P&A
Grant Thornton

Financial Statements and Independent Auditors' Report

United Coconut Planters Life Assurance Corporation

December 31, 2023, 2022 and 2021
(With Corresponding Figures as of January 1, 2022)

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
United Coconut Planters Life Assurance Corporation
Cocolife Building, 6807 Ayala Avenue
Makati City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of United Coconut Planters Life Assurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

Applicable to 2023 and 2022 Financial Statements

(a) Recoverability of Claims Receivables from Coconut Industry Investment Fund (CIIF) Oil Mills Farmers

The Company, as previously being a major investor in CIIF, has been providing insurance claims to coconut farmers. Up until 2010, United Coconut Planters Bank (UCPB) Trust is the counterparty responsible in reimbursing the Company regarding the claims. Due to the ownership issue of UCPB, UCPB Trust's funds were restricted and placed in an escrow which stopped the quarterly payments of UCPB Trust during 2010. CIIF Oil Mills then became the one responsible for the reimbursement of the claims.

However, it was noted that there were no collections received from CIIF Oil Mills despite the fact that the Company continues to pay claims to the farmers. In addition, no additional claims were reimbursed to the Company during 2023 and 2022. The Company also discontinued the billing of interest related to the outstanding balances as management assessed that this interest will not be recovered.

As of December 31, 2023 and 2022, the outstanding balance of claims receivables, net of allowance for impairment of P64.5 million and P54.5 million, respectively, amounted to P495.3 million and P481.8 million, respectively (see Note 11 to the financial statements). In both 2023 and 2022, additional P10.0 million allowance for impairment were recognized by the Company.

Given that the corresponding investment of the Company in CIIF Oil Mills had been fully written-off in 2019, the recoverability of such claims receivables is considered to be remote, hence, should be provided with an adequate allowance for impairment. As of December 31, 2023, and 2022, claims receivables (gross of allowance for impairment) that has been outstanding amounted to P559.8 million and P536.3 million, respectively. However, the Company believes that such claims receivables' collectability is still subject to the final decision of the appropriate court on the pending legal case involving the ownership of CIIF.

We were unable to obtain sufficient appropriate audit evidence, particularly on the appropriateness of the judgment applied and the assumptions made by the Company's management in determining the recoverable amounts of such claims receivables from CIIF Oil Mills farmers as of December 31, 2023 and 2022 in accordance with the impairment requirements of Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, because the information relevant to comply with such impairment requirements are not readily available from management. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

(b) Impairment of Investment in a Subsidiary

As disclosed in Note 14 to the financial statements, the Company has investments in Cocoplans, Inc. (Cocoplans) amounting to P832.0 million (gross of allowance for impairment) as of December 31, 2023 and 2022 presented as part of the Investments in Subsidiaries account in the statements of financial position with carrying amount of P1.5 billion and P1.2 billion, respectively (see Note 14 to the financial statements). Considering that Cocoplans has failed to comply with certain liquidity reserve and capital requirements of the Insurance Commission (IC) in the current and prior years, the carrying amounts of the investment in Cocoplans is deemed to be impaired as of December 31, 2023 and 2022.

In 2023, management retrospectively recognized impairment losses on its investment in Cocoplans amounting to P110.0 million in 2022 and P459.7 million in the Company's retained earnings as of January 1, 2022 (see Note 2 to the financial statements). As a result, the investment in Cocoplans has been fully impaired as of December 31, 2023 and 2022. However, due to lack of information to establish the recoverable amount of such investment, which is needed to determine the appropriate amount of impairment and the timing of such impairment, we were unable to obtain sufficient appropriate audit evidence. Consequently, we were unable to determine the appropriate adjustment to the amount of investment in Cocoplans in the relevant reporting period.

(c) Impairment of Available-for-sale (AFS) Financial Assets

As of December 31, 2023 and 2022, the Company's investment securities classified as AFS financial assets amounted to P8.9 billion and P9.1 billion, respectively, as disclosed in Note 10 to the financial statements. Included in this account are equity investments with carrying amounts of P920.7 million and P437.3 million as of December 31, 2023 and 2022, respectively, which are deemed to have significant and prolonged declines in market prices since acquisition. PAS 39 provides that significant and prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment that needs to be recognized in profit or loss. However, the Company did not recognize any impairment in 2023 and 2022 as it believes such declines in fair values are only considered temporary due to the current economic condition. Due to a lack of formal impairment policy and assessment from management, particularly in defining significant and prolonged fair value declines as indicators of impairment, we were unable to obtain sufficient appropriate audit evidence. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

Material Uncertainty Related to Going Concern

The Company, as regulated by the IC, is required to comply with the minimum risk-based capital (RBC2) ratio of 100% to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

As disclosed in Notes 3 and 5 to the financial statements, in 2019, the Company submitted a five-year recovery plan of actions (the Plan) to the IC to address its previous years' noncompliance with the minimum RBC2 requirement of 100%. The Plan outlined actions to be taken by the Company until 2023 to address the RBC2 ratio deficiency.

In 2022 and 2021, its final RBC2 ratio, as confirmed by the IC, is at 111% and 104%, respectively. In 2023, the Company's RBC2 ratio is at 142%, which is still subject to confirmation of the IC. In addition to the final determination by the IC, the possible effects of the matters described in the *Bases for Qualified Opinion* section of our report might affect such 2023 RBC2 ratio, which may result to possible noncompliance. While such possible noncompliance indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern entity, the Company is confident that it has complied with the IC requirement given that it has exceeded its committed RBC2 ratio of 125% and 110% in 2023 and 2022, respectively, as indicated in the Plan. Management's assessment of the Company's ability to continue as a going concern is disclosed in Note 3 to the financial statements.

In connection with our audits, we have performed procedures to evaluate management's plans as to likelihood of improving the situation and as to the feasibility under the circumstances. Accordingly, the accompanying financial statements were prepared assuming that the Company will continue as a going concern entity, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023 required by the Bureau of Internal Revenue as disclosed in Note 39 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS; neither it is required by the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Jerald M. Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 10076154, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 121830-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002551-041-2023 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 27, 2024

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(With Corresponding Figures as of January 1, 2022)
(Amounts in Philippine Pesos)

	Notes	December 31, 2023	December 31, 2022 (As Restated - see Note 2)	January 1, 2022 (As Restated - see Note 2)
A S S E T S				
CASH AND CASH EQUIVALENTS	7	**P 1,054,339,294**	P 1,398,598,742	P 2,566,395,355
INSURANCE RECEIVABLES - Net	8	**1,096,765,380**	701,939,546	762,149,417
TRADING AND INVESTMENT SECURITIES				
Financial assets at fair value through profit or loss	9	**4,055,083,444**	4,194,907,415	5,139,567,919
Available-for-sale financial assets	10	**8,898,184,160**	9,126,249,909	8,577,971,851
LOANS AND OTHER RECEIVABLES - Net	11	**3,908,345,248**	3,854,757,771	4,738,122,860
ACCRUED INCOME - Net	12	**129,116,252**	135,074,729	101,235,541
REINSURANCE ASSETS	13	**119,686,416**	103,033,674	45,149,853
INVESTMENTS IN SUBSIDIARIES - Net	14	**1,496,798,207**	1,169,798,207	875,778,030
REAL ESTATE INVENTORIES	15	**1,763,386**	5,726,136	11,248,136
INVESTMENT PROPERTIES - Net	16	**1,022,079,250**	983,401,160	888,429,238
PROPERTY AND EQUIPMENT - Net	17	**257,801,431**	248,507,330	214,447,698
RIGHT-OF-USE ASSETS - Net	18	**56,492,585**	80,982,507	25,797,923
INTANGIBLE ASSETS - Net	19	**129,405,428**	122,994,471	100,243,119
DEFERRED TAX ASSETS - Net	33	**215,374,981**	179,533,150	188,290,251
OTHER ASSETS - Net	20	**647,592,783**	578,944,916	528,598,252
TOTAL ASSETS		**P 23,088,828,245**	P 22,884,449,663	P 24,763,425,443
LIABILITIES AND EQUITY				
INSURANCE CONTRACT LIABILITIES	21	**P 15,614,747,679**	P 15,517,055,334	P 17,790,134,168
RESERVE FOR POLICYHOLDERS' DIVIDENDS	22	**240,192,090**	236,815,967	225,878,023
PREMIUM DEPOSIT FUNDS	23	**602,875,179**	578,431,573	862,209,504
INSURANCE PAYABLES	24	**132,406,459**	86,986,719	57,384,124
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	25	**1,058,719,418**	1,207,872,321	1,538,271,027
LEASE LIABILITIES	18	**59,019,086**	86,863,678	31,543,192
NET PENSION LIABILITY	32	**24,367,918**	6,272,545	98,500,408
OTHER LIABILITIES	25	**58,631,714**	47,523,167	152,125,003
Total Liabilities		**17,790,959,543**	17,767,821,304	20,756,045,449
EQUITY	2, 26	**5,297,868,702**	5,116,628,359	4,007,379,994
TOTAL LIABILITIES AND EQUITY		**P 23,088,828,245**	P 22,884,449,663	P 24,763,425,443

See Notes to Financial Statements.

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated - see Note 2)
NET INSURANCE PREMIUMS	27		
Gross premiums on insurance contracts		**P 8,018,853,041**	P 7,294,473,416
Reinsurance premiums ceded		**(47,490,653)**	(58,861,944)
		7,971,362,388	7,235,611,472
OTHER REVENUES			
Investment income - net	28	**1,183,361,635**	786,789,279
Service fees	29	**719,743,749**	651,069,121
Income from variable life funds	2	**442,013,267**	1,452,380,586
Other income - net	28	**7,532,552**	18,324,627
		2,352,651,203	2,908,563,613
NET INSURANCE BENEFITS AND CLAIMS	30		
Gross benefits and claims		**5,131,938,683**	5,015,842,680
Gross change in insurance contract liabilities		**140,067,864**	(369,805,772)
Reinsurers' share on benefits and claims		**(15,852,740)**	(64,371,724)
Reinsurers' share of gross change in insurance contract liabilities		**2,067,319**	865,710
		5,258,221,126	4,582,530,894
OPERATING AND ADMINISTRATIVE EXPENSES			
General and administrative expenses	31	**2,225,213,352**	1,846,877,921
Expenses from variable life fund	2	**1,066,146,177**	2,046,558,778
Commissions		**770,909,490**	800,987,898
Insurance taxes		**150,960,192**	145,804,339
Investment expenses	28	**136,220,477**	132,221,703
Impairment losses on financial assets - net	8, 11	**116,257,800**	77,246,883
Increase (decrease) in loading and cost of collection		**94,275,483**	(20,116,321)
Policyholders' dividends	22	**40,830,406**	36,264,436
Premium refund	2	**1,075,284**	645,478
Impairment losses on non-financial assets	14	**-**	110,000,000
		4,601,888,661	5,176,491,115
PROFIT BEFORE TAX		**463,903,804**	385,153,076
TAX EXPENSE	33	**113,877,302**	117,773,383
NET PROFIT		**350,026,502**	267,379,693
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of life insurance policy reserves	2	**(185,761,632)**	1,631,434,216
Remeasurement of net pension liability	32	**(98,956,250)**	58,800,210
Income tax effect	33	**24,739,063**	(14,700,053)
		(259,978,819)	1,675,534,373
Item that will be reclassified subsequently to profit or loss			
Fair value gains (losses) on available-for-sale financial assets	10	**91,192,660**	(833,665,701)
Other Comprehensive Income (Loss) - Net of Tax		**(168,786,159)**	841,868,672
TOTAL COMPREHENSIVE INCOME		**P 181,240,343**	P 1,109,248,365

See Notes to Financial Statements.

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Contributed Surplus	Reserve for Fluctuation on AFS Financial Assets	Reserve for Net Pension Liability	Reserve for Life Insurance Policy	Retained Earnings Appropriated	Retained Earnings Unappropriated	Retained Earnings Total	Total
Balance at January 1, 2023, as previously reported		P 550,000,000	P 10,000,000	(P 1,081,571,909)	(P 308,625,563)	P 1,418,971,920	P 87,488,920	P 5,010,047,575	P 5,097,536,495	P 5,686,310,943
Prior period adjustment	2	-	-	-	-	-	-	(569,682,584)	(569,682,584)	(569,682,584)
Balance at January 1, 2023, as restated		550,000,000	10,000,000	(1,081,571,909)	(308,625,563)	1,418,971,920	87,488,920	4,440,364,991	4,527,853,911	5,116,628,359
Appropriation for policy reserves	26	-	-	-	-	-	2,134,742	(2,134,742)	-	-
Total comprehensive income (loss) for the year		-	-	91,192,660	(74,217,187)	(185,761,632)	-	350,026,502	350,026,502	181,240,343
Balance at December 31, 2023	26	**P 550,000,000**	**P 10,000,000**	**(P 990,379,249)**	**(P 382,842,750)**	**P 1,233,210,288**	**P 89,623,662**	**P 4,788,256,751**	**P 4,877,880,413**	**P 5,297,868,702**
Balance at January 1, 2022, as previously reported		P 550,000,000	P 10,000,000	(P 247,906,208)	(P 352,725,720)	(P 212,462,296)	P 62,785,726	P 4,657,371,076	P 4,720,156,802	P 4,467,062,578
Prior period adjustment	2	-	-	-	-	-	-	(459,682,584)	(459,682,584)	(459,682,584)
Balance at January 1, 2022, as restated		550,000,000	10,000,000	(247,906,208)	(352,725,720)	(212,462,296)	62,785,726	4,197,688,492	4,260,474,218	4,007,379,994
Appropriation for policy reserves	26	-	-	-	-	-	24,703,194	(24,703,194)	-	-
Total comprehensive income (loss) for the year		-	-	(833,665,701)	44,100,157	1,631,434,216	-	267,379,693	267,379,693	1,109,248,365
Balance at December 31, 2022	26	P 550,000,000	P 10,000,000	(P 1,081,571,909)	(P 308,625,563)	P 1,418,971,920	P 87,488,920	P 4,440,364,991	P 4,527,853,911	P 5,116,628,359

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 463,903,804	P 385,153,076
Adjustments for:			
Interest income	28	(947,502,987)	(803,589,067)
Depreciation and amortization	31	139,127,353	118,988,953
Impairment losses on financial assets - net	8, 11	116,257,800	77,246,883
Dividend income	28	(68,130,111)	(96,403,711)
Interest expense	18, 25, 28	47,892,926	61,427,618
Gain on sale of available-for-sale (AFS) financial assets	10, 28	(48,997,415)	(119,499,990)
Unrealized fair value losses (gains) on financial assets at fair value through profit or loss (FVPL)	9, 28	(34,220,432)	284,344,699
Loss (gain) on sale of financial assets at FVPL	9, 28	(27,438,056)	2,113,682
Unrealized foreign exchange gains - net	9, 10, 24	(21,318,964)	(51,611,009)
Gain on sale of investment properties	16, 28	(18,156,516)	(6,865,361)
Gain on sale of real estate inventories	15, 28	(7,245,574)	(6,638,326)
Gain on sale of property and equipment	17, 28	(66,982)	(162,500)
Impairment losses on non-financial assets	14	-	110,000,000
Operating loss before changes in assets and liabilities		(405,895,154)	(45,495,053)
Increase (decrease) in insurance receivables		(472,171,411)	5,708,979
Decrease in accounts payable and accrued expenses		(149,152,903)	(330,398,706)
Increase (decrease) in loans and other receivables		(92,499,700)	860,619,098
Decrease in insurance contract liabilities		(88,069,287)	(641,644,618)
Decrease in net pension liability		(80,860,877)	(33,427,653)
Increase in other assets		(61,169,662)	(84,990,017)
Increase in insurance payables		45,410,440	29,571,250
Increase (decrease) in premium deposit funds		24,443,606	(283,777,931)
Increase in reinsurance assets		(16,652,742)	(57,883,821)
Increase (decrease) in other liabilities		11,108,545	(104,601,836)
Increase in reserve for policyholders' dividends		3,376,123	10,937,944
Cash used in operations		(1,282,133,022)	(675,382,364)
Interest paid	28	(46,571,473)	(59,746,511)
Cash paid for income taxes		(124,980,068)	(123,716,335)
Net Cash Used in Operating Activities		(1,453,684,563)	(858,845,210)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at FVPL	9	(1,167,889,853)	(1,498,772,303)
AFS financial assets	10	(1,075,464,699)	(4,485,494,296)
Investment in subsidiaries	14	(327,000,000)	(404,020,177)
Investment properties	16	(205,677,897)	(155,625,585)
Property and equipment	17	(93,069,588)	(92,794,425)
Intangible assets	19	(29,407,198)	(42,633,076)
Proceeds from sale/maturities of:			
AFS financial assets	10	1,467,766,751	3,242,985,162
Financial assets at FVPL	9	1,366,654,348	2,188,682,145
Investment properties	16	172,608,818	54,781,060
Property and equipment	17	19,762,519	15,912,551
Real estate inventories	15	11,208,324	12,160,326
Interest received	28	947,502,987	803,589,067
Dividends received		66,610,383	97,207,876
Net Cash From (Used in) Investing Activities		1,153,604,895	(264,021,675)
CASH FLOWS FROM FINANCING ACTIVITY			
Repayment of lease liabilities	18	(44,179,780)	(44,929,728)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(344,259,448)	(1,167,796,613)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,398,598,742	2,566,395,355
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,054,339,294	P 1,398,598,742

Supplemental Information on Non-cash Investing and Financing Activities –

In 2023 and 2022, the Company recognized right-of-use assets amounting to P15.01 million and P98.57 million, respectively, with corresponding lease liabilities of the same amount each year in the statements of financial position (see Note 18).

See Notes to Financial Statements.

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

United Coconut Planters Life Assurance Corporation (the Company) was incorporated on February 16, 1966 and is domiciled in the Republic of the Philippines. The Company was formed to undertake life insurance business, including accident and health insurance; to write insurance contracts providing for all risks, hazards, guarantees and contingencies to which life, accident or health insurance is applicable; to grant endowment and annuities; to issue insurance policies providing for participation or nonparticipation of profits; to reinsure all or part of the risks underwritten by the Company; to undertake all kinds of reinsurance to the extent allowed by law; and, to act as agent or general agent of another insurance company.

The Company is owned by various Filipino individuals.

The Company has a Certificate of Authority No. 2022/44-R issued by the Insurance Commission (IC) to transact in life insurance business until December 31, 2024.

The Company's registered office address, which is also its principal place of business, is at Cocolife Building, 6807 Ayala Avenue, Makati City.

As of December 31, 2023 and 2022, the Company's subsidiaries (all incorporated in the Philippines), effective percentage of ownership and the nature of such components' businesses follow:

	Explanatory Notes	Percentage of Ownership 2023	2022
Subsidiaries:			
Cocogen Insurance, Inc. (Cocogen)	*(a)*	**100%**	100%
Cocoplans, Inc. (Cocoplans)	*(b)*	**100%**	100%
Cocolife Asset Management Company, Inc. (CAMCI)	*(c)*	**100%**	100%
Ultra Security Services, Inc. (Ultra)	*(d)*	**100%**	100%
Healthassist, Inc. (Healthassist)	*(e)*	**100%**	100%
First Metrowheels Service, Inc. (First Metrowheels)*	*(f)*	**100%**	100%
CocoConnect, Inc. (Coconnect)**	*(g)*	**100%**	100%

**100% owned by Ultra*
***100% owned by Healthassist*

Explanatory Notes:

(a) Cocogen is engaged in the business of non-life insurance. The registered office address of Cocogen is located at 22nd Floor, One Corporate Center Condominium, Dona Julia Vargas Avenue, corner Meralco Avenue, Ortigas Center, San Antonio, Pasig City.

(b) Cocoplans is engaged in pre-need business. The registered office address of Cocoplans is located at Cocolife Building, 6807 Ayala Avenue, Makati City.

(c) CAMCI is mainly engaged in providing investment advice to customers. CAMCI's registered office address and principal place of business is located at Cocolife Building, 6807 Ayala Avenue, Makati City.

(d) Ultra is engaged in providing security services. The registered office address of Ultra is located at F-48 Palm Tower Condominium, 7706 St. Paul Road, San Antonio Village, Makati City.

(e) Healthassist provides total and integrated healthcare services, benefits management, technical and advisory services, and conducts special studies, seminars and other projects in healthcare. Healthassist's registered office address and principal place of business is located at 2nd Floor, Cocolife Building, 6807 Ayala Avenue, Makati City.

(f) First Metrowheels is an armored vehicle services company which is 100% owned by Ultra. First Metrowheels' registered office address and principal place of business is located at 8003 KM 14 West Service Rd. Merville, Paranaque City.

(g) Coconnect is the call center operations company of Cocolife and Cocogen which is 100% owned by Healthassist. Coconnect's registered office address and principal place of business is located at 7th Floor, Cocolife Building, 6807 Ayala Ave., Makati City.

1.2 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2023 (including the comparative financial statements as of the and for the year ended December 31, 2022, and the corresponding figures as of January 1, 2022) were authorized for issue by the Company's Board of Directors (BOD) on March 27, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

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

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

(c) Prior Period Restatement

In 2023, the Company made prior period adjustment to recognize an impairment of its investment in Cocoplans equivalent to its cost arising from certain indications that an impairment loss exists. This resulted in retrospective restatement of certain accounts in the statements of financial position as of December 31, 2022 and January 1, 2022, and the statement of comprehensive income and statement of cash flows for the year ended December 31, 2022.

Accordingly, the Company presented a third statement of financial position as of January 1, 2022, in accordance with the requirement under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Presented below are the analysis of the effects of the prior period adjustment in the statements of financial position as of December 31, 2022 and January 1, 2022.

	As Previously Reported	Effect of Prior Period Adjustments	As Restated
As of December 31, 2022			
Change in assets – Investment in subsidiaries – net	P 1,739,480,791	(P 569,682,584)	P 1,169,798,207
Total adjustment to equity		(P 569,682,584)	
As of January 1, 2022			
Change in assets – Investment in subsidiaries – net	P 1,335,460,614	(P 459,682,584)	P 875,778,030
Total adjustment to equity		(P 459,682,584)	

The effects of prior period adjustment in the statement of comprehensive income and statement of cash flows for the year ended December 31, 2022 are summarized as follows:

	As Previously Presented	Effect of Prior Period Adjustments	As Restated
Statement of comprehensive income			
Operating and administrative expenses			
Impairment losses on non-financial assets	P -	P 110,000,000	P 110,000,000
Total adjustment to net profit		(P 110,000,000)	
Statements of cash flows			
Change in cash flows from operating activities:			
Profit before tax	P 495,153,076	(P 110,000,000)	P 385,153,076
Impairment losses on non-financial assets	-	110,000,000	110,000,000
Total adjustment to cash flows		P -	

(d) Functional and Presentation Currency

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

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

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies.* The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Company's financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates.* The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Company's financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction.* The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

(b) Effective in 2023 that is not Relevant to the Company

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Company's financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements unless otherwise stated:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaces PAS 39, *Financial Instruments* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e. financial asset at amortized costs, fair value through profit or loss (FVPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss model in determining impairment of all financial assets that are not measured at FVPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at FVOCI if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management opted to defer application of PFRS 9 (2014) to periods beyond January 1, 2018. Consequently, the Company continued to apply the existing requirements of PAS 39 with respect to its financial instruments.

(vi) PFRS 4 (Amendments), *Insurance Contracts – Applying PFRS 9 with PFRS 4*, provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); and,

- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach").

Management exercised the second option provided by PFRS 4, effectively deferring the application of PFRS 9 to periods beyond January 1, 2018 until PFRS 17 is adopted.

(vii) PFRS 17, *Insurance Contracts – Insurance Contracts* (effective from January 1, 2025). This new standard will eventually replace PFRS 4. The IC, through its Circular Letter (CL) No. 2020-62, *Amendment of Sec 1 of CL No. 2018-69; Deferral of IFRS 17 Implementation,* has deferred the implementation of PFRS 17 for life insurance and non-life insurance industry. PFRS 17 will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

A modification of the general measurement model, called the variable fee approach, is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

In preparation for the adoption of PFRS 17, the following activities have been taken by the Company:

- complete selection of members of the PFRS 17 technical working group;
- sourcing of past actuarial models and assumptions for preparation of expected cashflows for retrospective transition approaches;
- initial model enhancements for Traditional Life and Variable Life businesses to close possible future model gaps and eliminate dependence on off-system adjustments;
- initial enhancement of assumption methodology to be more consistent with PFRS 17 requirements;
- engagement with external experts for the training of personnel for the adoption of PFRS 17;
- conducting analysis to identify gaps on operational and accounting policies;
- acquisition of a risk integrity software to assist in the accounting of contracts under PFRS 17; and
- on-going assessment of the impact that application of PFRS 17 will have on the entity's financial statements in the period of application.

(viii) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2025). The amendments add a transition option for a classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of PFRS 17. This amendment is applicable to the Company to annual reporting periods beginning on or after January 1, 2025 in accordance with the IC CL No. 2020-62.

2.3 Separate Financial Statements and Investments in Subsidiaries

These financial statements are prepared as the Company's separate financial statements. The Company also presents consolidated financial statements as required under PFRS.

The Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.17).

2.4 Insurance Contracts

As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly greater than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk.

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 the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance and investment contracts are further classified as being with and without Discretionary Participation Feature (DPF).

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under Policyholders' Dividends account in profit or loss with the corresponding liability recognized under the Reserve for Policyholders' Dividends account in the statement of financial position (see Note 2.7).

The Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of an internal investment fund meets the definition of an insurance contract and is not, therefore, accounted for separately from the host insurance contract.

2.5 Reinsurance Contracts Held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its insurance contracts held are recognized as Reinsurance Assets in the statement of financial position. These assets consist of short-term balances due from reinsurers, as well as long-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Liabilities arising from these contracts are primarily premiums payable and are recognized as an expense when due. These liabilities are presented under Insurance Payables account in the statement of financial position.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period.

Ceded reinsurance arrangements do not relieve the Company from its obligations to the policyholders. The Company also assumes reinsurance risk in the normal course of its business. Premiums and claims on assumed reinsurance are recognized as income and expense 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. The liabilities arising from these contracts are primarily claims and benefits payables and estimated in a manner consistent with the associated reinsurance contracts. These liabilities are presented under Insurance Payables account in the statement of financial position.

Gains or losses on buying reinsurance, if any, are recognized in profit or loss immediately at the date of purchase and are not amortized.

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

2.6 Insurance Contract Liabilities

(a) *Legal Policy Reserves* – Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. These are determined by the Company's actuary in accordance with the requirements of the amended Insurance Code (the Insurance Code) and are calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend in the operation of each life insurance product. These reserves represent the amounts which, together with future premiums and investment income, are required to discharge the obligations of the insurance contracts and to pay expenses related to the administration of those contracts. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

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

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

(i) the increase or decrease in legal policy reserves in the current year due to other assumptions excluding change in discount rate will be recognized to profit or loss; and,

(ii) remeasurement on life insurance reserves due to changes in discount rates will be recognized in other comprehensive income.

(b) *Insurance Contracts with Fixed and Guaranteed Terms* – A liability for contractual benefit expected to be incurred in the future is recorded when premiums are recognized. The liability is determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums discounted at rates prescribed by the IC. Future cash flows are determined using best estimate assumptions with due regard to significant recent experience and appropriate MfAD from the expected experience.

The Company has different assumptions for different products. However, the reserves are computed to comply with the statutory requirements, wherein discount rates are based on risk-free discount rates and other assumptions such as mortality, disability, lapse, and expenses taken into account the Company's experience.

(c) *Unit-linked Insurance Contracts* – A unit-linked insurance contract is an insurance contract linking payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. The liability for such contracts is the higher amount between the policyholder's investment fund balance and the minimum guaranteed amount stated in the policy contract.

Revenue from unit-linked insurance contracts consists of premiums received and policy administration fees.

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

(d) *Liability Adequacy Test* – Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against the Company's profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

2.7 Reserve for Policyholders' Dividends

DPF is a contractual right that gives policyholders the right to receive supplementary discretionary returns through participation in the surplus arising from participating business. These returns are subject to the discretion of the Company and are within the constraints of the terms and conditions of the contract.

For group commercial and farmers' lines, the Company sets up the policyholders' dividends due and accrued for all groups which have participating feature based on the agreed experience refund formula and an assessment of each individual group's prospective cash flows and operating results. For individual policyholders, all dividends due and accrued are carried for participating policies using an estimated dividend scale expected to be declared based on the Company's profit emergence for the individual line.

2.8 Insurance Receivables

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

The Company's insurance receivables are composed of premiums due and uncollected, due from agents, and due from reinsurers and cedants (see Note 2.5).

Premiums due and uncollected represent the outstanding balance of premiums due from the policyholder. Recognition of premiums due and uncollected is made at each reporting date. These are usually premiums that fell due during the month of December and are therefore still within the grace period based on the Company's policy.

2.9 Premium Deposit Funds (PDF)

PDF represents advance payments from policyholders provided that the maximum amount that may be held at any time in the fund should not exceed the total future premiums due under the insurance policy. In the case of a renewable policy, the maximum amount that may be held in the fund should not exceed the total premiums payable until its last renewal date. In no case shall a policyholder make any additional deposit if the existing balance thereof is already equal or greater than the sum of all future premiums payable on his policy. Subject to the provisions of the contract, any excess premium shall be refunded to the policyholders only after their policies have been paid-up. These advance payments will be credited to premiums once due.

The fund earns interest ranging from 3.00% to 6.00% per annum which is credited to the fund.

The PDF includes Fund Builder Rider which represents fund used to pay future premiums of the policy. This has peso and dollar fund where the interest on the fund shall be based on the interest rate prevailing in the market.

2.10 Financial Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

<u>*Loans and Receivables*</u>

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Insurance Receivables, Loans and Other Receivables, Accrued Income, Reinsurance Assets, and Lease and leasehold deposits, Contingency fund pool and Refundable deposits (under Other Assets account) in the statement of financial position.

Available for sale (AFS) Financial Assets

The Company's AFS financial assets include equity securities, corporate and government debt securities.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(ii) Items of Income and Expense Related to Financial Assets

All income and expenses, except for impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Investment Income or Investment Expenses account in the statement of comprehensive income. Impairment losses are presented as part of General and Administrative Expenses account in the statement of comprehensive income.

(b) Financial Liabilities

Financial liabilities, which include Policy and contract claims (under Insurance Contract Liabilities account), Reserve for Policyholders' Dividends, Premium Deposit Funds, Insurance Payables, Accounts Payable and Accrued Expenses, and Other Liabilities (except tax-related payables), are recognized when the Company becomes a party to the contractual terms of the instrument.

2.11 Property and Equipment

Property and equipment, except for land, are carried at acquisition cost less accumulated depreciation and amortization, and any impairment in value. Land is carried at cost less any impairment losses.

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

Buildings	10 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	5 years

Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements of five to ten years, whichever is shorter.

2.12 Real Estate Inventories

Real estate inventories consist of columbary units. These are carried at the lower of cost and net realizable value (NRV).

2.13 Investment Properties

Investment properties are accounted for using the cost model. Except for land, investment properties are carried at cost less accumulated depreciation and impairment in value.

Depreciation is computed using the straight-line method over its estimated useful life of 20 years.

2.14 Intangible Assets

Intangible assets pertain to the Company's computer software. These costs are amortized over their estimated useful lives ranging from three to five years.

2.15 Revenue and Cost Recognition

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

(a) *Net Insurance Premium* – recognized as gross premium on insurance contracts less reinsurance premiums ceded.

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

Reinsurance Premiums Ceded. Gross reinsurance premiums on traditional and variable contracts are recognized as an expense when the policy becomes effective.

(b) *Investment Income* – The Company's investment income is comprised of interest income, fair value gain (loss) of financial assets at FVPL, dividend income, rental income, gain (loss) on sale of financial assets at FVPL, AFS financial assets, loans and other receivable, and gain (loss) on sale of real estate inventories, and other non-financial assets.

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

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

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

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

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

Gain (Loss) on Sale of Financial Assets at FVPL. Gain (loss) on sale of financial assets at FVPL is calculated as the difference between net sales proceeds and the current fair value at the date of sale. Gain (loss) on the sale of financial assets at FVPL is recognized in profit or loss when the sale transaction occurred.

Fair Value Gain (Loss) on Financial Assets at FVPL. Fair value gains and losses from the changes in the market values of financial assets at FVPL are recognized in profit or loss at the end of the reporting period.

Gain (Loss) on Sale of AFS Financial Assets. Gain (loss) on the sale of AFS financial assets is calculated as the difference between net sales proceeds and acquisition cost less any impairment in value. Gain (loss) on the sale of AFS financial assets is recognized in profit or loss when the sale transaction occurred.

Gain (Loss) on Sale of Loans and Other Receivables. Gain (loss) on sale of loans and receivables is calculated as the difference between the net sales proceeds and amortized cost. Gain (loss) on sale of loans and other receivables is recognized in profit or loss when the sales transaction occurred.

Gain (Loss) on Sale of Real Estate Inventories. Revenue from the sale of real estate inventory is measured at the fair value of the consideration received or receivable less the cost of real estate inventory at the date of sale. Revenues from transactions covering sale of real estate inventories are recognized under the full accrual method. Under this method, the Company recognizes the revenue and cost from sale of real estate in full when 10% or more of the contract price is received at which point the buyer has already an equity over the real estate asset and may already occupy and use the property.

The collections relating to sale of real estate inventories which do not meet the collection threshold or full accrual recognition criteria is presented as Others as part of Other liabilities account in the statement of financial position.

(c) *Income/Expenses from Variable Life Funds* – This relates to unit-link fund movements such as deposits, withdrawals, switch-in and top-up charges and administrative expenses.

(d) *Service Fees* – Insurance contracts of the policyholders are charged for policy administration services, surrenders and other contract fees. Fees such as withdrawal fee, cancellation fee and policy fee are recognized at point in time.

(e) *Other Income* – Income from other sources is recognized when earned.

The Company also earns other income from reinstatement fees, which is recognized as income once the Company performed the service.

(f) *Reinsurers' Share on Benefits and Claims.* Reinsurers' share on benefits and claims pertain to the amount recoverable from reinsurers for recognized claims during the year. These are accounted for when the corresponding claims are recognized.

Gross Change in Insurance Contract Liabilities. Gross change in insurance contract liabilities represents the change in the valuation of legal policy reserves under Insurance Contract Liabilities account in the statement of financial position.

Reinsurers' Share on Gross Change in Insurance Contract Liabilities. Reinsurers' share on gross change in insurance contract liabilities pertain to the reinsurers' share in the change of legal policy reserves. These are accounted for in the same period as the corresponding change in insurance contract liabilities.

(g) *Operating and Administrative Expenses* – Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

General and Administrative Expenses. General and administrative expenses, underwriting expenses and other investment expenses, except for lease agreements, are recognized as expense as they are incurred.

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

Investment Expenses. Investment expenses pertain to the interest incurred by the Company in relation to the funds received intended for the Company's loan financing facility which is recorded as investment accounts payable under Accounts Payable and Accrued Expenses account in the statement of financial position. These are accounted for over the term of the underlying investment accounts payable (see Note 28).

Premium Refund. This pertains to the refunded amount by the Company when after payment of premiums by the policyholder, the Company cancels or declines the insurance application. This may also pertain to the refund of payments received in excess of the amount billed. The amount is recognized when the refund to the policyholder takes place.

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

2.16 Leases

(a) *Company as Lessee*

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

(b) *Company as Lessor*

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

2.17 Impairment of Non-financial Assets

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

2.18 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SUMMARY OF ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For the lease of offices, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract.

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Determination of Significant Insurance Risk on Unit-linked Insurance Policies

The Company has determined that the unit-linked insurance policies it issues that link the payments on the contract to units of internal investment funds has significant insurance risk and therefore meets the definition of an insurance contract and should be accounted for as such.

(c) Impairment of AFS Financial Assets

The Company considers that financial assets at fair value are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates other factors, including normal volatility in share price for quoted securities and the future cash flows and the discount factors for unquoted securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

In 2023 and 2022, the management assessed that no impairment shall be recognized in its AFS financial assets as the prolonged declines in fair values are only considered temporary due to the current economic condition.

(d) Classification of Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position. In addition, the Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

(e) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 35.

(f) Distinction Between Operating and Finance Leases where the Company is the Lessor

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(g) Distinction Between Investment Properties and Owner-managed Properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(h) Going Concern Assumption

When preparing financial statements, the management makes an assessment of the Company's ability to continue as a going concern. The Company prepares financial statements on a going concern basis unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. When management is aware in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Company discloses those uncertainties. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The degree of consideration depends on the facts in each case.

In 2018 and 2017, the Company's risk-based capital (RBC2) ratio fell below the mandatory level of 100% as required per CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*. Such noncompliance indicates existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern entity, a five-year regulatory leeway was granted by the IC to the Company, for it to build-up the Company's capital (see also Note 5.3).

Below is the committed RBC2 ratios for the five-year recovery program approved by the IC, with corresponding actual ratios up to year 2023.

Year	Committed RBC2 Ratio	Actual RBC2 Ratio
2020	88%	88%
2021	95%	104%
2022	110%	111%
2023	125%	142%*

**for confirmation of the IC*

For the years 2020 to 2023, the Company was able to comply with the committed RBC2 ratio as indicated on its five-year recovery program. With this, management believes that the Company will continue as a going concern and will continue to meet the mandatory RBC2 ratio.

3.2 Key Sources of Estimation Uncertainty

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

(a) Legal Policy Reserves

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

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

For life insurance contracts, estimates are made as to the expected number of deaths and lapses for each of the years in which the Company is exposed to risk.

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

The carrying value of the legal policy reserves, shown as part of Insurance Contract Liabilities account in the statements of financial position, amounted to P14.30 billion and P13.97 billion as of December 31, 2023 and 2022, respectively (see Note 21).

(b) Liabilities Arising from Claims made under Insurance Contracts

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

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

The IBNR recognized by the Company amounted to P0.66 billion and P0.88 billion as at December 31, 2023 and 2022, respectively (see Note 21).

(c) Fair Value Measurement for Financial Instruments

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

The carrying values of the Company's financial assets at FVPL and AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Notes 9 and 10, respectively.

(d) Impairment of Financial Assets at Amortized Cost

The Company reviews its financial assets at amortized cost at each reporting date to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behaviour and known market factors. The Company reviews the age and status of financial assets, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant financial assets, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loans, receivables, and investments since it was granted or acquired.

These internal ratings take into consideration factors such as concentration risks, identified structural weaknesses and deterioration in cash flows. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

Impairment losses on insurance receivables and loans and other receivables amounted to P116.26 million and P77.25 million in 2023 and 2022, respectively, which are presented as Impairment Losses on Financial Assets – net in the statements of comprehensive income. The Company's insurance receivables, AFS financial assets, loans and other receivables, and accrued income, net of allowance for impairment losses are presented in Notes 8, 10, 11, and 12, respectively.

In addition, the Company has claims receivable from Coconut Industry Investment Fund (CIIF) farmers as previously being a major investor in CIIF. Such claims receivable is recorded as part of Loans and Other Receivables in the statements of financial position. Up until 2010, United Coconut Planters Bank (UCPB) Trust is the counterparty responsible in reimbursing the Company regarding the claims. These receivables are considered dormant due to the government's decision to claim ownership of UCPB and CIIF Group of Companies. As of December 31, 2023, and 2022, outstanding claims receivables (gross of allowance for impairment) amounted to P559.8 million and P536.3 million, respectively. The Company believes that collectability of these claims receivables are still subject to the final decision of the appropriate court on the pending legal case involving the ownership; hence, the Company did not recognize full impairment of this amount.

(e) NRV of Real Estate Inventories

The Company reviews real estate inventories for probable impairment in value. Management's judgment in determining if the real estate inventories are impaired is based on the assessment of the asset's estimated net selling price.

Estimated selling price is derived for publicly available market data and historical experience, while estimated cost of disposal are basically commission expense based on historical experience.

As indicated in Note 15, management assessed that the respective net realizable values of the Company's real estate inventories are higher than their respective costs.

(f) Estimation of Useful Lives of Investment Properties, Property and Equipment, Right-of-Use Assets and Intangible Assets

The Company estimates the useful lives of investment properties, property and equipment, right-of-use assets and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. For the right-of-use assets, the Company bases the useful lives on the lease terms agreed upon in each lease contract. Based on management's assessment as of December 31, 2023 and 2022, there is no change in the estimated useful lives of those assets during those years.

Analyses of the carrying amounts of investment properties, property and equipment, right-of-use assets and intangible assets are presented in Notes 16, 17, 18 and 19, respectively. Actual results, however, may vary due to changes in factors mentioned above.

(g) Impairment of Investments in Subsidiaries

The Company assesses impairment on its investments in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Company considers important which could trigger an impairment review on its investments in subsidiaries include the following:

- deteriorating or poor financial condition;
- recurring net losses; and,
- significant changes (i.e., technological, market, economic, or legal environment in which the subsidiary operates) with an adverse effect on the subsidiary have taken place during the period, or will take place in the near future.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is determined based on the asset's fair value less cost to sell, which considers the estimated realizable and settlement amounts of the assets and liabilities of the subsidiary.

In 2022, impairment loss on investment in subsidiaries amounted to P110.00 million, which is presented as Impairment Losses on Non-financial Assets in the 2022 statement of comprehensive income. Based on management's assessment, the investment in Cocoplans is fully impaired as of December 31, 2023 and 2022. The carrying values of the Company's investments in subsidiaries are disclosed in Note 14.

(h) Impairment of Non-financial Assets (Other than Investment in Subsidiaries)

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs.

No impairment losses were necessary to be recognized on the Company's investment properties, property and equipment, intangible assets, right-of-use assets and other non-financial assets in 2023 and 2022, based on management's assessment (see Notes 16, 17, 18, and 19).

(i) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management identified certain deferred tax assets that should be unrecognized. On the other hand, management assessed that the deferred tax assets recognized as at December 31, 2023 and 2022 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 33.

(j) Valuation of Post-employment Defined Benefit

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions are described in Note 32.2 and include, among others, discount rates, salary increase rate and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment obligation in the next reporting period.

The Company determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related pension liability.

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

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

4.1 Risk Management Structure and Strategies

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

The BOD has approved the Company's risk management policies and meets monthly to approve on any commercial, regulatory and own organization requirements in such policies. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirement.

4.2 Insurance Risk

The risk under an insurance contract that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims and actual benefits paid are greater than originally estimated.

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

Life insurance contracts offered by the Company mainly include whole life insurance, term insurance, endowments, unit-linked products, group, and accident and health insurance, which are described as follows:

- Whole life insurance and term insurance are conventional products where lump sum benefits are payable upon death of the insured.
- Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the fixed term is completed.
- Unit-linked products differ from conventional policies. In unit-linked products, a guaranteed percentage of each premium is allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.
- Group life insurance covers a defined group of people insured by the employer under a master policy agreement that is normally issued on a yearly renewable term.
- Accident and health insurance covers payment of hospital and medical expenses when sickness, accidental injury, or accidental death happened to the insured.

The main risks the Company is exposed to include:

- Mortality Risk - risk of loss arising from policyholder death experience being different than expected.
- Morbidity Risk - risk of loss arising from policyholder health experience being different than expected.

- Expense Risk - risk of loss arising from expense experience being different than expected.
- Policyholder Decision Risk - risk of loss arising from policyholder experience (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured, type of risk insured and by industry insured by the Company. Undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company's underwriting strategy is designated to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting strategy is in place to enforce appropriate risk selection criteria.

There has been no change to the Company's exposure to insurance risks or the manner in which it manages and measures the risks since prior reporting period.

Concentration of Insurance Risk

The table below sets out the Company's concentration of insurance risk based on the sum assured:

	2023		2022	
	Number of Policies	**Sum Assured**	Number of Policies	Sum Assured
Endowment	**37,425**	**P 9,269,948,851**	38,213	P 9,440,923,937
Whole life	**20,263**	**7,078,820,416**	20,945	7,281,994,927
Accident and health	**18,597**	**88,414,661,024**	17,081	103,753,730,889
Variable/unit-linked	**15,098**	**10,388,530,842**	13,888	10,631,890,021
Term	**11,059**	**2,680,296,301**	11,521	2,816,575,373
Group	**2,255**	**403,410,054,772**	2,320	449,527,125,549
	104,697	**P 521,242,412,206**	103,968	P 583,452,240,696

The table below sets out the concentration of life insurance liabilities by type of contract, at gross and net of reinsurance (see Notes 13 and 21).

	2023			2022		
	Gross Legal Policy Reserves	**Reinsurers' Share on Liabilities**	**Net Legal Policy Reserves**	Gross Legal Policy Reserves	Reinsurers' Share on Liabilities	Net Legal Policy Reserves
Variable life	**P 5,170,524,346**	**P -**	**P 5,170,524,346**	P 5,630,787,305	P -	P 5,630,787,305
Endowment	**4,369,024,402**	**(993,212)**	**4,368,031,190**	4,013,087,027	(775,143)	4,012,311,884
Whole life	**2,424,065,217**	**(6,761,487)**	**2,417,303,730**	2,383,714,166	(5,284,438)	2,378,429,728
Accident and health	**1,677,544,717**	**-**	**1,677,544,717**	1,232,294,662	-	1,232,294,662
Group life	**292,543,996**	**-**	**292,543,996**	367,780,364	-	367,780,364
Term	**362,054,129**	**(1,667,049)**	**360,387,080**	341,531,987	(1,294,848)	340,237,139
	P 14,295,756,807	**(P 9,421,748)**	**P14,286,335,059**	P13,969,195,511	(P 7,354,429)	P 13,961,841,082

The tables below set out the concentration of life insurance liabilities with and without DPF, at gross and net of reinsurance (see Notes 13 and 21).

	Gross Legal Policy Reserves	Reinsurers' Share on Liabilities	Net Policy Reserves
2023			
With fixed and guaranteed terms			
Fixed and guaranteed – non-participating	**P 7,011,757,156**	**(P 3,952,384)**	**P 7,007,804,772**
Partially fixed and guaranteed – participating	**2,113,475,305**	**(5,469,364)**	**2,108,005,941**
Unit-linked	**5,170,524,346**	**-**	**5,170,524,346**
Total insurance liabilities	**P 14,295,756,807**	**(P 9,421,748)**	**P 14,286,335,059**
2022			
With fixed and guaranteed terms			
Fixed and guaranteed – non-participating	P 6,258,888,160	(P 3,222,839)	P 6,255,665,321
Partially fixed and guaranteed – participating	2,079,520,045	(4,131,590)	2,075,388,455
Unit-linked	5,630,787,306	-	5,630,787,306
Total insurance liabilities	P 13,969,195,511	(P 7,354,429)	P 13,961,841,082

Classification by Attained Age (Based on 2023 and 2022 Data of In-force Policies)

The tables below present the concentration of risk by attained age on whole life, endowment, term insurance policy contracts and variable/unit-linked. For individual insurance, exposure is concentrated on age brackets 30-34 to 45-49 and those below 20.

	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure	Concentration (%)	Exposure	Concentration (%)
2023				
<20	**P 3,000,349,682**	**10.20**	**P 2,894,626,594**	**10.55**
20 - 24	**1,640,640,382**	**5.58**	**1,567,378,566**	**5.71**
25 - 29	**2,696,482,266**	**9.17**	**2,591,101,228**	**9.45**
30 - 34	**3,391,554,396**	**11.53**	**3,267,085,082**	**11.91**
35 - 39	**3,840,000,253**	**13.05**	**3,608,952,646**	**13.16**
40 - 44	**3,733,682,509**	**12.69**	**3,375,127,113**	**12.30**
45 - 49	**3,317,227,069**	**11.28**	**2,939,457,915**	**10.71**
50 - 54	**2,601,430,310**	**8.84**	**2,419,098,447**	**8.82**
55 - 59	**2,052,197,127**	**6.98**	**1,860,913,791**	**6.78**
60 - 64	**1,623,799,336**	**5.52**	**1,512,612,313**	**5.51**
65 - 69	**772,780,303**	**2.63**	**702,979,501**	**2.56**
70 - 74	**535,646,043**	**1.82**	**498,979,943**	**1.82**
75 - 79	**143,065,349**	**0.49**	**130,195,154**	**0.47**
80 +	**68,741,385**	**0.23**	**64,604,331**	**0.24**
	P 29,417,596,410	**100.00**	**P 27,433,112,624**	**100.00**
2022				
<20	P 3,213,721,306	10.65	P 3,100,186,949	11.08
20 - 24	1,794,199,112	5.95	1,721,383,845	6.15
25 - 29	2,815,202,338	9.33	2,679,569,610	9.57
30 - 34	3,407,812,851	11.29	3,261,624,136	11.65
35 - 39	4,083,484,020	13.53	3,807,382,954	13.60
40 - 44	3,833,011,586	12.70	3,414,211,641	12.20
45 - 49	3,257,508,766	10.80	2,882,229,244	10.30
50 - 54	2,541,139,579	8.42	2,379,930,068	8.50
55 - 59	2,196,142,753	7.28	1,969,448,237	7.04
60 - 64	1,581,719,859	5.24	1,423,686,569	5.09
65 - 69	776,148,468	2.57	725,076,692	2.59
70 - 74	484,419,469	1.62	452,781,482	1.62
75 - 79	128,791,626	0.43	114,887,735	0.41
80 +	58,082,525	0.19	56,707,927	0.20
	P 30,171,384,258	100.00	P 27,989,107,089	100.00

The table below presents the concentration of risk by business type for group insurance.

Business Type	2023 Net Reinsurance Exposure '000	2023 Concentration (%)	2022 Net Reinsurance Exposure '000	2022 Concentration (%)
Employer-employee association benefit	**P 169,520,992**	**42.02**	P 174,000,692	38.71
Compulsory migrant workers insurance	**133,612,240**	**33.12**	140,555,567	31.27
Credit life insurance	**59,188,237**	**14.67**	93,340,497	20.76
Microinsurance	**30,049,013**	**7.45**	35,321,404	7.86
Reinsurance assumed	**10,336,208**	**2.56**	5,812,994	1.29
Pre-need planholders	**703,365**	**0.17**	495,972	0.11
	P 403,410,055	**100.00**	P 449,527,126	100.00

The table below presents the concentration of risk by industry type for accident and health insurance.

Industry Type	2023 Net Reinsurance Exposure '000	2023 Concentration (%)	2022 Net Reinsurance Exposure '000	2022 Concentration (%)
I. Accident	**P 70,968,511**	**100.00**	P 87,408,956	100.00
II. Health				
Business process outsourcing	**6,864,240**	**39.35**	7,106,825	43.48
Government agencies	**4,002,725**	**22.94**	3,403,440	20.82
Services/distribution	**3,120,190**	**17.88**	2,258,825	13.82
Manufacturing	**1,239,385**	**7.10**	1,207,205	7.39
Shipping	**674,380**	**3.87**	626,145	3.83
Real estate	**589,645**	**3.38**	392,900	2.40
Banking/ financials	**490,775**	**2.81**	950,760	5.82
Non-profit associations	**306,910**	**1.76**	281,575	1.72
Learning institutions	**96,475**	**0.55**	27,820	0.17
Hotel	**61,425**	**0.35**	89,280	0.55
	17,446,150	**100.00**	16,344,775	100.00
	P 88,414,661	**100.00**	P 103,753,731	100.00

Source of Uncertainty in the Estimation of Future Claim Payment

Estimation of future payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Company adopts standard industry data in assessing future benefit payments and premium receipts as approved by IC. Adjustments are made, if necessary, according to the experience of the Company.

For individual life insurance, no adjustment is made by the Company to the standard mortality table. For group life, accident and health insurance, the mortality table is adjusted to reflect the Company's actual and projected experiences which are given weights or credibility depending on the amount and length of exposure under consideration. The Company currently monitors its actual experience on individual business, on a per policy basis and on an aggregate basis, and reporting the same to management.

The liability for these contracts comprises the IBNR provision and a provision for unexpired risk at the end of reporting period. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Key Assumptions

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

For insurance contracts, the Company determines the assumptions in relation to future deaths, illness or injury and investment returns at inception of the contract. Subsequently, new estimates are developed at each reporting date and liabilities are tested to determine whether such liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, assumptions are altered to reflect the latest current estimates. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant deteriorations in estimates have an impact.

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

- *Mortality and Morbidity Rates*

  Assumptions are based on standard industry and national mortality and morbidity tables, according to the type of contract written and which may be adjusted where appropriate to reflect the Company's own experience. Assumptions are differentiated by age, underwriting class and contract type.

  An increase in mortality and morbidity rates would lead to a larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and generally reducing profits for the shareholders.

- *Discount Rate*

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

  An increase in investment return would lead to an increase in profits for the shareholders. A decrease in the discount rate will increase the value of the liability. As required by the Insurance Code, lapse, surrender and expense assumptions are not factored in the computation of the insurance contract liabilities.

  As part of the Company's investment strategy, in order to reduce both insurance and financial risks, the Company matches its investments to the liabilities arising from insurance, by reference to the type of benefits payable to the policyholders.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on liabilities, income before tax and equity. The correlation of variables will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should be noted that movements in these variables are nonlinear.

	Increase (Decrease)			
	Mortality/Morbidity		Discount Rate	
	110% of Original Mortality Table	90% of Original Mortality Table	Original Valuation Interest Rate +1%	Original Valuation Interest Rate -1%
2023				
Net liabilities	**P 246,961,534**	**(P 249,620,919)**	**(P 675,380,929)**	**P 828,552,750**
Income before tax	**(246,961,534)**	**249,620,919**	**675,380,929**	**(828,552,750)**
Equity	**(185,221,151)**	**187,215,689**	**506,535,697**	**(621,414,563)**
2022				
Net liabilities	P 206,091,193	(P 208,439,306)	(P 681,872,386)	P 848,199,924
Income before tax	(206,091,193)	208,439,306	681,872,386	(848,199,924)
Equity	(154,568,394)	156,329,480	511,404,290	(636,149,943)

The methods used for deriving sensitivity information and significant assumptions did not change from the previous period.

4.3 Investment Risk

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

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

The Company's strategy is to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer, industry and/or country concentrations taking into consideration limitations set by IC. Another strategy is to produce cash flows required to meet maturing insurance liabilities.

The Company invests in equities for various reasons, including diversifying its overall exposure to equity price risk. AFS financial assets are subject to declines in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest.

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

4.4 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.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Investment Committee. The policy is regularly reviewed for pertinence and for changes in the risk;

- Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segments (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may held);

- Reinsurance is placed with highly 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 reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment;

- The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings; and,

- The credit risk in respect of customer balances which are incurred on nonpayment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry or when the policy is either paid up or terminated. Commissions paid to intermediaries are offset against any amounts due to reduce the risk of non-collection.

Except for mortgage loans, collateral loans, installment contract receivable, policy loans, and guaranteed loans (presented as part of Note receivable under Loans and Other Receivables), the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

Policy loans are secured by the cash surrender values on the related policies. The Company grants policy loans up to the extent of the cash surrender values accumulated on the latest policy anniversary dates. The Company is not exposed to credit risk with respect to policy loans.

The tables below show the financial effect of the collateral or credit enhancement to the Company's maximum credit risk as at December 31, 2023 and 2022.

	Gross Maximum	Fair Value of Collateral or Credit Enhancement	Net Exposure	Financial Effect of Collateral or Credit Enhancement
2023				
Mortgage loans	**P 1,184,343,710**	**P 2,344,992,503**	**P -**	**P 1,184,343,710**
Instalment contract receivables	**28,588,116**	**50,267,144**	**-**	**28,588,116**
Collateral loans	**29,277,209**	**31,607,222**	**-**	**29,277,209**
	P 1,242,209,035	**P 2,426,866,869**	**P -**	**P 1,242,209,035**
2022				
Mortgage loans	P 1,005,805,400	P 3,669,467,838	P -	P 1,005,805,400
Installment contract receivables	96,716,116	318,585,524	-	96,716,116
Collateral loans	42,891,014	214,073,113	-	42,891,014
	P 1,145,412,530	P 4,202,126,475	P -	P 1,145,412,530

The Company's concentration of credit risk arises from loans and other receivables since the said financial instruments amounted to P3.91 billion and P3.85 billion as of December 31, 2023 and 2022, respectively, which is equivalent to 20.27% and 19.69% of its total financial assets as at December 31, 2023 and 2022, respectively.

The table below and in the succeeding page provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties, gross of any allowance for impairment.

	Neither Past Due nor Impaired					
	Investment Grade	Non-Investment Grade – Satisfactory	Non-Investment Grade – Unsatisfactory	Past Due but not Impaired	Past Due and Impaired	Total
2023						
Cash and cash equivalents*	**P 1,048,608,255**	**P -**	**P -**	**P -**	**P -**	**P 1,048,608,225**
Insurance receivables						
Premiums due and uncollected	**-**	**1,003,256,707**	**-**	**-**	**258,570,669**	**1,261,827,376**
Due from agents	**-**	**93,508,672**	**-**	**-**	**17,272,234**	**110,780,906**
Financial assets at FVPL						
Debt securities	**2,945,726,514**	**-**	**-**	**-**	**-**	**2,945,726,514**
AFS financial assets						
Debt securities	**7,169,843,410**	**-**	**-**	**-**	**-**	**7,169,843,410**
Loans and other receivables						
Mortgage loans	**982,772,058**	**1,747,032**	**-**	**195,470,335**	**4,354,285**	**1,184,343,710**
Policy loans	**441,796,159**	**-**	**-**	**-**	**-**	**441,796,159**
Health management organization (HMO) billback	**193,463,856**	**-**	**-**	**-**	**193,935,231**	**387,399,087**
Advances to officers and employees	**92,428,883**	**-**	**-**	**-**	**1,970,050**	**94,398,883**
Collateral loans	**24,047,267**	**-**	**-**	**1,400,989**	**3,828,953**	**29,277,209**
Investment accounts receivable	**21,712,181**	**1,812,338**	**5,471,950**	**181,480,688**	**4,811,319**	**215,288,476**
Claims receivable – farmers and group	**-**	**491,402,549**	**-**	**-**	**68,383,315**	**559,785,864**
Notes receivable	**13,195,063**	**1,589,117**	**2,950,000**	**1,043,184,414**	**210,487,841**	**1,271,406,435**
Installment contracts receivables	**8,957,858**	**1,421,007**	**-**	**18,209,251**	**-**	**28,588,116**
Other receivables	**183,504,488**	**-**	**-**	**-**	**-**	**183,504,488**
Accrued income	**128,870,758**	**-**	**-**	**-**	**245,494**	**129,116,252**
Reinsurance assets**	**119,686,416**	**-**	**-**	**-**	**-**	**119,686,416**
Other assets***	**62,266,475**	**-**	**-**	**-**	**-**	**62,266,475**
	P 13,436,879,591	**P 1,594,737,422**	**P 8,421,950**	**P 1,439,745,677**	**P 763,859,391**	**P17,243,644,031**

	Neither Past Due nor Impaired					
	Investment Grade	Non-Investment Grade – Satisfactory	Non-Investment Grade – Unsatisfactory	Past Due but not Impaired	Past Due and Impaired	Total
2022						
Cash and cash equivalents*	P 1,393,206,928	P -	P -	P -	P -	P 1,393,206,928
Insurance receivables						
Premiums due and uncollected	-	621,869,305	-	-	181,225,091	803,094,396
Due from agents	-	80,070,241	-	-	17,272,234	97,342,475
Financial assets at FVPL						
Debt securities	3,062,922,597	-	-	-	-	3,062,922,597
AFS financial assets						
Debt securities	7,089,407,372	-	-	-	-	7,089,407,372
Loans and other receivables						
Mortgage loans	978,918,998	6,222,414	1,974,125	15,587,703	3,102,160	1,005,805,400
Notes receivable	8,145,819	953,333	-	1,211,479,764	175,171,984	1,395,750,900
Health management organization (HMO) billback	181,526,757	-	-	-	193,935,232	375,461,989
Policy loans	437,123,887	-	-	-	-	437,123,887
Investment accounts receivable	49,264,272	-	-	125,321,071	13,107,049	187,692,392
Claims receivable – farmers and group	-	478,437,549	-	-	57,819,515	536,257,064
Installment contracts receivables	75,646,542	-	1,077,182	19,992,392	-	96,716,116
Collateral loans	36,866,008	-	-	2,196,052	3,828,954	42,891,014
Advances to officers and employees	71,173,759	-	-	-	4,458,356	75,632,115
Other receivables	150,826,767	-	-	-	-	150,826,767
Accrued income	130,558,457	-	-	4,516,272	-	135,074,729
Reinsurance assets**	103,033,674	-	-	-	-	103,033,674
Other assets***	64,677,487	-	-	-	-	64,677,487
	P 13,833,299,324	P 1,187,552,842	P 3,051,307	P 1,379,093,254	P 649,920,575	P17,117,406,139

* *Excluding cash on hand.*
** *Reinsurance recoverable on unpaid losses.*
*** *Pertains to lease and leasehold deposits, contingency fund pool and refundable deposits*

The Company uses an internal credit rating concept based on the borrowers' and counterparties' overall credit worthiness as follows:

Investment Grade – Rating given to borrowers and counterparties who have very strong capacity to meet their obligations.

Non-investment Grade – satisfactory – Rating given to borrowers and counterparties whose outstanding obligation is within the acceptable age of group.

Non-investment Grade – unsatisfactory – Rating given to borrowers and counterparties whose outstanding obligation is nearing to be past due or impaired.

An allowance for impairment is set up in the Company's statement of financial position for assets classified as past due and impaired. Financial assets are considered as past due and impaired when the contractual payments are in arrears by 180 days and the amount is not adequately secured. When contractual payments are in arrears, more than 180 days but adequately secured, financial assets are classified as 'past due but not impaired' with no recorded allowance for impairment.

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 and for cash purposes. 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. The related fair value of the collateral for the above past due and impaired assets amounted to P245.94 million and P210.63 million in 2023 and 2022, respectively. Total amount of past due and impaired assets with collateral is P218.67 million and P182.10 million for 2023 and 2022, respectively.

4.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- a liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Investment Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment;

- set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations; and,

- setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The table below and in the succeeding page summarizes the maturity profile of the Company's financial liabilities (except lease liabilities – see Note 18) based on contractual undiscounted payment or on the estimated timing of net cash flows as at December 31, 2023 and 2022 (amounts in thousands):

	Less than One Year	One to Five Years	Over Five Years	No Term/ 1 – 90 days	Total
2023					
Policy and contract claims	**P 1,318,991**	**P -**	**P -**	**P -**	**P 1,318,991**
Reserve for policyholders' dividends	**240,192**	**-**	**-**	**-**	**240,192**
Premium deposits funds	**-**	**-**	**-**	**602,875**	**602,875**
Insurance payables	**132,406**	**-**	**-**	**-**	**132,406**
Accounts payable and accrued expenses	**1,058,719**	**-**	**-**	**-**	**1,058,719**
	P 2,750,308	**P -**	**P -**	**P 602,875**	**P 3,353,183**

	Less than One Year		One to Five Years		Over Five Years		No Term/ 1 – 90 days		Total
2022									
Policy and contract claims	P	1,547,860	P	-	P	-	P	-	P	1,547,860
Reserve for policyholders' dividends		236,816		-		-		-		236,816
Premium deposits funds		-		-		-		578,432		578,432
Insurance payables		86,987		-		-		-		86,987
Accounts payable and accrued expenses		1,207,872		-		-		-		1,207,872
	P	3,079,535	P	-	P	-	P	578,432	P	3,657,967

It is unusual for a company primarily engaged in insurance business to predict its funding requirements with absolute certainty as theory of probability is applied on insurance contracts to determine the likely provision and the time period when such liabilities will require settlement. Thus, the amounts and maturities in respect of insurance liabilities are based on management's best estimate using statistical techniques and data on past experience.

4.6 Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest risk rates (fair value interest rate risk) and market prices (equity price 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 Company's exposures to market risk:

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Investment Committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Asset allocation and portfolio limit structure are set to ensure that assets back specific policyholder's liabilities and that assets are held to deliver income and market value appreciation for policyholders in line with their expectations.

- Stipulated diversification benchmarks are arranged by type of instrument of the Company.

4.7 Currency Risk

Currency risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Philippine peso and its foreign exchange risk arises primarily with respect to the transactions denominated in U.S. dollar, where some of its products are denominated. The Company's financial assets are primarily denominated in the same currency as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized financial assets and financial liabilities denominated in currency other than in which the insurance contracts are expected to be settled.

The tables below show the details of the Company's foreign currency-denominated assets and liabilities and their Philippine peso equivalents.

	USD	PHP
December 31, 2023		
Assets:		
Cash and cash equivalents	**$ 2,837,894**	**P 157,134,191**
Financial assets at FVPL	**6,337,523**	**350,908,649**
AFS financial assets	**4,203,084**	**232,724,761**
Accrued income	**167,016**	**9,247,676**
	13,545,517	**750,015,277**
Liability –		
Insurance contract liabilities	**3,298,394**	**182,632,076**
	$ 10,247,123	**P 567,383,201**
December 31, 2022		
Assets:		
Cash and cash equivalents	$ 3,512,368	P 195,849,640
Financial assets at FVPL	6,437,781	358,970,669
AFS financial assets	3,640,155	202,975,043
Accrued income	146,322	8,158,915
	13,736,626	765,954,267
Liability –		
Insurance contract liabilities	3,645,047	203,247,821
	$ 10,091,579	P 562,706,446

In translating the foreign currency-denominated assets and liabilities, the exchange rates used were P55.37 to USD1.00 and P55.76 to USD1.00, the PHP-USD prevailing exchange rates as at December 31, 2023 and 2022, respectively.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before income tax.

There is no other impact on the Company's equity other than those already affecting profit or loss.

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact, key changes had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

	2023		2022	
Change in variables	**21.42%**	**(21.42%)**	7.19%	(7.19%)
Increase (decrease) on income before income tax	**(P 121,508,826)**	**P 121,508,826**	(P 40,454,422)	P 40,454,422
Increase (decrease) on equity	**(91,131,620)**	**91,131,620**	(30,340,817)	30,340,817

4.8 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 rate. The Company's fixed rate investments classified as AFS financial assets and Financial assets at FVPL are particularly exposed to such risk.

The Company's investment policy requires it to buy and hold fixed rate AFS financial assets and Financial assets at FVPL, unless the need to sell arises, and to reduce the duration gap between financial assets and financial liabilities to minimize interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity.

	Change in Variables	Increase in on Equity	Decrease in on Equity
December 31, 2023			
In Philippine pesos	**+/- 1.46%**	**P 135,426,317**	**(P 135,426,317)**
In U.S. dollars	**+/- 1.27%**	**5,559,108**	**(5,559,108)**
December 31, 2022			
In Philippine pesos	+/- 3.34%	P 325,786,813	(P 325,786,813)
In U.S. dollars	+/- 3.47%	16,573,102	(16,573,102)

In 2023 and 2022, the Company determined the reasonably possible change in interest rates using the percentage changes in weighted average yield rates of outstanding securities for the past two years.

4.9 Equity Price Risk

The Company's equity price risk exposure at year-end relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVPL and AFS financial assets.

The Company's price risk relates to financial assets whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

For equity securities listed in the Philippines and golf club shares, an average volatility of 20.47% and 32.51% has been observed during 2023 and 2022, respectively. If the quoted price of these securities increased or decreased by that amount, profit before tax would have been changed by P226.69 million and P603.39 million, respectively.

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

5. CAPITAL MANAGEMENT

5.1 Regulatory Framework

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

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, net worth requirements, and RBC requirements to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The Company's capital includes capital stock, contributed surplus and retained earnings.

The Company maintains a capital base to cover risks inherent in the business. Externally imposed capital requirements are set and regulated by the IC. These requirements are put in place to ensure solvency margins.

The Company manages its capital requirements by complying with requirements and limitations enforced by the IC, by maintaining profitability of the business and by aligning the Company's operational strategy to its corporate goals.

The Company's primary capital management objectives are to ensure its ability to continue as a going concern in order to fulfill the Company's mission and vision and to provide adequate return to shareholders [see Note 3.1(h)].

The Company manages its capital structure in light of changes in the economic conditions and the risk characteristics of its activities. The Company takes into consideration future capital requirements, capital deficiency, profitability, and projected operating cash flows, expenditures and investment opportunities. No changes were made in the objectives, policies and processes as at December 31, 2023 and 2022.

5.2 Net Worth Requirements

Under the Insurance Code, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

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

As at December 31, 2023 and 2022, the Company has complied with the net worth requirements based on its internal computation.

5.3 RBC Requirements

Insurance Memorandum No. 6-2006 provides for the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investments and insurance risks. Every life insurance company is required annually to maintain a minimum RBC ratio of one hundred (100%) and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include an insurance company's paid-up capital, contributed surplus and retained earnings. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC. RBC requirement shall be computed based on the formula provided in the Circular and shall include asset default risk, insurance pricing risk, interest rate risk and general business risk.

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

a. the RBC ratio is less than 125% but is not below 100%
b. the RBC ratio has decreased over the past year
c. the difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%.

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

In 2016, the IC issued CL No. 2016-68, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the trend test as stated under Section 3 of the circular. The RBC ratio of an insurance company shall be equal to the total available capital divided by the RBC requirement.

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

IC CL No. 2018-19, *Amendment to CL no. 2016-69 "Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-Based Capital (RBC2) Framework"*, provides guidelines on disclosure of MfAD. The amendment states that MfAD shall be company-specific. The companies shall submit to the IC the documents and certification signed by an IC-accredited actuary to support the computation of their MfAD.

In 2020, IC issued CL No. 2020-60, *Regulatory Relief on Networth Requirements and Guidelines on the Implementation of Amended Risk-Based Capirtal (RBC2) Framework for Calendar Year 2020* and CL No. 2020-103, *Amendment to Section 1 of CL No. 2020-60 dated May 15, 2020*, on the regulatory relief to reduce the RBC requirement for 2020.

The RBC2 ratio under the prevailing standard as at December 31, 2023 and 2022 is 142.27% and 111.12% respectively. The final RBC ratio can be determined only after the accounts of the Company have been examined by the IC.

The information below shows the RBC2 ratios determined by the Company as at December 31, 2023 and 2022.

	2023	2022
Total available capital	**P 4,582,334,097**	P 3,508,281,470
RBC requirement	**3,220,852,734**	3,157,102,249
RBC2 ratio	**142.27%**	111.12%

On July 1, 2019, upon the advice of the IC, the Company submitted its Revised Management Plan to address the RBC2 ratio deficiency, setting forth its program of actions to build up its RBC2 ratio which fell below the mandatory level following the write-off of its investment in stocks of the CIIF-OMG and United Coconut Planters Bank (UCPB, now Landbank after the merger).

On October 25, 2019, the IC issued its reply to the Revised Management Plan approving the five-year recovery program which the Company has proposed, giving it some regulatory leeway during the said period, subject to strict regular monitoring.

The Revised Management Plan provided the Company outlined the actions taken by the Company for the period 2019 to 2023 which includes the following, among others:

- re-allocation of investments from mortgage loans and equity securities to government securities thru investment of its net income of an average P500.0 million every year;
- improve and fast-track claims recovery and collection from the Company's healthcare business; and,
- reduction of non-admitted assets or conversion to admitted assets.

With the intensified actions employed by the Company to address the RBC2 ratio deficiency, and with its financial performance during 2019, the resulting RBC2 ratio for 2019, as audited and approved by the IC, is 137%, which is already compliant with the minimum RBC requirements of 100% and above the Company's commitment of 65% for the year 2019 as stipulated in the Plan. In 2022 and 2021, the Company's final RBC2 ratio, as confirmed by the IC, is at 111% and 104%, respectively [see Note 3.1(h)]. Meanwhile in 2023, the Company reported an RBC2 ratio of 142% which is still subject to confirmation of the IC. The Company was able to meet its committed RBC2 ratio of 125% and 110% in 2023 and 2022, respectively, as indicated to its five-year recovery program.

As at December 31, 2023 and 2022, the amounts of non-admitted assets, as defined under the Insurance Code, which are included in the statements of financial position, are as follows:

	2023	2022
Loans and receivables	**P 384,926,554**	P 595,475,002
Equity securities and other investments	**2,104,000**	744,244,546
Premiums due and uncollected	**611,878,665**	270,544,414
Property and equipment	**215,604,013**	507,320,777
Investment property	**10,195,386**	75,275,116
Other assets and receivables	**1,283,969,289**	1,326,840,738
	P 2,508,677,907	P 3,519,700,593

5.4 Limitation on Dividend Declaration

Section 195 of the Insurance Code provides that a domestic life insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- RBC ratio;
- the legal reserve fund required; and,
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

The Company is required to report such dividend declaration or distribution to the IC within 30 days from the date of such declaration.

There were no dividends declared by the Company in 2023 and 2022.

6. CATEGORIES, FAIR VALUE MEASUREMENT AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below (amounts in thousands).

	Classes: At Amortized Cost	Classes: At Fair Value	Carrying Amount	Fair Value
December 31, 2023				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 1,054,339	P -	P 1,054,339	P 1,054,339
Insurance receivables	1,096,765	-	1,096,765	1,096,765
Loans and other receivables	3,908,345	-	3,908,345	4,250,517
Accrued income	129,116	-	129,116	129,116
Reinsurance assets	119,686	-	119,686	119,686
Other assets	62,266	-	62,266	62,266
At fair value:				
Financial assets at FVPL	-	4,055,083	4,055,083	4,055,083
AFS financial assets	-	8,898,184	8,898,184	8,898,184
	P 6,370,517	**P 12,953,267**	**P 19,323,784**	**P 19,665,956**
Financial Liabilities				
At amortized cost:				
Policy and contract claims	P 1,318,991	P -	P 1,318,991	P 1,318,991
Reserve for policyholders' dividends	240,192	-	240,192	240,192
Premium deposit funds	602,875	-	602,875	602,875
Insurance payables	132,406	-	132,406	132,406
Accounts payable and accrued expenses	1,058,719	-	1,058,719	1,058,719
Lease liabilities	59,019	-	59,019	59,019
	P 3,412,202	**P -**	**P 3,412,202**	**P 3,412,202**
December 31, 2022				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 1,398,599	P -	P 1,398,599	P 1,398,599
Insurance receivables	701,940	-	701,940	701,940
Loans and other receivables	3,854,758	-	3,854,758	3,916,495
Accrued income	135,075	-	135,075	135,075
Reinsurance assets	103,034	-	103,034	103,034
Other assets	64,677	-	64,677	64,677
At fair value:				
Financial assets at FVPL	-	4,194,907	4,194,907	4,194,907
AFS financial assets	-	9,126,250	9,126,250	9,126,250
	P 6,258,083	P 13,321,157	P 19,579,240	P 19,640,977
Financial Liabilities				
At amortized cost:				
Policy and contract claims	P 1,547,860	P -	P 1,547,860	P 1,547,860
Reserve for policyholders' dividends	236,816	-	236,816	236,816
Premium deposit funds	578,432	-	578,432	578,432
Insurance payables	86,987	-	86,987	86,987
Accounts payable and accrued expenses	1,207,872	-	1,207,872	1,207,872
Lease liabilities	86,864	-	86,864	86,864
	P 3,744,831	P -	P 3,744,831	P 3,744,831

6.2 Fair Value Hierarchy

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

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

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

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

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

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

6.3 Financial Instruments Measured at Fair Value

The financial assets and financial liabilities measured at fair value in the statements of financial position as of December 31, 2023 and 2022 are grouped into the fair value hierarchy as follows (in thousands):

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2023					
Financial assets at FVPL:	9				
Government debt securities		P 2,018,548	P -	P -	P 2,018,548
Corporate debt securities		927,179	-	-	927,179
Equity securities		960,613	-	-	960,613
Equity investments designated as financial assets at FVPL		140,693	8,050	-	148,743
AFS financial assets:	10				
Debt securities		1,728,341	-	-	1,728,341
Equity securities		7,169,843	-	-	7,169,843
		P12,945,217	**P 8,050**	**P -**	**P 12,953,267**

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2022					
Financial assets at FVPL:	9				
Government debt securities		P 2,129,990	P -	P -	P 2,129,990
Corporate debt securities		932,933	-	-	932,933
Equity securities		1,123,934	-	-	1,123,934
Equity investments designated as financial assets at FVPL		-	8,050	-	8,050
AFS financial assets:	10				
Debt securities		2,036,843	-	-	2,036,843
Equity securities		7,089,407	-	-	7,089,407
		P13,313,107	P 8,050	P -	P 13,321,157

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

6.4 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (amounts in thousands).

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2023					
Financial assets					
Cash and cash equivalents	7	P 1,054,339	P -	P -	P 1,054,339
Insurance receivables	8	-	-	1,096,765	1,096,765
Loans and other receivables	11	-	-	4,250,517	4,250,517
Accrued income	12	-	-	129,116	129,116
Reinsurance assets	13		-	119,686	119,686
Other assets	20	-	-	62,266	62,266
		P 1,054,339	**P -**	**P 5,658,350**	**P 6,712,689**
Financial liabilities					
Insurance contract liabilities	21	P -	P -	P 1,318,991	P 1,318,991
Reserve for policyholders' dividends	22	-	-	240,192	240,192
Premium deposit funds	23	-	-	602,875	602,875
Insurance payables	24	-	-	132,406	132,406
Accounts payable and accrued expenses	25	-	-	1,058,719	1,058,719
Lease liabilities	18	-	-	59,019	59,019
		P -	**P -**	**P 3,412,202**	**P 3,412,202**
December 31, 2022					
Financial assets					
Cash and cash equivalents	7	P 1,398,599	P -	P -	P 1,398,599
Insurance receivables	8	-	-	701,940	701,940
Loans and other receivables	11	-	-	3,916,495	3,916,495
Accrued income	12	-	-	135,075	135,075
Reinsurance assets	13		-	103,034	103,034
Other assets	20	-	-	64,677	64,677
		P 1,398,599	P -	P 4,921,221	P 6,319,820
Financial liabilities					
Insurance contract liabilities	21	P -	P -	P 1,547,860	P 1,547,860
Reserve for policyholders' dividends	22	-	-	236,816	236,816
Premium deposit funds	23	-	-	578,432	578,432
Insurance payables	24	-	-	86,987	86,987
Accounts payable and accrued expenses	25	-	-	1,207,872	1,207,872
Lease liabilities	18	-	-	86,864	86,864
		P -	P -	P 3,744,831	P 3,744,831

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

6.5 Fair Value Measurement of Investment Properties

The fair values of the Company's investment properties measured at fair value amounted to P3.29 billion and P2.80 billion as of December 31, 2023 and 2022, respectively.

The fair values of the Company's investment properties were arrived at using the Market Data Approach. Under this approach, the values of the properties are based on sale and listings of comparable properties registered in the vicinity. It requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator and adjustments of the differences between the subject properties and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use.

The fair values measurement for investment properties has been categorized as a Level 2 fair value (see Note 16). The Company engaged accredited independent appraisers to determine the fair value of its investment properties.

6.6 Offsetting Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2023 and 2022 and the only financial assets which are subject to offsetting arrangement is Company's policy loans which are secured with cash surrender value. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the BOD and stockholders of both parties.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2023	2022
Cash on hand	**P 5,731,039**	P 5,931,814
Cash in banks	**839,927,054**	713,744,933
Short-term placements	**208,681,201**	678,921,995
	P1,054,339,294	P1,398,598,742

Cash in banks earn interest at prevailing interest rates. Cash equivalents are made for various periods depending on the immediate cash requirements of the Company and earn interest ranging from 0.05% to 0.10% in both 2023 and 2022.

Short-term placements are made for varying periods from 15 to 60 days and earn effective interest ranging from 2.00% to 6.25% in 2023 and from 0.50% to 5.23% in 2022.

Interest income earned in 2023 and 2022 amounted to P34.84 million and P37.60 million, respectively, and is presented as part of Interest income under Investment Income account in the statements of comprehensive income (see Note 28).

8. INSURANCE RECEIVABLES

This account consists of:

	2023	2022
Premiums due and uncollected	**P1,261,827,376**	P 803,094,396
Due from agents	**110,780,906**	97,342,475
	1,372,608,282	900,436,871
Allowance for impairment	**(275,842,902)**	(198,497,325)
	P1,096,765,380	P 701,939,546

All of the company's insurance receivables have been reviewed for indicators of impairment. The movements of allowance for impairment are as follows:

	2023	2022
Balance at beginning of year	**P 198,497,325**	P 143,996,433
Impairment loss during the year	**77,345,577**	54,500,892
Balance at end of year	**P 275,842,902**	P 198,497,325

The impairment losses were recognized as part of Impairment Losses on Financial Assets – net in the statements of comprehensive income.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of the following financial assets which are issued in:

	2023	2022
Philippines peso	**P3,750,146,707**	P3,881,145,705
United States dollar	**304,936,737**	313,761,710
	P4,055,083,444	P4,194,907,415

The carrying amounts of the financial assets at FVPL are classified as follows:

	2023	2022
Government debt securities	**P2,018,547,791**	P2,129,990,033
Equity securities	**1,101,306,930**	1,123,934,818
Corporate debt securities	**927,178,723**	932,932,564
Equity investments designated as financial assets at FVPL	**8,050,000**	8,050,000
	P4,055,083,444	P4,194,907,415

Interest income earned from the Company's FVPL debt securities amounted to P135.18 million and P165.59 million in 2023 and 2022, respectively, and is presented as part of Investment Income account in the statements of comprehensive income (see Note 28).

Dividend income arising from the Company's FVPL equity securities amounted to P18.10 million and P12.24 million in 2023 and 2022, respectively, and is presented as part of Investment Income account in the statements of comprehensive income (see Note 28).

The carrying values of financial assets at FVPL have been determined as follows:

	Note	**2023**	2022
Balance at beginning of year		**P4,194,907,415**	P5,139,567,919
Additions		**1,167,889,853**	1,498,772,303
Maturities and disposals		**(1,339,216,292)**	(2,190,795,827)
Net change in fair value	28	**34,220,432**	(284,344,699)
Foreign exchange gains (losses)		**(2,717,964)**	31,707,719
Balance at end of year		**P4,055,083,444**	P4,194,907,415

Fair value changes on financial assets at FVPL, which is presented as part of Investment Income account in the statements of comprehensive income, consists of:

	Note	**2023**	2022
Government debt securities		**P 33,054,630**	(P 153,197,592)
Equity securities		**(16,001,147)**	(76,528,050)
Equity securities designated as financial assets at FVPL		**(376,618)**	-
Corporate debt securities		**17,543,567**	(54,619,057)
	28	**P 34,220,432**	(P 284,344,699)

The related gains and losses from sale of these financial assets are presented under Investment Income account in the statements of comprehensive income (see Note 28).

The fair values of equity securities presented above have been determined directly by reference to quote bid prices in active markets (see Note 6.3).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

	2023	2022
Debt securities at fair value	**P 7,169,843,410**	P 7,089,407,372
Equity securities at fair value	**1,728,340,750**	2,036,842,537
	P 8,898,184,160	P 9,126,249,909

As at December 31, 2023 and 2022, government securities with a total value of P340.97 million and P314.38 million, respectively, are deposited with the IC in accordance with the provision of the Insurance Code as security for the benefit of policyholders and creditors of the Company.

The carrying values of AFS financial assets have been determined as follows:

	2023	2022
Balance at beginning of year	**P 9,126,249,909**	P 8,577,971,851
Additions	**1,075,464,699**	4,485,494,296
Maturities and disposals	**(1,418,769,336)**	(3,123,485,172)
Net change in fair value	**91,192,660**	(833,665,701)
Foreign exchange gains	**24,046,228**	19,934,635
Balance at end of year	**P 8,898,184,160**	P 9,126,249,909

As of December 31, 2023 and 2022, management assessed that there is no additional impairment on its AFS financial assets.

The movements in revaluation reserves on AFS financial assets are as follows:

	Note	**2023**	2022
Balance at beginning of year		**(P 1,081,571,909)**	(P 247,906,208)
Other comprehensive income:			
Fair value gains (losses) - net		**42,195,245**	(953,165,691)
Transferred to profit or loss	28	**48,997,415**	119,499,990
Balance at end of year		**(P 990,379,249)**	(P 1,081,571,909)

The related gains and losses from sale of these financial assets are presented under Investment Income account in the statements of comprehensive income (see Note 28).

Interest income earned from the Company's AFS debt securities amounted to P391.91 million and P280.02 million in 2023 and 2022, respectively, and is presented as part of Investment Income account in the statements of comprehensive income (see Note 28).

Dividend income arising from the Company's AFS equity securities amounted to P46.45 million and P72.25 million in 2023 and 2022, respectively, and is presented as part of Investment Income account in the statements of comprehensive income (see Note 28).

As of December 31, the maturity profile of the AFS debt securities at carrying amount is as follows:

	2023	2022
Within one year	**P 218,118,898**	P 422,718,090
More than a year to five years	**3,233,593,227**	2,606,712,062
Beyond five years	**3,718,131,285**	4,059,977,220
	P 7,169,843,410	P 7,089,407,372

11. LOANS AND OTHER RECEIVABLES

This account consists of:

	Note	**2023**	2022
Note receivable		**P1,271,406,435**	P1,395,750,900
Mortgage loans		**1,184,343,710**	1,005,805,400
Claims receivable – farmers and group		**559,785,864**	536,257,064
Policy loans		**441,796,159**	437,123,887
HMO billback		**387,399,087**	375,461,989
Investment accounts receivable	34b	**215,288,476**	187,692,392
Advances to officers and employees		**94,398,883**	75,632,115
Collateral loans		**29,277,209**	42,891,014
Installment contract receivables		**28,588,116**	96,716,116
Others	34d	**183,504,488**	150,826,767
		4,395,788,427	4,304,157,644
Allowance for impairment losses		**(487,443,179)**	(449,399,873)
		P3,908,345,248	P3,854,757,771

Note receivable refers to long-term promissory note without collateral and earns prevailing market interest rate ranging from 3.00% to 24.00% and from 4.00% to 24.00% in 2023 and 2022, respectively.

Mortgage loans pertain to receivables in housing loans secured by the property being financed by the loans and collectible in monthly amortizations. Interest rates range from 4.88% to 17.50% in both 2023 and 2022, with terms ranging from five to ten years.

HMO billback is due from healthcare cardholders under the third party administration accounts or autobill back, wherein the Company initially pays for the medical expenses and subsequently bills the same to the cardholders plus service fee ranging from 7.00% to 25.00% and network access fee. These HMO related revenues are presented as part of Service Fees account in the statements of comprehensive income (see Note 29).

Policy loans pertain to loans issued to policyholders. The loans are issued with collateral of the cash surrender value of the policyholders insurance policies. Interest rates charged are 10.00% for peso and 8.00% for dollar-denominated policies.

Investment accounts receivable pertains mainly to receivables from the sale of investments and dividends receivable on the Company's investments in subsidiaries. This also includes the amount provided by variable life funds to the Company to partially fund its loan facility. Interest rates of investment accounts receivable range from 2.00% to 3.00% and from 6.00% to 8.00% for years 2023 and 2022, respectively.

Installment contract receivables pertain to the outstanding receivable on foreclosed properties sold to third parties. The interest rate ranges from 1.00% to 12.00% for both years 2023 and 2022 with terms ranging from 2 to 15 years in both years.

Collateral loans are loans collectible in monthly amortizations over a period of one to five years, including interest ranging from 6.00% to 21.00%, secured by a chattel mortgage.

Advances to officers and employees are collected through payroll deductions or through expense liquidation.

Total interest income earned from the Company's loans and other receivables amounted to P385.57 million and P320.38 million in 2023 and 2022, respectively, and is presented as part of Interest income presented under Investment Income account in the statements of comprehensive income (see Note 28).

The total fair values of loans and other receivables as at December 31, 2023 and 2022 are disclosed in Note 6.1.

The rollforward analyses of allowance for impairment losses on loans and other receivables are as follows:

	Balance at beginning of the year	Impairment losses	Write-offs	Others	Balance at end of the year
2023:					
HMO billback	P 193,935,232	P -	P -	P -	P 193,935,232
Notes receivable	172,294,941	27,709,190	-	10,517,936	210,522,067
Claims receivable – farmers and group	54,508,525	10,000,000	-	-	64,508,525
Investment accounts receivable	13,107,049	-	(8,340,677)	-	4,766,372
Collateral loans	5,116,567	-	-	(34,225)	5,082,342
Mortgage loans	4,354,285	-	-	-	4,354,285
Advances to officers and employees	3,974,131	-	-	(1,624,919)	2,349,212
Others	2,109,143	1,203,033	(184,000)	(1,203,032)	1,925,144
	P 449,399,873	**P 38,912,223**	**(P 8,524,677)**	**P 7,655,760**	**P 487,443,179**
2022:					
HMO billback	P 193,935,232	P -	P -	P -	P 193,935,232
Notes receivable	173,547,067	7,606,667	(8,858,793)	-	172,294,941
Claims receivable – farmers and group	44,508,525	10,000,000	-	-	54,508,525
Investment accounts receivable	13,107,049	-	-	-	13,107,049
Collateral loans	5,116,567	-	-	-	5,116,567
Mortgage loans	4,354,285	-	-	-	4,354,285
Advances to officers and employees	3,974,131	-	-	-	3,974,131
Others	2,109,143	472,093	(472,093)	-	2,109,143
	P 440,651,999	P 18,078,760	(P 9,330,886)	P -	P 449,399,873

In 2023 and 2022, the Company recognized provision for impairment losses based on the Company's assessment of the individual balances of different receivables.

In 2022, certain receivables amounting to P4.67 million were determined to be uncollectible, hence these were directly written-off and charged as part of Impairment losses on financial assets – net in the statements of comprehensive income. There were no similar transaction in 2023.

As of December 31, 2023 and 2022, the maturity profile of the loans and other receivables at gross amount is as follows:

	2023	2022
Within one year	**P 2,019,497,665**	P 1,024,236,922
More than a year to five years	**1,502,573,275**	2,840,458,852
Beyond five years	**873,717,487**	439,461,870
	P 4,395,788,427	P 4,304,157,644

12. ACCRUED INCOME

This account consists of:

	Note	2023	2022
Interest receivable		**P 123,646,356**	P 128,791,393
Dividend receivable	14	**5,469,896**	3,950,168
Rent receivable		**-**	2,333,168
		P 129,116,252	P 135,074,729

Interest receivable includes accrued interest arising from short-term investments, debt securities classified as financial assets at FVPL, debt securities under AFS financial assets, and loans and other receivables.

As of December 31, 2023 and 2022, management assessed that there is no impairment on accrued income.

13. REINSURANCE ASSETS

This account consists of:

	2023	2022
Reinsurance recoverable on unpaid losses	**P 110,264,668**	P 95,679,245
Reinsurers' share on legal policy reserves	**9,421,748**	7,354,429
	P 119,686,416	P 103,033,674

The movements of reinsurance recoverable on unpaid losses are as follows:

	Note	2023	2022
Balance at beginning of year		**P 95,679,245**	P 38,661,134
Claims incurred during the year	30	**15,852,740**	64,371,724
Claims paid during the year		**(1,267,317)**	(7,353,613)
Balance at end of year		**P 110,264,668**	P 95,679,245

The movements of reinsurers' share on legal policy reserves are as follows:

	2023	2022
Balance at beginning of year	**P 7,354,429**	P 6,488,719
Premiums received	**21,177,326**	15,612,230
Liability released for payments of death, maturity and surrender benefits and claims	**(19,110,007)**	(14,746,520)
Balance at end of year	**P 9,421,748**	P 7,354,429

14. INVESTMENTS IN SUBSIDIARIES

As of December 31, 2023 and 2022, this account consists of:

	2023	2022 [As Restated – see Note 2.1(c)]
Subsidiaries:		
Cocogen	**P1,278,815,053**	P 958,815,052
Cocoplans	**832,040,670**	832,040,670
Ultra	**147,983,154**	140,983,155
CAMCI	**50,000,000**	50,000,000
Healthassist	**20,000,000**	20,000,000
	2,328,838,877	2,001,838,877
Allowance for impairment losses	**(832,040,670)**	(832,040,670)
	P1,496,798,207	P1,169,798,207

In 2023, the Company has made additional capital infusion to Cocogen and Ultra amounting to P320.00 million and P7.00 million, respectively. Meanwhile in 2022, the Company has made additional capital infusion to Cocogen, Ultra, Cocoplans and Healthassist in amounts of P157.02 million, P127.00 million, P110.00 million and P10.00 million, respectively.

In 2022, the Company recognized impairment on investments in Cocoplans amounting to P110.00 million [see Note 2.1(c)]. No additional impairment is recognized in 2023.

The unaudited key financial information of the significant subsidiaries are as follows:

	Cocogen	Cocoplans	Ultra	CAMCI	Healthassist
2023					
Total assets	**P 5,481,711,161**	**P 988,876,777**	**P 284,109,634**	**P 59,451,914**	**P 31,440,674**
Total liabilities	**3,454,246,938**	**889,093,463**	**106,278,200**	**9,596,220**	**3,250,531**
Equity	**2,024,998,568**	**99,783,314**	**177,831,434**	**49,855,694**	**28,190,143**
Revenues	**1,607,620,071**	**53,664,993**	**35,799,431**	**33,487,573**	**20,307,662**
Net income	**55,049,400**	**34,637,877**	**8,805,796**	**400,033**	**2,310,688**
Other comprehensive loss	**(45,522,332)**	**(12,361,574)**	**-**	**(16,818)**	**-**
Total comprehensive income	**9,527,068**	**22,276,303**	**8,805,796**	**383,215**	**2,310,688**
2022					
Total assets	P5,635,741,823	P1,045,446,219	P 238,839,931	P 63,004,625	P 27,465,760
Total liabilities	3,940,270,322	967,939,208	178,906,268	9,955,240	1,572,982
Equity	1,695,471,501	77,507,011	59,933,663	53,049,385	25,892,778
Revenues	1,977,270,668	44,810,059	335,802	38,565,500	13,726,654
Net income	222,690,325	30,930,262	14,200	1,913,977	1,095,619
Other comprehensive loss	(82,437,955)	(735,689)	-	(1,066,776)	-
Total comprehensive income	140,252,370	30,194,573	14,200	847,201	1,095,619

Dividend income from the Company's subsidiaries amounted to P3.58 million and P11.91 million in 2023 and 2022, respectively, and is presented as part of Investment Income account in the statements of comprehensive income (see Note 28).

On the other hand, dividend receivable as of December 31, 2023 and 2022 is included as part of Accrued Income in the statements of financial position (see Notes 12).

15. REAL ESTATE INVENTORIES

The movements in this account are as follows:

	2023	2022
Balance at beginning of year	**P 5,726,136**	P 11,248,136
Disposals	**(3,962,750)**	(5,522,000)
Balance at end of year	**P 1,763,386**	P 5,726,136

In 2023 and 2022, total gain from sale of columbary units amounted to P7.25 million and P6.64 million, respectively, and is presented as part of Other Income account in the statements of comprehensive income (see Note 28).

Management determined that these properties' NRV, which are higher than their costs, amounted to P38.73 million and P23.06 million as at December 31, 2023 and 2022, respectively. Management determines the properties' NRV based on the asset's estimated net selling price.

16. INVESTMENT PROPERTIES

The gross amounts and accumulated depreciation of investment properties at the beginning and end of 2023 and 2022 are shown below.

	December 31, 2023	December 31, 2022	January 1, 2022
Acquisition cost	**P 1,169,851,055**	P1,139,928,659	P1,030,657,332
Accumulated depreciation	**(147,771,805)**	(156,527,499)	(142,228,094)
Carrying amount	**P1,022,079,250**	P 983,401,160	P 888,429,238

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2023 and 2022 is shown below.

	Notes	2023	2022
Balance at beginning of year, net of accumulated depreciation		**P 983,401,160**	P 888,429,238
Additions		**205,677,897**	155,625,585
Disposals		**(154,452,302)**	(47,915,699)
Depreciation charges for the year	31	**(13,042,249)**	(14,299,406)
Transfers	17	**494,744**	1,561,442
Balance at end of year, net of accumulated depreciation		**P1,022,079,250**	P 983,401,160

As at December 31, 2023 and 2022, the estimated fair value of these investment properties amounted to P3.29 billion and P2.80 billion, respectively.

The fair values of investment properties were arrived at using the Market Data Approach and classified as Level 2 in the fair value hierarchy (see Note 6.5).

In 2023 and 2022, the Company sold investment properties with a carrying value of P154.45 million and P47.92 million, respectively. Gain on sale of investment properties in 2023 and 2022 amounting to P18.16 million and P6.87 million, respectively, was recognized under Investment Income in the statements of comprehensive income (see Note 28).

Rental income in 2023 and 2022 arising from the lease of investment properties amounted to P38.92 million and P46.89 million, respectively, which are presented as Rental Income under the Investment Income account in the statements of comprehensive income (see Note 28). Operating expenses, including depreciation expense, arising from these investment properties amounted to P13.04 million and P14.30 million in 2023 and 2022, respectively (see Note 31).

17. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of December 31, 2023 and 2022 are shown below:

	Land	Building and Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
December 31, 2023					
Cost	P 8,444,444	P 355,032,260	P 163,786,820	P 349,397,418	P 876,660,942
Accumulated depreciation and amortization	-	(248,274,590)	(98,799,946)	(271,784,975)	(618,859,511)
Net carrying amount	**P 8,444,444**	**P 106,757,670**	**P 64,986,874**	**P 77,612,443**	**P 257,801,431**
December 31, 2022					
Cost	P 8,444,444	P 329,950,488	P 143,384,514	P 329,230,799	P 811,010,245
Accumulated depreciation and amortization	-	(236,398,467)	(83,691,650)	(242,412,798)	(562,502,915)
Net carrying amount	P 8,444,444	P 93,552,021	P 59,692,864	P 86,818,001	P 248,507,330
January 1, 2022					
Cost	P 8,444,444	P 277,275,776	P 131,915,629	P 318,652,054	P 736,287,903
Accumulated depreciation and amortization	-	(225,496,085)	(67,571,960)	(228,772,160)	(521,840,205)
Net carrying amount	P 8,444,444	P 51,779,691	P 64,343,669	P 89,879,894	P 214,447,698

A reconciliation of the carrying amounts of property and equipment at the beginning and end of December 31, 2023 and 2022 is shown below.

	Land	Buildings and Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Balance at January 1, 2023 net of accumulated depreciation and amortization	P 8,444,444	P 93,552,021	P 59,692,864	P 86,818,001	P 248,507,330
Additions	-	40,226,618	29,269,780	23,573,190	93,069,588
Disposals	-	(12,509,681)	(6,034,121)	(1,151,735)	(19,695,537)
Transfers	-	(153,165)	-	(341,579)	(494,744)
Depreciation and amortization charges for the year	-	(14,358,123)	(17,941,649)	(31,285,434)	(63,585,206)
Balance at December 31, 2023 net of accumulated depreciation and amortization	**P 8,444,444**	**P 106,757,670**	**P 64,986,874**	**P 77,612,443**	**P 257,801,431**
Balance at January 1, 2022 net of accumulated depreciation and amortization	P 8,444,444	P 51,779,691	P 64,343,669	P 89,879,894	P 214,447,698
Additions	-	54,036,063	15,151,028	23,607,334	92,794,425
Disposals	-	(1,261,255)	(2,708,715)	(11,780,081)	(15,750,051)
Transfers	-	(1,175,252)	-	(386,190)	(1,561,442)
Depreciation and amortization charges for the year	-	(9,827,226)	(17,093,118)	(14,502,956)	(41,423,300)
Balance at December 31, 2022 net of accumulated depreciation and amortization	P 8,444,444	P 93,552,021	P 59,692,864	P 86,818,001	P 248,507,330

The Company has reclassified certain land and building in 2023 while an amount of P0.49 million and P1.56 million from Property and Equipment to Investment Property in 2023 and 2022, respectively (see Note 16).

All the depreciation and amortization charges were reported as part of Depreciation and amortization under General and Administrative Expense account in the statements of comprehensive income (see Note 31).

The Company recognized a gain on disposal of property and equipment totaling P0.07 million and P0.16 million in 2023 and 2022, respectively (see Note 28).

As of December 31, 2023 and 2022, the gross carrying amount of the Company's fully depreciated property and equipment that are still in use is P284.67 million and P233.69 million, respectively. In 2022, the Company has retired various fully depreciated property and equipment with total cost of P264.11 million. There is no similar transaction in 2023.

18. LEASES

The Company has leases for certain office spaces. With the exception of short-term leases, each lease is reflected on the statement of financial positions as a Right-of-use Assets and Lease Liabilities. Variable lease payments which do not depend on an index or rate are excluded from the initial measurement of the right-of-use asset and lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantial termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office spaces, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The nature of the Company's leasing activities recognized in the statements of financial position is described below.

	2023	2022
Number of underlying assets leased	**21**	24
Range of remaining term	**1 – 4 years**	1 – 4 years
Average remaining lease term	**2 years**	2 years

18.1 Right-of-use Assets

The carrying amount of the Company's right-of-use assets as at December 31, 2023 and 2022 and the movements during the year are shown below.

	2023	2022
Cost	**P 231,655,737**	P 216,642,003
Accumulated amortization	**(175,163,152)**	(135,659,496)
Net carrying amount	**P 56,492,585**	P 80,982,507

A reconciliation of the carrying amount of right-of-use assets at beginning and end of 2023 and 2022 is shown below.

	Note	**2023**	2022
Balance at the beginning of the year		**P 80,982,507**	P 25,797,923
Additions during the year		**15,013,735**	98,569,107
Amortization charges during the year	31	**(39,503,657)**	(43,384,523)
Balance at end of year		**P 56,492,585**	P 80,982,507

Amortization charges were reported as part of Depreciation and amortization under General and Administrative Expense account in the statements of comprehensive income (see Note 31).

18.2 Lease Liabilities

Lease liabilities are presented in the statements of financial position as at December 31 as follows:

	2023	2022
Current	**P 39,159,158**	P 39,439,999
Non-current	**19,859,928**	47,423,679
	P 59,019,086	P 86,863,678

The movements in the lease liabilities recognized in the statements of financial position are as follows:

	Note	2023	2022
Balance at beginning of year		**P 86,863,678**	P 31,543,192
Cash flows from financing activities –			
Repayment of lease liabilities including interest		**(44,179,780)**	(44,929,728)
Non-cash financing activities:			
Additional lease obligation		**15,013,735**	98,569,107
Interest amortization on lease liabilities	31	**1,321,453**	1,681,107
Balance at end of year		**P 59,019,086**	P 86,863,678

In 2023 and 2022, the Company did not have any lease modifications or rent concession from lessors.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities at December 31, 2023 and 2022 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
December 31, 2023						
Lease payments	P 39,863,400	P 17,639,993	P 1,792,017	P 573,118	P 48,022	P 59,916,550
Interest expense	(704,242)	(164,785)	(22,726)	(5,649)	(62)	(897,464)
Net present value	**P 39,159,158**	**P 17,475,208**	**P 1,769,291**	**P 567,469**	**P 47,960**	**P 59,019,086**
December 31, 2022						
Lease payments	P 41,271,991	P 33,607,735	P 13,518,157	P 971,372	P -	P 89,369,255
Interest expense	(1,831,992)	(555,866)	(110,837)	(6,882)	-	(2,505,577)
Net present value	P 39,439,999	P 33,051,869	P 13,407,320	P 964,490	P -	P 86,863,678

18.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating to short-term leases amounted to P42.49 million and P34.11 million which are presented as Rent expense under General and Administrative Expenses account in the statements of comprehensive income, respectively (see Note 31).

18.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P86.67 million and P79.03 million in 2023 and 2022, respectively. Interest expense in relation to lease liabilities amounted to P1.32 million and P1.68 million which is presented as Interest expense on lease liability under General and Administrative Expenses account the 2023 and 2022 statement of comprehensive income, respectively (see Note 31).

19. INTANGIBLE ASSETS

Intangible assets pertain to acquired computer software licenses used in operation and administration. The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of December 31, 2023 and 2022 follow:

	December 31, 2023	December 31, 2022	January 1, 2022
Acquisition cost	**P 328,029,873**	P 298,426,287	P 255,808,327
Accumulated amortization	**(198,624,445)**	(175,431,816)	(155,565,208)
Carrying amount	**P 129,405,428**	P 122,994,471	P 100,243,119

A reconciliation of the carrying amounts at the beginning and end of 2023 and 2022 of intangible assets is shown below.

	Note	**2023**	2022
Balance at beginning of year, net of accumulated amortization		**P 122,994,471**	P 100,243,119
Additions		**29,407,198**	42,633,076
Amortization charges for the year	31	**(22,996,241)**	(19,881,724)
Balance at end of year, net of accumulated amortization		**P 129,405,428**	P 122,994,471

20. OTHER ASSETS

The composition of this account is shown below.

	2023	2022
Bureau of Internal Revenue (BIR) tax credits	**P 370,014,275**	P 281,258,274
Prepaid expense	**185,775,414**	195,157,578
Lease and leasehold deposits	**30,476,523**	33,376,006
Deferred charges	**25,741,193**	33,281,681
Refundable deposits	**24,062,326**	23,601,437
Contingency fund pool	**7,727,626**	7,700,044
Laboratory supplies inventory	**3,685,970**	3,685,970
Others	**109,456**	883,926
	P 647,592,783	P 578,944,916

Prepaid expense includes access fee paid on the bancassurance arrangement with UCPB Savings and UCPB entered by the Company. Prior to 2020, the Company paid non-refundable access fee amounting to P105.00 million. Non-refundable access fee pertains to the upfront access fee payable upon the signing of the agreement. The Company also paid a refundable access fee to UCPB amounting to P105.00 million. Refundable access fee is related to the satisfaction of the performance targets set forth by both parties. Moreover, the earned portion are redeemable at the end of each year while the unearned portion will be refunded at the conclusion of the agreement period.

Refundable deposits are lease deposits that can be refunded at the end of short-term lease term. Lease and leasehold deposits consist of security lease deposits that can be applied at the end of the lease term.

21. INSURANCE CONTRACT LIABILITIES

The composition of this account is shown below.

	Note	2023	2022
Legal policy reserves	3.2(a)	**P14,295,756,807**	P 13,969,195,511
Policy and contract claims	3.2(b)	**1,318,990,872**	1,547,859,823
		P15,614,747,679	P 15,517,055,334

Total IBNR recognized by the Company amounted to P0.66 billion and P0.88 billion as at December 31, 2023 and 2022, respectively, which form part of Policy and contract claims account [see Note 3.2(b)].

The movements in legal policy reserves are as follows:

	2023	2022
Balance at beginning of year	**P13,969,195,511**	P15,919,762,593
Premiums received	**5,738,920,689**	6,057,129,026
Liability released for payments of death, maturity and surrender benefits and claims	**(6,288,550,664)**	(6,750,446,972)
Accretion of investments income or change in unit prices	**695,315,030**	291,660,023
Adjustment due to change in Assumptions – Investment return	**180,877,530**	(1,570,969,855)
Others	**(1,289)**	22,060,696
Balance at end of year	**P14,295,756,807**	P 13,969,195,511

The movements in policy and contract claims are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P 1,547,859,823**	P 1,870,371,575
Incurred during the year	30	**5,131,938,683**	5,015,842,680
Paid during the year		**(5,360,807,634)**	(5,338,354,432)
Balance at end of year		**P 1,318,990,872**	P 1,547,859,823

As at December 31, 2023 and 2022, assets held to cover unit-linked liabilities amounting to P3.15 billion and P3.12 billion, respectively, are held in the Company's separately managed funds, namely, Peso Fixed Income and Dollar Growth Fund, Dollar Bond Fund, Peso Equity Fund, Peso Fixed Income Fund, Peso Bond Fund, Asian Multi-Asset Bond Fund, and Global Consumer Trend Investment Fund (see Note 36).

22. RESERVE FOR POLICYHOLDERS' DIVIDENDS

The movements in this account is shown below.

	2023	2022
Balance at beginning of year	**P 236,815,967**	P 225,878,023
Dividends participating policies	**40,830,406**	36,264,436
Dividends applied	**(37,454,283)**	(25,326,492)
Balance at end of year	**P 240,192,090**	P 236,815,967

Reserve for policyholder's dividends represents due and unpaid dividends to policyholders with participation-type insurance contracts.

Dividends participating policies is presented as Policyholders' Dividends in the statements of profit or loss.

23. PREMIUM DEPOSIT FUNDS

The composition of this account are shown below.

	2023	2022
Premium deposits	**P 450,350,121**	P 408,509,712
HMO guarantee deposits	**54,823,175**	56,820,933
Premium deposit fund	**50,172,831**	50,170,314
Fund builder rider	**41,513,902**	49,122,910
Claims deposit	**6,015,150**	13,807,704
	P 602,875,179	P 578,431,573

24. INSURANCE PAYABLES

This account represents reinsurance premiums due and payable by the Company to all its reinsurers whether treaty or facultative. As of December 31, 2023 and 2022, this account amounted to P132.41 million and P86.99 million, respectively.

The movements in this account are shown below.

	Note	2023	2022
Balance at beginning of year		**P 86,986,719**	P 57,384,124
Incurred during the year	27	**47,490,653**	58,861,944
Paid during the year		**(2,080,213)**	(29,290,694)
Foreign exchange loss		**9,300**	31,345
Balance at end of year		**P 132,406,459**	P 86,986,719

Reinsurance premiums incurred during the year is presented as Reinsurance premiums ceded under Net Insurance Premiums in the statements of comprehensive income.

25. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

These accounts consist of:

	Note	2023	2022
Accounts payable and accrued expenses:			
Accounts payable		**P 578,920,331**	P 768,553,705
Accrued incentives and bonuses		**234,184,129**	266,141,145
Loading payables		**179,704,062**	84,118,536
Investment accounts payable	34a, 34c	**17,021,426**	48,698,728
Supplementary contracts without life contingency		**45,111,600**	36,658,943
Agents' fidelity and annuity reserves		**3,777,870**	3,701,264
		P1,058,719,418	P1,207,872,321

		2023		2022
Other liabilities:				
Payable to government agencies	**P**	**18,846,860**	P	40,138,715
Deferred credits		**38,918,877**		6,518,474
Others		**865,977**		865,978
	P	**58,631,714**	P	47,523,167

Accounts payable consists mainly of unpaid commissions, supplies, utilities, postal and communication, professional fees, repairs and maintenance, and security services that are due and demandable.

Accrued incentives and bonuses represent amounts payable to employees computed based on current salary and length of service. These amounts are due to be paid within one year after the reporting date.

Loading payables refer to the portion of gross premium due and uncollected which is expected to be paid out in the form of commission, service fees, overrides and taxes.

Investments accounts payable represent funds received from both related parties and third parties to partially fund its loan financing facility. These amounts charge interest averaging 5.50% in years 2023 and 2022. Interest expense incurred on these loans amounted to P46.57 million and P59.75 million in 2023 and 2022, respectively was presented under Investment expenses in the statements of comprehensive income (see Note 28).

Supplementary contracts without life contingency represent claims which are held by the Company and are paid in monthly instalments in the form of pension benefits. These claims earn interest of 6.06% annually.

Agents' fidelity and annuity reserves represent amounts withheld from agents which are refunded upon resignation or termination.

Payable to government agencies consist mainly of value-added tax (VAT) payable, withholding taxes from the employees' compensation and purchases from suppliers which are subsequently remitted within one month after the reporting date.

Deferred credits represent reservation deposits which are refunded upon consumption of sale of investment properties and real estate inventories.

Others under Other liabilities in the statements of financial position are noninterest-bearing liabilities and are due and demandable.

26. EQUITY

26.1 Capital Stock

As at December 31, 2023 and 2022, the Company has authorized shares of 1,000,000,000 and has issued and outstanding shares amounted to P550.00 million with a par value of P1 per share.

As of December 31, 2023 and 2022, the Company has 21 and 36 stockholders, respectively, owning 100 or more shares each of the Company's capital stock.

26.2 Retained Earnings

As at December 31, 2023 and 2022, the Company has appropriated retained earnings amounting to P89.62 million and P87.49 million, respectively. This is equivalent to the negative legal policy reserves calculated on traditional life insurance policies as mandated by IC through its issuance of CL No. 2016-66. Reserve for life insurance policy pertains to the remeasurement of the legal policy reserve attributable to the impact of changes in the discount rates used in the valuation of legal policy reserves applying the GPV methodology [see Note 2.6(a)].

As of December 31, 2023 and 2022, the unappropriated retained earnings of the Company has already exceeded the paid-in capital stock. This is non-compliant with Section 42 of the Revised Corporation Code, which specifically indicates that "stock corporations are prohibited from retaining surplus profits in excess of 100 percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the BOD; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/ his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies."

Accordingly, on May 22, 2018, the Company submitted a letter to SEC to seek consideration and exemption on assessments or penalties pertaining to the said violation, until such time that the ownership issue of the Company is resolved by the courts and its stockholders are clearly identified. This is in relation to the pending case wherein government is claiming 100% ownership of Cocolife, on the ground that the Company was allegedly formed using coco levy funds which are public funds.

In view of the pendency of the case and until final determination by the courts on the issue of ownership of the Company, the Company is hard put to comply with Section 43, as well as with Section 52 of the Revised Corporation Code, Regular and Special Meetings of Stockholders or Members, in a quandary on whom to make dividend declarations. However, despite of the violation, the Company is still substantially compliant as the Company is classified by the Governance Commission as a government-owned and controlled corporation, under supervision of Presidential Commission on Good Government, which oversight the Company's operations to ensure that the interests of the stockholders are protected.

27. NET INSURANCE PREMIUMS

	Note	2023	2022
Direct:			
Accident and health		**P5,819,232,069**	P5,042,674,858
Group life insurance		**1,225,492,032**	1,259,392,707
Ordinary life insurance		**764,303,058**	819,758,790
Unit-linked		**121,052,040**	96,321,536
		7,930,079,199	7,218,147,891
Assumed group life insurance		**88,773,842**	76,325,525
		8,018,853,041	7,294,473,416
Reinsurance premiums ceded:			
Group life insurance		**26,313,328**	43,249,714
Accident and health		**15,947,396**	15,419,886
Ordinary life insurance		**5,229,929**	192,344
	24	**47,490,653**	58,861,944
		P7,971,362,388	P7,235,611,472

28. INVESTMENT INCOME, INVESTMENT EXPENSES AND OTHER INCOME

Investment income account consists of:

	Notes	2023	2022
Interest income on:			
AFS financial assets	10	**P 391,907,135**	P 280,020,877
Loans and other receivables	11	**385,571,333**	320,375,519
Financial assets at FVPL	9	**135,183,876**	165,588,308
Cash and cash equivalents	7	**34,840,643**	37,604,363
Others:			
Dividend income	9, 10, 14	**68,130,111**	96,403,711
Gain on sale of AFS financial assets	10	**48,997,415**	119,499,990
Rental income	16	**38,916,118**	46,889,531
Unrealized fair value gain (losses) on financial assets at FVPL - net	9	**34,220,432**	(284,344,699)
Gain (losses) on sale of financial assets at FVPL	9	**27,438,056**	(2,113,682)
Gain on sale of investment properties	16	**18,156,516**	6,865,361
		P1,183,361,635	P 786,789,279

Investment expenses account consists of:

	Note	2023	2022
Interest expense	25	**P 46,571,473**	P 59,746,511
Foreclosure charges		**13,612,886**	15,930,166
Management fee		**244,163**	242,185
Others		**75,791,955**	56,302,841
		P 136,220,477	P 132,221,703

Other investment expenses pertain to administrative costs incurred for unit-linked premiums and loans.

Other income account consists of:

	Notes	2023	2022
Gain on sale of real estate inventories	15	**P 7,245,574**	P 6,638,326
Gain on sale of property and equipment	17	**66,982**	162,500
Foreign exchange gain (losses) – net	15	**(48,684)**	8,065,441
Miscellaneous income		**268,680**	3,458,360
		P 7,532,552	P 18,324,627

29. SERVICE FEES

This account consists of:

	Note	2023	2022
HMO fees	11	**P 648,076,323**	P 586,532,530
Policy fees		**55,530,932**	49,808,767
Cancellation fees		**10,797,023**	9,866,720
Other service fees		**5,339,471**	4,861,104
		P 719,743,749	P 651,069,121

30. NET INSURANCE BENEFITS AND CLAIMS

Gross benefits and claims paid on insurance contracts consist of:

	Note	2023	2022
Accident and health		**P4,310,458,883**	P3,746,115,605
Group life insurance		**359,669,105**	813,237,978
Maturities and surrenders		**380,049,328**	435,834,465
Ordinary life insurance		**81,761,367**	20,654,632
	21	**P5,131,938,683**	P 5,015,842,680

Share on benefits and claims of reinsurers amounted to P15.85 million and P64.37 million in 2023 and 2022, respectively, and is presented under Net Insurance Benefits and Claims in the statements of comprehensive income (See Note 13).

Changes in life insurance contract liabilities follow:

	Gross change in Insurance Contract Liabilities	Reinsurers' Share of Change in Insurance Contract Liabilities	Total
2023			
Ordinary life insurance	(P 233,348,660)	P 2,067,319	(P 231,281,341)
Group life insurance	(74,299,763)	-	(74,299,763)
Accident and health	444,313,450	-	444,313,450
Foreign exchange loss	3,402,837	-	3,402,837
	P 140,067,864	**P 2,067,319**	**P 142,135,183**
2022			
Ordinary life insurance	(P 444,197,321)	P 865,710	(P 443,331,611)
Group life insurance	(51,940,642)	-	(51,940,642)
Accident and health	175,273,678	-	175,273,678
Foreign exchange loss	(48,941,487)	-	(48,941,487)
	(P 369,805,772)	P 865,710	(P 368,940,062)

31. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	Notes	2023	2022
Salaries and employee benefits	32.1	**P 733,817,383**	P 795,448,515
HMO miscellaneous expenses		**436,449,438**	378,351,819
Other insurance cost		**319,415,544**	300,199,954
Advertising and promotions		**158,273,767**	21,555,458
Depreciation and amortization	16, 17, 18, 19	**139,127,353**	118,988,953
Taxes and licenses		**65,439,514**	27,645,349
Utilities		**45,100,725**	29,938,488
Rent expense	18	**42,494,432**	34,108,178
Entertainment, amusement and recreation		**39,269,436**	15,336,427
Directors' fees		**38,200,700**	24,298,900
Training and development		**31,440,141**	8,087,325
Professional fees		**29,442,549**	18,304,909
Repairs and maintenance		**28,645,112**	9,697,991
Service fees		**26,537,565**	8,389,876
Postage and telephone		**26,310,114**	13,804,006
Printing and office supplies		**19,663,955**	13,726,757
Transportation and travel		**18,111,800**	12,263,617
Meeting and conferences		**12,655,813**	7,517,299
Insurance		**2,864,043**	2,493,803
Condominium dues		**1,732,266**	1,092,099
Interest expense on lease liabilities	18	**1,321,453**	1,681,107
Medical fees		**643,148**	787,166
Miscellaneous expense		**8,257,101**	3,159,925
		P2,225,213,352	P1,846,877,921

Miscellaneous expenses pertain to inspection and investigation expenses, collection fees, referral fees and other expenses.

32. EMPLOYEE BENEFITS

32.1 Salaries and Employee Benefits Expense

Details of salaries and employee benefits are presented below.

	Notes	2023	2022
Salaries and wages		**P 676,461,986**	P 720,108,411
Retirement benefit	32.2	**57,355,397**	75,340,104
	31	**P 733,817,383**	P 795,448,515

32.2 Retirement Benefit

(a) Characteristics of the Defined Benefit Plan

The Company has a funded, non-contributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2023.

The plan is registered with the BIR as a tax-qualified plan under RA No. 4917, *An Act Providing That Retirement Benefits of Employees of Private Firms Shall Not Be Subject to Attachment, Levy, Execution, or Any Tax Whatsoever*, as amended. The control and administration of the plan is vested in the BOD. The plan's accounting and administrative functions are undertaken by the Company's Retirement Funds Office.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages for the years ended December 31, 2023 and 2022 are based on the actuarial report obtained from an independent actuary in both years.

The amounts of retirement benefit obligation recognized as net pension liability in the statements of financial position are determined as follows:

	2023	2022
Present value of retirement benefit obligation	**P 962,876,360**	P 769,927,463
Fair value of plan assets	**(938,508,442)**	(763,654,918)
	P 24,367,918	P 6,272,545

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2023	2022
Balance at beginning of year	**P 769,927,463**	P 948,655,611
Benefits paid	**(43,175,146)**	(147,738,290)
Current service cost	**56,903,774**	70,316,582
Interest expense	**55,434,777**	48,381,436
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**88,124,674**	(163,526,323)
Experience adjustments	**35,386,282**	37,653,018
Transferred liabilities from CAMCI	**274,536**	-
Allocable liabilities to CAMCI and COCOGEN	**-**	(23,814,571)
Balance at end of year	**P 962,876,360**	P 769,927,463

The movements in the fair value of plan assets are presented below.

	2023	2022
Fair value of plan assets at beginning of year	**P 763,654,918**	P 850,155,203
Contributions paid by employer	**138,216,274**	108,767,757
Benefits paid	**(43,175,146)**	(147,738,290)
Interest income	**54,983,154**	43,357,914
Return on plan assets (excluding amounts included in net interest cost or income)	**24,554,706**	(67,073,095)
Fair value of plan asset allocable from CAMCI	**274,536**	-
Fair value of plan asset allocable to CAMCI and COCOGEN	**-**	(23,814,571)
Fair value of plan assets at end of year	**P 938,508,442**	P 763,654,918

The plan earned P79.81 million in 2023, as compared to a loss of P23.72 million in 2022.

The Company's plan assets are maintained and consolidated under the Group Plan. The composition of the fair value of the plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2023	2022
Cash and cash equivalents	**P 157,405,475**	P 128,906,673
Available-for-sale securities:		
Debt investments	**462,179,580**	470,158,840
Equity instruments	**316,221,971**	166,707,250
Accrued interest income from financial assets	**4,405,510**	22,918,566
Other assets	**804,579**	88,714
Accounts payable and accrued expenses	**(2,508,673)**	(1,310,554)
Allocated liabilities	**-**	(23,814,571)
	P 938,508,442	P 763,654,918

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

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

	2023	2022
Reported in profit or loss:		
Current service cost	**P 56,903,774**	P 70,316,582
Net interest cost	**451,623**	5,023,522
	P 57,355,397	P 75,340,104
Reported in other comprehensive loss (income)		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**P 88,124,674**	(P 163,526,323)
Experience adjustments	**35,386,282**	37,653,018
Return on plan assets (excluding amounts included in net interest cost or income)	**(24,554,706)**	67,073,095
	P 98,956,250	(P 58,800,210)

Current service cost and net interest cost are included as part of Salaries and employee benefits under General and Administrative Expenses account in the statements of comprehensive income (see Note 32.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit retirement obligation, the following significant actuarial assumptions were used and applied to the years ended December 31, 2023 and 2022:

	2023	2022
Discount rates	**6.10%**	7.20%
Expected rate of salary increases	**4.00%**	4.00%

Assumptions regarding the mortality and disability rates used were based on the 1980 CSO Mortality Table and 1952 Ben-5 Disability Study, respectively.

The weighted-average duration of the defined benefit obligation is 9 years as at December 31, 2023 and 2022.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(d) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(e) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(f) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's ALM strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(g) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2023 and 2022:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2023			
Discount rate	**+/- 1%**	**(P 56,309,106)**	**P 117,982,102**
Salary growth rate	**+/- 1%**	**110,842,736**	**(51,519,494)**
December 31, 2022			
Discount rate	+/- 1%	(P 55,698,308)	P 77,757,224
Salary growth rate	+/- 1%	72,685,337	(52,266,257)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(h) ALM Strategies

To efficiently manage the retirement plan, the Company ensures that the investment positions are managed in accordance with its ALM strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government) with maturities that match the benefit payments as they fall due and in the appropriate currency.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A significant portion of the plan assets as of December 31, 2023 and 2022 consist of equity and debt securities. The Company believes that debt securities offer the best returns over the long term with an acceptable level of risk although the Company also invests in equity securities and cash and cash equivalents.

There has been no change in the Company's strategies to manage its risks from previous periods.

(i) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P24.37 million based on the latest actuarial valuation. Hence, the Company expects to make contribution of P100.00 million to the plan during the next reporting period.

As of December 31, 2023 and 2022, the maturity profile of undiscounted expected benefit payments from the plan follows:

	2023	2022
More than one year to five years	**P 491,728,977**	P 378,521,187
More than five years to ten years	**570,152,084**	526,154,376
More than ten years to fifteen years	**801,748,767**	753,947,889
More than fifteen years	**2,515,480,760**	2,307,763,727
	P4,379,110,588	P3,966,387,179

33. INCOME TAX

On March 26, 2021, R.A. No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as amended, was signed into law and shall be effective beginning July 1, 2020. Minimum corporate income tax (MCIT) was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023. Starting July 1, 2023, corporations, excluding non-profit proprietary educational institutions and hospitals, and non-resident foreign corporations, will be subject to the original 2% MCIT rate based on their gross income.

The components of tax expense (income) as reported in profit or loss and other comprehensive income for the years ended December 31 are as follows:

	2023	2022
Reported in profit and loss		
Current tax expense:		
Final tax at 20%	**P 107,352,211**	P 91,951,589
MCIT at 1.5%	**17,627,857**	-
Regular corporate income tax (RCIT) at 25%	**-**	31,764,746
	124,980,068	123,716,335
Deferred tax income relating to origination and reversal of temporary differences	**(11,102,766)**	(5,942,952)
	P 113,877,302	P 117,773,383
Reported in other comprehensive income		
Deferred tax on remeasurement of net pension liability	**P 24,739,063**	(14,700,053)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	2023	2022
Tax on pretax profit	**P 115,975,951**	P 123,788,269
Adjustment for income subject to lower tax rate	**(73,072,007)**	(50,547,032)
Tax effects of:		
Non-taxable income	**(25,587,636)**	44,532,146
Non-deductible expense	**14,716,238**	-
Unrecognized deferred tax asset on net operating loss carry over (NOLCO)	**64,216,899**	-
Unrecognized deferred tax asset on MCIT	**17,627,857**	-
Tax expense	**P 113,877,302**	P 117,773,383

The net deferred tax liabilities relate to the following as of December 31:

	Statements of Financial Position		Statements of Comprehensive Income			
			Profit or Loss		Other Comprehensive Income	
	2023	2022	**2023**	2022	**2023**	2022
Deferred tax assets						
Allowance for impairment losses	**P 137,951,986**	P 111,018,706	**P 26,933,280**	P 19,193,698	**P -**	P -
Unamortized past service cost	**72,703,580**	67,492,376	**5,211,204**	(3,501,201)	**-**	-
Lease liabilities	**14,754,772**	21,715,920	**(6,961,146)**	13,830,123	**-**	-
Net pension liability	**6,091,979**	1,568,137	**(20,215,220)**	(8,356,911)	**24,739,063**	(14,700,053)
	231,502,317	201,795,139	**4,968,116**	21,165,709	**24,739,063**	(14,700,053)
Deferred tax liabilities						
Right-of-use assets	**(14,123,147)**	(20,245,627)	**6,122,480**	(13,796,146)	**-**	-
Unrealized foreign exchange gains – net	**(2,004,189)**	(2,016,362)	**12,170**	(1,426,611)	**-**	-
	(16,127,336)	(22,261,989)	**6,134,650**	(15,222,757)	**-**	-
Net deferred tax assets - net	**P 215,374,981**	P 179,533,150				
Deferred tax income (expense) - net			**P 11,102,766**	P 5,942,952	**P 24,739,063**	(P 14,700,053)

The Company did not recognize deferred tax assets on certain temporary differences due to market uncertainty.

The Company is subject to the MCIT or RCIT, whichever is higher. In 2023, no RCIT was reported as the Company was in tax loss position, hence, the Company reported MCIT. On the other hand, no MCIT was recognized in 2022 as the RCIT was higher.

In 2023 and 2022, the Company opted to claim itemized deductions in computing for its income tax due.

The details of NOLCO and MCIT which can be claimed as deduction from future taxable income and regular corporate income tax liabilities, respectively, within three years from the year the NOLCO and MCIT were incurred are shown below.

Year Incurred	Original Amount	Utilized/ Expired	Remaining Balance	Valid Until
NOLCO:				
2023	P 256,867,956	P -	P 256,867,956	2026
MCIT:				
2023	P 17,627,857	P -	P 17,627,857	2026

34. RELATED PARTY TRANSACTIONS

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel (KMP) of the Company are also considered to be related parties.

The Company's transactions with related parties are as follows:

	Year	Note	Amount of Transaction	Due from Related Parties	Due to Related Parties	Terms and Conditions
United Fund, Inc. (UFI) – under Common Control						
Investments collected in behalf of UFI	**2023**	**34a**	**P 12,814**	**P -**	**P 101,975**	Due and demandable;
	2022	34d	-	89,161	-	non-interest bearing; unsecured
Cocolife Fixed Income Fund, Inc. (CFIFI) – Under Common Control						
Investment collected on behalf of CFIFI	**2023**	**34a**	**228,371**	**-**	**317,532**	Due and demandable;
	2022	34c	-	89,161	-	non-interest bearing; unsecured
Cocolife Dollar Fund Builder, Inc. (CDFBI) – under Common Control						
Centralized administrative services	**2023**	**34c**	**(89,161)**	**-**	**-**	Due and demandable;
	2022	34c	-	89,161	-	non-interest bearing; unsecured
CAMCI – Subsidiary						
Allocation of expenses for centralized personnel and technical services	**2023**	**34b**	**(2,505,920)**	**3,851,949**	**247,661**	Due and demandable;
	2022	34b	-	6,605,530	-	non-interest bearing; unsecured
Healthassist – Subsidiary						
Advances	**2023**	**34d**	**(52,010)**	**-**	**-**	Due and demandable;
	2022	34d	-	52,010	-	non-interest bearing;
Cocoplans – Subsidiary						
Advances and loans	**2023**	**34d**	**(558,384)**	**340,830**	**-**	Due and demandable;
	2022	34d	62,325,000	63,224,214	-	non-interest bearing Unsecured
Cocogen – Subsidiary						
Advances	**2023**	**34d**	**(559,808)**	**12,097,029**	**19,758**	Due and demandable;
	2022	34d	-	12,676,595	-	unsecured
Key Management Personnel (KMP)						
Compensation	**2023**	**34d**	**248,694,536**	**-**	**-**	
	2022	34d	220,961,410	-	-	
Loans	**2023**	**34e**	**(93,630,917)**	**88,598,962**	**-**	Due and demandable;
	2022	34e	20,969,597	182,229,879	-	interest bearing; secured by real estate mortgage

Notes:

34a. These amounts pertain to the investments that were received by the Company that Will be remitted to UFI and CFIFI.
34b. These pertain to common expenses initially paid by CAMCI and then subsequently reimbursed by the Company.
34c. These pertain to the amount to be remitted by CFIFI and CDFBI to the Company arising from the interest income on loans.
34d. These are cash advances and loans provided or received by the Company to related parties.
34e. These are mortgage loans that are provided by the Company to its KMP.

The items discussed above are presented in the statements of financial position as:

a. 34a and 34c – Investments accounts payable under Accounts Payable and Accrued Expenses account (see Note 25);
b. 34b – Investments accounts receivable under Loans and Other Receivables account (see Note 11); and,
c. 34d – Notes receivable and Other advances under Loans and Other Receivables account (see Note 11).

Compensation of KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director, whether executive or otherwise, of that entity.

The KMP compensation is as follows:

	2023	2022
Short-term employee benefits	**P 214,611,912**	P 190,692,008
Post-employment benefits	**34,082,624**	30,269,402
	P 248,694,536	P 220,961,410

The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

35. OTHER MATTERS

35.1 Commitments and Contingencies

(a) Operating Leases – Company as Lessor

The Company, as a lessor, has entered into non-cancellable and renewable leases with terms between one to ten years and payment on a monthly basis from the date of the contracts. Some of these lease agreements provide for an escalation in the rental rates ranging from 2.00% to 10.00%. None of the leases includes contingent rentals and restrictions.

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2023 and 2022:

	2023	2022
Within one year	**P 34,199,928**	P 29,189,383
After one year but not more than five years	**21,940,540**	38,787,069
	P 56,140,468	P 67,976,452

The Company's rent income is presented under Investment income (see Note 28).

(b) Others

There are contingent liabilities that may arise in the normal course of the Company's operations which are not reflected in the financial statements. As at December 31, 2023 and 2022, management is of the opinion that losses, if any, from those items will not have a material effect on the Company's financial statements.

35.2 Events after the Reporting Period

On January 26, 2024, the Company's BOD has approved the transfer of assets comprising of residential and commercial units, and parking spaces to Cocogen. As at the date of approval of the financial statements, such transfer has not yet been carried out.

On January 26, 2024, the Company's BOD has also approved the capital infusion into Cocoplans for an amount of P147.3 million to address its capital impairment and trust fund deficiencies. As at the date of approval of the financial statements, the capital infusion has not been made yet.

36. UNIT-LINKED FUNDS

The Company issues unit-linked insurance contracts where payments to policyholders are linked to internal investment funds set up. The details of these internal investments funds, which comprise the assets backing the unit-linked liabilities, are presented in the tables below. The assets, liabilities, income and expenses of these internal investment funds have been reflected in the appropriate accounts in the financial statements.

Guaranteed Funds

Guaranteed funds offered to unit-linked policyholders are available in one year and 3-year maturity periods. Unit-linked policyholders are allowed to allocate up to maximum of ninety percent (90%) of the policy's investible funds to any one of these funds and the remaining portion to any of the unitized funds. The income earned by the funds is based on fixed interest rates that the Company has declared at the time of investment. The interest declared by the Company is net of any fees necessary to manage the funds. In the case of fund withdrawal before the chosen maturity date, corresponding penalties are charged on the interest earned. Presented are the details of the assets and liabilities of the peso guaranteed funds.

	Dollar Guaranteed Fund	Peso Guaranteed Fund	Peso Medium Term Guaranteed Fund	Peso Long Term Guaranteed Fund	Total
2023					
Assets					
Cash and cash equivalents	P 47,304,538	P 24,555,034	P 1,666,210	P 203,794	P 73,729,576
Financial assets at FVPL	152,579,427	390,005,699	19,636,012	-	562,221,138
AFS Financial Assets	15,946,560	1,235,490,512	-	3,111,467	1,254,548,539
Loans and other receivables	-	501,250,622	188,593,053	-	689,843,675
Accrued income	2,696,737	18,964,923	244,570	7,775	21,914,005
Total	**P 218,527,262**	**P 2,170,266,790**	**P 210,139,845**	**P 3,323,036**	**P 2,602,256,933**
Liabilities					
Insurance contract liabilities	P 131,681,485	P 1,927,954,494	P -	P -	P 2,059,635,979
Accounts payable and accrued expenses	4,937	13,019,104	6,275	-	13,030,316
Total	**P 131,686,422**	**P 1,940,973,598**	**P 6,275**	**P -**	**P 2,072,666,295**
Guaranteed interest rates	**2.0%**	**0.5%**	**-**	**-**	
2022					
Assets					
Cash and cash equivalents	P 45,487,484	P 176,464,718	P 743,240	P 3,178,436	P 255,873,878
Financial assets at FVPL	173,963,545	689,630,179	-	-	863,593,724
AFS Financial Assets	16,057,440	1,063,457,730	265,453,847	-	1,344,969,017
Loans and other receivables	-	600,395,356	-	-	600,395,356
Accrued income	2,901,526	16,613,990	835,134	904	20,351,554
Total	P 238,409,995	P 2,546,561,973	P 267,032,221	P 3,179,340	P 3,055,183,529
Liabilities					
Insurance contract liabilities	P 159,701,252	P 2,421,287,859	P 42,939,319	P -	P 2,623,928,430
Accounts payable and accrued expenses	325,141	-	28,396,574	-	28,721,715
Total	P 160,026,393	P 2,421,287,859	P 71,335,893	P -	P 2,652,650,145
Guaranteed interest rates	2.0%	0.5%	4.50%	-	

Growth Funds
This is a unitized variable fund available only in conjunction with the 3-year Peso Medium Term Fund. The performance of the fund is reflected by the Net Asset Value computed at the end of each trading day. The Peso Income and Growth Fund seeks to maximize interest income, consistent with its policy to preserve capital, through a diversified portfolio of high-grade bonds and/or evidences of debt of the Philippine government-owned or controlled corporations, solvent corporations and institutions.

Dollar Bond Fund
This is a unitized variable fund available for dollar investments together with the Dollar Guaranteed Fund. The fund seeks to generate regular interest income, consistent with its policy to preserve capital and to maintain liquidity of its investments. The fund is invested primary in dollar-denominated fixed-income instruments ranging from debentures, money market instruments and government securities.

Peso Equity Fund
This is unitized variable fund available for peso investments and may be chosen together with the Peso Guaranteed Fund and Peso Bond Fund. The fund seeks to maximize income consistent with its policy to preserve capital and to maintain liquidity of investments through a diversified portfolio of high-quality listed equity issues-blue chips and growth stocks listed in the Philippine Stocks Exchange.

Peso Fixed Income Fund
This is a unitized variable fund available for peso investments and may be chosen together with the Peso Guaranteed Fund and Peso Equity Fund. The fund seeks to generate regular interest income, consistent with its policy to preserve capital and maintain liquidity of investment through a diversified portfolio of high-grade bonds and evidence of debt of solvent corporations and institutions.

Peso Bond Fund
This is a unitized variable fund which aims to provide regular interest income, consistent with its policy to preserve capital and to maintain liquidity of its investments, through a diversified portfolio such as Treasury Notes/Bills, Certificates of Indebtedness issued by the Bangko Sentral ng Pilipinas and other government securities or bonds and other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines or any of its instrumentalities. Duration of Peso Bond Fund's investment will be mostly between medium and long-term.

Presented below are the details of the Company's unitized variable funds.

	Peso Income and Growth Fund	Dollar Bond Fund	Peso Equity Fund	Peso Fixed Income Fund	Peso Bond Fund	Asian Multi Asset Bond Fund	Global Consumer Trend Inv Fund	Total
2023								
Assets								
Cash and cash equivalents	P 84,160	P 12,165,452	P 32,090,330	P 41,320,630	P 13,696,892	P 30,272	P 65,201	P 99,452,937
Financial assets at FVPL	1,220,575	152,357,310	462,164,294	1,972,615,947	187,216,387	126,468,666	14,224,716	2,916,267,895
Loans and other receivables	-	-	1,869,002	110,850,935	326,943	1,023,125	257,246	114,327,251
Accrued Income	3,050	2,411,328	2,108,682	18,280,630	2,033,547	-	-	24,837,237
	P 1,307,785	**P 166,934,090**	**P 498,232,308**	**P 2,143,068,142**	**P203,273,769**	**P 127,522,063**	**P 14,547,163**	**P3,154,885,320**
Liabilities								
Insurance contract liabilities	P -	P 156,220,777	P 484,302,644	P 2,132,298,019	P196,903,861	P 126,303,707	P 13,470,193	P 3,109,499,201
Accounts payable and accrued expenses	-	2,775,904	5,812,326	3,614,790	97,043	231,854	26,612	12,558,529
	P -	**P 158,996,681**	**P 490,114,970**	**P 2,135,912,809**	**P197,000,904**	**P 126,535,561**	**P 13,496,805**	**P3,122,057,730**
NAV	**1.0000**	**1.4299**	**1.6012**	**1.8221**	**1.2454**	**0.9803**	**1.0498**	
2022								
Assets								
Cash and cash equivalents	P 80,258,977	P 43,092,597	P 11,233,660	P 309,119,517	P 12,515,040	P 19,800	P 19,800	P 456,259,391
Financial assets at FVPL	-	139,798,163	460,712,871	1,794,583,747	180,496,939	-	-	2,575,591,720
Loans and other receivables	-	3,318,753	3,409,796	54,815,940	20,951	-	-	61,565,440
Accrued Income	-	1,634,117	793,645	17,225,790	2,522,721	980,800	980,800	24,137,873
	P 80,258,977	P 187,843,630	P 476,149,972	P 2,175,744,994	P195,555,651	P 1,000,600	P 1,000,600	P 3,117,554,424
Liabilities								
Insurance contract liabilities	P 4,251,049	P 179,978,846	P 466,985,647	P 2,164,642,627	P189,540,437	P -	P -	P3,005,398,606
Accounts payable and accrued expenses	2,493,397	308,245	1,074,573	4,217,137	94,186	-	-	8,187,538
	P 6,744,446	P 180,287,091	P 468,060,220	P 2,168,859,764	P189,634,623	P -	P -	P 3,013,586,144
NAV	1.2846	1.3517	1.6126	1.7398	1.1809	1.0000	1.0000	

COCOLIFE Global Consumer Trends Investment Fund

This is a unitized variable life insurance investment fund based on ATRAM Global Consumer Trends Feeder Fund. This fund seeks to achieve long-term capital growth by investing all or substantially all of its assets in a collective investment scheme that invests globally in equities of companies that are predominantly engaged in the design, production or distribution of products and services related to the discretionary consumer needs of individuals.

This fund shall invest up to 100% of its total assets to its Target Fund – ATRAM Global Consumer Trends Feeder Fund and to maintain its liquidity, the fund may invest in liquid/semi-liquid assets such as:

i. Treasury notes or bills, Certificate of Indebtedness issued by the Bangko Sentral ng Pilipinas which are short term and other government securities or bonds and other evidences of indebtedness or obligation, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines or any of its instrumentalities.

ii. Savings or time deposits with government-owned banks or commercial banks, provided that in no such case any such savings or time deposit accounts be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.

COCOLIFE Asian Multi-Asset Income Investment Fund
This is a unitized variable life insurance investment fund based on ATRAM Asian Multi-Asset Income Feeder Fund. This fund seeks to achieve capital growth and income over the medium to longer term by investing all or substantially all its assets in a collective investment scheme that invests primarily in Asian fixed income securities and Asian equities (including real estate investment trusts).

This fund shall invest up to 100% of its total assets to its Target Fund – ATRAM Global Consumer Trends Feeder Fund and to maintain its liquidity, the fund may invest in liquid/semi-liquid assets such as:

i. Treasury notes or bills, Certificate of Indebtedness issued by the Bangko Sentral ng Pilipinas which are short term and other government securities or bonds and other evidences of indebtedness or obligation, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines or any of its instrumentalities.

ii. Savings or time deposits with government-owned banks or commercial banks, provided that in no such case any such savings or time deposit accounts be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.

37. LIFE INSURANCE COVERAGE OF COCONUT FARMERS

Under the amended group master policy contract dated March 27, 1978, the Company agreed to provide group whole-life insurance coverage to certain coconut farmer members of the Philippine Coconut Producers Federation (Program I).

This Group insurance plan shares in the Group's savings in mortality expenses and extra earnings in investments through policyholders' dividends and policy benefits.

Effective April 1, 1985, the insurance coverage of the coconut farmers was converted from a whole-life insurance plan to a modified extended term insurance. The amount of insurance and other benefits remained substantially the same, except for cash surrender and policy loan privileges. Policyholders' dividends, policy benefits and the legal policy reserves maintained under the farmers' insurance program are used to sustain, until these can, the modified extended term insurance coverage of the insured coconut farmers.

On November 5, 1996, the Philippine Coconut Authority (PCA) and the CIIF-OMG signed a MOA which will expand the number of farmers covered under the Insurance Program from existing 0.60 million to 1.50 million farmers (Program II). The premium payments for the additional farmers will be taken from an insurance fund to be set up by the CIIF-OMG in keeping with their social responsibility to the coconut industry.

On August 28, 2002, the PCA and CIIF-OMG signed a MOA which proposed a further expansion of the insurance program in order to restore the insurance benefit of the remaining insured coconut farmers under Program I and II from P5,000 to P10,000 (Program III). Further, under the same program, the PCA also proposed to extend the same benefit to an additional 2.48 million coconut farmers and coconut farm workers that were not included under Programs I and II. Accordingly, the PCA and CIIF-OMG have agreed in principle to implement Program III as follows:

Phase I
Upgrade the insurance coverage of the existing 1.02 million insured farmers from P5,000 to P10,000 per farmer effective June 12, 2002.

Phase II
Provide an additional 0.85 million coconut farmers and workers with a P10,000 Group Yearly Renewable Term Coverage.

Phase III
Provide an additional 0.90 million coconut farmers and workers with a P10,000 Group Yearly Renewable Term Coverage.

Phase IV
Provide an additional 0.78 million coconut farmers and workers with a P10,000 Group Yearly Renewable Term Coverage.

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below and in the succeeding page shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2023			2022 [As Restated – see Note 2.1 (c)]		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Assets:						
Cash and cash equivalents	**P 1,054,339,294**	**P -**	**P 1,054,339,294**	P 1,398,598,742	P -	P 1,398,598,742
Insurance receivables - net	**1,096,765,380**	**-**	**1,096,765,380**	701,939,546	-	701,939,546
Financial assets at FVPL	**4,055,083,444**	**-**	**4,055,083,444**	4,194,907,415	-	4,194,907,415
AFS financial assets	**218,118,898**	**8,680,065,262**	**8,898,184,160**	422,718,089	8,703,531,820	9,126,249,909
Loans and other receivables - net	**1,098,547,342**	**2,809,797,906**	**3,908,345,248**	1,298,148,587	2,556,609,184	3,854,757,771
Accrued income - net	**129,116,252**	**-**	**129,116,252**	135,074,729	-	135,074,729
Reinsurance assets	**119,686,416**	**-**	**119,686,416**	103,033,674	-	103,033,674
Investments in subsidiaries	**-**	**1,496,798,207**	**1,496,798,207**	-	1,169,798,207	1,169,798,207
Real estate inventories	**1,763,386**	**-**	**1,763,386**	5,726,136	-	5,726,136
Property and equipment - net	**-**	**257,801,431**	**257,801,431**	-	248,507,330	248,507,330
Investment properties - net	**-**	**1,022,079,250**	**1,022,079,250**	-	983,401,160	983,401,160
Intangible assets - net	**-**	**129,405,428**	**129,405,428**	-	122,994,471	122,994,471
Deferred tax assets - net`	**-**	**215,374,981**	**215,374,981**	-	179,533,150	179,533,150
Right-of-use assets - net	**-**	**56,492,585**	**56,492,585**	-	80,982,507	80,982,507
Other assets - net	**647,592,783**	**-**	**647,592,783**	578,944,916	-	578,944,916
Total Assets	**P 8,421,013,195**	**P14,667,815,050**	**P23,088,828,245**	P 8,839,091,834	P14,045,357,829	P22,884,449,663

	2023			2022		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Liabilities:						
Insurance contract liabilities	**P 1,318,990,872**	**P14,322,765,807**	**P15,614,747,679**	P 1,249,323,461	P14,267,731,873	P15,517,055,334
Reserves for policy holder's dividends	**240,192,090**	**-**	**240,192,090**	236,815,967	-	236,815,967
Premium deposit funds	**602,875,179**	**-**	**602,875,179**	578,431,573	-	578,431,573
Insurance payables	**132,406,459**	**-**	**132,406,459**	86,986,719	-	86,986,719
Accounts payable and accrued expenses	**1,058,719,418**	**-**	**1,058,719,418**	1,207,872,321	-	1,207,872,321
Lease liabilities	**39,159,158**	**19,859,928**	**59,019,086**	27,458,296	59,405,382	86,863,678
Net pension liabilities	**-**	**24,367,918**	**24,367,918**	-	6,272,545	6,272,545
Other liabilities	**28,916,931**	**29,714,783**	**58,631,714**	19,478,364	28,044,803	47,523,167
Total Liabilities	**P 3,421,260,107**	**P14,369,699,436**	**P17,790,959,543**	P 3,406,366,701	P14,361,454,603	P 17,767,821,304

39. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to the financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

In 2023, the Company declared output VAT amounting to P81,390,039 which relates to its vatable sales amounting to P678,250,329. The Company has no exempt or zero-rated sales during the year.

(b) Input VAT

The Company's input VAT during the year amounting to P41,413 solely relates to services lodged under Other Current Assets account in the 2023 statement of financial position. The total input VAT was applied against the output VAT declared during the year.

(c) Taxes on Importation

The Company did not pay or accrue any landed costs, customs duties and tariff fees as it did not have any importation for the year ended December 31, 2023.

(d) Excise Tax

The Company did not have any transactions in 2023, which are subject to excise tax.

(e) Documentary Stamp Tax

Documentary stamp taxes (DST) paid and accrued in 2023 are presented below.

On loan instruments	P 6,350,003
On policies issued	708,890
On others	2,937,810
	P 9,996,703

The total amount of DST paid and recognized as part of Taxes and Licenses account in the 2023 statement of comprehensive income is P71,997 [see Item (f)]. On the other hand, the amount of P9,996,703 refers to the DST borne by other parties but remitted by the Company. Pursuant to RR 09-00, the Company shall be responsible for the remittance of the DST due to the BIR regardless of who paid the DST.

(f) All Other Taxes (Local and National)

Other taxes paid in 2023 recognized under Taxes and licenses account under General and Administrative Expenses are as follows:

License and permit fees	P 33,545,198
Real estate taxes	2,313,124
DST	71,997
Others	29,509,195
	P 65,439,514

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2023 are shown below.

Expanded	P 244,263,840
Compensation and benefits	56,134,012
	P 300,397,852

The Company has no income payments subject to final withholding tax.

(h) Deficiency Tax Assessments and Tax Cases

As of December 31, 2023, the Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.