12 months**	**Total**
ASSETS			
Cash and Cash Equivalents	**₱6,728,620,993**	**₱–**	**₱6,728,620,993**
Insurance Receivables	**125,472,526**	**–**	**125,472,526**
Financial Assets:			
Fair value through profit or loss	**38,415,101,263**	**3,581,448,788**	**41,996,550,051**
Fair value through OCI	**39,667,584,069**	**39,932,137,130**	**79,599,721,199**
Financial assets at AC	**2,045,219,602**	**6,347,169,743**	**8,392,389,345**
Investments in Associates	**–**	**789,095,228**	**789,095,228**
Investment Properties	**–**	**6,425,301,842**	**6,425,301,842**
Property and Equipment	**749,149**	**1,764,774,502**	**1,765,523,651**
Retirement Benefits Asset	**1,021,393**	**–**	**1,021,393**
Deferred Income Tax Assets - net	**–**	**52,875,419**	**52,875,419**
Other Assets	**81,237,878**	**2,570,801,318**	**2,652,039,196**
Total Assets	**₱87,065,006,873**	**₱61,463,603,970**	**₱148,528,610,843**
LIABILITIES			
Legal Policy Reserves	**₱4,511,999,565**	**₱39,416,779,201**	**₱43,928,778,766**
Other Insurance Liabilities	**44,026,255,519**	**4,627,104,412**	**48,653,359,931**
Accrued Expenses and Other Liabilities	**1,721,168,320**	**809,587,592**	**2,530,755,912**
Retirement benefits liability	**–**	**88,886,407**	**88,886,407**
Deferred Income Tax Liabilities - net	**–**	**2,680,073,129**	**2,680,073,129**
Total Liabilities	**₱50,259,423,404**	**₱47,622,430,741**	**₱97,881,854,145**

	2021		
	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and Cash Equivalents	₱4,671,636,757	₱–	₱4,671,636,757
Insurance Receivables	228,197,516	–	228,197,516
Financial Assets:			
Fair value through profit or loss	36,871,420,514	4,282,939,505	41,154,360,019
Available-for-sale	41,761,063,181	25,137,084,999	66,898,148,180
Held-to-maturity	61,532,613	117,673,950	179,206,563
Loans and receivables	1,789,798,771	8,083,066,691	9,872,865,462
Investments in Associates	–	15,690,084,921	15,690,084,921
Investment Properties	–	6,537,201,448	6,537,201,448
Property and Equipment	–	1,758,645,247	1,758,645,247
Retirement Benefits Asset	1,021,393	125,755,019	126,776,412
Deferred Income Tax Assets - net	–	328,260,783	328,260,783
Other Assets	18,465,923	2,347,741,387	2,366,207,310
Total Assets	₱85,403,136,668	₱64,408,453,950	₱149,811,590,618
LIABILITIES			
Legal Policy Reserves	₱4,653,554,459	₱53,110,109,129	₱57,763,663,588
Other Insurance Liabilities	42,260,859,189	4,738,109,392	46,998,968,581
Accrued Expenses and Other Liabilities	1,409,748,824	809,566,435	2,219,315,259
Retirement benefits liability	–	9,553,323	9,553,323
Deferred Income Tax Liabilities - net	–	239,991	239,991
Total Liabilities	₱48,324,162,472	₱58,667,578,270	₱106,991,740,742

30. Capital Management and Regulatory Requirements

30.1. Capital Management Framework

The Group manages its capital through its compliance with the statutory requirements on minimum members' equity. The Parent Company is also complying with the statutory regulations on Amended Risk-Based Capital (RBC2) Framework to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC2 method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium, and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The Parent Company considers its total retained earnings amounting to ₱32,962,884,952 and ₱28,302,490,771 as of December 31, 2022 and 2021, respectively, as its capital.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to policyholders.

To ensure compliance with these externally imposed capital requirements, it is the Group's policy to monitor fixed capital requirements, and RBC2 requirements on a quarterly basis as part of Group's internal financial reporting process.

The Group and the Parent Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies, and processes from the previous year.

As of December 31, the estimated amount of non-admitted assets of the Parent Company, as defined under the Code, which are included in the accompanying statements of financial position, follows:

	2022	2021
Property and equipment	**₱201,954,861**	₱167,149,281
Accounts receivable and other assets	**2,653,439,804**	2,699,904,771
	₱2,855,394,665	₱2,867,054,052

The Group is not subject (i.e., under guarantyship, suretyship, or other similar arrangements other than reinsurance in the normal course of operation) to any contingent liability, or capital or purchase commitments as of December 31, 2022 and 2021.

30.1.1. Minimum Members' Equity Requirements

Insurance Commission (IC) Circular Letter (CL) No. 2017-14, as amended by CL No. 2019-67, provides for the minimum total members' equity requirements for all mutual life insurance companies on a staggered basis for the years ended December 31, 2016 up to 2022. The term "Members' Equity/Owners' Equity" is equal to the total company assets minus total company liabilities which shall remain unimpaired at all times. The table below shows the amount of minimum total members' equity and schedule of compliance per IC CL No. 2017-14, as amended by CL No. 2019-67.

Minimum Total Members' Equity	**Compliance Date**
1,300,000,000	31 December 2022

As of December 31, 2022 and 2021, the Parent Company's members' equity is ₱50,230,547,919 and ₱47,816,796,618, respectively.

30.1.2. Amended Risk-Based Capital Requirements

In December 2016, the IC issued Circular Letter No. 2016-68 on Amended Risk-Based Capital (RBC2) Framework adopting a three (3) pillar risk-based approach to solvency. Under Pillar 1, all insurance companies are required to maintain the minimum RBC ratio of 100%. Failure to meet the required minimum RBC Ratio based on quarterly and annual submissions shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as Total Available Capital divided by the RBC requirement. Total Available Capital shall include the Parent Company's paid-up capital, contributed and contingency surplus, and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of Total Available Capital only to the extent authorized by the IC.

As of December 31, 2022 and 2021, the Parent Company's Capital Adequacy Ratio under RBC2 Framework is equivalent to 269% and 212% with Total Available Capital of ₱51,130,071,192 and ₱46,531,478,690, and RBC requirement amounting to ₱19,038,426,959 and ₱21,996,925,378, respectively. This is compliant with the minimum statutory requirement of 100%.

The final amount of the RBC ratio can be determined only after the accounts of the Parent Company has been examined by the IC specifically as to admitted and nonadmitted assets as defined under the Amended Insurance Code.

31. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies and subsidiaries , are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions and balances between the Parent Company and the subsidiaries have been eliminated in the consolidation.

Transactions with related parties consist mainly of:

a. Lease of office spaces, dividends, additional investments, interests, and loans. The balances as of and for the years ended December 31, 2022 and 2021 are presented below:

			Outstanding Balance			
Category	Year	Amount of transaction during the year	Due From	Due to	Cash, prepayments and investment accounts	Terms and condition
Subsidiaries*						
Common Overhead	**2022**	**₱31,671,154**	**₱–**	**₱–**	**₱–**	30-day; noninterest-bearing; settled in cash;
	2021	28,475,003	33,161,120	–	–	
Rental Income	**2022**	**8,203,776**	**735,815**	–	–	One to three-year lease contract; 30-day; noninterest-bearing; settled in cash; unsecured, unguaranteed, no impairment
	2021	7,517,609	964,838	–	–	
Rental deposits	**2022**	**312,090**	**355,058**	**5,110,985**	–	noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2021	43,484	24,242	5,127,274	–	
Dividends	**2022**	**500,000**	–	–	–	noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2021	17,000,000	–	–	–	
Insurance revenue	**2022**	**4,021,071**	–	–	–	
	2021	2,187,548	–	–	–	
Association dues, utilities and others	**2022**	**2,493,808**	**470,469**		–	noninterest-bearing; settled in cash; unsecured
	2021	1,669,703	219,347	124,741	–	
Insular Foundation						
Donation	**2022**	**35,608,195**	–	–	–	30-day; noninterest-bearing; settled in cash;
	2021	13,306,835	–	–	–	
Common overhead	**2022**	**7,179,553**	–	–	–	30-day; noninterest-bearing; settled in cash
	2021	5,301,450				
Rental Income	**2022**	**84,943**	–	–	–	One to three-year lease contract; 30-day; noninterest-bearing; settled in cash; unsecured, unguaranteed, no impairment
	2021	80,898	–	–	–	
Rental deposits	**2022**	**2,023**	–	**42,472**	–	noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2021	1,926	–	40,449	–	
Insurance revenue	**2022**	–	–	–	–	
	2021	522,682	–	–	–	

(Forward)

			Outstanding Balance			
Category	Year	Amount of transaction during the year	Due From	Due to	Cash, prepayments and investment accounts	Terms and condition
Association dues, utilities and others	**2022**	**₱18,786**	**₱–**	**₱–**	**₱–**	noninterest-bearing; settled in cash; unsecured
	2021	18,596				
(Forward)						
Associates						
PPVI						
Advances	**2022**	–	**6,000,000**	–	–	non-interest-bearing; unsecured
	2021	–	6,000,000	–	–	
OIIC (formerly MIIC)						
Rental Income	**2022**	**784,455**	**45,068**	–	–	Two to five-year lease contract; 30-day; noninterest-bearing; unsecured; unguaranteed; settled in cash; no impairment
	2021	777,578	441,327			
Rental Deposits	**2022**	**19,441**	–	**2,803,322**	–	noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2021	–	–	2,783,881	–	
Insurance Revenue	**2022**	**1,441,881**	–	–	–	
	2021	3,095,920	–	–	–	
Insurance Expense	**2022**	**892,267**	–	**223,278**	–	
	2021	953,076	–	157,067	–	
Expense Allocation	**2022**	–	–	**17,476,854**	–	
	2021	17,476,854	–	17,476,854	–	
Association dues, utilities and others	**2022**	**281,900**	**366,845**	–	–	
	2021	213,098	386,302	–	–	
Additional Equity Investment	**2022**	**208,462,369**	–	–	–	
	2021	–	–	–	–	
Capital Infusion	**2022**	**120,000,000**	–	–	–	
	2021	–	–	–	–	
UBP**						
Service Fee	**2022**	**284,293,919**	–	–	–	noninterest-bearing; unsecured; unguaranteed; settled in cash
	2021	199,885,285	–	29,090,138	–	
Access Fee, net of amortization during the year	**2022**	**79,721,173**	–	–	–	noninterest bearing; settled in cash
	2021	62,426,605	–	–	800,483,652	
Bancassurance Distribution Expense		**20,818,435**		–		noninterest bearing; settled in cash; unguaranteed; unsecured; no impairment
	2022		–		–	
	2021	23,474,932	–	16,750,902	–	
Rental Income	**2022**	**23,671,597**	–	–	–	One to five-year lease contract; 30-day; noninterest-bearing; unsecured; unguaranteed; settled in cash; no impairment
	2021	25,617,280	553,958	–	–	
Rental Deposits	**2022**	–	–	–	–	noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2021	784,411	–	14,866,561	–	
Dividends	**2022**	**585,578,319**	–	–	–	noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2021	694,698,842	–	–	–	
Director's fees	**2022**	**56,380,801**	–	–	–	
	2021	58,750,984	–	–	–	
Insurance Revenue	**2022**	**402,133,636**	–	–	–	
	2021	246,907,919	–	–	–	
Interest income	**2022**	**22,492,21824,100,834**	–	–	–	
	2021	4,044,945	1,295,000	–	–	
Saving and current accounts						Savings accounts are interest bearing while current accounts are noninterest-bearing; settled in cash; unguaranteed; unsecured, no impairment
	2022	–	–	–	–	
	2021	356,836,234	–	–	1,011,448,385	

(Forward)

			Outstanding Balance			
Category	Year	Amount of transaction during the year	Due From	Due to	Cash, prepayments and investment accounts	Terms and condition
AFS Financial Assets	**2022**	₱–	₱–	₱–	₱–	interest-bearing, unguaranteed; unsecured; unrestricted
	2021	–	–	–	272,004,284	
Association Dues, utilities and others	**2022**	**5,128,161**	**–**	**6,561**	**–**	
	2021	2,842,600	115,786	–	–	
Retirement plan						
Fixed Rate Bond	**2022**	**–**	**–**	**–**	**–**	UBP's fixed rate bond with interest of 5.25% per annum; payable quarterly; ten-year bond; unguaranteed; unsecured
	2021	–	–	–	50,000,000	
TOTAL	**2022**	**₱1,902,195,970**	**₱7,973,255**	**₱25,663,472**	**₱–**	
TOTAL	2021	₱1,774,912,297	₱43,161,920	₱86,417,867	₱2,133,936,321	

**The Parent Company's subsidiaries are disclosed in Note 28. Transactions with subsidiaries are eliminated upon consolidation.*
***As of November 30, 2022, the Company lost its significant influence in UBP and accounted for as equity investment in FVOCI under PFRS9 (Note 3.1.5), and accordingly, UBP is no longer a related party as of December 31, 2022. For purposes of reporting the related party transactions, the transactions up to November 30, 2022 in which UBP is accounted for as associate are still presented, while balances as of December 31, 2022 are no longer disclosed.*

b. In February 2020, the Group invested in subordinated notes issued by UBP and was classified as AFS investments for a face value of ₱300,000,000 as of December 31, 2021. The carrying value of this subordinated note is ₱272,004,284 as of December 31, 2021. This investment earned interest amounting to ₱15,750,000 both in 2022 and 2021.

c. Key management personnel include all officers that have ranks of vice president and up. Compensation of key management personnel is summarized below:

	2022	2021
Salaries and other short-term employee benefits	**₱361,262,639**	₱304,785,841
Post-employment and other long-term benefits	**31,446,382**	29,434,192
	₱392,709,021	₱334,220,033

32. Commitments and Contingent Liabilities

Lease

The Group has entered into noncancelable leases with terms ranging between one month and fifteen years, both as lessee and as lessor. Most leases include a clause to enable upward revision of the rental charge on an annual basis based on contract.

a. Group as lessee

The Group has lease contracts for its branches and offices. Leases of its branches and offices generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments.

The following are the amounts recognized in statement of income:

	2022	2021
Depreciation expense of right-of-use assets included in property and equipment	**₱30,289,834**	₱26,127,423
Interest expense on lease liabilities (Note 22)	**1,169,207**	1,778,050
Rent expense related to short-term leases	**2,740,495**	3,654,291
Total amount recognized in statement of income	**₱34,199,536**	₱31,559,764

The rollforward analysis of lease liabilities follows:

	2022	2021
Beginning balance	**₱36,210,640**	₱25,097,392
Additions	**21,722,357**	35,556,382
Interest expense	**1,169,207**	1,778,050
Payments	**(30,598,997)**	(26,221,184)
Ending balance	**₱28,503,207**	₱36,210,640

Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
1 year	**₱15,629,481**	₱18,280,856
more than 1 year to 2 years	**8,391,539**	7,366,244
more than 2 years to 3 years	**5,665,386**	4,059,272
more than 3 years to 4 years	**2,503,549**	3,194,865
more than 5 years	**611,624**	1,603,053
	₱32,801,579	₱34,504,290

b. Operating lease commitments - the Group as lessor

The future minimum rentals receivable under non-cancelable operating leases follows:

	2022	2021
Within one year	**₱354,330,730**	₱347,465,479
more than 1 year to 2 years	**222,579,004**	246,993,040
more than 2 years to 3 years	**192,716,329**	125,558,440
more than 3 years to 4 years	**55,581,385**	43,889,965
more than 5 years	**10,524,117**	7,584,772
	₱835,731,565	₱771,491,696

Rent income recognized in 2022 and 2021 amounted to ₱718,070,989 and ₱680,268,475 respectively. The lease terms of the Group's non-cancelable operating leases range from 6 months to 12 years.

c. Others
On October 11, 2022, the Group entered into an agreement to purchase a real estate property on installment. Upon full payment of the purchase price by October 25, 2023, a Deed of Absolute Sale will be executed by the seller in favor of the Parent Company, and the title to and possession of the property will be transferred accordingly.

Feedback

We welcome feedback from our stakeholders to improve our reporting process. Please email Ms. Karen L. Plata / Public Relations Staff at klplata@insular.com.ph.

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