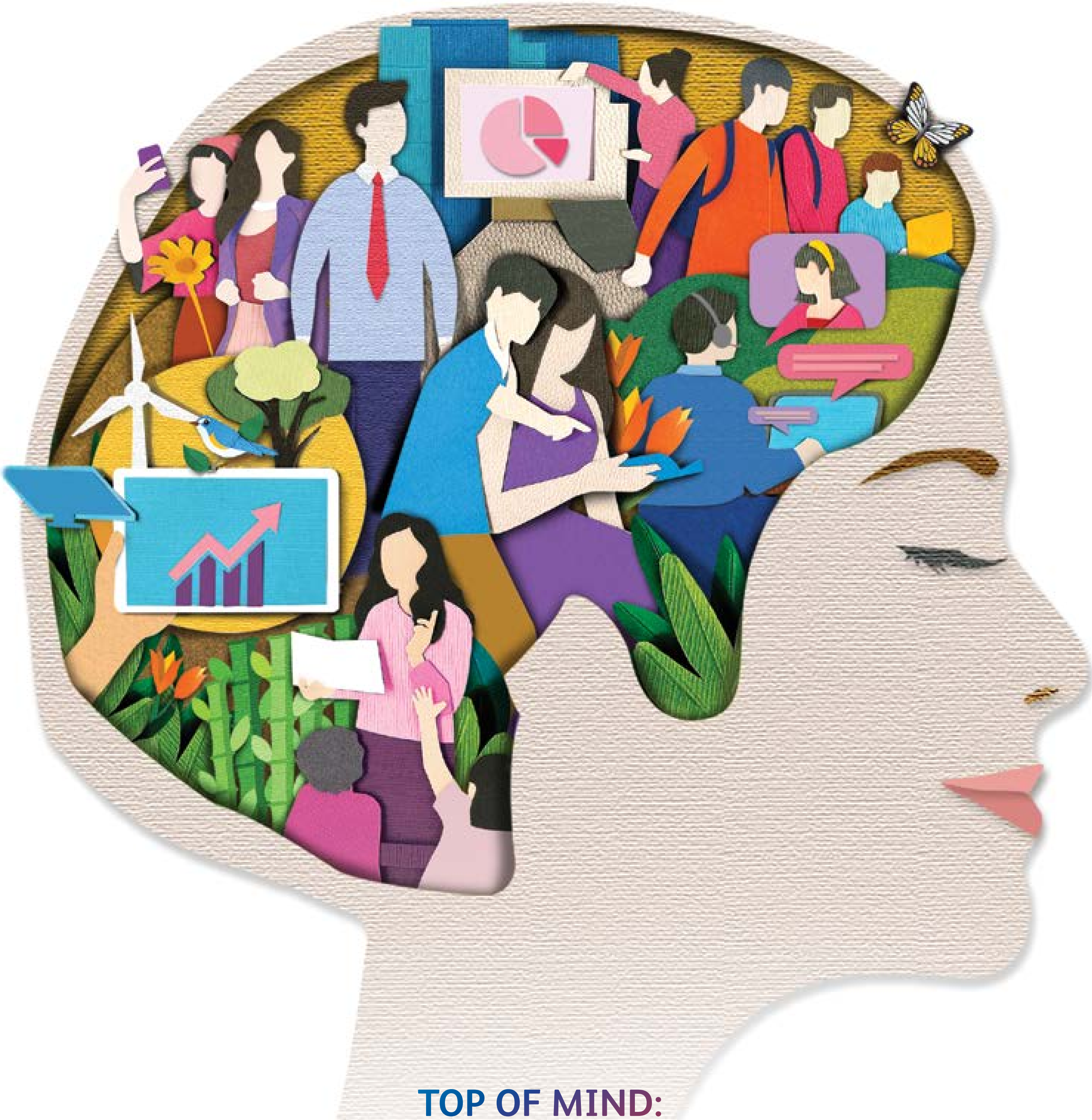
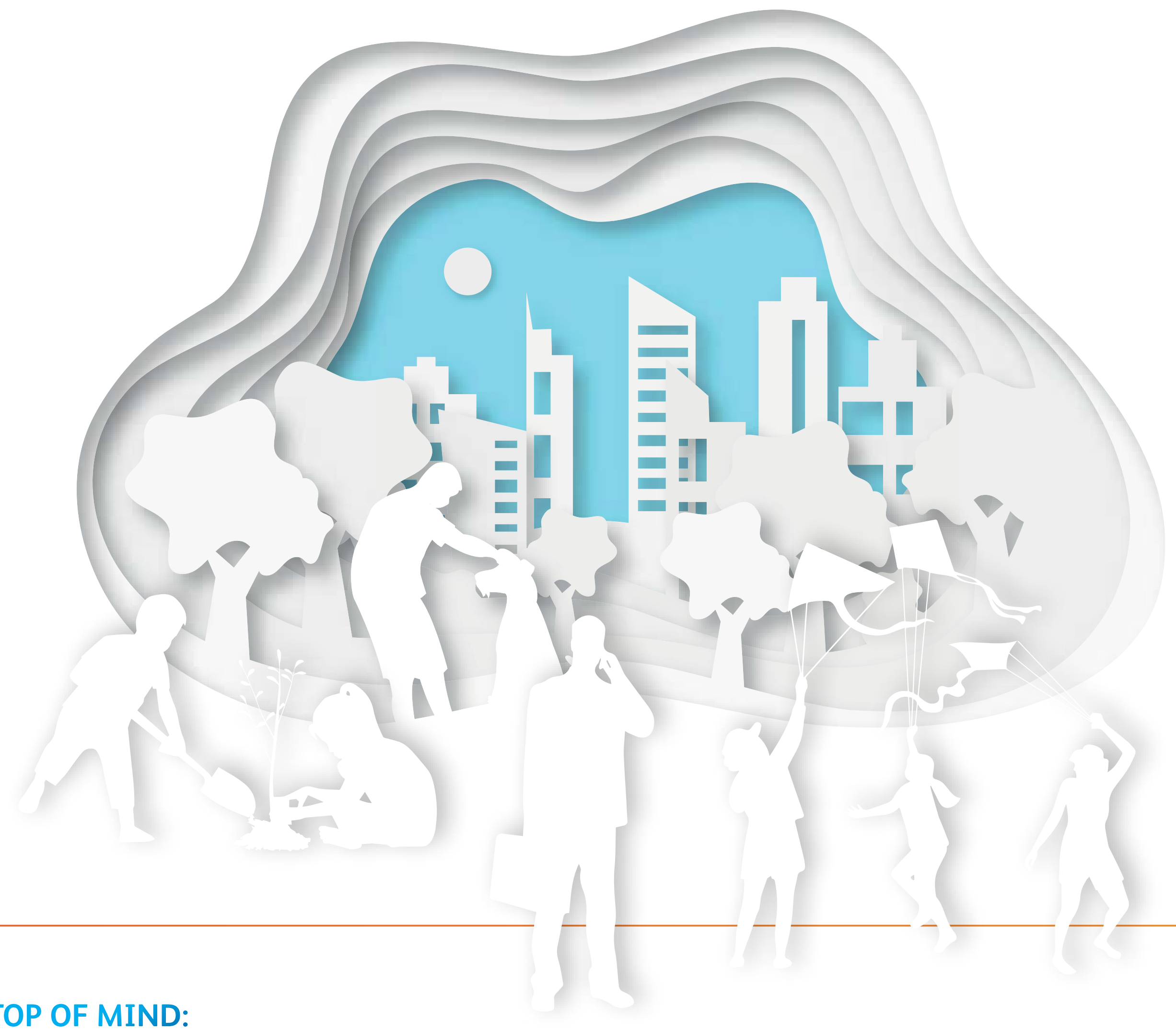
InLife
INSULAR LIFE

2023 ANNUAL REPORT



TOP OF MIND:
A Purpose-Driven Journey



TOP OF MIND:

A Purpose-Driven Journey

In a landscape shaped by rapid changes in digital technology, consumer behavior, and the external environment, as well as demographic shifts and climate change, InLife continues to anchor its core values and commitment on a singular purpose: to provide every Filipino A Lifetime for Good. By making this the North Star of its purpose-driven journey, the Company believes it can go above and beyond the pursuit of profit and reach millions of Filipinos in need of financial and social protection.

Our 2023 Annual Report theme, "Top of Mind: A Purpose-Driven Journey," shares our thoughtful insights, impactful initiatives, and our strategic plans on how to thrive in a dynamic and ever-evolving market through a combination of technology and human touch.

The report also tells the inspired story of how we manage to remain a relevant and responsible organization throughout our 113 years of uninterrupted service. With people at the heart of our purpose-driven journey, we continue to walk the talk, make a difference in society, and solidify our strength as the most enduring Filipino life insurer in the Philippines.

Inside the Report

Who We Are

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

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

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

Vision Mission

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

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

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

Core Values

Love of God and Country
We honor God by touching lives through sharing our financial, human, and intellectual resources to our fellow Filipinos.

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

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

Respect for the Individual
We recognize that every individual is unique and possesses a distinct worth which contributes to the organization's value.

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

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

Reporting Criteria

About Our Report

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

This is why InLife has been embedding environmental, social, and governance (ESG) principles in its annual reports. We see ESG as inextricably linked to our business as well as to our corporate social responsibility. Through ESG reporting, we are able to demonstrate how we bring our corporate purpose to life and support our creation of long-term value. We see no dichotomy between our ESG aspirations and our business operations. It also strengthens our brand reputation and the trust of our stakeholders.

We are guided by the principles of the following frameworks in creating this report:
1. The United Nations Sustainable Development Goals (SDGs)
2. Global Reporting Initiative (GRI) Standards
3. ASEAN Corporate Governance Scorecard (ACGS)
4. Annual Corporate Governance Report (ACGR), as mandated by the Insurance Commission (IC)

By aligning our disclosures with international reporting frameworks and standards, we continue to enhance our transparency and strengthen our relationship with our stakeholders.

Numbers that Matter

2023 FINANCIAL HIGHLIGHTS (Parent Company)

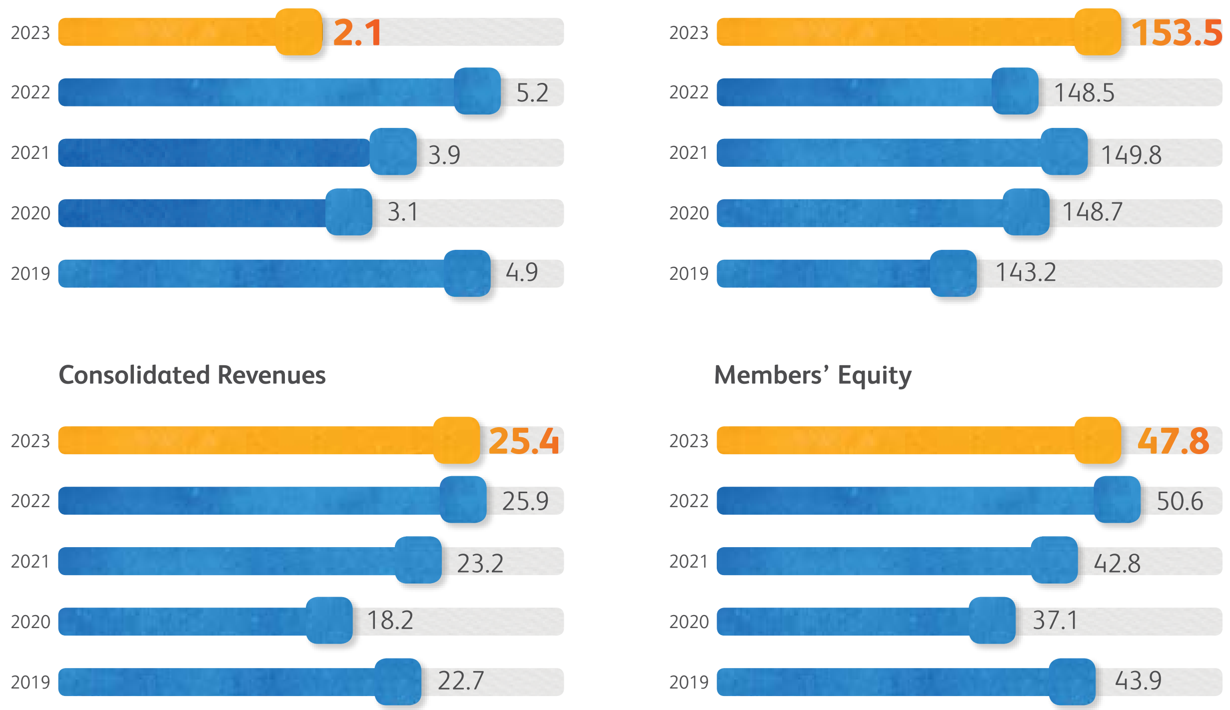
PhP 10.71B
GROSS BENEFITS AND CLAIMS PAID

PhP 153.54B
ASSETS

PhP 47.83B
NET WORTH

PhP 409.10B
(gross of reinsurance)
BUSINESS-IN-FORCE

CONSOLIDATED FINANCIAL HIGHLIGHTS (In PhP Billion)



INVESTMENT HIGHLIGHTS

PhP 5.51B
FRESH INVESTMENTS IN LONG-TERM FIXED INCOME SECURITIES

PhP 955.83M
TOTAL DIVIDENDS RECEIVED FROM EQUITY INVESTMENTS

PhP 3.34B
TOTAL INTEREST INCOME FROM FIXED INCOME INVESTMENTS

PhP 1.06B
NET GAINS ON INVESTMENTS AND SALE OF FINANCIAL ASSETS

PhP 6.77B
TOTAL VALUE TRADED IN THE PSE

PhP 2.00B
PARTICIPATION IN GREEN INVESTMENT ISSUANCES IN SUPPORT OF THE COMPANY'S ESG INITIATIVES

2023 Campaign

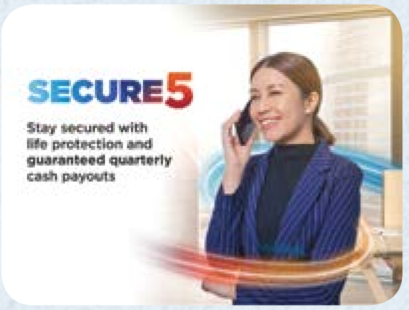
InLife launched the **"A Dream Today, A Lifetime for Good Tomorrow"** campaign with InLife Dreamweavers Sharon Cuneta-Pangilinan and daughter Miel Pangilinan to drive brand awareness to Generations X, Y and Z with a 60-second video, "Pangarap na Bituin." Sharon Cuneta represents GenXers who have charted their own career paths yet harbor other dreams to reinvent themselves—expressing the message of "reinventing dreams." Miel Pangilinan represents GenZs who are taking their first tentative steps to fulfilling their dreams. She stood for "inclusivity, diversity and manifesting dreams." A third character, Anya, portrays Millennials who yearn to act on their entrepreneurial aspirations for financial independence. She stood for "achieving adulting ambitions."

Products Launched

Secure 5

Secure 5 is a two-pay five-year guaranteed issue offer (GIO) insurance plan that provides life protection, guaranteed quarterly cash payouts, and the return of total premiums upon maturity in 5 years. It was available for a limited time to individuals between the ages of 0-65.

The guaranteed cash payouts or anticipated endowments are up to 4% per annum. The first cash payout is given at the end of the first policy year. The subsequent payouts are given quarterly. Once the plan reaches its five-year maturity, the policyholder will receive back the total premiums paid, regardless of economic or market conditions.



Abundance

A limited-pay, savings, and life insurance plan, payable in either five or ten years, with anticipated and guaranteed regular cash payouts for 20 years or up to age 65, regardless of market conditions when they become due.

Abundance gives guaranteed cash payouts equal to 10% of the sum insured. It will be paid every two years, starting at the end of the 7th policy year for the 5-pay, or the end of the 11th policy year for the 10-pay variant until the maturity of the plan. Aside from the regular payouts, one gets protection either for 20 years or until the age of 65, depending on one's savings goals.

When the plan matures, the insured will receive a maturity benefit equal to 100% of the sum insured plus dividends, if any. However, if the insured is diagnosed with terminal illness during the protection period, he will receive a terminal illness benefit equal to 200% of sum insured. Or if the insured passes away, his beneficiaries will receive a death benefit equal to 200% of sum insured.

Resilience

Resilience is a limited-pay whole life critical illness plan that provides life insurance and a guaranteed lump sum cash upon critical illness diagnosis, and additional health benefits. It is payable in ten years.

Upon diagnosis of a covered major critical illness, the life insurance benefit--equal to 100% of the sum insured--will be given in advance to cover the insured's medical expenses, plus cash allowance in case of hospitalization due to a covered disease. If there is no claim on critical illness, the insured may start getting a cash benefit equal to 8% of the sum insured from age 65 (depending on issue age) and every five years thereafter until the age of 85.

Resilience has three variants: Resilience Critical Illness Extra, Resilience Cancer, Heart Attack and Stroke (CHAS), and Resilience Female Cancers. All provide a major critical illness benefit equal to 100% of the sum insured in case of diagnosis of a major illness.

Resilience Critical Illness Extra provides coverage for 84 major and 39 minor critical illnesses. Aside from the major critical illness benefit, the insured may claim up to two minor critical illness benefits equal to 25% of the sum insured.

Resilience CHAS provides coverage for all kinds of Cancers, Heart Attack and Stroke--the three top critical illnesses in the country, according to the Philippine Statistics Authority.

Resilience Female Cancers provides coverage for biologically-born women who would suffer from nine kinds of cancers: breast, ovarian, cervical, and endometrial cancer; uterine sarcomas, malignant mixed mullerian tumors, malignant germ cell tumors, fallopian tube cancer and leiomyosarcomas.

Resilience Critical Illness Extra and Resilience CHAS also provide two additional benefits: late-stage cancer benefit and buy-back benefit. The late-stage cancer benefit provides 15% of the sum insured upon diagnosis of a late-stage cancer. The buy-back benefit enables an insured who has been diagnosed earlier of a critical illness and received 100% of the sum insured, to receive again 100% of the sum insured upon diagnosis of CHAS two years after the first major critical illness diagnosis.

Awards and Recognitions

Insurance Asia Awards
7th Domestic Life Insurer - Philippines

ASEAN Corporate Governance Scorecard (ACGS) and Corporate Governance Scorecard Awards
4-Golden Arrow Award

HR Asia
Best Companies to work for in Asia 2023
Digital Transformation Award

20th Philippine Quill Awards

Excellence Award in Communication Management Division- Diversity and Inclusion Category
- InLife Sheroes Movement and Advocacy

Excellence Award in Communication Skills Division - Special and Experiential Events Category
- 2022 InLife Chorale Fest

59th Anvil Awards
PR Programs – Investor Relations Category -
Amorsolo Circle

59th Anvil Awards
PR Programs – Employee Engagement Category
- The Good Squad

City Government of Muntinlupa
2023 Top 10 Taxpayers of Muntinlupa

Cebu City Government
2023 Taxpayer Recognition,
Real Property Tax Category

Enterprise Asia
Insular Foundation, Inc.
Asia Responsible Enterprise Award for Social Empowerment

PhilSec Awards
GRC Leader of the Year Award -
Chief Information Security Officer
Noel Andres M. Perdigon
"Governance, Risk and Compliance

Consolidated 5-Year
Financial Highlights

(IN MILLIONS PHP)

	2023	2022	2021	2020	2019
Net Income	**2,102**	**5,202**	**3,867**	**3,140**	**4,853**
Revenues	**25,368**	**25,900**	**23,197**	**18,155**	**22,739**
Net Insurance Revenue	18,572	17,029	15,626	10,667	13,500
Operating Revenue	6,796	8,871	7,571	7,488	9,239
Total Insurance Benefits and Operating Expenses	**22,506**	**20,033**	**18,565**	**14,455**	**17,387**
Assets	**153,545**	**148,529**	**149,812**	**148,697**	**143,208**
Cash and Cash Equivalents	**5,239**	**6,729**	**4,672**	**5,091**	**4,644**
Cash on Hand and In Banks	2,440	1,327	1,660	1,814	517
Cash Equivalents	2,799	5,402	3,012	3,277	4,127
Liabilities	**105,713**	**97,882**	**106,992**	**111,592**	**99,285**
Retained Earnings	**49,493**	**47,371**	**41,361**	**37,520**	**34,381**
RE, Appropriated	2,397	2,397	2,500	1,500	900
RE, Unappropriated	47,096	44,974	38,861	36,020	33,481
Members' Equity	**47,832**	**50,647**	**42,820**	**37,105**	**43,922**
Total Liabilities and Members' Equity	**153,545**	**148,529**	**149,812**	**148,697**	**143,208**

Parent Company 5-Year
Financial Highlights

(IN MILLIONS PHP)

	2023	2022	2021	2020	2019
Net Income	**2,642**	**2,611**	**4,748**	**1,774**	**2,894**
Net Insurance Revenue	**17,531**	**15,830**	**14,595**	**9,923**	**12,946**
Operating Revenue	**7,288**	**6,199**	**8,534**	**6,279**	**7,314**
Total Revenues	**24,820**	**22,028**	**23,129**	**16,202**	**20,259**
Assets	**153,542**	**147,172**	**154,043**	**145,128**	**138,214**
Cash and Cash Equivalents	**4,836**	**6,201**	**4,085**	**4,584**	**3,921**
Cash on Hand and In Banks	2,038	800	1,075	1,555	410
Cash Equivalents	2,798	5,401	3,011	3,029	3,511
Liabilities	**105,711**	**96,941**	**106,226**	**111,117**	**98,883**
Members' Equity	**47,831**	**50,231**	**47,817**	**34,011**	**39,331**
Retained Earnings	**35,624**	**32,963**	**28,302**	**23,555**	**21,780**
RE, Appropriated	2,397	2,397	2,500	1,500	900
RE, Unappropriated	33,227	30,566	25,802	22,055	20,880
New Business Premiums**	**10,051**	**8,803**	**7,400**	**4,863**	**7,179**
Total Premiums*	**16,152**	**14,724**	**13,248**	**10,417**	**12,904**
Gross Investment Income	**4,809**	**4,555**	**4,624**	**4,751**	**5,585**
Legal Policy Reserves	**46,212**	**43,929**	**57,764**	**69,357**	**58,162**
Net worth	**47,831**	**50,231**	**47,817**	**34,011**	**39,331**
Gross Benefits and Claims Paid	**10,709**	**9,352**	**11,520**	**8,489**	**11,030**

*Final TB
**IC Exhibits

Our Purpose InLife

2023 marks the 113th year since InLife began insuring the lives of Filipinos across the archipelago. A company can only survive this long if it has a firm grip on its purpose, why it exists.

For InLife, this is to provide every Filipino A Lifetime for Good — creating lasting value for our stakeholders and future generations. Clarity of purpose enables us to constantly strive to be strong and stable, prioritize social responsibility over profit, empower our policyholders and stakeholders to make informed decisions, contribute to a more sustainable and prosperous future together, commit to positively impact society and the environment, and actively work to create meaningful change in the world.

A Purpose More Profound

This deep sense of purpose has also led my life's journey to InLife.

In the banking industry where I worked for three decades, the focus often revolves around making deals and creating wealth. While these are undoubtedly vital aspects of an individual's life or the economy, life insurance goes beyond the affairs of the pocket. It is fundamentally about providing peace of mind, security, and protection during life's most vulnerable moments. Ask the families left behind when an insured person passes away, and they can attest that only life insurance offers them a financial lifeline — all else withhold money until taxes are paid.

Realizing the profound impact of life insurance on individuals, families, and communities makes me fall in love with my work at InLife every waking day. Where else can you find a job that offers a deep sense of responsibility and a dual purpose inherent in the life insurance business: financial security for policyholders and their loved ones, and a tangible legacy of care and support?

Not only does life insurance insure against the risk of death, it is also about giving individuals the confidence to live their life to the fullest and face the future. From ensuring children's education, covering mortgage payments, to providing for loved ones in the event of unexpected tragedy, life insurance offers a sense of stability and protection that extends far beyond financial considerations. All this makes this journey into the world of life insurance fulfilling and enriching.

Coping with Paradigm Shifts

But the journey is not always smooth sailing, even if paved with good intentions.

Even before COVID-19 upended the world three years ago, we have already been buffeted by many challenges, both as an industry and as a business. We have been facing a challenging external environment, with continued macroeconomic and geopolitical headwinds such as higher inflation, food, and energy prices, exacerbated by supply-chain disruptions due to wars between Russia and Ukraine and in the Middle East.

> "Aligning our business practices with the "triple bottom line" (people, planet, and profit) principles is integral to fulfilling our purpose-driven mission and maintaining our position as a trusted and responsible industry leader."
>
> **NINA D. AGUAS**
> Executive Chairperson

In addition, there are challenges from longer-term dynamics and emerging trends that impact every industry, not just insurance. These include keeping up with technology and innovation, attracting and retaining top talent, and meeting changing customer expectations.

I also see three more daunting and pressing challenges on the horizon for insurance companies.

One is climate change, which poses a significant threat, particularly to a country like the Philippines which is among the most vulnerable to more frequent and severe natural disasters due to its geographical location. These weather disturbances could lead to increased claims payouts and underwriting losses for the insurance industry.

Another challenge are environmental and health risks. The COVID-19 global pandemic that caught the world unprepared was a health, economic, and humanitarian crisis rolled into one. Insurers must adapt their risk models and product offerings to account for these risks while promoting sustainable practices and resilience-building measures.

The third is the demographic shift, particularly the aging population. As populations age and life expectancies increase, insurers must tackle longevity risk and rising healthcare costs. Demand for retirement planning and long-term care solutions is growing, so insurers must develop innovative products and services to meet the evolving needs of aging populations.

Staying Ahead of the Curve

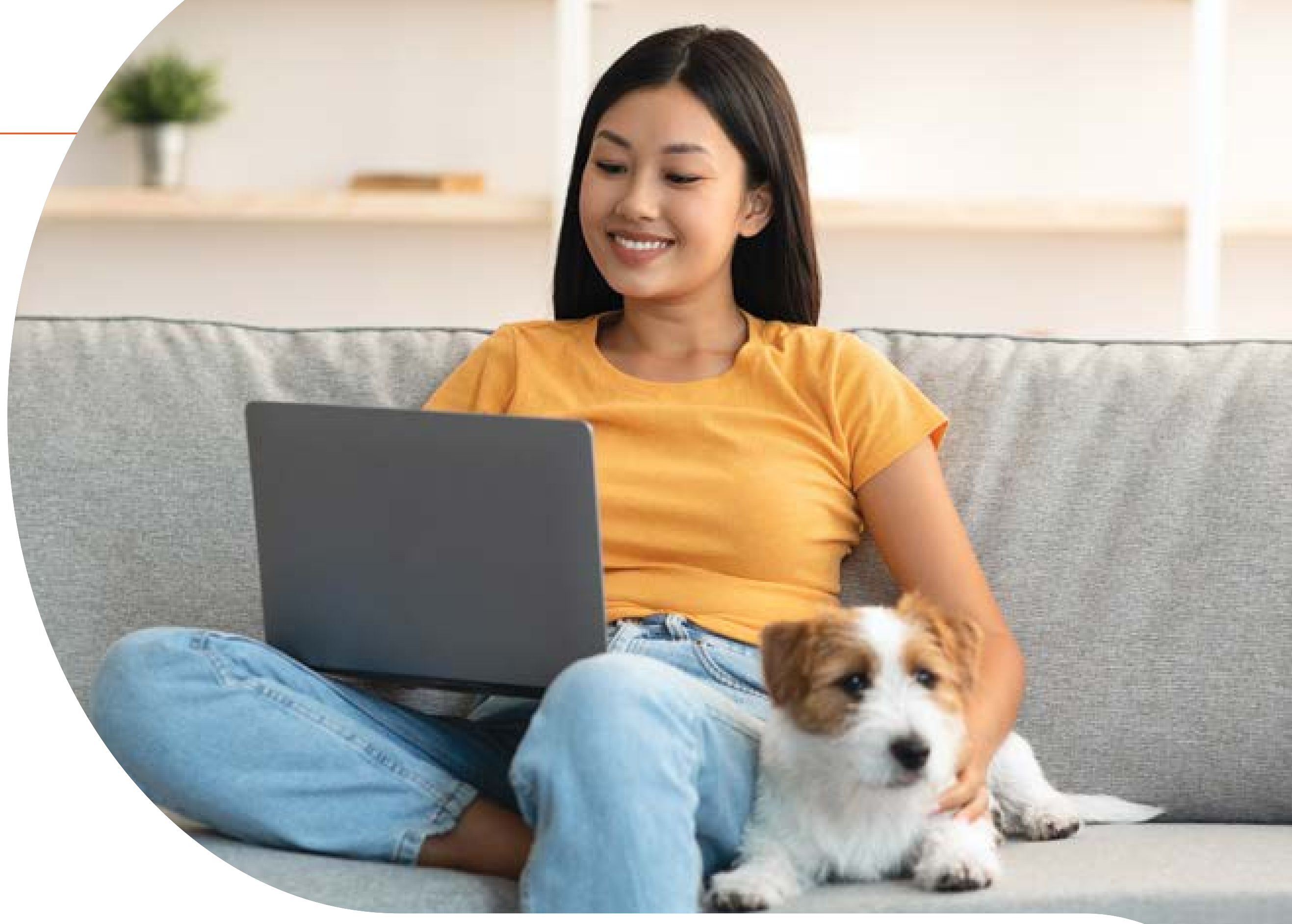
We took a number of proactive measures to respond to these challenges.

- **We leverage cutting-edge technology and innovation to enhance our products, services, and operations:** We invested in digital platforms, data analytics, and emerging technologies such as artificial intelligence. Through digital transformation, we are streamlining processes, improving efficiency, and driving innovation across our entire value chain. This allows us to better fulfill our commitment to making a positive impact on society and promoting financial well-being, ultimately strengthening our position as a purpose-driven organization in the digital age.
- **We invest heavily in talent development and employee and agency force engagement, and fostering a culture of continuous learning and innovation:** By offering competitive compensation, opportunities for career advancement, and a supportive work environment, we aim to attract and retain the best and brightest professionals in the industry.
- **We focus on customer-centricity by continuously understanding and anticipating changing customer expectations, preferences, and behaviors:** Through market research, customer feedback, and data analytics, we strive to tailor our products and services to meet the evolving needs of customers across different demographics and life stages. With these, we can build trust, loyalty, and long-lasting relationships with our policyholders.

Aligning Our Purpose

Aligning our business practices with the "triple bottom line" (people, planet, and profit) principles is integral to fulfilling our purpose-driven mission and maintaining our position as a trusted and responsible industry leader.

- **Social Responsibility:** We ensure that our business not only generates profits, but also creates a positive impact on society. Thus, apart from offering financial security and stability to individuals and families, we ensure that our products are affordable and accessible, promote financial literacy, and support community development initiatives.



- **Environmental Sustainability:** We adopt sustainable practices such as reducing carbon emissions, minimizing waste, and investing in renewable energy sources. This way, we help mitigate the environmental footprint of our operations, and contribute to global efforts to combat climate change.
- **Long-Term Value Creation:** We go beyond generating mere financial gains, but also on social and environmental outcomes. This way, we are able to build stronger relationships with our policyholders, attract and retain top talent, and enhance our reputation as a responsible corporate citizen.
- **Risk Management:** We address social and environmental issues proactively to mitigate potential risks to our business. For instance, by promoting public health initiatives or investing in climate-resilient infrastructure, we help reduce the likelihood of future claims related to health crises or natural disasters.
- **Regulatory Compliance and Market Demand:** Adopting a triple bottom line approach helps us stay ahead of regulatory requirements and meet the growing demand for responsible and sustainable products and services.

The approach and the actions we have taken on ESG are detailed in our Sustainability Report which may be read via InLife's website, https://www.insularlife.com.ph/

The Journey Ahead

The mega shifts and the challenges I mentioned demonstrate that change will not be always easy. Yet, time and again, we are reminded of our 113-year history as a company, and get emboldened by our more than a century of constantly adapting to suit the times and the needs of our customers.

Looking ahead, our continuous transformation as an organization has created exciting opportunities.

We are investing to have better insight into our customers and meet their needs, enhancing our multi-channel distribution capabilities, and embedding technology to enhance the experience and delivery of our products and services. We are creating an organization that has growing agility and with high growth potential to meet rapid changes in our operating environment. We are perfecting the way we execute our strategies to take advantage of the opportunities ahead, and create long-term, sustainable value.

Notwithstanding the increasing complexity of our business and the external environment, our purpose remains simple and clear: to provide every Filipino A Lifetime for Good. You can rest easy that InLife will continue to lead a purpose-driven journey of protecting and empowering individuals and families for generations to come.

REPORT OF THE PRESIDENT AND CEO

"InLife remains steadfast to its purpose of creating positive outcomes for its policyholders, and reaching more Filipinos who are not making financial progress in their lives."

RAOUL E. LITTAUA
President and CEO

Our Unwavering Purpose as Lifetime Guardians

Against a backdrop of disruptive changes and high geopolitical and economic uncertainty, InLife has demonstrated its resilience and continued to make significant strides in its overall performance. In terms of market share, InLife ended 2023 at Number 6 in New Business Annual Premium Equivalent (NBAPE) ranking in the industry, from Number 9 the previous year.

Nonetheless, the Company is not impervious to global market forces in an economic regime of implacable inflation and higher-for-longer interest rates. This has continued to weigh down on the domestic equities market, thus negatively impacting InLife's equity investments. As a life insurance company, we have always taken the long view. For an institution that has been in continuous operations for the last 113 years, the financial events of 2023 are but part of the inevitable ebb and flow of economic cycles. InLife's Risk- Based Capital (RBC) remains at a comfortable 277% and, by all metrics, the Company's financials and governance continue to be sound.

Industry statistics are typically based on premiums, or the amount of money taken in by the life insurance company from its policyholders. For us at InLife, being a mutual company, the more meaningful metric is the amount of benefits we have paid out to our members and their families; the speed by which we have done so, and the quality of service all throughout the customer journey. In 2023, InLife paid out a total of PhP1.3 billion in claims (death, disability, hospitalization, and critical illness) and PhP8.8 billion in policyholders' living benefits. About a quarter of incontestable death claims were processed and paid out within one day of submission of complete requirements, well above the Company's service turnaround time of 5 days.

The significant investment we have made in technology over the years has made it possible for us to remain ahead of the curve in delivering the best-in-class customer experience. For instance, we have upgraded our Customer Portal and turned it into a mobile platform through the InLife App. Now, our policyholders have quicker and more convenient access to their policies whenever and wherever possible. The InLife App allows them to manage their policies, monitor their funds, apply for policy loans, withdraw their dividends and do other policy transactions at their convenience, and connect with us for any needed support. The InLife App provides our policyholders the best-in-class customer experience as we implement these straight through processes.

Beyond embracing change, InLife has always endeavored to initiate change in its 113 years of history. In 1913, we were the first life insurance company to confront prejudice by introducing equal rates for Filipinos and expatriates. In 2023, and in keeping relevant to the times, InLife introduced Resilience, the best value critical illness protection that Filipinos need, coming out of the pandemic.

At the heart of our achievements are our people: the financial advisors (FA) who diligently go about their mission of spreading the good promise of life insurance, and the employees who ensure that those promises are kept.

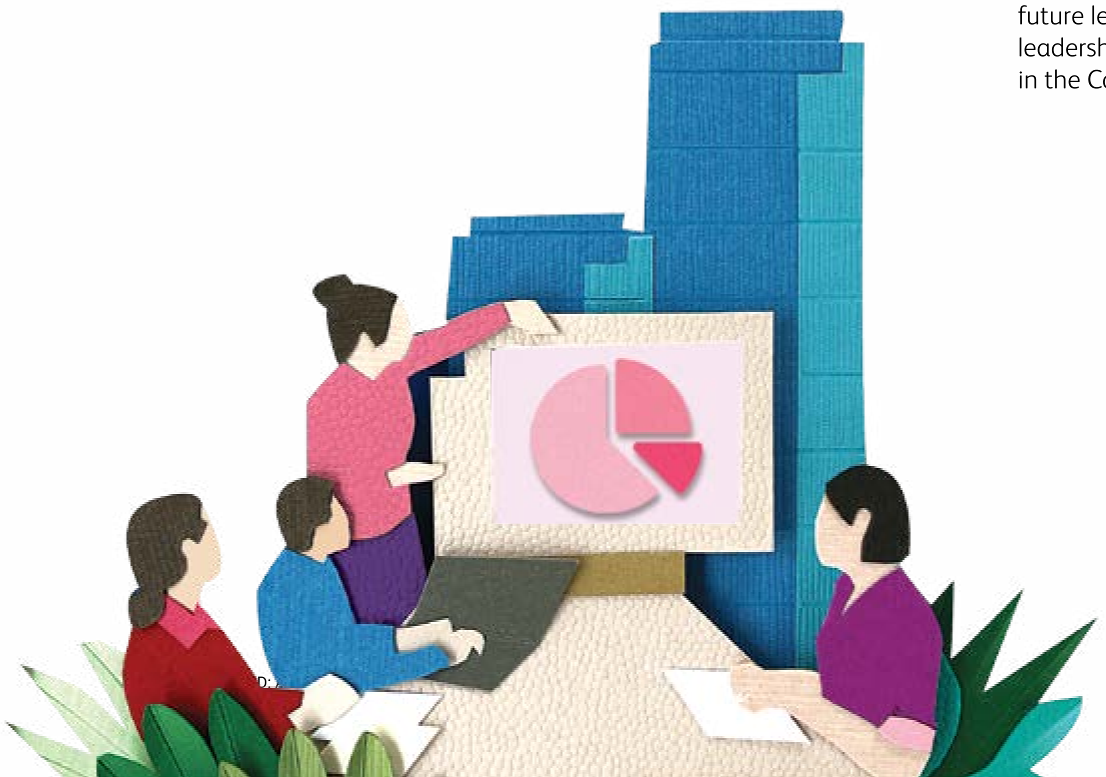
Every new InLife Advisor goes through a minimum of 28.5 hours of training through the InLife Academy. This ensures that our financial advisors are able to provide the best possible service to our clients. This gives them an advantage over the challenges they are sure to encounter while attending to the needs of their customers. Recruits go through a series of training programs that prepare them for taking the necessary examinations to become certified InLife FAs. And learning does not end there; in fact, learning never ends. All FAs and agency leaders follow a curriculum that supports their journey as licensed, professional members of InLife's agency force.

We have also created the InLife Compass Super App to give our FAs an edge in the marketplace and leverage technology so they can serve our customers more efficiently. Compass is an end-to-end sales tool that assists our financial advisors in performing tasks from goal setting to performance tracking.

On the other hand, InLife employees, on average, go through 42 hours of training each year. To prepare our employee workforce for a digitally-driven future, we launched the InLife Digital College, an internal curriculum that offers courses to elevate the InLifers' digital capabilities and skills and prepare them adequately for future tech roles in the workplace. These courses include Digital Literacy, Generative AI, Programming, Agile Methodologies, Project Management, Automation, Data Analytics, Experience Design and Enterprise Architecture, and are to be taken through an internal certification process.

As a way to innovate our processes and resolve customer pain points through digital solutions, we have mobilized Mission-Based Teams (MBT) composed of employees from cross-functional units. These MBTs are activated by the Agile Academy, established with the aim of instilling an Agile mindset in InLifers, to ensure they are active participants in the Company's business and digital transformation journey.

We continue to build our leadership bench strength through our Leadership Development Program, providing special courses, external training support and engagement, and networking opportunities starting from our middle to senior management levels. We believe that this program will prepare future leaders to shift to higher leadership and more critical roles in the Company.



InLife remains steadfast to its purpose of creating positive outcomes for its policyholders, and reaching more Filipinos who are not making financial progress in their lives. To become a strong nation, it is necessary for society to be protected from life's uncertainties, and enabled to meet liabilities that affect the smooth functioning of economic activities. In pursuing this mission as a Filipino insurer, we make all our investment funds available to the local economy to further nation-building. This is what we mean when we speak of "A Lifetime for Good". After all, at its essence, all corporations must exist to promote the public good.

As life insurance professionals, our expertise lies in our ability to see into the future and predict the unpredictable, as best as we can. Admittedly, this has become most challenging in a highly ambiguous and rapidly changing world. But our purpose is our anchor. Thanks to declining infant mortality and advances in biotechnology and the medical sciences, the current generation can look forward to longer life expectancies. But this boon comes with its own set of new challenges. Illness is the downside of a longer life. And with it comes the real threat of outliving one's income. Throughout its history, InLife has been the far-seeing guardian ensuring people's protection over their lifetime. With God's grace, we endeavor to remain constant to this purpose, and help Filipinos live their longer years in good health and prosperity.

Future-proofing InLife

Future-proofing InLife

The COVID-19 pandemic tested the mettle of many industries, though some have come out in much better shape than expected. Among these is the insurance industry. COVID-19 emerged as a health, economic and humanitarian crisis, and sparked greater interest in insurance and protection.

The pandemic lockdowns also accelerated digital adoption. Some insurance companies openly embraced digitalization to give customers more access to products and services even without human interaction with an agent or in a physical branch.

Yet even as technology plays an ever-more critical role in the business, InLife is taking on an approach that combines technology with the human touch. This is aligned with its pursuit of a corporate purpose, with products designed to meet evolving consumer needs, services that create delightful customer experiences, a workforce constantly refreshed with new skills and capabilities, and technologies that lead to leaner and more efficient processes. InLife believes being purpose-driven will future-proof the organization against unforeseen challenges (including another pandemic) and pave the way for its sustainability as an enterprise.

Making tech an imperative

In 2015, InLife pioneered the Automated Underwriting System (AUS) in the local insurance industry and replaced its core insurance system with enhanced technology, making its technical architecture more robust.

Since then, the Company has been investing in innovation and tech, driving transformation through process automation, data analytics, adoption of the Agile framework, and programs on operational and customer excellence through the Business Transformation Division. Through these, InLife is able to gain valuable insights into customer behaviors and preferences so it can tailor products and services to meet the changing needs of its customers.

In 2023, it established the Agile Academy, which provides masterclasses, workshops and materials that aid InLifers in understanding and applying the Agile framework. With this initiative, InLife can more easily achieve its goal of being a Digital Organization with adaptable leaders that have a growth mindset, and an employee force that is able to collaborate across the organization's ecosystem. The Agile Academy plays a central role in InLife's business and digital transformation by instilling in InLifers an Agile mindset.

To immerse InLifers in the Agile Ways of Working, the Agile Academy activates Mission-Based Teams (MBT) with cross-functional members trained to resolve some of InLife's critical business pain points, including essential process improvements and applications of new technology or services. To date, it has activated 13 MBTs, and designed 9 prototypes, including new functionalities for the InLife App and the InLife Compass Super App. There are now 50 InLifers who are immersed in the new ways of working from 15 cross-functional divisions.

Through Business Process Automation (BPA) using low code and robotic process automation, InLife can eliminate manual and repetitive work, increase high-value outputs, reduce paper waste, expedite processing, and increase overall productivity. BPA Team conducts training sessions, competitions, and awards recognition to constantly expose InLifers to various applications and the digital way of working and thinking. Through its Digital Employee Initiative, 66 ideas were generated in 2023, allowing InLife to establish several applications that automate internal processes.

To consistently promote operational efficiency and a customer-centric mindset, Operational and Customer Excellence (OCX) focuses on creating value for stakeholders and improving customer outcomes and experiences through business and digital innovations involving people, processes, and technology. Under OCX are several initiatives:

PRIME OX (Program to Institutionalize Maturity in Operational Excellence), a program dedicated to fostering a culture of continuous improvement through the provision of Lean Six Sigma training. This grants Lean Six Sigma Yellow Belt certification to PRIME OX graduates upon successful completion of their continuous improvement project.

PRIME CX (Program to Institutionalize Maturity in Customer Experience), a training program aimed at increasing InLifers' knowledge on Customer Experience and driving the right behavior through the application of the InLife CREDO. This empowers InLifers to create better experiences for customers by identifying pain points in their customer journey and ideating solutions to these problems. These, in turn could become inputs for MBTs.

User Interface (UI) and User Experience (UX) Design, an initiative that combines innovation with a strong focus on user-friendly design and translating ideas into engaging interfaces.

Voice Programs, surveys deployed at critical customer touchpoints to get feedback about policyholders' interaction with InLife, and Financial Advisors' (FA) concerns regarding their career at InLife.

FA Customer Journey Mapping, a special study with the goal of providing a deeper understanding of the InLife FA's experience to drive productivity and satisfaction.

Customer Journey Dashboard, an information management tool that visually tracks operational, perception and outcome metrics throughout the end-to-end customer journey, allowing for visibility on relevant metrics for performance management, eliminating the need for manual extraction and preparation of reports.

InLife's tech and innovation initiatives are managed by the Enterprise Project Monitoring Office, which provides project governance, program/project management, monitoring, and benefits realization management for all technical projects approved by the Project Governance Committee.

The Human Touch

Future-proofing InLife requires more than just investing in technology and innovation. It also involves an investment in human touch, talent and skills development, as well as active engagement to foster a culture of continuous learning and professional development, and enhance agency force and employee experience.

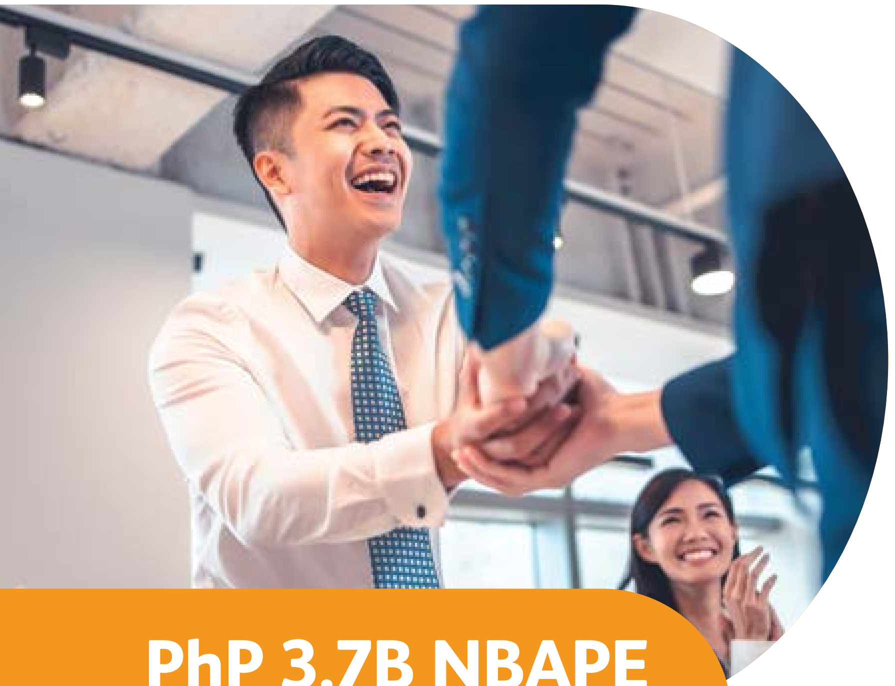
In 2023, InLife's Agency and Group Distribution (AGD) focused its efforts on agent activation, resulting in a 23% increase in the number of active agents from 2022.

This achievement is largely due to intensified efforts in recruitment and the sales management team's implementation of a structured work week. This allowed FAs to take advantage of specific activities such as activation learning sessions meant to drive case counts.

Aside from these, InLife consistently beefs up its training program for its agency force through the InLife Academy. In 2023, it launched the JumpStart Program under the Enhanced New Advisor Foundation Training Program, which aims to equip recruits and new FAs with the necessary knowledge and basic skills to ensure they can make their first sale upon becoming an InLife coded FA. This includes face-to-face training sessions, Traditional and Variable Life training modules and mock exams available via I-LEAD, InLife's Learning Management System.

As FAs gain experience, they are provided with more opportunities for professional development which include training programs on personal finance, quality business, and advanced field underwriting, among others.

These efforts resulted in a New Business Annual Premium Equivalent (NBAPE) of PhP3.7 billion, a 67.6% increase over the 2022 NBAPE of PhP2.2 billion. This translates to a 6.04% market share compared to 3.64% in 2022. InLife's Million Dollar Round Table (MDRT) qualifiers also grew by 34% from 94 in 2022 to 126 in 2023. MDRT is a global association of the world's leading financial services professionals from more than 700 companies across the world.



PhP 3.7B NBAPE
67.6% increase over
2022 NBAPE of PhP2.2B

6.04% market share in 2023
compared to 3.64% in 2022

Buoyed by these achievements, AGD is poised to implement more initiatives that will provide effective and targeted support to the agency force—the newly coded agents, the tenured FAs and agency leaders, and the core producers.

InLife also made strides in getting the entire employee workforce engaged and on board while creating delightful employee experiences.

Among the major professional development initiatives it launched is the Digital College through the Human Resources Division (HRD). This was created in line with InLife's goal to build and improve the organization's digital skills, ultimately fostering a robust and active digital culture.

The Digital College is an internal program that provides courses to enhance the digital skills and capabilities of InLifers in preparation for future roles centered around technology. The learning modules are to be taken from basic to advanced levels of difficulty (Bronze, Silver, and Gold) through an internal certification process. These courses, starting with the Bronze certification, include Digital Literacy, Agile Methodologies, Data Analytics, Enterprise Architecture, Experience Design and Generative AI must be completed by all employees within the next two years.

InLife's The Good Squad champions employee engagement, creating more enriching experiences for InLifers across the organization.

InLife also fortified its employee engagement efforts through The Good Squad (TGS)—a group composed of employee representatives from various functional areas and work locations at InLife. TGS promotes open and regular communication, sparks innovation, enhances employee experience, and has proven to achieve a lower-than-average attrition rate.

TGS has brought InLifers together for bonding opportunities and respite from work.

Employee engagement activities are clustered into three pillars: **Celebrations in Life** under which events such as Valentine's Day, Mother's Day, Father's Day, Independence Day, Christmas, etc. are celebrated; **Win In Life** which promotes wellness interventions, sports tournaments, and mental health sessions among others; and **InLife Employee Networks** under which clubs and employee communities are formed. Here employees with the same interests, hobbies, and skills band together.

Currently, there are clubs for photography, pets, biking, and LGBTQ+.

InLife believes that enhancing the workplace's digital skills, while providing support for physical and mental health and wellness, will lead to a highly efficient workplace, create more opportunities for employees to provide authentic, personalized interactions with their co-workers and customers, and future-proof the organization.

Industry Recognition

Solid proof that InLife has made inroads on these important aspects of the organization are the prestigious awards it won in 2023:

- 7th **Domestic Life Insurer - Philippines Award** from the Insurance Asia Awards for advocating for Environmental, Social and Governance (ESG) principles and customer-centricity through its Voice Programs.
- **4-Golden Arrow Award** for good corporate governance during the ASEAN Corporate Governance Scorecard (ACGS) and Corporate Governance Scorecard (CGS) Golden Arrow Recognition Ceremony, given by the Institute of Corporate Directors. The award, the highest among Philippine-based insurance companies, is hinged on the 2022 ACGS and Corporate Governance Scorecard assessment results. This means InLife excelled in all ACGS categories: Rights of members, Equitable treatment of members, Role of stakeholders, Disclosure and transparency, and Responsibilities of the Board.
- One of the **Best Companies to Work for in Asia Award for 2023** (Philippine Chapter): This recognition program is organized annually across 13 Asian countries by HR Asia, a leading HR publication in Asia owned by Business Media International, one of Asia's prominent business-to-business publishers handling media and event properties. It recognizes companies with the best HR practices, and which demonstrate high levels of employee engagement and excellent workplace cultures, as evidenced through an independent survey of employees and an audit session with the companies' HR teams. Key focus areas are organizational culture and ethics, leadership and career empowerment, employees' emotional engagement and commitment, and team dynamics.
- **Digital Transformation Award 2023** (Philippine Chapter): This is given to the best companies that have shifted the traditional employee experience interaction to a highly interactive and personalized digital platform that improves workplace culture and engagement.
- **Gold Anvil Award** for The Good Squad under the PR Programs – Employee Engagement Category: This award is presented by the Public Relations Society of the Philippines which is considered to be the Oscars of public relations in the country. It awards outstanding public relations programs and tools that drive credibility and business impact.

With these initiatives in place, InLife is armed and ready to adapt to the future with a flexible approach that mixes "tech" with "touch." By achieving the perfect balance of technology and human touch, the Company is not only ensuring operational efficiency, but also understanding and addressing the customer journey with more empathy and care, creating unparalleled customer experience that InLife hopes will foster long-term loyalty and trust in the Company.

INSULAR FOUNDATION

Creating a World of Difference

At InLife, we take pride in embodying our core values in every action and decision we make. Through the Insular Foundation, Inc. (IFI) our corporate social responsibility (CSR) arm, we demonstrate our love of God and our fellow Filipinos by sharing our financial, human, and intellectual capital.

IFI plays a bigger frontline role in enabling InLife to deliver on its mission. We strive to be a direct helpline to communities across the country facing socio-economic and environmental challenges. Through our partnerships with local government units, non-government organizations, civil society, and the private sector, as well as the generosity of our own InLifers, we are able to extend financial and in-kind assistance to those in need, creating a world of difference.

Commitment to Education

Education has always been the flagship of Insular Foundation's programs. In 2023, we continued to deliver on our commitment to uplift communities through the following educational initiatives and partnerships:

Adopt-A-Scholar Program

Adopt-A-Scholar Program, which started in the year 2001, is a direct material assistance given annually to students starting from Grade 1 up to their Grade 6 level. It enables InLife employees to adopt, on a voluntary basis, a scholar they commit to support until they complete the elementary level.

A Meet-and-Greet event held in Itaas Elementary School Main, Muntinlupa City enabled InLifers to personally meet the scholars they supported through school materials, uniforms, shoes, and bags. The event celebrated the 121 scholars' elementary school graduation. For AY 2022 - 2023, the Program has a total of 401 students sponsored by InLife employees.

Gold Eagle College Scholarship Program

Twenty-four Gold Eagle scholars graduated from the Foundation's partner schools in the academic year (AY) 2022-2023. Of this, 16 students graduated with honors and cash awards.

In the first semester of AY 2023-2024, the Foundation supported 90 Gold Eagle scholars in Education, Mathematics, Statistics, and other Science, Technology, Engineering (STEM) courses in our six partner State Universities.

On October 14, 2023, the Foundation held its biennial leadership Summit for its scholars. This time it was a career readiness summit which gathered more than 100 graduating IFI scholars and students from Manila and Makati universities. The summit focused on equipping the participants with the knowledge, skills, and mindset about employment opportunities and workplace culture in this post-pandemic era.

Women Inclusion and Empowerment

InLife is also a steadfast champion of the economic inclusion and empowerment of women. In 2023, IFI initiated the following projects in support of this advocacy:

InLife Negosyo Challenge

IFI launched the pilot run of the InLife Negosyo Challenge, an incubator for women-led and women-focused social enterprises that address issues impacting marginalized sectors. Some 20 women-led MSMEs attended capacity building and networking seminars conducted by industry experts and received in-depth and needs-based mentoring and technical assistance. Four MSME were chosen to receive cash grants totaling Php2 million to help them grow their impact and scale.

- **Grand Winner: Panublix Innovations Inc.** a collaborative sourcing platform connecting designers and brands with Philippine tropical yarns, handloom textiles, and artisan craft co-created with nature and cultural heritage (panubli-on). Based in Iloilo City, Panublix provides digital economy support to rural artisan enterprises, especially weavers who keep local textile heritage alive.

- **1st Runner-Up: Empath Corporation** a women-led, social enterprise that provides accessible mental healthcare and psycho-education to schools, workplaces, and nonprofits that are in need of improving their community's well-being. By providing quality and inclusive mental health care that empowers communities, they are led to become advocates of mental health and well-being. Empath provides accessible mental health services for schools, workplaces, and nonprofits that are in need of improving their community's well-being.

- **2nd Runners-Up: MAGWAI and HeySuccess Virtual Assistance Services**
  MAGWAI/Magwayen Organics is a sustainable personal care company whose mission is to pioneer marine-friendly personal care products that allow consumers to switch to alternatives that are both effective and sustainable. The company is known for its brand MAGWAI and its flagship product, a reef-safe sunscreen using all-natural ingredients that do not harm marine life.

  Hey Success Virtual Assistance Services (HSVAS) provides consultancy and professional services for Small and Mid-Size Businesses (SMBs) so they can scale their business quicker as they move to the Cloud or to a new system, adopt remote working, and fulfill their remote staffing requirements. The company also provides training, mentoring, and coaching for virtual assistants for IP communities in Benguet and Baguio City.

Scholarship for Women in Data Science

In 2021, IFI ventured into Data Science training for women as part of its advocacy to empower women through education. The training program presents career opportunities in data science and analytics which are considered as the careers of the future.

In 2023, the second batch of women scholars completed 14 weeks of intensive data science training, which covers data management, data visualization using Tableau, statistical techniques, and methods in Python programming and machine learning. They also underwent soft skills training in doing job interviews and presentations to improve their chances of landing data science positions.

Insular Health Care (IHC) hired one of this batch's graduates, Ms. Diwa Tiu, who now heads the Data Analytics department of IHC.

Contributing to a Sustainable Environment

As a steward of the environment, Insular Foundation consistently launches initiatives geared toward promoting environmental protection and sustainability.

Growing In Life: Native Tree Growing Project in Catmon, Cebu

Since April 2022, IFI has been implementing environmental initiatives under a three-year partnership with the Ramon Aboitiz Foundation, Inc. The project, Growing InLife: Native Tree Growing Project, aims to recover lost tree cover and provide additional income for farmers.

We planted 10,000 seedlings of timber and fruit-bearing trees in December 2022 in Catmon, Cebu, of which 8600 seedlings survived as of the third quarter of 2023. Twenty-four members of the Tabili Farmers Association also received plantation maintenance training to increase the survival rate of the seedlings.

InLife Sierra Madre Greening Program

In partnership with the local government unit of General Tinio, Nueva Ecija, and the Philippine Bamboo Foundation (PBF), we initiated the InLife Sierra Madre Greening Project: Protecting the Environment and Lives Using Bamboo Thru Community Work and Cooperation. It is a three-year project aiming to grow 1,430 bamboo trees on five hectares of degraded land in General Tinio.

Support for the Philippine Eagle Conservation Breeding Sanctuary

IFI donated PhP500,000 to support the Philippine Eagle Conservation Breeding Sanctuary project of the Philippine Eagle Foundation (PEF). PEF has been working with the Davao City Government to move the breeding center to Barangay Eden in Toril, Davao City to evade the threat of Avian Flu near the original site. The donation will go towards the breeding center's relocation, specifically for the construction of the facility's food preparation area for the eagles' daily feeding.

Humanitarian Response

IFI continues to reach out to local communities in need of disaster response and rehabilitation efforts, especially as climate change brings about extreme weather disturbances.

Super Typhoon Egay (Doksuri)
We donated PhP360,000 worth of food packs to 100 families affected by Super Typhoon Egay (Doksuri) in Cagayan Valley in July 2023, through our implementing partner, Philippine Relief and Development Services (PhilRADS).

Hinatuan, Surigao Del Sur Earthquake
One hundred families affected by the 7.4-magnitude earthquake that struck Hinatuan, Surigao Del Sur in December 2023 received shelter-grade tarpaulins from the Foundation which they used for makeshift tents and temporary replacements of damaged houses' torn-down walls.

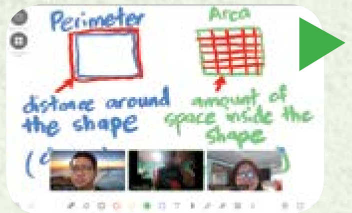
GK Manggahan, Marcelo Village, Parañaque City Fire
Fifty families affected by the fire in Gawad Kalinga, Marcelo Village in Paranaque received PhP175,000 in financial assistance. The amount helped them purchase blankets, mats, hygiene kits, and food items.

Employee Volunteerism

The work of the Foundation would not have been possible without the support from InLifers who volunteered their time, money, and effort to the following programs in 2023:

Volunteerism in Cebu, Sitio Paulton
We held the following outreach activities in Sitio Polton, Cebu for the year:

- Values formation sessions to 43 children on InLife values integrity and excellence
- Distribution of school supplies to 43 student beneficiaries
- Consultation and cervical cancer screening for 25 women
- Polton Kids Day Out at Cebu Ocean Park with InLife employees and agents
- Christmas Party and distribution of Christmas baskets to Polton family beneficiaries



Tutorial of Public School Students
Thirty-four volunteers, including employees, scholars, and policyholders, provided tutorial sessions to Grade 5 students from Bayanan Elementary School Main, Muntinlupa, in English and Mathematics. After three months tutorial, the tutees showed marked improvement in the performance of the students, and this encouraged IFI to continue this tutorial for the succeeding year.

Volunteering activities to cause-oriented NGOs

- **Karinderia ni Mang Urot:** an NGO that provides meals for street families in Manila. On January 6, 2023, InLifers held an outreach activity where they prepared dinner for 350 individuals.
- **We Lift Club:** an NGO that reaches out to indigenous communities in remote areas and advocates for sustainability through environmental conservation activities. On January 13, 2023, ILCC-based volunteers participated in the coastal clean-up activity in the Las Pinas Eco-tourism Park.
- **ChildHope Philippines**: an NGO that serves street children and families through education, feeding, and social services. InLife employees held an outreach activity on December 10, 2023, and donated sacks of rice.

Embracing our Values

The role of the Insular Foundation has always been to be a committed partner in building self-reliant Filipino communities. To fulfill our duty, we will continue to create programs aligned with the evolving social and economic needs of marginalized Filipinos. Our initiatives will promote community development and economic mobility through access to education and scholarships, upskilling in technology-related and other in-demand skills, and women empowerment through financial and capacity-building support for social enterprises.

While the Insular Foundation has lived up to its mission for over 50 years, much work still needs to be done. We will continue to embody InLife's core values — love of God and country, respect for the individual, and excellence — to guide us in our journey towards being a purpose-driven organization that ultimately leads to giving every Filipino A Lifetime For Good.

Sheroes@5:
Sowing Seeds of Hope for Filipino Women

When InLife launched the InLife Sheroes Advocacy and Movement in 2019 in partnership with the International Finance Corporation (IFC), a member of the World Bank Group, its goal was to empower one million Filipino women in three years.

InLife started Sheroes as part of its overarching mission of delivering a "Lifetime for Good" for Filipinos, after being presented with the reality that the women's segment has been largely overlooked by insurance companies. Since InLife is a Filipino financial institution that has been serving Filipinos for over 100 years, InLife Sheroes is in a unique position to address the financial inclusion needs of underserved Filipinos.

This seemingly ambitious goal soon turned into a vehicle for social and economic mobility for more than a million women and young girls across the country.

Five years since its birth, InLife Sheroes has touched the lives of more than 6.5 million Filipino women through its four pillars of financial literacy, health and wellness, women-specific solutions, and access to social and business networks. InLife's on-ground and online programs and collaborations have paved the way for financial inclusion and preparedness of Filipino women across the country.

Having recognized the significance of financial security, these women are able to make smarter choices for their present and for their future. Financially empowered women hold the key to a broader sense of community development, as they now have the means and knowledge necessary to uplift the lives of their families, communities, and fellow women. They also understand that InLife can support them on their path to financial inclusion, helping assert InLife's goal of being the Preferred Life Insurer for Women.

As InLife envisions to be the preferred life insurer for women, it strives to redefine the way women customers view and react to insurance, while being innovative, profitable, and impactful. It empowers women to become proactive with the way they care for their financial health, starting with availing policies that safeguard their future.

To do this, InLife Sheroes has mounted multiple programs on its four pillars, with the goal of reaching and empowering more Filipino women.

Forging Partnerships to Bridge the Knowledge Gap

In 2018, InLife and IFC collaborated on various levels to collect data, generate valuable information, conduct gender sensitivity workshops, and many more. Among their many discoveries, the most telling of which points to the very basic: some women have very little knowledge of personal financial planning, investing, and risk protection. Additionally, many of them rely on taking out personal loans at usurious interest rates because they do not have access to credit.

Therefore, the advocacy and movement group deemed it as a crucial step to first bridge this knowledge gap. This means delivering access not only to products but also to financial literacy training, networks, and information.

Thus began the many partnerships InLife Sheroes forged with like-minded companies and organizations, with the goal to expand its reach and impact.

One of its notable endeavors in advancing financial literacy involves collaborating with PLDT (Philippine Long Distance Telephone Company)-Smart Foundation's Gabay Guro, a program that aims to help improve the welfare of Filipino teachers. Financial literacy plays a huge role in improving their way of life as it involves managing their finances no matter how much they make. To help Gabay Guro attain this goal, InLife Sheroes provided financial literacy sessions and other on-ground activities for more than 20,000 teachers. During the pandemic, InLife Sheroes also recognized the importance of teachers as essential workers, and gave them free insurance coverage through InLife's Chain of Protection Program.

In order to bring financial literacy to the grassroots level, it also partnered with the Philippine Business Coalition for Women Empowerment (PBCWE), a network of businesses that aims to improve gender equality in their workplaces and become better employers of women. This includes giving equal opportunities to women through economic empowerment. Together with PBCWE, InLife Sheroes created tailored financial education modules that address the unique needs, priorities, and life stages of Filipino women, along with providing training sessions for its members.

To answer the need for health and wellness education, InLife Sheroes had a series of projects with Mu Sigma Phi, a sorority composed of about 1,000 women doctors and students from the University of the Philippines' College of Medicine. InLife Sheroes sponsored several of Mu Sigma Phi's financial literacy webinars, including estate planning workshops and Financial Literacy 101. Through this partnership, InLife Sheroes was able to address the health and wellness pillar by uploading the webinars on its YouTube channel, giving people access to helpful information 24/7.

InLife Sheroes also partnered with organizations and companies that focus on women, expanding its reach to demographics it typically would not engage with.

Through the Insular Foundation, InLife Sheroes struck a partnership with Connected Women to offer additional income-generating opportunities to its members in the Philippines. Connected Women is a growing community of 75,000 members that aims to be the leading platform for women's economic empowerment in the Philippines. Their mission is to create opportunities for Filipino women to learn and earn, through entrepreneurship, freelancing, and remote work.

Together with the For the Women Foundation and Connected Women, InLife Sheroes equipped 74 women scholars with competencies in data science training and analytics which are considered the careers of the future. They also finished soft skills training to help them ace job interviews for data science positions and conduct presentations to clients.

InLife Sheroes collaborated with What Glass Ceiling as well, a podcast hosted by Broadcaster Lia Cruz. It is a program that features Filipino women and discusses their professional challenges and how they were able to break the glass ceiling. The podcast presented InLife's financial advisors and leaders who shared tips on financial management. This partnership allowed InLife Sheroes to help career-driven women achieve their professional goals while utilizing a new medium to reach women—through podcasts.

To touch the lives of more women leaders, InLife Sheroes partnered with Imaginable Impact, a women-led inclusion studio that strengthens women leaders and develops inclusive leadership for a more equitable world. Through this partnership, InLife Sheroes sponsored a Sala Session, a series of invite-only, power brunches that brought together a curated guest list of women leaders in pursuit of connection, conversation, and collaboration; and a FoundHer Forum, which explored the benefits of investing in Filipina startup founders.

Women-Focused Health Solutions

Recognizing the gap in the insurance market for women-specific solutions, InLife and InLife Sheroes offered solutions catering to women's health needs. InLife Sheroes launched SheCares, a customizable product that combines health and life insurance and investment. It also launched the EntrePinay, a prepaid group health insurance product offered by Insular Health Care that provides quality and affordable health care for women entrepreneurs and their employees.

Very recently, InLife launched Resilience Female Cancers, a critical illness life insurance plan that provides coverage for biologically born women who would suffer from nine kinds of cancers.

Meanwhile, Insular Health Care offers two other prepaid plans, She's Well and Maternity Care. She's Well allowing voucher holders to avail of diagnostic procedures and laboratory tests and hospital coverage for emergency cases.

Maternity Care gives coverage on services such as prenatal care, labor and delivery room use and confinement, and post-natal care.

Helping Women Build Social and Business Networks

InLife Sheroes aspires to help women achieve financial independence through gainful employment, as well as grow women entrepreneurs' businesses by connecting them with providers of capital and loans. To provide mentorship opportunities and achieve these goals, InLife Sheroes partnered with the following institutions:

1. Insular Foundation, together with Villgro Philippines and InBest Ventures, two social entrepreneurship organizations, launched the InLife Negosyo Challenge, a competition that provided support to 20 women-led or women-focused social enterprises through capacity building and networking opportunities during the program implementation. Later, the four winning groups received cash grants and 6-month in-depth and needs-based incubation support. The winners came from diverse fields such as artisanal weaving, mental health services, virtual assistance services and sustainable personal care.

2. UnionBank of the Philippines through its Global Linker, and the Bida ang Pinay Digital Bazaar, onboarding 35 stores on the UnionBank Global Linker Platform. The Global Linker is a digital SME platform that aims to digitize micro, small and medium enterprises.

Proof of Impact

To recognize the significance that the InLife agency force has made on the Advocacy, InLife Sheroes presented the Advocates for Women Empowerment (AWE) award starting on the Annual Sales Awards in March 2022. Since the InLife Sheroes inception, more than 22,000 women have owned one or multiple InLife policies, totaling almost PhP5 Billion in premiums, ensuring more women, and women-led households and businesses are financially protected.

For its many accomplishments as a program, InLife Sheroes has garnered several awards from various prestigious organizations. In 2023, it bagged the Silver Anvil for Public Relations Program on a Sustained Basis - Advocacy Communication Award given by the Public Relations Society of the Philippines (PRSP). The award recognized the impact InLife Sheroes has made on the lives of Filipino women across the country.

Fifth and Growing Stronger

Now on its fifth year, InLife Sheroes continues to score significant milestones.

In March 2024, InLife Sheroes celebrated its 5th anniversary, led by Executive Chairperson and InLife Sheroes prime mover Nina D. Aguas and InLife Dreamweaver Sharon Cuneta. Aside from Ms. Cuneta, other performers included veteran actress, singer and comedienne Mitch Valdez, multitalented performer Aryn Cristobal, and stand-up performer Nicki Morena. Versatile comedienne KaladKaren Davila hosted the event.

The event was a retrospective glance at the journey of InLife Sheroes over the past five years—a joyous occasion commemorating the significant strides made in its mission to empower women. Beyond nostalgic reflections, the event also served as a reaffirmation of InLife's unwavering commitment to empowering Filipino women through financial education and inclusion. This endeavor will be advanced through a multifaceted approach, leveraging digital platforms, nationwide on-ground initiatives, and strategic collaborations with kindred organizations.

Furthermore, the celebration underscored InLife's steadfast determination to emerge as the foremost choice for both Filipino men and women in life insurance and healthcare solutions tailored specifically to women's needs. InLife also shone the spotlight on Filipino women— champions of financial education, advocates for health and wellness, accomplished women who work for the benefit of women, and business leaders whose products and services address women's needs during its launch of the InLife Sheroes Awards.

As InLife Sheroes enters its sixth year, InLife promises to mount more programs, forge more synergistic partnerships, and create more products to achieve this goal: For every little girl, wherever and whatever circumstances she was born into, to get the full measure of who she is as a human being—confident, smart, nurturing, and highly capable. InLife Sheroes will continue to sow seeds of hope for millions of Filipino women, empowering them to live A Lifetime for Good.

CORPORATE GOVERNANCE

Corporate Governance Report

Good corporate governance is important in the pursuit of our purpose-driven journey at InLife. Throughout our 113-year journey as an institution, we have been shaped and strengthened by our unwavering commitment to the principles of good corporate governance: transparency, accountability, responsibility, independence, and fairness. We consider these the bedrock of our ability to deliver lasting and sustainable value to all our stakeholders, and ensuring our corporate longevity and long-term growth.

Being a mutual company, InLife is primarily accountable to policyholders. This exerts greater pressure on us to be mindful of our reputation and business equities, as the nature of our business rests on our ability to provide financial security and health protection beyond the insured's lifetime.

We put a premium on trust, knowing that life insurance is about maintaining and improving the trust placed on us by our stakeholders. This is why we aim to go beyond compliance, as good corporate governance is all about nurturing a culture of accountability, transparency, and integrity.

To stay resilient and responsive amidst our ever-evolving landscape, we adhere to the highest principles of corporate governance: maintaining transparency and accountability to our stakeholders at all times.

In 2023, InLife received the Four Golden Arrow Award from the Institute of Corporate Directors (ICD). This was the sixth consecutive year that the ICD has recognized InLife for good corporate governance. The award, the highest among Philippine-based insurance companies, is hinged on InLife's 2023 ASEAN Corporate Governance Scorecard (ACGS) assessment results. This means InLife excelled in all ACGS categories: rights of members, equitable treatment of members, role of stakeholders, disclosure and transparency, and responsibilities of the Board of Directors. This serves as a seal of continuing excellence and a vote of high confidence for the Company.

The ACGS and CGS Golden Arrow Recognition serves as a testament to the continuing efforts of Philippine companies to raise the level of compliance to the ASEAN Corporate Governance principles. InLife supports ICD's vision of being the key catalyst in bringing positive change, inclusivity, and sustainable development to the Philippine corporate governance ecosystem.

SUSTAINABILITY

Sustainability Report

Sustainability has been the buzz word of business and institutions for many years now, particularly since climate change started hogging the headlines. But while many climate actions have been taken, just ticking boxes on sustainability is not enough. The desire to change needs to be at the heart of the commitment, a top priority, and a purpose-driven journey.

It all comes down to the company's deep desire of making a positive impact on the world — even going above and beyond, in order to make a change.

Sustainability becomes a huge challenge in a world filled with uncertainty at every turn. Anticipating, planning for, and mitigating risks has never been more critical, more so for insurers whose business rests on their ability to manage risks to secure a bright future for individuals and businesses.

In 2023, these challenges came in the form of extreme weather disturbances brought about by climate change, the lingering social and economic costs of the COVID-19 pandemic, growing geopolitical tensions in Ukraine, Gaza, and the Middle East, along with high inflation and other economic factors.

For 113 years now, InLife has faced the headwinds headstrong. As the first and the largest Filipino-owned life insurer in the Philippines, we believe we are uniquely positioned to shape the transition to a resilient, sustainable, and financially secure economy. We have been integrating environmental, social, and governance (ESG) principles into our operations, within our organization, and the programs of Insular Foundation, our corporate social responsibility (CSR) arm.

To read our Corporate Governance and Sustainability Reports, please scan this QR Code.

SCAN ME

BOARD OF TRUSTEES

Nina

Position: Chairperson of the Board
Type: Executive Trustee
Date of First Board Appointment: 27 May 2015
Nationality and Age: Filipino, 71 years old

Other Directorships and Experience:
Nina is InLife's Chairperson of the Board of InLife, Insular Health Care Inc. (IHCI), Insular Life Management & Development Corporation and the Insular Foundation, Inc. As InLife's Chair, she is a director-nominee of the following Publicly Listed Companies (PLCs): Shell Pilipinas Corporation and Union Bank of the Philippines. She is also a director of Monde Nissin Corporation (a PLC) and a Trustee of the Insurance Institute of Asia and the Pacific. She is a former member of the Advisory Council for Gender and Development of the World Bank Group. She is also the former CEO of InLife from 2016 to 2017 and an Independent Trustee in 2015. Prior to InLife, she was a Director, President and CEO of the Philippine Bank of Communications; Managing Director and Head of Private Bank – Asia Pacific, Managing Director and Retail Banking Head – Asia Pacific of the Australia and New Zealand (ANZ) Banking Group, Ltd. (ANZ Group); and held the following positions in Citibank group: Managing Director and Head of Corporate Center Compliance in New York; Country Business Manager of Global Consumer Group , Philippines; Head of Sales and Distribution, GCG -Philippines; Regional Quality Director GCG – Asia Pacific; and Regional Audit Director, Citigroup, Asia Pacific.

Academic and Professional Qualifications:
Bachelor of Science in Commerce, major in Accounting, University of Santo Tomas. Nina is a Certified Public Accountant (CPA).

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Advanced Corporate Governance training (4 hours) and ICD Masterclass: The Third Series: Session 4, entitled "Transforming Companies with Digital- Disruption-Ready Board of Directors" (2 hours).

Noemi

Maria Noemi G. Azura

Position: Member of the Board of Trustees
Type: Executive Trustee
Date of First Board Appointment: 24 March 2022
Nationality and Age: Filipino, 60 years old

Other Directorships and Experience:
Noemi is a dynamic business leader with extensive experience in health insurance and consumer banking gained from local and global companies spanning over three decades. The breadth of her experience includes business transformation, innovation and strategy, sales and distribution and audit and compliance. She is a Senior Executive Vice President at InLife and concurrently the President and Chief Executive Officer of Insular Health Care, Inc. (IHCI). She is also a Director of Insular Foundation, Inc. Outside of InLife group, she is a Director of City Savings Bank and Maria Health. Prior to joining InLife in 2017, she previously served as President & CEO of PhilCare. She also held various leadership roles in Citibank, American Express and Australia New Zealand (ANZ) Bank, including an international assignment at ANZ Melbourne.

Academic and Professional Qualifications:
Bachelor in accountancy, De La Salle University; Master's in Business Administration, University of the Philippines.

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Masterclass: The Third Series: Session 4, entitled "Transforming Companies with Digital- Disruption-Ready Board of Directors" (2 hours) and Session 5, entitled "Disruptive Health Innovations" (2 Hours).

Louie

Luis Y. Benitez

Position: Member of the Board
Type: Non-Executive, Independent Trustee
Date of First Board Appointment: 24 January 2016
Nationality and Age: Filipino, 76 years old

Other Directorships and Experience:
Louie is a former Vice Chairman and Senior Partner of SyCip, Gorres, Velayo and Company. He is a Director of the following: Insular Health Care, Inc., an IC Regulated Entity; CTBC Bank (Philippines) Corp. and Concepcion Industrial Corp. He is also a known senior adviser and consultant to major private companies. He has extensive experience in public accounting and business advisory services, especially in the banking and financial industries.

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

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' ICD's Masterclass: The Third Series: Session 4, entitled "Transforming Companies with Digital- Disruption-Ready Board of Directors" (2 hours) and Bankers' Institute of the Philippines' (BAIPHIL's) Environment, Social and Governance (ESG) training (7 hours).

Emmanuel F. Dooc

Position: Member of the Board
Type: Non-Executive, Independent Trustee
Date of First Board Appointment: 26 April 2019
Nationality and Age: Filipino, 74 years old

Other Directorships and Experience:
Before joining InLife, Manny was President and CEO of the Social Security System. He is also a former Commissioner of the Insurance Commission and was an Honorary Insurance Commissioner of Louisiana, USA in 2015. He is a distinguished veteran in the life insurance industry and has extensive experience in insurance operations, corporate compliance risk management, and governance. He is the Chairman of the Board of Stronghold Insurance Company, Inc., an IC Regulated Entity.

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

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Masterclass: The Third Series: Session 5, entitled "Disruptive Health Innovations" (2 Hours) and Session 6, entitled "The Brand Architecture: A Valuable Framework for Setting Strategy" (2 Hours).

Marietta C. Gorrez

Position: Member of the Board
Type: Non-Executive Trustee
Date of First Board Appointment: 27 January 2011
Nationality and Age: Filipino, 70 years old

Other Directorships and Experience:
Mayette is a Trustee, Vice-Chairperson and Vice President of Foundation for Professional Training, Inc. She is also a Trustee of Alliance for the Family Foundation of the Philippines, Inc. She is a former Senior Vice President of InLife and former President of ILAC General Insurance Agency, Inc. She is a Professional Executive, Career, Life Coach and member of the International Coach Federation (ICF) and past President of ICF-Philippines Chapter.

Academic and Professional Qualifications:
Bachelor of Science in Mathematics, University of Santo Tomas; Master's in Business Administration, De La Salle University; Master's candidate in Business Economics, University of Asia & the Pacific; Graduate, Asian Institute of Management's Top Management Program and Fellow, Life Management Institute of Life Office Management Association. She is a Registered Financial Consultant and Registered Estate Planner of the International Association of Registered Financial Consultants.

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Masterclass: The Third Series: Session 4, entitled "Transforming Companies with Digital- Disruption-Ready Board of Directors" (2 hours) and Session 6, entitled "The Brand Architecture: A Valuable Framework for Setting Strategy" (2 Hours).

Luis C. la Ò

Position: Vice-Chairman of the Board
Type: Non-Executive, Lead Independent Trustee
Date of First Board Appointment: 22 January 2015; appointed as Independent on 24 January 2018
Nationality and Age: Filipino, 76 years old

Other Directorships and Experience:
Louie is the Vice-Chairman of the Board. He was InLife's Chairman of the Board from 2016 to 2017. Before that, he first joined as a Non-Executive Trustee in 2015. He is also a former Chairman of MAPFRE Insular from 1986 to 2016. He is a Director of Insular Health Care, Inc.(IHCI), an Insurance Commission Regulated Entity or ICRE, and Shell Pilipinas Corporation, a Publicly Listed Company (PLC). Prior to these posts, he held senior management roles in MAPFRE Insular, MAPFRE Group-Spain, the Soriano Group and the Ayala Group.

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

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Masterclass: The Third Series: Session 4, entitled "Transforming Companies with Digital- Disruption-Ready Board of Directors" (2 hours) and Session 5, entitled "Disruptive Health Innovations" (2 Hours).

Francisco Ed. Lim

Position: Member of the Board
Type: Non-Executive, Independent Trustee
Date of First Board Appointment: 27 January 2011; appointed as Independent on 22 February 2018
Nationality and Age: Filipino, 68 years old

Other Directorships and Experience:
He is a Senior Legal Counsel of Angara Concepcion Regala & Cruz Law Offices. He is the Chairman of Justice Reform Initiative and Co-Chairman (together with Finance Secretary Ralph Recto) of the Capital Market Development Council. He is a former President of Philippine Stock Exchange, Inc., Securities Clearing Corporation of the Philippines, Financial Executives Institute of the Philippines, Management Association of the Philippines and of the Shareholders' Association of the Philippines. Outside InLife, Francis is a Director of the following companies: Alphaland Corporation; AirAsia Aviation Group Limited (Malaysian Company); Air Asia Inc.; Converge Information and Communications Technology Solutions, Inc., a Publicly Listed Company (PLC), First Philippine Holdings Corporation and Union Bank of the Philippines (PLC). He is a Fellow of the Institute of Corporate Directors, and a member of the Integrated Bar of the Philippines, Philippine Bar Association, New York State Bar Association and the American Bar Association.

He is a Law Professor at the School of Law, Ateneo de Manila University and School of Law of San Beda University, while he is the Chairman of the Commercial Law Department of the Philippine Judicial Academy. He is a co-author of the "The Philippine Competition Act: Salient Points and Emerging Issues" and is a columnist at Rappler.

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

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Advanced Corporate Governance training (4 hours).

Raoul Antonio E. Littaua

Position: President & Chief Executive Officer; Member of the Board
Type: Executive Trustee
Date of First Board Appointment: 07 June 2021
Nationality and Age: Filipino, 60 years old

Other Directorships and Experience:
As InLife's President & CEO, Raoul is the Vice-Chair of Insular Foundation, Inc. He first joined InLife in 2018 as its Chief Agency Officer and later became Senior Executive Vice President and Chief Distribution Officer before his current designation. He occupied various key positions such as Chief Marketing Officer and Chief Distribution Officer of other life insurance companies. Aside from the life insurance industry, he is formerly connected with retail and real estate companies, where he was instrumental in growing their respective businesses and was responsible for setting the directions towards their success. He is also a strong advocate of renewable energy, having worked as technical consultant for foreign assisted and special projects of the Department of Environment and Natural Resources. Among the projects he was involved in were the Philippine Solid Waste Management Project, Coral Reef Rehabilitation and Eco Tourism Development, Climate Change Adaptation and Biodiversity Project and the Digitization of Cadastral Lands.

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

Academic and Professional Qualifications:
Bachelor of Arts in Psychology, De La Salle University. He also completed an Executive Development Course from Life Office Management Association/Life Insurance and Market Research Association in conjunction with Penn State University.

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Masterclass: The Third Series: Session 3, entitled "Adopting Entrepreneurial Mindset: A Prime of Board Directors" (2 hours) and Session 6, entitled "The Brand Architecture: A Valuable Framework for Setting Strategy" (2 Hours).

Justo A. Ortiz

Position: Member of the Board
Type: Non-Executive Trustee
Date of First Board Appointment: 23 November 2017
Nationality and Age: Filipino, 66 years old

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

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

2023 Corporate Governance Seminars Attended:
Institute of Corporate Directors' (ICD's) Masterclass: The Third Series: Session 4, entitled "Transforming Companies with Digital- Disruption-Ready Board of Directors" (2 hours), Session 5, entitled "Disruptive Health Innovations" (2 Hours) and Session 6, entitled "The Brand Architecture: A Valuable Framework for Setting Strategy" (2 Hours).

SENIOR MANAGEMENT TEAM

Nina Perpetua D. Aguas
Executive Chairperson

Raoul Antonio E. Littaua
President and CEO

Maria Noemi G. Azura
Sr. Executive Vice President
Seconded to IHC as President & CEO

Efren C. Caringal Jr.
Sr. Executive Vice President
Chief Transformation Officer

Atty. Renato S. De Jesus
Executive Vice President
Corporate Secretary and Chief Legal & Governance Officer
Legal And Governance Division

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

Stephen L. Ong
Executive Vice President
Chief Agency Officer,
Agency Distribution

Management Team composition as of March 31, 2024

SENIOR VICE PRESIDENTS

Geraldine B. Alvarez
Chief Customer Experience & Operations Officer, Customer Experience & Operations

Jose Eduardo O. Ang
Chief Product & Innovation Officer, Product & Innovation Division

Maria Rosa Aurora D. Cacanando
Chief Financial Officer, Finance Division

Hector A. Caunan
Head, Real Property Division

Rosalyn L. Martinez
Chief Marketing Officer, Marketing Division and concurrent Head, Bancassurance Division

Jesselyn V. Ocampo
Chief Actuary, Actuarial Division

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

Noel Andres M. Perdigon
Chief Information Security Officer, Information Security & Data Privacy Division and concurrent ESG Sustainability Lead

FIRST VICE PRESIDENTS

Alan Joseph S. Amador
Head, Equities Desk,
Investment Management Division

Arnaldo I. Aquino
Head, Territory 6 (Mindanao),
Agency Distribution

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

Gwendolyn D. Kelley
Chief Technology Officer,
Information Technology Division

Marjorie Anne Q. Lee
Chief Auditor, Audit Division

Kristian R. Melquiades
Head, Business Transformation

Tricci Rose A. Sadian
Seconded to IHC as Sales &
Marketing Head

Armand P. Santos
Head, Group Distribution

Diana Rose A. Tagra
Head, Insurance Operations
Division

VICE PRESIDENTS

Henry G. Balangatan, II
Head, Territory 1,
Agency Distribution

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

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

Johanna C. Coronado
Bancassurance Enablement Head,
Bancassurance Division

Christina R. Delos Santos
Head, Product
Development Department,
Product & Innovation Division

Hilario C. Delos Santos
Head, IT Operations,
Information Technology Division

Ma. Carmela D. Francisco
Head, InLife Learning Academy

Lorenzo Luis Liborio B. Gallardo II
Head, Group Member Engagement,
Group Distribution

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

VICE PRESIDENTS

Rommel P. Panabi
Head, Branding and Communications, Marketing Division

Roger N. Relucio
Head, Data Analytics Division

Ruth R. Velasco
Desk Head, Fixed Income Desk, Investment Management Divisionn

Maria Rowena M. Rodriguez
Head, Legal Affairs Unit, Legal And Governance Division

Jella L. Nuñez
Head, Territory 2, Agency Distribution

Geraldine G. Pascual
Alternative Distribution Channel Lead, Bancassurance Division

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

Senior Assistant Vice Presidents

Maria Suzette J. Astor
Angela A. Bien
Fay Beatrice M. Cuadra
Jerome M. De Jesus
Johana B. De Jesus
Michael Robert T. Dijamco
Frederick D. Dioso
Peter Paul E. Esporlas
Carina B. Galang
R-Jay A. Galbizo
Pamela V. Galope
Marivic P. Glorioso
Gerald B. Kim
Abigail A. Magtibay
Ma. Editha B. Mendiola
Rogie P. Niño
Herson S. Resurreccion
Maria Ritchie M. Reyes
Emerson B. Santos
Myra T. Santos
Paulita A. Sioson
Darnyl B. Taguilaso

Assistant Vice Presidents

Lisa Marie D. Agranzamendez
Joyce S. Apaliso
Allan D. Arante
Lenie Lyn R. Arena
Ruzella S. Arreza
Marisel M. Baluran
Maria Natania C. Biniegla
Zolah T. Botin
Adrian C. Cailao
Gerardo J. Catama
James Rey A. Cortes
Rose Leilani B. Fernandez
Joy Ann M. Gaffud
Geoffrey G. Ganal
Amado P. Garcia, Jr.
Paul Jantzen D. Gaston
Rose Sheryll E. Gloria
Isidra Josephine M. Gonzales
Russell A. Hernandez
Mary Joy R. Lagaya
Ronald Joseph T. Lantin
Mervill D. Majarais
Allan V. Manahan
Carlos Benjamin F. Mercado
Jose Paolo Lorenzo T. Puno
Ethel Joy B. Salazar
Ricardo B. Santos
Don Erwin B. Saunar
Marie Louise B. Tingchuy
Kevin C. Torres
Aldrin Bernard M. Valentona
Kenn Arion B. Wong

Corporate Structure

The Insular Group Of Companies

- **Subsidiary**
  - Insular Life Management and Development Corporation (ILMADECO) — 100%
- **Associates**
  - Insular Health Care Inc. — 40%
  - PPI Prime Venture, Inc. — 30%
- **Investee Companies**
  - Union Bank of the Philippines — 12.39%
  - Shell Pilipinas Corp. — 16.45%
- **Social Commitment**
  - Insular Foundation, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

Nina D. Aguas
Executive Chairperson

Raoul Antonio E. Littaua
President and Chief Executive Officer

Vera Victoria C. Morales
Treasurer

Maria Rosa Aurora D. Cacanando
Chief Financial Officer

Signed this 12th of April 2024

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

Consolidated Financial Statements
December 31, 2023 and 2022

And

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Insular Life Assurance Company, Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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Building a better working world

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

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
Tax Identification No. 193-975-241
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-062-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079894, January 5, 2024, Makati City

April 12, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Cash and Cash Equivalents (Note 4)	**₱5,238,745,472**	₱6,728,620,993
Short Term Investments (Note 4)	**611,470,175**	–
Insurance Receivables (Note 5)	**187,340,736**	125,472,526
Financial Assets (Note 6)		
Financial assets at fair value through profit or loss (Note 6)	**47,948,315,608**	41,996,550,051
Financial assets at fair value through other comprehensive income (Note 6)	**80,213,840,057**	79,599,721,199
Financial assets at amortized cost (Note 6)	**7,653,019,274**	8,392,389,345
Investments in Associates (Note 8)	**413,567,039**	789,095,228
Investment Properties (Note 9)	**7,327,257,407**	6,425,301,842
Property and Equipment (Note 10)	**1,657,402,869**	1,765,523,651
Retirement Benefits Asset - net (Note 24)	**72,729,831**	1,021,393
Deferred Income Tax Assets - net (Note 25)	–	52,875,419
Other Assets (Note 11)	**2,221,298,128**	2,652,039,196
TOTAL ASSETS	**₱153,544,986,596**	₱148,528,610,843
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Legal Policy Reserves (Note 12)	**₱46,211,826,125**	₱43,928,778,766
Other Insurance Liabilities (Note 13)	**54,985,289,466**	48,653,359,931
Accrued Expenses and Other Liabilities (Note 14)	**2,071,409,682**	2,530,755,912
Deferred Income Tax Liabilities - net (Note 25)	**2,444,646,157**	2,680,073,129
Retirement Benefits Liability - net (Note 24)	–	88,886,407
Total Liabilities	**105,713,171,430**	97,881,854,145
Members' Equity (Note 15)		
Reserve for Fluctuation in Value of Financial Assets at Fair Value through Other Comprehensive Income (Note 6)**:**		
Attributable to the Group (Note 6)		
Equity securities	**(6,607,436,492)**	413,681,188
Debt securities	**102,228,813**	(2,662,959,776)
Attributable to associates (Notes 6 and 8)	**32,233**	(19,087,822)
	(6,505,175,446)	(2,268,366,410)
Cumulative Re-measurement Gains (Losses) on Defined Benefit Plan		
Attributable to the Group (Note 24)	**(53,746,377)**	(151,047,755)
Attributable to the associates (Note 8)	–	7,467,582
	(53,746,377)	(143,580,173)
Cumulative Re-measurement Gains on Life Insurance Reserves (Note 12)	**4,897,619,011**	5,687,376,475
Retained Earnings (Notes 15 and 29):		
Appropriated	**2,397,000,000**	2,397,000,000
Unappropriated	**47,096,117,978**	44,974,326,806
Total Members' Equity	**47,831,815,166**	50,646,756,698
TOTAL LIABILITIES AND MEMBERS' EQUITY	**₱153,544,986,596**	₱148,528,610,843

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2023	2022
REVENUES		
Insurance Revenue (Note 16)		
Gross earned premiums on insurance contracts	**₱19,147,167,609**	₱17,457,371,964
Reinsurers' share of premiums on insurance contracts	**(574,930,718)**	(428,109,404)
Net Insurance Revenue	**18,572,236,891**	17,029,262,560
Operating Revenue		
Investment income (Note 17)	**4,811,397,216**	3,972,801,951
Rental income (Notes 9 and 31)	**732,961,795**	718,070,989
Net gains on investments and sale of financial assets and real properties (Note 18)	**702,754,461**	1,723,968,776
Equity in net earnings (losses) of associates (Note 8)	**(124,606,321)**	1,567,637,579
Foreign exchange gains (losses) – net	**(24,395,829)**	232,246,583
Other income (Note 19)	**697,824,073**	655,865,501
Total Operating Revenue	**6,795,935,395**	8,870,591,379
Total Revenues	**25,368,172,286**	25,899,853,939
INSURANCE BENEFITS AND OPERATING EXPENSES		
Insurance Benefits Expenses (Note 20)		
Gross benefits and claims on insurance contracts	**16,294,004,022**	17,844,830,052
Reinsurers' share of benefits and claims on insurance contracts	**(262,067,009)**	(88,702,921)
Net change in (Note 12):		
Legal policy reserves	**1,253,017,663**	(2,110,646,261)
Reinsurers' share in legal policy reserves	**(22,980,256)**	(7,494,092)
Net Insurance Benefits Expenses	**17,261,974,420**	15,637,986,778
Operating Expenses		
General insurance expenses (Note 21)	**3,076,909,591**	2,707,166,900
Commissions and other acquisition expenses	**1,909,338,638**	1,441,223,980
Investment and finance expenses (Note 22)	**257,944,868**	246,277,655
Total Operating Expenses	**5,244,193,097**	4,394,668,535
Total Insurance Benefits and Operating Expenses	**22,506,167,517**	20,032,655,313
INCOME BEFORE INCOME TAX	**2,862,004,769**	5,867,198,626
PROVISION FOR INCOME TAX (Note 25)	**759,905,426**	665,207,926
NET INCOME	**₱2,102,099,343**	₱5,201,990,700

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
NET INCOME	**₱2,102,099,343**	₱5,201,990,700
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Increase (decrease) in value of fair value through other comprehensive income - debt securities (Note 6)	**2,765,299,211**	(5,960,659,762)
Share in other comprehensive income of associate	**29,700,185**	179,321,086
Deferred income tax effect	**(110,622)**	3,656,080
	2,794,888,774	(5,777,682,596)
Items that do not recycle to profit or loss in subsequent periods:		
Decrease in value of fair value through other comprehensive income - equity securities (Note 6)	**(7,007,272,070)**	(183,382,854)
Share in other comprehensive losses of associates	**(5,974,731)**	(9,956,980)
Deferred income tax effect	**3,271,074**	(22,794,647)
	(7,009,975,727)	(216,134,481)
Re-measurement gains (losses) on defined benefit plan (Note 24)	**125,139,815**	(203,220,446)
Share in other comprehensive income (losses) of associates	**(6,051,319)**	24,885,102
Deferred income tax effect	**(31,284,954)**	50,677,962
	87,803,542	(127,657,382)
Re-measurement gains (losses) on life insurance reserves (Note 12)	**(1,053,009,952)**	11,716,744,469
Deferred income tax effect	**263,252,488**	(2,929,186,117)
	(789,757,464)	8,787,558,352
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(4,917,040,875)**	2,666,083,893
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱2,814,941,532)**	₱7,868,074,593

See accompanying Notes to Consolidated Financial Statements .

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Reserve for Fluctuation in Value of Financial Assets at Fair Value Through Other Comprehensive Income			Cumulative Re-measurement Gains (Losses) on Defined Benefit Plan		Premium on Deemed Disposal of Investment in an Associate	Cumulative Re-measurement Gains (Losses) on Life Insurance Reserves	Retained Earnings (Notes 15 and 29)		
	Attributable to Parent Company									
	Equity Securities (Note 6)	Debt Securities (Note 6)	Attributable to the Associates (Note 8)	Attributable to the Company (Note 24)	Attributable to the Associates (Note 8)	(Note 8)	(Note 11)	Appropriated	Unappropriated	Total
BALANCES AT JANUARY 1, 2023	**₱413,681,188**	**(₱2,662,959,776)**	**(₱19,087,822)**	**(₱151,047,755)**	**₱7,467,582**	**₱–**	**₱5,687,376,475**	**₱2,397,000,000**	**₱44,974,326,806**	**₱50,646,756,698**
Net income	–	–	–	–	–	–	–	–	**2,102,099,343**	**2,102,099,343**
Other comprehensive income (loss)	**(7,004,000,996)**	**2,765,188,589**	**23,725,454**	**93,854,861**	**(6,051,319)**	–	**(789,757,464)**	–	–	**(4,917,040,875)**
Total comprehensive income (loss)	**(7,004,000,996)**	**2,765,188,589**	**23,725,454**	**93,854,861**	**(6,051,319)**	–	**(789,757,464)**	–	**2,102,099,343**	**(2,814,941,532)**
Transfer of other comprehensive income to retained earnings from disposal of investment in associate	–	–	**(4,605,399)**	–	**(1,416,263)**	–	–	–	**6,021,662**	–
Transfer of other comprehensive income (loss) to retained earnings from disposal of a subsidiary	**(198,479)**	–	–	**3,446,517**	–	–	–	–	**(3,248,038)**	–
Transfer of net realized gain on sale/ derecognition of equity securities at fair value through other comprehensive income to retained earnings (Note 6)	**(16,918,205)**	–	–	–	–	–	–	–	**16,918,205**	–
BALANCES AT DECEMBER 31, 2023	**(₱6,607,436,492)**	**₱102,228,813**	**₱32,233**	**(₱53,746,377)**	**₱–**	**₱–**	**₱4,897,619,011**	**₱2,397,000,000**	**₱47,096,117,978**	**₱47,831,815,166**
BALANCES AT JANUARY 1, 2022	₱727,317,894	₱3,294,043,906	(₱188,451,928)	₱1,494,729	(₱75,178,404)	₱304,954,486	(₱3,100,181,877)	₱2,500,000,000	₱39,314,683,299	₱42,778,682,105
Net income	–	–	–	–	–	–	–	–	5,201,990,700	5,201,990,700
Other comprehensive income (loss)	(206,177,501)	(5,957,003,682)	169,364,106	(152,542,484)	24,885,102	–	8,787,558,352	–	–	2,666,083,893
Total comprehensive income (loss)	(206,177,501)	(5,957,003,682)	169,364,106	(152,542,484)	24,885,102	–	8,787,558,352	–	5,201,990,700	7,868,074,593
Transfer of other comprehensive loss to retained earnings from disposal of investment in associate	–	–	–	–	8,567,696	–	–	–	(8,567,696)	–
Transfer of equity items to retained earnings due to loss of significant influence in an associate (Note 8)	–	–	–	–	49,193,188	(304,954,486)	–	–	255,761,298	–
Transfer of net realized gain on sale/ derecognition of equity securities at fair value through other comprehensive income to retained earnings (Note 6)	(107,459,205)	–	–	–	–	–	–	–	107,459,205	–
Release of appropriation and other charges (Note 15)	–	–	–	–	–	–	–	(103,000,000)	103,000,000	–
BALANCES AT DECEMBER 31, 2022	₱413,681,188	(₱2,662,959,776)	(₱19,087,822)	(₱151,047,755)	₱7,467,582	₱–	₱5,687,376,475	₱2,397,000,000	₱44,974,326,806	₱50,646,756,698

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,862,004,769**	₱5,867,198,626
Adjustments for:		
Interest income (Note 17)	**(3,747,391,216)**	(3,555,785,713)
Net change in legal policy reserves (Note 12)	**1,230,037,407**	(2,118,140,353)
Dividend income (Note 17)	**(954,455,423)**	(515,871,923)
Gain on deconsolidation of a subsidiary (Notes 7, 8 and 18)	**(747,293,094)**	–
Interest and dividends expense (Note 20)	**578,592,878**	549,551,324
Equity in net losses (earnings) of associates (Note 8)	**124,606,321**	(1,567,637,579)
Net gain on remeasurement of retained interest in an investee company (Notes 8 and 18)	**–**	(1,631,336,111)
Net realized losses (gains) on disposal of:		
Investment in associate (Note 8)	**48,596,003**	(37,822,208)
Investment properties (Note 18)	**(4,297,249)**	(54,183,654)
Repossessed real properties (Note 18)	**239,879**	(180,000)
Debt financial assets at fair value through other comprehensive income (Note 6)	–	(446,803)
Depreciation and amortization of:		
Property and equipment and computer software (Notes 10 and 11)	**192,913,451**	145,654,734
Investment properties (Note 9)	**142,794,701**	141,533,741
Foreign exchange losses (gains) - net	**24,395,829**	(232,246,583)
Reversal of expected credit losses (Notes 6 and 20)	**(34,496,851)**	(78,417,487)
Net changes in retirement benefit obligation (Note 24)	**(22,694,614)**	1,867,657
Operating loss before working capital changes	**(306,447,209)**	(3,086,262,332)
Changes in operating assets and liabilities:		
Net decrease (increase) in:		
Insurance receivables	**(61,868,210)**	102,724,990
Financial assets at fair value through profit or loss	**(6,219,690,170)**	(1,371,934,251)
Financial assets at amortized cost	**217,902,675**	1,123,721,740
Other assets	**(16,271,779)**	(44,852,705)
Net increase in:		
Other insurance liabilities	**7,014,794,115**	1,737,504,162
Accrued expenses and other liabilities	**82,164,120**	316,269,294
Net cash provided by (used in) operations	**710,583,542**	(1,222,829,102)
Income taxes paid (Note 25)	**(732,254,025)**	(544,666,962)
Net cash used in operating activities	**(21,670,483)**	(1,767,496,064)

(Forward)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	**₱3,762,169,868**	₱3,532,925,028
Dividends received	**926,101,470**	1,098,379,214
Cash received from sale of a subsidiary, net of the subsidiary's cash and cash equivalents as at deconsolidation (Note 8)	**535,905,071**	–
Collections of and proceeds from disposals and/or maturities of:		
Financial assets at FVOCI	**4,665,130,273**	11,721,301,738
Investment in an associate	**680,000,000**	2,397,770,088
Financial assets at amortized cost	**582,463,531**	645,441,888
Property and equipment and computer software	**19,645,218**	10,071,768
Investment properties and foreclosed properties	**5,341,065**	75,910,944
Additional investments in/ additions to:		
Financial assets at FVOCI	**(9,580,470,210)**	(8,155,730,342)
Financial assets at amortized cost	**(874,796,061)**	(111,674,739)
Investment properties (Note 9 and 18)	**(760,827,855)**	(55,314,427)
Short-term investments	**(611,470,175)**	–
Property and equipment and computer software (Notes 10 and 11)	**(168,515,883)**	(132,937,368)
Investment in an associate	**–**	(5,924,161,555)
Advance payment for purchase of real estate property (Note 31)	–	(220,000,000)
Net cash provided by (used in) investing activities	**(819,323,688)**	4,881,982,237
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of interest and dividends to members	**(661,244,290)**	(631,494,929)
Payments of lease liabilities (Note 31)	**(16,233,359)**	(30,598,997)
Net cash used in financing activities	**(677,477,649)**	(662,093,926)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,518,471,820)**	2,452,392,247
NET FOREIGN EXCHANGE DIFFERENCES	**28,596,299**	(395,408,011)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,728,620,993**	4,671,636,757
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,238,745,472**	₱6,728,620,993

See accompanying Notes to Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1.1. Corporate Information

The Insular Life Assurance Company, Ltd. (the "Parent Company"), a non-stock mutual life insurance company primarily engaged in the life insurance business, was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 25, 1910. The Parent Company will be celebrating its 114th year anniversary on November 25, 2024.

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

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

1.2. Authorization for Issuance of the Financial Statements

The consolidated financial statements of the Group were approved and authorized for issuance by the Board of Trustees (BOT) on April 12, 2024.

2. Summary of Material Accounting Policy Information

2.1 Statement of Compliance

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

2.2 Basis of Preparation

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

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

2.3 Changes in Accounting Policies

2.3.1 New Standards and Interpretations Issued and Effective as at January 1, 2023

The accounting policies adopted are consistent with those of the previous financial year except for the following new pronouncements and amendments to existing PFRS that became effective beginning January 1, 2023. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on The Group's financial statements.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Reference to the Conceptual Framework*

  The amendments provide guidance and example to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *International Tax Reform Pillar Two Model Rules*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

2.3.2 Standards Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current, Liabilities with Covenants*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7*: Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- Amendments to PAS 21, *Lack of exchangeability*
- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  The core of PFRS 17 is the general model, which is based on the following building blocks for each group of insurance contracts: (a) fulfilment cash flows and (b) contractual service margin or CSM (i.e., unearned profit). This is supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Group must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

  The Group does not intend to early adopt PFRS 17 and will apply the standard on January 1, 2025. The Group's transition date is January 1, 2024. The Group continues its assessment of the implications of this standard and expects that it will have a significant impact on the Group's consolidated financial statements as the requirements of the new standard are complex and requires application of significant judgments and estimates. Specifically, the establishment of CSM (or the unearned profits) on in-force insurance contracts will result in adjustments in insurance contract liabilities and corresponding movements in equity upon transition. Subsequently, the Group expects changes in the timing and recognition of the profits via amortization of the CSM into income as services are provided. The Group is continuously assessing the potential impact of all other changes including accounting policy choices available under PFRS 17 on how insurance contract liabilities are measured and the impact on presentation and disclosure of the financial results in the financial statements.

  As of December 31, 2023, the Group continues to test, evaluate, and perform end-to-end system process to enhance data capture, improve actuarial models and finalize the methodology and assumptions to be applied. The Group continues to review and implement changes to existing accounting policies and practices. In addition, as allowed by the standard, the Group is reassessing the business models and redesignation of the Group's financial assets within the scope of PFRS 9 when PFRS 17 is applied. Currently, the Group is assessing the financial impact of adopting PFRS requirements.

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

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Parent Company and its subsidiaries (the Group) as at and for the years ended December 31, 2023 and 2022.

Specifically, the Group controls an investee if and only if it has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

Following are the Parent Company's 100%-owned subsidiaries as of December 31, 2023 and 2022:

- Insular Investment Corporation (IIC)
  - IITC Properties, Inc.*
  - Insular Property Ventures, Inc.*
- Insular Life Management and Development Corporation (ILMADECO)
  - ILAC General Insurance Agency, Inc. (ILAC GA)**
- Insular Heath Care, Incorporated (I-Care)***

**Represents the Group's ownership through IIC which was liquidated on June 23, 2023*
***Represents the Group's ownership through ILMADECO*
**** On September 21, 2023, the Parent Company sold its 60% interest in I-Care resulting in the Parent Company's loss of control over I-care. The retained interest of 40% in I-Care is accounted for as investment in associate for the period September 22, 2023 to December 31, 2023*

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

The financial statements of the subsidiaries are prepared for the same reporting years as the Group, except for ILMADECO which is consolidated based on its financial statements as of March 31, 2023 and 2022 and for the years then ended, using consistent accounting principles and policies.

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

2.5 Fair Value Measurement

The Group measures its financial assets at FVTPL and FVOCI at fair value at each reporting date. Also, the fair values of financial assets at amortized cost and other financial liabilities measured at amortized cost are disclosed in Note 26.

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

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

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

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

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

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

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

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

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

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

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

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

2.6 Cash and Cash Equivalents

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

2.7 Short Term Investments

Short-term investments represent investments not held for the purpose of meeting short-term cash commitments with maturity of more than 90 days but less than one year.

2.8 Financial Instruments

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

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

2.8.1 *Classification of Financial Assets*

(a) Initial Measurement of Financial Instruments

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

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

(b) Measurement Categories of Financial Assets

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

Contractual Cash Flows Characteristics

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

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

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

Business Model Assessment

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

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

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

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

The Group's measurement categories are described below:

Financial Assets at Amortized Cost

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

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

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

Equity Instruments
The Group may also make an irrevocable election to measure at FVOCI on initial recognition with investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 9. Amounts recognized in other comprehensive income (OCI) are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity upon sale or derecognition of the equity instrument. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents recovery of part of the cost of the investment.

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

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

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

Financial Assets at Fair Value Through Profit or Loss (FVTPL)
Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent SPPI.

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

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

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

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

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

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

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

2.8.2 *Financial Liabilities*
Issued financial instruments or their components, which are not designated as at FVTPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Other

financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

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

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

2.8.3. *Day 1 Gain or Loss*

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

2.8.4. *Offsetting of Financial Instruments*

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

2.9 Classification of Financial Instruments Between Debt and Equity

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

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

2.10 Derecognition of Financial Instruments

2.10.1 *Financial Assets*

A financial asset is derecognized when:

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

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

2.10.2 *Financial Liabilities*

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

2.11 Impairment of Financial Assets

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

2.11.1 *Expected Credit Loss Methodology*

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

2.11.2 *Definition of "Default"*

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

2.11.3 *Significant Increase in Credit Risk (SICR)*

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

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

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

2.11.4 *Staging Classification*

For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

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

2.11.5 *ECL Calculation*

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

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

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

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

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

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

2.11.6 *Write-Offs*

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

2.12 Investments in Associates

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

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. The Group adjusts the equity and profit or loss of the associates, as applicable, for any significant difference in accounting policies for like transaction and similar circumstances except for the accounting for financial instruments starting 2018.

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

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

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

Reduction in investment in an associate deemed as disposal is accounted for using the entity concept method. Under the entity concept method, the Group should regard the deemed disposal of investment in an associate as an equity transaction. Gain or loss from the deemed disposal of investment in an associate is recognized as a separate component in the members' equity section of the consolidated statements of financial position (Note 8).

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

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

2.13 Investment Properties

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

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

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

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

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

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

2.14 Property and Equipment

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

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

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

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

The EUL of property and equipment of the Group follows:

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

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

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

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

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

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

2.15 Computer Software

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

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

2.16 Impairment of Nonfinancial Assets

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

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

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

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

2.17 Retained Earnings

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

2.18 Insurance Contracts

2.18.1 *Product Classification*

(a) Insurance and Investment Contracts

Insurance contracts are those contracts where the Group has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits payable on occurrence of insured event with benefits payable on non-occurrence of insured event at inception. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index or price or rates, a credit rating or credit index, or other variable.

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

Insurance and investment contracts are further classified as being either with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

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

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

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

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

(c) Options and Guarantees

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

2.18.2 *Recognition and Measurement*

(a) Premiums

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

(b) Membership Fees

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

(c) Reinsurance Assets

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

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

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

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

(d) Legal Policy Reserves

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

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

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

(e) Benefits and Claims

Life insurance claims reflect the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(f) Incurred But Not Reported (IBNR) Claims

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

2.19 Revenue Recognition

The Group is primarily engaged in the business of insurance, leasing, investing in financial instruments and fund management. Insurance contracts, leasing agreements and financial instruments are within the scope of PFRS 4, *Insurance Contracts*, PFRS 16, *Leases* and PFRS 9, *Financial Instruments*. Hence, they are outside the scope of PFRS 15, *Revenue from Contracts with Customers*. Fund management is within the scope of PFRS 15.

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

2.19.1 *Interest Income*

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

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

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

2.19.2 *Dividend Income*

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

2.19.3 *Rental Income*

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

2.19.4 *Trading Gains and Losses*

Trading gains and losses arise from the buying and selling, and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at FVTPL investments.

For the accounting policy on foreign exchange gains or losses, refer to Note 2.23.

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

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

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

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

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

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

2.19.5 *Claims Processing Fee*

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

2.20 Operating Expenses

Operating expenses are charged to operations when incurred.

2.21 Retirement Benefit Costs

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

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

Retirement benefit costs comprise the following:

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

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

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

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

2.22 Leases

Group as a Lessor

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

Group as a Lessee

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

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

2.22.1 *Right-of-Use Asset*

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

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

2.22.2 *Lease Liabilities*

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

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

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

2.22.3 *Short-Term Leases and Leases of Low-Value Assets*

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

2.23 Foreign Currency-Denominated Transactions and Translations

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

Foreign exchange gains (losses) – net are presented in the consolidated statements of income under "Operating revenue."

2.24 Income tax

2.24.1 *Final Tax*

Final taxes on interest and capital gain on sale of unquoted equity investments are presented in the consolidated statements of income at the time the related income is earned.

2.24.2 *Current Income Tax*

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

2.24.3 *Deferred Income Tax*

Deferred income tax is provided, using balance sheet liability method, on all temporary differences between the tax bases of deferred income tax assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, except when the temporary differences arise from initial recognition of an asset or a liability in a transaction that (1) is not a business combination; (2) at the time of the transaction, affects neither the accounting income nor taxable income; and (3) does not give rise to equal taxable and deductible temporary differences.

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

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

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

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

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

2.25 Provisions

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

2.26 Contingencies

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

2.27 Events After the Reporting Date

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

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

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

3.1 Judgments

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

3.1.1 *Evaluation of Business Model in Managing Financial Instruments*

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

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

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

3.1.2 *Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Group assesses first whether a financial instrument held by the Group meets the definition of a debt or an equity under PAS 32. Based on the substance of the arrangement, the critical feature in differentiating a debt from an equity is the existence of a contractual obligation of the issuer of the financial instrument. When an instrument is determined to be equity financial asset, it is normally measured at FVTPL unless the Group makes an irrevocable election to classify it at FVOCI. On the other hand, debt financial assets are evaluated whether the contractual terms of the financial assets give rise on specified dates on cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In addition, SPPI of instruments with embedded prepayment options are evaluated by considering whether the fair value of the option is insignificant, and it does not represent additional compensation for the early termination.

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

3.1.4 *Determination of Existence of Significant Influence*
One of the indicators of existence of significant influence in an investee company is through representation in the board. As of December 31, 2023 and 2022, the Parent Company has ownership interest in UBP of 12.39% and 12.27%, respectively. Under the current ownership interest, the Parent Company has the right to have only one (1) board seat in UBP. Accordingly, the Parent Company concluded that it has no significant influence in UBP (see Note 8).

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

There were reclassifications from investment properties to property and equipment amounting to ₱29,627,043 and ₱23,185,277 in 2023 and 2022, respectively (see Notes 9 and 10).

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

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

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

3.2.1 *Estimation of Credit Losses on Financial Assets*
The measurement of impairment losses for financial assets at AC, and FVOCI under PFRS 9 requires significant management's judgment, primarily on, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of models with a number of underlying assumptions.

Significant factors affecting the estimates on the ECL model include:
(i) The Group's assessment of credit risk for each financial asset and assignment of the related PD;
(ii) The Group's criteria for evaluating if there has been a significant increase in credit risk;
(iii) The Group's definition of default and the determination of credit-impaired financial assets;
(iv) The segmentation of financial assets when the ECL is assessed on a collective basis;
(v) The development of ECL models, including the various assumptions and the choice of inputs; and
(vi) The selection of macroeconomic scenarios and economic inputs, and their associations and related impact on the PDs, EADs and LGDs.

As of December 31, 2023 and 2022, the allowance for credit losses amounted to ₱50,805,769 and ₱90,701,246 for financial assets at amortized costs, respectively and ₱58,994,871 and ₱71,447,337 for financial assets at FVOCI, respectively.

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

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

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

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

(i) For Philippine Peso policies: PHP BVAL Reference rates from Bloomberg as of December 31, 2023 and 2022, respectively;
(ii) For US Dollar policies: International Yield Curve (IYC) from Bloomberg

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

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

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

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

The carrying value of legal policy reserves amounted to ₱46,211,826,125 and ₱43,928,778,766 as of December 31, 2023 and 2022, respectively (Note 12).

3.2.3 *Estimation of IBNR Claims*

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

Total IBNR claims included under "Other insurance liabilities" in the statements of financial position amounted to ₱258,877,987 and ₱245,704,353 as of December 31, 2023 and 2022, respectively (Note 13).

3.2.4 *Estimation of Retirement Benefits Cost*

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

The present value of defined benefit obligation amounted to ₱1,353,177,721 and ₱1,343,291,651 as of December 31, 2023 and 2022, respectively (Note 24).

3.2.5 *Realizability of Deferred Income Tax Assets*

The carrying amount of deferred income tax assets recognized is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

As of December 31, 2023 and 2022, the Group's deferred income tax assets – net amounted to nil and ₱52,875,419, respectively, while the Group's deferred income tax liability – net amounted to ₱2,444,646,157 and ₱2,680,073,129, respectively. Based on forecast of reversals of taxable temporary differences and taxable profits, it is not probable that the Group will be able to utilize in full the tax benefits from certain deferred tax assets. Accordingly, as of December 31, 2023 and 2022, the Group did not recognize deferred income tax assets on certain deductible temporary differences totaling ₱6,859,896 and nil, respectively, and items with expiration under the tax rules such as NOLCO amounting to ₱2,922,866,606 and ₱1,589,706,551, respectively, and excess MCIT over RCIT amounting to ₱57,021,603 and ₱53,883,520, respectively (Note 25).

3.2.6 *Contingencies*

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

4. Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents

This account consists of:

	2023	2022
Cash on hand	**₱1,943,351**	₱2,265,383
Cash in banks	**2,438,042,940**	1,324,276,993
Cash equivalents	**2,798,759,181**	5,402,078,617
	₱5,238,745,472	₱6,728,620,993

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

Cash equivalents earn interest at rates ranging from 1.00% to 7.25% and from 1.00% to 5.50% per annum in 2023 and 2022, respectively.

Short-Term Investments
As of December 31, 2023, the Group's short-term investments which consist of time deposit placements with various banks amounted to ₱611,470,175.

Short-term investments earn interest at annual rates ranging from 5.95% to 6.13%. Interest income on short-term investments amounted to ₱8,053,898 in 2023 and is included in "Interest income on financial assets at amortized costs" (Note 17).

5. Insurance Receivables

This account consists of:

	2023	2022
Due premiums	**₱181,032,311**	₱119,109,692
Reinsurance assets	**6,308,425**	6,362,834
	₱187,340,736	₱125,472,526

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

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

6. Financial Assets

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

	2023	2022
Financial assets at FVTPL	**₱47,948,315,608**	₱41,996,550,051
Financial assets at FVOCI	**80,213,840,057**	79,599,721,199
Financial assets at AC	**7,653,019,274**	8,392,389,345
	₱135,815,174,939	₱129,988,660,595

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

6.1 Financial Assets at FVTPL

The Financial Assets at FVTPL are comprised of:

	2023	2022
Quoted equity securities:		
Held-for-trading portfolio	**₱414,875,027**	₱147,797,056
Debt instruments mandatorily classified as FVTPL	–	382,596,020
Managed and evaluated on a fair value basis under separate funds:		
Traditional VULs:		
Cash and cash equivalents	**1,609,200,401**	2,533,769,892
Equity securities – quoted	**20,439,587,303**	20,546,115,036
Debt securities – quoted		
Government:		
Local currency	**2,205,168,896**	2,118,876,990
Foreign currency	**1,769,682,882**	1,927,910,468
Corporate:		
Local currency	**194,277,050**	291,682,143
Foreign currency	**33,917,586**	34,264,653
Investment in unit investment trust fund (UITF)		
Local currency	**15,930,046,895**	11,149,570,784
Foreign currency	**5,270,077,997**	2,724,373,164
Other receivables	**429,066,376**	183,903,042
Other payables	**(347,584,805)**	(178,176,952)
Structured VULs:		
Foreign currency	–	133,867,755
	47,533,440,581	41,466,156,975
	₱47,948,315,608	₱41,996,550,051

As of December 31, 2023 and 2022, quoted equity securities under held-for-trading represent investment in common shares. Fair value losses on these securities amounted to ₱2,810,109 in 2023 and ₱19,240,545 in 2022.

The portion of the segregated fund assets attributable to the seed capital of the Group amounted to ₱1,131,663,523 and ₱1,179,257,733 as of December 31, 2023 and 2022, respectively.

Fair value gains (losses) included in the carrying amounts of FVTPL financial assets presented in the separate financial statements of VUL funds (i.e., inclusive of fair value gains and losses attributable to the Group and the policy holders) amounted to ₱2,854,097,450 and (₱4,549,054,165) as of December 31, 2023 and 2022, respectively. These financial assets are designated as FVTPL in accordance with the investment strategy and valuation provisions of the VUL insurance contracts. Likewise, the valuation basis of reserves for VUL policies held by policyholders is consistent with the reserves valuation methodology set for VUL insurance contracts.

Traditional VULs

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

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

Government debt securities
Annual interest rate for peso government debt securities under FVTPL ranged from 0.00% to 8.13% in 2023 and from 2.38% to 8.00% in 2022. Interest rate for dollar bonds ranged from 2.65% to 10.63% both in 2023 and 2022.

Corporate debt securities
Corporate debt securities include bonds issued by reputable counterparties. Interest rate for peso corporate debt securities under FVTPL is from 3.38% to 7.11% per annum both in 2023 and 2022. Interest rate for dollar bonds is 2.50% per annum both in 2023 and 2022.

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

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

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

Structured VULs
Structured VULs are structured notes issued by Global Issuers and constitute direct, unconditional, unsubordinated, and unsecured obligation of the Issuers. These VULs matured in 2023.

6.2 Financial Assets at FVOCI

Financial Assets at FVOCI are comprised of:

	2023	2022
Equity securities:		
Quoted	**₱29,050,230,597**	₱32,680,823,430
Unquoted	**1,098,615,380**	1,058,540,410
	30,148,845,977	33,739,363,840
Debt securities:		
Quoted:		
Government:		
Local currency	**37,965,033,896**	31,207,137,383
Foreign currency	**969,407,251**	940,828,426
Corporate:		
Local currency	**10,673,311,349**	13,247,484,615
Foreign currency	**457,241,584**	464,906,935
	50,064,994,080	45,860,357,359
	₱80,213,840,057	₱79,599,721,199

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

The Group irrevocably designated equity investments at FVOCI on the basis that these are not held for trading and these are held either for strategic investment purposes or for capital appreciation due to the long-term nature of these investments. These include investments in Philippine Stock Exchange Equity Index (PSEi) listed equities, golf and club shares, shares of listed Real Estate Investment Trust (REIT) companies and shares of unlisted corporate entities.

The Group recognized dividend income amounting to ₱954,455,423 and ₱515,871,923 in 2023 and 2022, respectively. Dividend income related to equity investments derecognized amounted to ₱35,408,645 and ₱8,693,160 in 2023 and 2022, respectively, while dividend income related to equity investments held as of December 31, 2023 and 2022 amounted to ₱919,046,778 and ₱507,178,763, respectively (Note 17).

The Group disposed equity investments at FVOCI for total consideration of ₱272,645,272 and ₱357,860,576, with carrying amount of ₱255,727,067 and ₱243,440,762 in 2023 and 2022, respectively, and these sales were made in accordance with the Group's strategic plans for these equity investments identified at portfolio level. The net gain transferred from OCI to retained earnings from the derecognition of these equity investments amounted to ₱16,918,205 and ₱107,459,205 as of in 2023 and 2022, respectively.

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

Government debt securities
Annual interest rate for peso government debt securities ranged from 0.00% to 13.75% in 2023 and from 3.50% to 13.75% in 2022. Interest rate for dollar bonds ranged from 2.65% to 9.50% per annum both in 2023 and 2022.

Corporate debt securities
Corporate debt securities include bonds issued by reputable counterparties. Interest rate for peso corporate debt securities ranged from 3.38% to 8.51% per annum both in 2023 and 2022. Interest rate for dollar bonds ranged from 2.13% to 5.13% per annum both in 2023 and 2022.

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

The movement in reserve for fluctuation in value of Financial Assets at FVOCI for the years ended December 31, 2023 and 2022 follows:

	2023	2022
Equity securities:		
Attributable to the Parent Company:		
Balance at beginning of year	**₱413,681,188**	₱727,317,894
Fair value losses taken directly to OCI (net of deferred income tax impact)	**(7,004,000,996)**	(206,177,501)
Net realized gains on sale/derecognition of equity securities at FVOCI, transferred to retained earnings (i.e. within equity)	**(16,918,205)**	(107,459,205)
Other comprehensive income transferred to retained earnings upon deconsolidation of a subsidiary (Note 8)	**(198,479)**	–
Net change during the year	**(7,021,117,680)**	(313,636,706)
Balance at end of year	**(₱6,607,436,492)**	₱413,681,188
Attributable to the associates:		
Balance at beginning of year	**₱10,612,363**	₱20,569,343
Share in net fair value losses on FVOCI financial assets of the associate (Note 8)	**(5,974,731)**	(9,956,980)
Transfer of other comprehensive income to retained earnings upon disposal of an associate (Note 8)	**(4,605,399)**	–
Balance at end of year	**32,233**	10,612,363
	(₱6,607,404,259)	₱424,293,551

	2023	2022
Debt securities:		
Attributable to the Parent Company:		
Balance at beginning of year	**(₱2,662,959,776)**	₱3,294,043,906
Fair value gains (losses) taken directly to OCI (net of deferred income tax impact)	**2,784,218,037**	(5,934,876,699)
Realized gain on sale of equity securities at FVOCI	–	(446,803)
Reversal of expected credit losses recognized in profit or losses	**(12,452,466)**	(15,745,892)
Other movements	**(6,576,982)**	(5,934,288)
Net change during the year	**2,765,188,589**	(5,957,003,682)
Balance at end of year	**₱102,228,813**	(₱2,662,959,776)
Attributable to the associates:		
Balance at beginning of year	**(₱29,700,185)**	(₱209,021,271)
Share in net fair value losses on FVOCI debt financial assets of the associate	**29,700,185**	(1,714,587,192)
Reclassification to profit or loss from sale of investment in shares of associate (Note 8)	–	203,829,852
Reclassification to profit or loss from loss of significant influence in associate (Note 8)	–	1,690,078,426
Balance at end of year	–	(29,700,185)
	₱102,228,813	(₱2,692,659,961)

Accumulated credit losses on debt financial assets classified as FVOCI recognized in OCI amounted to ₱58,994,871 and ₱71,447,337 as of December 31, 2023 and 2022, respectively (see Note 27).

Debt securities deposited with IC
Government securities with a fair value of ₱371,543,063 and ₱354,348,810 as of December 31, 2023 and 2022, respectively, are deposited with the IC in accordance with the provision of the Code as security for the benefit of policyholders and creditors of the Group. The face amount of the investment in government securities amounting to ₱325,000,000 represents 25% of required minimum capital as mandated by IC.

6.3 Financial Assets at AC

The details of Financial Assets at Amortized Cost of the Group as of December 31 follows:

	2023	2022
Policy loans (net of unearned interest income)	**₱3,561,450,811**	₱3,658,624,631
Term loans	**2,118,625,000**	2,403,125,000
Unquoted debt securities	**655,200,000**	724,160,000
Interest receivable	**628,722,301**	591,145,865
Accounts receivable	**390,650,244**	49,088,571
Rent receivable	**94,696,640**	64,744,175
Housing loans	**92,062,669**	92,662,164
Dividend receivable	**33,816,528**	5,462,574
Car financing loans	**20,844,255**	19,102,766

(Forward)

	2023	2022
Mortgage loans	**₱18,469,852**	₱26,135,345
Due from agents	**9,167,226**	46,979,101
Investment in debt securities:		
Government	**–**	149,204,489
Others	**80,119,517**	652,655,910
	7,703,825,043	8,483,090,591
Allowance for credit losses (Note 27)	**(50,805,769)**	(90,701,246)
	₱7,653,019,274	₱8,392,389,345

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

- Policy loans pertain to loans granted to policyholders. The loan is issued with the cash surrender value of the policyholder's insurance policy as collateral. Interest rates on policy loans range from 6.00% to 14.00% in both 2023 and 2022.

  Policy loans as of December 31, 2023 and 2022 follows:

	2023	2022
Policy loans – gross	**₱3,755,417,405**	₱3,858,611,078
Unearned interest income	**(193,966,594)**	(199,986,447)
Policy loans – net	**₱3,561,450,811**	₱3,658,624,631

- Term loans pertain to investments in fixed-rate loans of corporate borrowers with terms ranging from 5 to 10 years in 2023 and from 6 to 10 years in 2022. Interest rates per annum range from 4.00% to 8.54% in 2023 and from 4.00% to 7.15% in 2022.

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

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

- Accounts receivable pertain to miscellaneous receivables from various companies, employees, agents, tenants, service fee rebates and related parties. As of December 31, 2023, this account includes primarily the remaining 20% consideration receivable from Value-Based Healthcare for the sale of I-Care (see Note 8).

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

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

- Car financing loans pertain to car loans granted to employees at an annual interest from 5.00% to 6.00% in 2023 and 6.00% in 2022 payable semi-monthly with terms ranging from 5 to 7 years.

- Mortgage loans pertain to housing loans granted to third parties and former employees with terms ranging from 7 to 15 years. Interest rates on these loans range from 6.00% to 18.00% both in 2023 and 2022.

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

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

	2023	2022
Housing loans	**₱108,594,535**	₱108,240,510
Less: unamortized deferred interest income	**16,531,866**	15,578,346
	92,062,669	92,662,164
Car financing loans	**25,976,197**	23,679,285
Less: unamortized deferred interest income	**5,131,942**	4,576,519
	20,844,255	19,102,766
	₱112,906,924	₱111,764,930

  The amortization of deferred interest income amounting to ₱3,751,704 and ₱3,941,039 in 2023 and 2022, respectively, is recognized as part of interest on financial assets at AC included under "Investment income" in the statements of income (Note 17).

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

The reconciliation of changes in allowance for credit losses on financial assets at amortized cost/ loans and receivables follows:

	2023				
	Receivables from operations*	**Mortgage loans and other finance receivables**	**Loans receivables and accrued interest****	**Others**	**Total**
Balances at beginning of year	**₱62,580,377**	**₱5,403,105**	**₱4,859,680**	**₱17,858,084**	**₱90,701,246**
Reversal of credit losses	**(19,405,014)**	**(1,145,665)**	**(1,493,706)**	**–**	**(22,044,385)**
Deconsolidation of subsidiary (Notes 7 and 8)	**–**	**–**	**–**	**(17,851,092)**	**(17,851,092)**
Balances at end of year	**₱43,175,363**	**₱4,257,440**	**₱3,365,974**	**₱6,992**	**₱50,805,769**

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

	2022				
	Receivables from operations*	Mortgage loans and other finance receivables	Loans receivables and accrued interest**	Others	Total
Balances at beginning of year	₱126,933,637	₱6,327,169	₱5,393,438	₱14,718,597	₱153,372,841
Provision for (reversal from) credit losses and other adjustments	(64,353,260)	(924,064)	(533,758)	3,139,487	(62,671,595)
Balances at end of year	₱62,580,377	₱5,403,105	₱4,859,680	₱17,858,084	₱90,701,246

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

7. **Group Information**

The Group comprises the Parent Company and its subsidiaries. As of December 31, 2023 and 2022, among the Group's subsidiaries, IIC and ILMADECO are intermediate parents of their respective subsidiaries. IPI and IPVI are wholly-owned subsidiaries of IIC; while ILAC GA is a wholly-owned subsidiary of ILMADECO. As of December 31, 2022, the Parent Company's subsidiaries include I-care.

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

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

**In 2023, IPI and IPVI have been liquidated*
***On September 21, 2023, the Parent Company sold its 60% interest in I-Care resulting in the Parent Company's loss of control over I-care. The retained interest of 40% in I-Care is accounted for as investment in associate under the equity method for the period September 22, 2023 to December 31, 2023 (see Note 8).*

For the relevant corporate information of the Group's associates, refer to Note 8.

The Parent Company is subject to statutory regulations on Risk-Based Capital (RBC2) and other externally imposed capital requirements (Note 29). All asset investments of the Parent Company require approval from the IC. The Parent Company submits annual financial statements to the IC to determine adequacy of the Parent Company's capital and approval of the investments. IC classifies assets according to admitted and non-admitted assets for the purpose of calculating financial ratios that the Parent Company is required to maintain. These, among others, pose restrictions as to the use or transfer of assets within the Group, as well as, the settlement of liabilities as of December 31, 2023 and 2022.

The Parent Company is not subject (i.e., under guarantyship, suretyship, or other similar arrangements) to any contingent liability, or capital or purchase commitments as of December 31, 2023 and 2022.

Except for I-care, the subsidiaries, have no contingent liabilities or capital commitments as of December 31, 2023 and 2022 and are not subject to restrictions (i.e., whether through legal, contractual, or discretionary restrictions) as to the use or transfer of their assets within the Group, or settlement of liabilities.

The amendment to shorten IIC's corporate term to until May 31, 2022 was approved by the SEC with the issuance of the Certificate of Filing of the Amended Articles of Incorporation dated June 10, 2021. As of December 31, 2023, Application for Closure of Business with BIR is ongoing.

The amendment to shorten the corporate life of IPI and IPVI to until March 31, 2020 was approved by the SEC with the issuance of the Certificate of Filing of the Amended Articles of Incorporation dated March 15, 2019 and April 16, 2019 respectively. On April 11, 2023, the BIR issued Certificate of No Outstanding Liability to IPI and IPVI. Subsequently, IPI's and IPVI's remaining assets were distributed as liquidating dividends to IIC.

The amendment to shorten ILAC GA's corporate term to until March 31, 2022 was approved by the SEC with the issuance of the Certificate of Filing of the Amended Articles of Incorporation dated March 23, 2021. As of December 31, 2023, Application for Closure of Business with BIR is ongoing.

In 2023, the Group sold 60%-ownership interest in I-Care. Refer to Note 8 for the details.

8. **Investment in Associates**

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

	Percentage of Ownership	
	2023	2022
PPI Prime Ventures, Inc. (PPVI)	**30.00%**	30.00%
Insular Health Care Incorporated (I-Care)	**40.00%***	–*
Oona Insular Insurance Corporation (formerly Mapfre Insular Insurance Corporation) (OIIC)	**–****	39.99%

***On September 21, 2023, the Parent Company sold its 60% interest in I-care. The retained interest of 40% in I-care is accounted for as investment in associate under the equity method for the period September 22, 2023 to December 31, 2023.*
**In 2023, the Parent Company sold its entire 39.99% interest in OIIC.*

This account consists of investments in the following entities, which are all incorporated and operating in the Philippines, as of December 31, 2023 and 2022: They are engaged in the following activities.

	Incorporation Date	Nature of Business
PPVI	December 9, 1975	Development and sale of real estate
I-Care	October 14, 1991	Health maintenance organization
OIIC	September 1, 1934	Provision of nonlife general insurance

The movement of investments in associates follows:

	December 31, 2023			
	I-Care	**OIIC**	**PPVI**	**Total**
Acquisition cost				
Beginning balance	**₱–**	**₱678,311,023**	**₱4,500,000**	**₱682,811,023**
Retained investment recognized at fair value upon loss of control	**460,000,000**	–	–	**460,000,000**
Sale of investment	–	**(678,311,023)**	–	**(678,311,023)**
Ending balance	**460,000,000**	–	**4,500,000**	**464,500,000**
Accumulated equity in net earnings (losses)				
Beginning balance	–	**118,636,600**	**(732,155)**	**117,904,445**
Equity in net earnings (losses) for the period	**(50,273,760)**	**(74,373,282)**	**40,721**	**(124,606,321)**
Sale of investment	–	**(44,263,318)**	–	**(44,263,318)**
Ending balance	**(50,273,760)**	–	**(691,434)**	**(50,965,194)**
Equity in reserve for fluctuation in FVOCI				
Beginning balance	–	**(19,087,822)**	–	**(19,087,822)**
Share in net movement of reserve for fluctuation in FVOCI financial assets of the associates during the period	**32,233**	**23,693,221**	–	**23,725,454**
Sale of investment	–	**(4,605,399)**	–	**(4,605,399)**
Ending balance	**32,233**	–	–	**32,233**
Equity in reserve for re-measurement gains (losses) in defined benefit plan				
Beginning balance	–	**7,467,582**	–	**7,467,582**
Share in net movement of reserve for re-measurement losses on defined benefit plan	–	**(6,051,319)**	–	**(6,051,319)**
Sale of investment	–	**(1,416,263)**	–	**(1,416,263)**
Ending balance	–	–	–	–
	₱409,758,473	**₱–**	**₱3,808,566**	**₱413,567,039**

	December 31, 2022			
	UBP	OIIC (formerly MIIC)	PPVI	Total
Acquisition cost				
Beginning balance	₱2,716,159,330	₱349,848,654	₱4,500,000	₱3,070,507,984
Shares purchased	5,595,699,186	208,462,369	–	5,804,161,555
Capital infusion	–	120,000,000	–	120,000,000
Shares sold	(914,528,444)	–	–	(914,528,444)
Loss of significant influence	(7,397,330,072)	–	–	(7,397,330,072)
Ending balance	–	678,311,023	4,500,000	682,811,023
Accumulated equity in net earnings (losses)				
Beginning balance	₱12,446,030,069	133,005,734	(783,020)	12,578,252,783
Equity in net earnings (losses) for the year	1,581,955,848	(14,369,134)	50,865	1,567,637,579
Shares sold	(1,453,987,132)	–	–	(1,453,987,132)
Dividends received (Note 30)	(585,578,319)	–	–	(585,578,319)
Loss of significant influence	(11,988,420,466)	–	–	(11,988,420,466)
Ending balance	–	118,636,600	(732,155)	117,904,445
Equity in reserve for fluctuation in FVOCI				
Beginning balance	(179,321,086)	(9,130,842)	–	(188,451,928)
Share in net movement of reserve for fluctuation in FVOCI financial assets of the associates during the year	(1,714,587,191)	(9,956,980)	–	(1,724,544,171)
Shares sold	203,829,852	–	–	203,829,852
Loss of significant influence	1,690,078,425	–	–	1,690,078,425
Ending balance	–	(19,087,822)	–	(19,087,822)
Equity in reserve for re-measurement gains (losses) in defined benefit pension plan				
Beginning balance	(82,645,986)	7,467,582	–	(75,178,404)
Share in net movement of reserve for re-measurement gains on defined benefit plan	24,885,101	–	–	24,885,101
Shares sold	8,567,696	–	–	8,567,696
Loss of significant influence	49,193,189	–	–	49,193,189
Ending balance	–	7,467,582	–	7,467,582
Premium on deemed disposal of investment in associate				
Beginning balance	304,954,486	–	–	304,954,486
Loss of significant influence	(304,954,486)	–	–	(304,954,486)
	₱–	₱785,327,383	₱3,767,845	₱789,095,228

Investment in UBP

On various dates in 2022 (prior to the loss of significant influence), the Group acquired additional 86,326,821 shares for ₱5.60 billion and disposed 32,619,550 shares for ₱2.4 billion. On November 28, 2022, the Group sold 30,184,030 shares for ₱2.1 billion decreasing its interest in UBP from 13.72% to 12.27%. On the same date, the Group assessed that it has lost significant influence in UBP, and accordingly, classified its retained interest of 12.27% as financial asset at FVOCI without recycling to profit or loss, in accordance with PFRS 9 (Note 3). Such investment was remeasured from its carrying amount of ₱17.95 billion under the equity method of accounting, after the sale in November 2022, to its fair value as of November 28, 2022 of ₱21.27 billion. The difference amounting to ₱3.32 billion and the recycling of accumulated share in other comprehensive loss of ₱1.69 billion, resulted in a net gain from remeasurement of retained interest in UBP of ₱1.63 billion, presented under "Net gains on investments and sale of financial assets and real properties" in profit or loss, as a consequence of the loss of significant influence (Note 18). As of December 31, 2023 and 2022, the Group has accounted for the investment in UBP as financial assets at FVOCI.

Investment in OIIC

Beginning October 2022, Oona Insular Insurance Corporation, formerly, Mapfre Insular Insurance Corporation, is 60%-owned by Oona Philippines Holdings Corporation (OPHC) after the latter acquired the equity interest in OIIC from Mapfre Internacional SA (Mapfre) when Mapfre divested its business interests in Asia.

On October 28, 2022, the Group purchased 1,498,771 shares from Mapfre Internacional SA of Spain for ₱208.45 million, thereby, increasing its ownership interest in OIIC from 25.00% to 39.99%. Upon determining the fair values of the underlying net assets acquired, where fair value adjustments relate primarily to building and building improvements, the Group recognized a gain on bargain purchase amounting to ₱23.22 million, which is included in the Group's share in net loss of OIIC in 2022.

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

On December 15, 2023, the Group sold its entire 39.99% shareholdings in OIIC to Oona Philippines Holdings Corporation for a total consideration of ₱680.00 million as the Group decided to focus on its core life insurance and healthcare businesses. Accordingly, the Group lost significant influence in OIIC and recognized loss on sale of investment in OIIC amounting to ₱48.60 million, presented under "Net gains on investments and sale of financial assets and real properties" in profit or loss. As such, the financial information of OIIC as of and for the year-ended December 31, 2023 is not disclosed.

Investment in I-Care

On September 21, 2023, the Group sold its 1,224,000 shares in I-Care representing 60.00% of its shareholdings to Value-Based Healthcare PF Pte. Ltd. (VBH) for a total consideration of ₱690.00 million. Eighty percent (80%) of the total consideration or ₱552.00 million was collected on the date of sale while the remaining 20% or ₱138.00 million shall be collected after one year from the date of sale and is included in "Accounts receivable".

As a result of the sale, the Group has determined that there is loss of control of I-care as a subsidiary, and the retained interest of 40.00% in I-care is accounted for as an associate under the equity method. Accordingly, the Group recognized gain on deconsolidation of I-care amounting to ₱747.29 million representing the difference between the (a) total of the consideration received/receivable of ₱690.00 million from the sale of the 60.00% interest and the fair value of the 40.00% retained investment of ₱460.00 million and (b) the net assets of I-care at their carrying amounts of ₱402.71 million at the date when control is lost. The portion of the gain attributable to measuring the 40.00% retained investment in I-care at its fair value less the 40.00% of the carrying amounts of I-care's net assets at the date when control was lost amounted to ₱298.92 million. The gain on deconsolidation of I-care, which included the gain on remeasurement of the 40.00% retained investment, is presented under "Net gains on investments and sale of financial assets and real properties" in the profit or loss. Furthermore, the fair value of the retained investment amounting to ₱460.00 million represents the Group's cost of equity investment in I-care accounted for using the equity method at initial recognition in September 2023.

The sale to VBH was intended to improve scale and expand I-Care's customer base as well as gain access to more developed healthcare technology and innovation.

IC, I-Care's lead regulator, sets and monitors the capital requirements of I-Care. In implementing current capital requirements, the IC requires I-Care to maintain a minimum capital amount, minimum deposit to IC, minimum net worth, prescribed acid test ratio and a prescribed ratio of qualifying capital to gross membership fees. These, among others, may impose significant restrictions as to the use or transfer of assets or the settlement of liabilities as of December 31, 2023 and 2022.

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

Financial position

	December 31, 2023
	I-Care
Financial assets	**₱1,548,249**
Property and equipment	**22,700**
Deferred tax asset	**66,581**
Other assets	**248,915**
Accounts payable and accrued expenses	**(326,736)**
Other liabilities	**(1,282,751)**
Equity	**₱276,958**

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

Financial performance

	December 31, 2023*
	I-Care
Revenue	**₱454,392**
Net loss before tax	**(146,505)**
Net loss for the period	**(125,684)**
Total other comprehensive income for the period	**81**
Total comprehensive loss for the period	**(125,603)**
Group share in the net loss of the associate	**(₱50,274)**

**Represents the financial performance for the three-month ended December 31, 2023*

	December 31, 2022
	OIIC (formerly MIIC)
Revenue	₱757,923
Net loss before tax	(127,641)
Net loss for the year	(140,036)
Total other comprehensive loss for the year	(50,064)
Total comprehensive loss for the year	(190,100)
Group share in the net loss of the associate*	(₱14,369)

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

9. Investment Properties

The movements in carrying amounts of investment properties follows:

	2023		
	Land	**Building and Improvements**	**Total**
Cost			
Balances at beginning of year	**₱3,661,349,341**	**₱4,374,123,008**	**₱8,035,472,349**
Additions	**923,567,776**	**57,260,079**	**980,827,855**
Disposals	**(158,800)**	**(1,124,895)**	**(1,283,695)**
Reclassification and other adjustments	**119,405,939**	**(39,165,730)**	**80,240,209**
Balances at end of year	**4,704,164,256**	**4,391,092,462**	**9,095,256,718**
Accumulated Depreciation and Impairment Loss			
Balances at beginning of year	**156,116,205**	**1,454,054,302**	**1,610,170,507**
Depreciation (Note 21)	**–**	**142,794,701**	**142,794,701**
Reclassification and other adjustments (Note 10)	**–**	**15,034,103**	**15,034,103**
Balances at end of year	**156,116,205**	**1,611,883,106**	**1,767,999,311**
Net Book Values	**₱4,548,048,051**	**₱2,779,209,356**	**₱7,327,257,407**

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

As of December 31, 2023 and 2022, the fair value of investment properties amounted to ₱8,816,687,874 and ₱7,688,833,341 for land, respectively, and ₱4,590,897,430 and ₱4,547,877,494 for building and improvements, respectively, based on independent appraiser valuation.

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

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

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

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

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

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

The Group enters into operating leases for its investment properties (Note 31). Rental income amounted to ₱732,961,795 in 2023 and ₱718,070,989 in 2022 (Note 31). Direct expenses (excluding depreciation expense) arising in respect of such investment properties amounted to ₱231,770,624 in 2023 and ₱216,619,785 in 2022 while indirect operating expenses amounted to ₱23,063,936 in 2023 and ₱23,857,251 in 2022 (Note 22).

Future minimum lease rentals receivable under non-cancellable operating leases are disclosed in Note 31.

10. Property and Equipment

The movements in carrying amounts of property and equipment follows:

	2023						
	Land and Buildings	**Furniture Fixtures and Equipment**	**Electronic and Data Processing Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Right-of-Use Asset**	**Total**
Costs							
Beginning balances	**₱2,057,001,240**	**₱258,578,199**	**₱301,051,657**	**₱86,477,851**	**₱135,991,036**	**₱94,471,756**	**₱2,933,571,739**
Additions	**21,151,029**	**24,849,353**	**38,227,292**	**30,711,376**	**24,121,422**	**8,840,747**	**147,901,219**
Retirements/disposals	**(6,649,213)**	**(30,703,554)**	**(64,689,255)**	**(7,755,012)**	**(75,375,830)**	**(11,136,570)**	**(196,309,434)**
Deconsolidation of subsidiary	–	**(624,070)**	**(26,904,026)**	**(3,154,830)**	**(17,033,810)**	**(749,149)**	**(48,465,885)**
Reclassification and other adjustment	**(80,240,210)**	–	–	–	–	**8,863,181**	**(71,377,029)**
Ending balances	**1,991,262,846**	**252,099,928**	**247,685,668**	**106,279,385**	**67,702,818**	**100,289,965**	**2,765,320,610**
Accumulated Depreciation and Amortization							
Beginning balances	**650,727,813**	**123,254,866**	**173,207,554**	**56,123,891**	**98,802,673**	**65,931,291**	**1,168,048,088**
Depreciation and amortization (Note 21)	**52,915,707**	**12,792,088**	**52,509,469**	**13,456,186**	**15,480,708**	**21,909,183**	**169,063,341**
Retirements/disposals	**(71,753)**	**(28,778,629)**	**(53,613,552)**	**(7,755,012)**	**(75,375,830)**	**(11,069,440)**	**(176,664,216)**
Deconsolidation of subsidiary	–	**(602,088)**	**(19,469,527)**	**(2,668,759)**	**(17,001,797)**	**(6,616,379)**	**(46,358,550)**
Reclassification and other adjustment	**(15,034,103)**	–	–	–	–	**8,863,181**	**(6,170,922)**
Ending balances	**688,537,664**	**106,666,237**	**152,633,944**	**59,156,306**	**21,905,754**	**79,017,836**	**1,107,917,741**
Net Book Values	**₱1,302,725,182**	**₱145,433,691**	**₱95,051,724**	**₱47,123,079**	**₱45,797,064**	**₱21,272,129**	**₱1,657,402,869**

	2022						
	Land and Buildings	Furniture Fixtures and Equipment	Electronic and Data Processing Equipment	Transportation Equipment	Leasehold Improvements	Right-of-Use Asset	Total
Costs							
Beginning balances	₱2,033,815,962	₱231,471,097	₱267,897,933	₱81,823,609	₱115,883,605	₱102,830,212	₱2,833,722,418
Additions		35,347,568	47,659,532	16,719,430	20,003,807	24,601,149	144,331,486
Retirements/disposals	–	(8,251,414)	(5,459,002)	(12,065,188)	–	(32,861,921)	(58,637,525)
Reclassification/adjustment (Note 9)	23,185,278	10,948	(9,046,806)	–	103,624	(97,684)	14,155,360
Ending balances	2,057,001,240	258,578,199	301,051,657	86,477,851	135,991,036	94,471,756	2,933,571,739
Accumulated Depreciation and Amortization							
Beginning balances	607,200,390	111,797,897	138,879,977	53,948,999	94,648,845	68,601,063	1,075,077,171
Depreciation and amortization (Note 21)	24,295,148	11,670,155	47,795,061	12,804,665	4,084,718	30,100,451	130,750,198
Retirements/disposals	–	–	(5,074,063)	(10,629,773)	–	(32,861,921)	(48,565,757)
Reclassification/adjustment (Note 9)	19,232,275	(213,186)	(8,393,421)	–	69,110	91,698	10,786,476
Ending balances	650,727,813	123,254,866	173,207,554	56,123,891	98,802,673	65,931,291	1,168,048,088
Net Book Values	₱1,406,273,427	₱135,323,333	₱127,844,103	₱30,353,960	₱37,188,363	₱28,540,465	₱1,765,523,651

The cost of fully depreciated property and equipment that are still in use in the Group's operations amounted to ₱405,234,649 and ₱411,686,004 as of December 31, 2023 and 2022, respectively.

11. Other Assets

This account consists of:

	2023	2022
Creditable withholding tax	**₱1,579,084,029**	₱1,538,258,564
Prepaid expenses	**713,613,867**	864,145,845
Deposits	**74,938,610**	237,225,398
Computer software	**27,889,172**	42,768,984
Others	**19,671,190**	103,740,300
	2,415,196,868	2,786,139,091
Allowance for impairment losses	**(193,898,744)**	(134,099,895)
	₱2,221,298,124	₱2,652,039,196

Computer Software

The movements in the carrying amount of computer software follows:

	2023	2022
Cost		
Balances at beginning of year	**₱191,092,211**	₱177,885,180
Additions	**8,970,298**	13,207,031
Balances at end of year	**200,062,509**	191,092,211
Accumulated Amortization		
Balances at beginning of year	**148,323,227**	133,417,291
Amortization (Note 21)	**23,850,110**	14,905,936
Balances at end of year	**172,173,337**	148,323,227
Net Book Value	**₱27,889,172**	₱42,768,984

Others

Others include input taxes and miscellaneous current assets.

12. **Legal Policy Reserves**

This account consists of:

	December 31, 2023		
	Legal policy reserves	**Reinsurers' share of liabilities**	**Net**
Aggregate reserves for:			
Ordinary life policies	**₱41,716,489,794**	**₱76,117,258**	**₱41,640,372,536**
Group life policies	**3,763,863,235**	**13,345,073**	**3,750,518,162**
Unit-linked policies	**893,760,409**	**101,072,476**	**792,687,933**
Accident and health policies	**28,408,392**	**160,898**	**28,247,494**
	₱46,402,521,830	**₱190,695,705**	**₱46,211,826,125**

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

Movement of insurance contract liabilities is as follows:

	December 31	
	2023	2022
Balances at beginning of year	**₱43,928,778,766**	₱57,763,663,588
Remeasurement losses (gains) on reserves recognized in OCI, net of reinsurers' share (gross of deferred income tax impact)	**1,053,009,952**	(11,716,744,469)
Increase (decrease) in reserves recognized in profit or loss, net of reinsurers' share (Note 20)	**1,230,037,407**	(2,118,140,353)
Balances at end of year	**₱46,211,826,125**	₱43,928,778,766

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

13. **Other Insurance Liabilities**

This account consists of:

	2023	2022
Members' deposits and other funds on deposit		
Subscriptions to variable unit-linked funds	**₱46,401,777,058**	₱40,286,899,242
Reserve for dividends to members	**4,515,275,813**	4,599,253,368
Advances from policyholders	**1,159,684,665**	901,820,343
Claims pending settlement	**2,649,673,943**	2,619,682,625
Incurred but not yet reported claims	**258,877,987**	245,704,353
	₱54,985,289,466	₱48,653,359,931

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

The liabilities were not subjected to covenants and warranties.

14. **Accrued Expenses and Other Liabilities**

This account consists of:

	2023	2022
Accounts payable and other accrued expenses	**₱1,164,021,289**	₱1,479,873,057
Accrued employee benefits	**422,602,540**	466,097,379
Remittances not yet allocated	**203,733,093**	156,946,773
Commissions payable	**116,815,919**	224,559,357
Taxes payable	**106,377,450**	146,147,650
Lease liability	**21,477,793**	28,503,207
Others	**36,381,598**	28,628,489
	₱2,071,409,682	₱2,530,755,912

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

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

15. **Members' Equity**

On November 4, 2020, the Parent Company appropriated ₱600,000,000 out of its Retained Earnings as of December 31, 2020, to increase the appropriation for its Total Members' Equity to ₱1,500,000,000. This is more than the required total Members' Equity of ₱1,300,000,000 and ahead of the deadline on December 31, 2022 under IC CL No. 2017-14 as amended by IC CL No. 2019-67. See Note 29 for the schedule of minimum total members' equity as required by IC.

On November 25, 2021, the Board of Trustees appropriated ₱1,000,000,000 out of its Retained Earnings for technology initiatives. In 2022, appropriations of ₱103,000,000 were released to unappropriated retained earning following the completion major IT projects.

As of December 31, 2023 and 2022, the total appropriated retained earnings amounted to ₱2,397,000,000.

16. **Insurance Revenue**

This account consists of:

	2023	2022
VUL insurance contracts	**₱10,718,689,077**	₱11,230,451,155
Life insurance contracts	**7,218,872,433**	4,858,145,699
Accident and health contracts	**1,209,606,099**	1,368,775,110
Gross earned premiums on insurance contracts	**19,147,167,609**	17,457,371,964
Reinsurers' share of premiums on insurance contracts	**(574,930,718)**	(428,109,404)
	₱18,572,236,891	₱17,029,262,560

17. **Investment Income**

This account consists of:

	2023	2022
Interest income on:		
Financial assets at FVOCI	**₱3,046,460,691**	₱2,848,255,718
Financial assets at amortized costs	**700,351,631**	706,971,884
Others	**578,895**	558,111
Dividend income	**954,455,423**	515,871,923
Trading gains (losses) on financial assets at FVTPL	**109,550,576**	(98,855,685)
	₱4,811,397,216	₱3,972,801,951

18. **Net Gains on Investments and Sale of Financial Assets and Real Properties**

This account consists of:

	2023	2022
Gain on deconsolidation of a subsidiary (Note 8)	**₱747,293,094**	₱–
Gain on remeasurement of retained interest in an investee company (Note 8)	**–**	1,631,336,111
Net realized gains (losses) on sale of:		
Investment in an associate	**(48,596,003)**	37,822,208
Investment properties	**4,297,249**	54,183,654
Repossessed real properties	**(239,879)**	180,000
Debt financial assets at FVOCI	**–**	446,803
	₱702,754,461	₱1,723,968,776

Gain on deconsolidation of a subsidiary arose from the sale of and loss of control in I-Care (see Note 8).

Gain on remeasurement of retained interest arose from the loss of significant influence in UBP (see Note 8).

19. **Other Income**

This account consists of:

	2023	2022
Management fees	**₱675,177,031**	₱609,394,365
Others	**22,647,042**	46,471,136
	₱697,824,073	₱655,865,501

Others include amendment fees, cancellation fees, reissue fees, and guarantee fees.

20. **Insurance Benefits Expenses**

This account consists of:

	2023	2022
VUL funds allocation	**₱11,193,804,830**	₱11,335,856,530
Death and hospitalization benefits	**2,121,303,728**	2,195,680,023
Maturities	**1,527,350,542**	1,969,868,248
Surrenders	**881,276,335**	1,866,257,529
Interest on policy and contract funds	**287,997,849**	268,802,216
Dividends paid to policyholders	**198,259,635**	72,114,219
Increase in dividend liability to policyholders	**91,009,251**	56,883,303
Others - net	**(6,998,148)**	79,367,984
Total gross benefits and claims on insurance contracts	**16,294,004,022**	17,844,830,052
Reinsurers' share of benefits and claims on insurance contracts	**(₱262,067,009)**	(₱88,702,921)
Net change in (Note 12):		
Legal policy reserves	**1,253,017,663**	(2,110,646,261)
Reinsurers' share in legal policy reserves	**(22,980,256)**	(7,494,092)
	₱17,261,974,420	₱15,637,986,778

Details of net change in legal policy reserves follow:

	2023		
	Gross Change In Legal Policy Reserves	**Reinsurers' Share of Change in Legal Policy Reserves**	**Net**
Life insurance contracts	**₱1,288,186,428**	**₱1,968,690**	**₱1,290,155,118**
VUL insurance contracts	**(35,168,765)**	**(24,948,946)**	**(60,117,711)**
	₱1,253,017,663	**(₱22,980,256)**	**₱1,230,037,407**

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

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

21. General Insurance Expenses

This account consists of:

	2023	2022
Personnel (Notes 23 and 24)	**₱1,559,330,017**	₱1,350,890,954
Depreciation and amortization (Notes 9, 10, and 11)	**335,708,152**	287,189,875
Marketing, advertising, and promotion	**320,776,013**	297,078,447
Outside services	**239,747,139**	234,984,961
Taxes and licenses	**128,934,652**	135,058,147
Repairs and maintenance	**104,093,347**	54,571,966
Transportation and communication	**68,832,335**	138,398,319
Printing and supplies	**25,912,891**	8,576,619
Training	**16,233,058**	14,312,254
Utilities	**10,161,752**	8,538,369
Reversal of expected credit losses (Note 6)	**(34,496,851)**	(78,417,487)
Others – net	**301,677,086**	255,984,476
	₱3,076,909,591	₱2,707,166,900

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

22. Investment and Finance Expenses

This account consists of:

	2023	2022
Real estate expenses (Note 9)	**₱254,834,560**	₱240,477,036
Investment management expenses	**1,784,165**	4,631,412
Interest expense on lease liabilities (Note 31)	**1,326,143**	1,169,207
	₱257,944,868	₱246,277,655

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

Investment management expenses include commissions paid to securities broker.

23. Personnel Expenses

This account consists of:

	2023	2022
Salaries and bonuses	**₱1,296,987,201**	₱1,139,001,082
Employee benefits	**151,209,518**	81,680,132
Retirement benefits expense (Note 24)	**111,133,298**	130,209,740
	₱1,559,330,017	₱1,350,890,954

24. Retirement Benefits

The Group accrues the provision for retirement benefits covering all of its regular employees based on the Group's retirement plan that is compliant with the provision of Republic Act (RA) No. 7641. Starting on the date of membership of an employee in the Plan, the Parent Company shall contribute to the retirement fund an amount recommended by an independent actuary, based on reasonable actuarial assumptions. Benefits paid are based on the provisions stipulated under Article V (Benefits) of the Plan. Benefits are based on the total amount of contributions and earnings credited to the employee's equity at the time of separation or the Guaranteed Benefit under the Plan, whichever is higher.

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

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

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

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

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

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

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

	2023	2022
Current service cost	**₱105,490,227**	₱88,123,455
Net interest cost (income)	**5,643,071**	(5,907,823)
Retirement benefits expense	**₱111,133,298**	₱82,215,632

b. Movements in net retirement liabilities (assets) recognized in the consolidated statements of financial position follows:

	2023	2022
Balance at beginning of year	**₱87,865,014**	(₱117,223,089)
Retirement benefits expense	**111,133,298**	82,215,632
Actual contributions	**(137,099,305)**	(79,812,475)
Remeasurement losses (gains) recognized in OCI (gross of deferred income tax impact)	**(125,139,815)**	203,220,446
Deconsolidation of a subsidiary (Notes 7 and 8)	**(10,510,416)**	–
Proceeds received from termination of trust fund asset	**1,021,393**	–
Benefits paid from Group's operating funds	**–**	(535,500)
Balance at end of year	**(₱72,729,831)**	₱87,865,014

c. Retirement benefits liability (asset) recognized in the consolidated statements of financial position follows:

	2023	**2022**
Present value of defined benefit obligation	**₱1,353,177,721**	**₱1,343,291,651**
Fair value of net plan assets	**(1,425,907,552)**	**(1,255,426,637)**
Retirement benefits liability (asset)	**(₱72,729,831)**	**₱87,865,014**

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

	2023		
	Parent Company	**IIC**	**Total**
Net retirement benefit asset	**(₱72,729,831)**	**₱–**	**(₱72,729,831)**

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

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

	2023	2022
Balance at beginning of year	**₱1,343,291,651**	₱1,161,714,011
Current service cost	**105,490,227**	88,123,455
Interest cost	**94,778,259**	57,065,604
Benefits paid	**(27,908,113)**	(105,927,775)
Benefits paid from the Group's operating funds	**–**	(535,500)
Remeasurements on actuarial losses (gains) from changes in:		
financial assumptions	**(129,988,023)**	115,489,647
demographic assumptions	**(2,441,610)**	–
experience adjustments	**(3,117,726)**	27,362,209
Deconsolidation of a subsidiary (Notes 7 and 8)	**(26,926,944)**	–
Balance at end of year	**₱1,353,177,721**	₱1,343,291,651

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

	2023	2022
Balance at beginning of year	**₱1,255,426,637**	₱1,278,937,100
Actual contributions	**137,099,305**	79,812,475
Interest income	**89,135,188**	62,973,427
Actuarial losses on returns excluding amount recognized in net interest cost	**(10,407,544)**	(60,368,590)
Benefits paid	**(27,908,113)**	(105,927,775)
Proceeds received from termination of trust fund asset	**(1,021,393)**	–
Deconsolidation of a subsidiary (Notes 7 and 8)	**(16,416,528)**	–
Balance at end of year	**₱1,425,907,552**	₱1,255,426,637

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

	2023	**Percentage**	2022	Percentage
Cash and cash equivalents	**₱67,091,868**	**5%**	₱431,594,223	35%
Receivables	**12,013,459**	**1%**	6,499,584	1%
Equity investment portfolio by industry classification:				
Food, beverage, and tobacco	**38,734,716**	**3%**	42,128,436	3%
Electricity, energy, power and water	**107,795,600**	**8%**	85,998,000	7%
Construction	**35,465,400**	**2%**	37,332,000	3%
Real Estate	**57,714,740**	**4%**	42,999,670	3%
Telecommunications	**6,068,880**	**0%**	8,743,720	1%
Others	**14,329,486**	**1%**	6,236,180	1%
	339,214,149	**24%**	661,531,813	54%
Debt securities:				
Government	**888,976,896**	**62%**	372,096,772	30%
Private	**200,198,154**	**14%**	205,054,095	16%
	1,089,175,050	**76%**	577,150,867	46%
Fair value of plan assets*	**₱1,428,389,199**	**100%**	₱1,238,682,680	100%

**Excluding liabilities amounting to ₱2,481,647 and ₱693,964 as of December 31, 2023 and 2022, respectively.*

All equity and debt securities held have quoted prices in an active market. As of December 31, 2023, the plan assets have significant concentration on the sovereign debt of the Philippines. As of December 31, 2022, significant portion of the Group's plan assets have been placed in bank deposit accounts.

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

The latest actuarial valuation of the Parent Company's plan is as of December 31, 2023. The principal actuarial assumptions used to determine retirement benefits costs follows:

	2023	2022
Discount rate*	**6.06%**	7.29%
Future salary increases	**6.00%**	8.00%
Voluntary Separation/ Resignation	**A scale ranging from 18% at below 25 to 100% at age 65**	A scale ranging from 27% at age 18 to 0% at age 65
Involuntary	**Nil**	Nil

**This is the single weighted average discount rate which is based on BVAL reference rates at various tenors as of December 29, 2023 and of December 31, 2022, respectively. Rates for intermediate durations were interpolated.*

The Group contributed ₱137,099,305 to its defined benefit plan in 2023 and does not expect to contribute to its defined benefit plan in 2024.

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

	Group	
	2023	2022
Discount rate:		
Increase of 1%	**(₱126,215,375)**	(₱130,248,234)
Decrease of 1%	**148,554,673**	153,160,118
Salary increase rate:		
Increase of 1%	**146,296,138**	157,165,528
Decrease of 1%	**(128,296,049)**	(136,001,505)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	Group	
	2023	2022
Less than 1 year	**₱59,645,840**	₱55,314,674
1 year to less than 5 years	**334,978,579**	422,891,137
5 years to less than 10 years	**783,045,818**	839,341,108
10 years to less than 15 years	**970,946,266**	1,181,233,853
15 years to less than 20 years	**1,012,689,568**	1,625,900,961
20 years and above	**3,195,055,556**	5,302,073,188
	₱6,356,361,627	₱9,426,754,921

The average duration of the defined benefit obligation at the end of the reporting period is 11.74 years and 14.57 years in 2023 and 2022, respectively.

25. **Income Taxes**

a. The components of provision for income tax follows:

	2023	2022
Current		
Final	**₱732,254,025**	₱573,027,608
MCIT	**19,557,138**	21,133,748
RCIT	**725,295**	–
	752,536,458	594,161,356
Deferred	**7,368,968**	71,046,570
	₱759,905,426	₱665,207,926

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

	2023				
		Provision for (benefit) from income tax			
	Beginning of Year	Credited (charged) to P/L	Credited (charged) to OCI	Deconsolidation of a subsidiary (Notes 7 and 8)	End of Year
Deferred income tax assets:					
Accrued expenses not yet deductible	₱134,275,000	(₱22,501,798)	₱–	(₱6,122,566)	₱105,650,636
Unamortized past service cost	42,062,153	(2,680,259)	–	(334,216)	39,047,678
Allowance for credit losses	22,189,520	(7,226,070)	–	(3,978,730)	10,984,720
NOLCO	21,723,120	5,536,093	–	(27,259,213)	–
Excess MCIT over RCIT	1,144,750	583,754	–	(1,728,504)	–
Others	3,343,262	(749,130)	–	(2,594,132)	–
	224,737,805	(27,037,410)	–	(42,017,361)	155,683,034
Deferred income tax liabilities:					
Gain on re-measurement on life insurance reserves	(1,895,792,158)	–	263,252,488	–	(1,632,539,670)
Revaluation increment in investment properties	(821,337,864)	1,852,034	–	–	(819,485,830)
Unrealized foreign exchange difference	(114,739,338)	27,922,765	–	–	(86,816,573)
Retirement benefit asset (liability)	22,527,884	(6,235,284)	(31,284,954)	(3,190,104)	(18,182,458)
Reserve for fluctuation in FVOCI financial assets	(34,721,574)	–	3,160,452	–	(31,561,122)
Accrued rent income	(7,872,465)	(3,871,073)	–	–	(11,743,538)
	(2,851,935,515)	19,668,442	235,127,986	(3,190,104)	(2,600,329,191)
Net deferred income tax assets (liabilities)	(₱2,627,197,710)	(₱7,368,968)	₱235,127,986	(₱45,207,465)	(₱2,444,646,157)

	2022			
		Provision for (benefit) from income tax		
	Beginning of Year	Credited (charged) to P/L	Credited (charged) to OCI	End of Year
Deferred income tax assets:				
Accrued expenses not yet deductible	₱148,035,832	(₱13,760,832)	₱–	₱134,275,000
Unamortized past service cost	51,584,372	(9,522,219)	–	42,062,153
Allowance for credit losses	37,062,754	(14,873,234)	–	22,189,520
Retirement benefit asset (liability)	(28,642,556)	492,478	50,677,962	22,527,884
NOLCO	–	21,723,120	–	21,723,120
Excess MCIT over RCIT	–	1,144,750	–	1,144,750
Others	–	3,343,262	–	3,343,262
	208,040,402	(11,452,675)	50,677,962	247,265,689
Deferred income tax liabilities:				
Loss (gain) on re-measurement on life insurance reserves	1,033,393,959	–	(2,929,186,117)	(1,895,792,158)
Revaluation increment in investment properties	(823,268,774)	1,930,910	–	(821,337,864)
Unrealized foreign exchange difference	(53,356,606)	(61,382,732)	–	(114,739,338)
Reserve for fluctuation in FVOCI financial assets	(15,583,007)	–	(19,138,567)	(34,721,574)
Accrued rent income	(7,730,392)	(142,073)	–	(7,872,465)
	133,455,180	(59,593,895)	(2,948,324,684)	(2,874,463,399)
Net deferred income tax assets (liabilities)	₱341,495,582	(₱71,046,570)	(₱2,897,646,722)	(₱2,627,197,710)

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

	2023		
	Parent Company	**IIC**	**Total**
Net deferred tax liability	**(₱2,444,646,157)**	**₱–**	**(₱2,444,646,157)**

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

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

	2023	2022
NOLCO	**₱2,922,866,606**	₱1,589,706,551
Excess of MCIT over RCIT	**57,021,603**	53,883,520
Allowance for credit losses	**6,859,896**	–

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

Year Incurred	Expiration	January 1, 2023**	Incurred	Expired	December 31, 2023**
2020	2025*	₱922,736,289	₱–	₱–	₱922,736,289
2021	2026*	25,597,126	–	–	25,597,126
2022	2025	641,373,136	–	–	641,373,136
2023	2026	–	1,333,160,055	–	1,333,160,055
		₱1,589,706,551	₱1,333,160,055	₱–	₱2,922,866,606

**The NOLCO incurred in 2021 and 2020 can be carried over as a deduction from taxable income for the next five consecutive taxable years from the year it was incurred pursuant to Revenue Regulations No. 25-2020 (RR 25-2020), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act.*
***The balances presented already exclude the NOLCO of I-care due to its deconsolidation in 2023.*

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

Year Incurred	Expiration	January 1, 2023*	Incurred	Applied	Expired	December 31, 2023*
2020	2023	₱15,835,301	₱–	₱–	(₱15,835,301)	₱–
2021	2024	18,380,801	–	–	–	18,380,801
2022	2025	19,667,418	–	–	–	19,667,418
2023	2026	–	18,973,384	–	–	18,973,384
		₱53,883,520	₱18,973,384	₱–	(₱15,835,301)	₱57,021,603

**The balances presented above exclude the excess MCIT over RCIT of I-care due to its deconsolidation in 2023.*

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

	2023	2022
Provision for income tax at statutory income tax rate	**₱715,501,192**	₱1,466,810,634
Adjustments for:		
Equity in net losses (earnings) of associates	**31,151,580**	(391,909,395)
Interests subjected to final tax at lower tax rates and dividends/interest exempt from tax	**(1,163,514,775)**	(974,801,605)
Final taxes paid	**732,254,025**	571,907,467
Movement in unrecognized DTA	**353,978,372**	180,714,125
Nontaxable income	**(30,016,546)**	(29,611,202)
Nondeductible expenses and losses	**133,147,117**	(157,902,097)
Others	**(12,595,539)**	–
Provision for income tax	**₱759,905,426**	₱665,207,927

Relevant Tax Regulations

On June 20, 2023, the BIR issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the MCIT rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Group recognized MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

26. Fair Value Measurement

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

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

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

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

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

Debt Securities
The fair values of debt securities are based on quoted prices. For unquoted debt securities, where fair value is determinable, fair values are estimated using the discounted cash flow technique that makes use of market rates.

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

Term, Mortgage, Housing and Car Financing Loans
For disclosure purposes, fair values of these loans are estimated using the discounted cash flow technique that makes use of the Group's incremental lending rates for similar types of instruments.

Legal Policy Reserves
The carrying amounts of legal policy reserves reflect the statutory reserves.

The tables below show analysis of financial instruments at fair value by level of the fair value hierarchy as of December 31:

	2023				
			Fair Value		
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL					
Quoted equity securities	₱414,875,027	₱414,875,027	₱–	₱–	₱414,875,027
Investments in mutual funds and					
Under separate funds*:					
Traditional VULs					
Equity securities - quoted	20,439,587,303	20,439,587,303	–	–	20,439,587,303
Debt securities – quoted					
Government:					
Local currency	2,205,168,896	834,033,306	1,371,135,590	–	2,205,168,896
Foreign currency	1,769,682,882	1,769,682,882	–	–	1,769,682,882
Corporate:					
Local currency	194,277,050	194,277,050	–	–	194,277,050
Foreign currency	33,917,586	33,917,586	–	–	33,917,586
Investment in UITF					
Local currency	15,930,046,895	–	15,930,046,895	–	15,930,046,895
Foreign currency	5,270,077,997	–	5,270,077,997	–	5,270,077,997
	46,257,633,636	23,686,373,154	22,571,260,482	–	46,257,633,636
Financial Assets at FVOCI					
Equity securities:					
Quoted	29,050,230,597	29,050,230,597	–	–	29,050,230,597
Unquoted	1,098,615,380	–	1,050,430,419	48,184,961	1,098,615,380
Debt securities – quoted					
Government:					
Local currency	37,965,033,896	5,845,697,465	32,119,336,431	–	37,965,033,896
Foreign currency	969,407,251	969,407,251	–	–	969,407,251
Corporate:					
Local currency	10,673,311,349	10,673,311,349	–	–	10,673,311,349
Foreign currency	457,241,584	457,241,584	–	–	457,241,584
	80,213,840,057	46,995,888,246	33,169,766,850	48,184,961	80,213,840,057
Financial Assets at Amortized Cost					
Term loans	2,118,625,000	–	–	1,812,556,596	1,812,556,596
Unquoted debt security	655,200,000	–	–	682,405,944	682,405,944
Housing loans	92,062,669	–	–	76,420,488	76,420,488
Car financing loans	20,844,255	–	–	21,113,285	21,113,285
	2,886,731,924	–	–	2,592,496,313	2,592,496,313
TOTAL FINANCIAL ASSETS	**₱129,358,205,617**	**₱70,682,261,400**	**₱55,741,027,332**	**₱2,640,681,274**	**₱129,063,970,006**

**Excluding cash and cash equivalents, other receivables and other payables with carrying amount of ₱1,609,200,401, ₱429,066,376 and ₱347,584,805, respectively.*

	2022				
			Fair Value		
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL					
Quoted equity securities	₱147,797,056	₱147,797,056	₱–	₱–	₱147,797,056
Investments in mutual funds and	349,049,648	349,049,648	–	–	349,049,648
Under separate funds*:					
Traditional VULs					
Equity securities - quoted	20,546,115,036	20,546,115,036	–	–	20,546,115,036
Debt securities – quoted					
Government:					
Local currency	2,118,876,990	341,239,482	1,777,637,508	–	2,118,876,990
Foreign currency	1,927,910,468	1,927,910,468	–	–	1,927,910,468
Corporate:					
Local currency	525,043,009	291,682,143	233,360,866	–	525,043,009
Foreign currency	34,264,653	34,264,653	–	–	34,264,653
Investment in UITF					
Local currency	11,298,805,939	–	11,298,805,939	–	11,298,805,939
Foreign currency	2,724,373,164	–	2,724,373,164	–	2,724,373,164
Structured VULs					
Foreign currency	133,867,755	–	–	133,867,755	133,867,755
	39,806,103,718	23,638,058,486	16,034,177,477	133,867,755	39,806,103,718
Financial Assets at FVOCI					
Equity securities:					
Quoted	32,680,823,430	32,680,823,430	–	–	32,680,823,430
Unquoted	1,058,540,410	–	1,010,972,925	47,567,485	1,058,540,410
Debt securities – quoted					
Government:					
Local currency	31,207,137,383	2,798,203,229	28,408,934,154	–	31,207,137,383
Foreign currency	940,828,426	940,828,426	–	–	940,828,426
Corporate:					
Local currency	13,247,484,615	12,997,248,575	250,236,040	–	13,247,484,615
Foreign currency	464,906,935	464,906,935	–	–	464,906,935
	79,599,721,199	49,882,010,595	29,670,143,119	47,567,485	79,599,721,199

(Forward)

	2022				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets at Amortized Cost					
Investments in debt securities					
Government:					
Local currency	₱137,204,489	₱137,204,489	₱–	₱–	₱137,204,489
Corporate:					
Local currency	12,000,000	–	12,635,082	–	12,635,082
Term loans	2,403,125,000	–	–	1,759,767,610	1,759,767,610
Unquoted debt security	724,160,000	–	–	697,539,079	697,539,079
Housing loans	92,662,164	–	–	71,229,400	71,229,400
Car financing loans	19,102,766	–	–	18,221,402	18,221,402
	3,388,254,419	137,204,489	12,635,082	2,546,757,491	2,696,597,062
TOTAL FINANCIAL ASSETS	₱122,794,079,336	₱73,657,273,570	₱45,716,955,678	₱2,728,192,731	₱122,102,421,979

**Excluding cash and cash equivalents, other receivables and other payables with carrying amount of ₱869,283,185, ₱253,486,767 and ₱92,765,512,respectively*

The following table shows the reconciliation of the beginning and ending balances of Level 3 Financial Assets at FVTPL and FVOCI which are recorded at fair value as of December 31:

	2023	2022
Financial assets at FVTPL:		
USD		
Balance at beginning of year	**₱133,867,755**	₱248,875,121
Fair value gains (losses)	**8,383,373**	(138,216,646)
Foreign exchange adjustments	**(924,385)**	23,209,280
Maturity	**(141,326,743)**	–
Balance at end of year	–	133,867,755
Total Level 3 financial assets at FVTPL	**₱–**	₱133,867,755
FVOCI financial assets*:		
Balance at beginning of year	**₱20,217,176**	₱18,734,728
Fair value gains	**2,823,904**	1,482,448
Balance at end of year	**₱23,041,080**	₱20,217,176

**Excluding club and equity shares where fair values approximate their costs, and considered not material to the Group*

In 2023 and 2022, no transfers were made among the three levels in the fair value hierarchy.

<u>Investment in non-listed companies</u>
The Group has investments in a holding company, classified as financial assets at FVOCI as of December 31, 2023 and 2022, respectively, but are not quoted in the market.

The investee-holding company was valued using adjusted net asset method in 2023 and 2022 since majority of its net assets are carried at fair value. The carrying value of the investment in a holding company amounted to ₱23,041,080 and ₱20,217,176 as of December 31, 2023 and 2022, respectively. Increases (decreases) in the net book value per share would result in a higher (lower) fair value measurement.

<u>Structured VULs</u>
Fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The management performs an independent testing to validate the reasonableness of counterparty values. The sensitivity analysis requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer. Market observable inputs used in the sensitivity analysis include credit default swap (CDS) of the Republic of the Philippines, USD interest rate swap rates (IRS) (for the USD denominated issuances) and USD/PHP cross currency swap rates (for the PHP-denominated issuances).

The sensitivity analysis of the fair market value of the structured notes as of December 31 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss.

Sensitivity of the fair value measurement to changes in observable inputs follows:

	Significant observable input	Range level at yearend	Sensitivity of the input to fair value
2022	ROP CDS Level (7 years)	97 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱267,792 and ₱269,580, respectively.
	USD IRS (7 years)	388 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱267,792 and ₱269,580, respectively.

Note: The structured VULs can be decomposed into bond components and option components. The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

Sensitivity of the fair value measurement to changes in unobservable inputs follows:

Dollar-denominated notes:

	Significant unobservable input	Range level at yearend	Sensitivity of the input to fair value
2022	Bank CDS Level (7-10 years)	63-71 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱267,792 and ₱269,580, respectively.

Note: The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

The Group CDS level is based on the closest available CDS maturity of the counterparty matched to the remaining maturity of the structured notes. Further, the Group CDS is a proxy for the funding cost of the counterparty which is considered as a significant unobservable input.

The above estimates are based on assumptions that, if altered, can change the analysis expressed herein. This shall not constitute a representation or warranty as to future performance of the structured notes. Further, past performance is not indicative of future results.

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

27. **Insurance and Financial Risk Management**

The primary objective of the Group’s risk and financial management framework is to protect the Group’s policyholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the BOT, its committees, and the associated executive management committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the BOT to executive management committees and senior managers. Lastly, a group policy framework which sets out the risk profiles for the Group, risk management, control, and business conduct standards for the Group’s operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The BOT approves the Group risk management policies and meets regularly to approve any commercial, regulatory, and organizational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Regulatory Framework

A substantial portion of the Group's long term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints. IC, the Group's leading regulator, is interested in protecting the rights of the policyholders and maintains close vigil to ensure that the Group is satisfactorily managing its affairs for their benefit. At the same time, the IC is also interested in ensuring that the Group maintains an appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

The operations of the Group are also subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, e.g., capital adequacy, to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

27.1 Insurance Risk

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The risks associated with the life insurance contracts are underwriting risk and investment risk.

27.1.1 *Underwriting risk*

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected; and
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group primarily comprises life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle, and natural disasters, resulting in earlier or more claims than expected.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums.

The Group has an objective to control and minimize insurance risk and to reduce volatility of operating profits. The Group manages insurance risk through the following mechanism:

- the use and maintenance of management information systems that provide up to date, accurate and reliable data on risk exposure at any point in time;
- actuarial models based on past experience and statistical techniques aid in pricing decisions and monitoring claims patterns;
- guidelines are issued for concluding insurance contracts and assuming insurance risks;
- pro-active claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims;
- reinsurance is used to limit the Group's exposure to large claims by placing risk with reinsurers providing high security;
- diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography; and
- the mix of insurance assets is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claim payments with the maturity dates of assets.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums, or avail of the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behavior and decisions.

The Group's concentration of insurance risk before and after reinsurance in relation to the type of insurance contract based on sum assured is as follows:

	2023	2022
Whole Life		
Gross	**₱76,729,067,698**	₱78,833,196,432
Net	**61,831,493,307**	71,172,632,012
Endowment		
Gross	**18,784,924,694**	14,804,457,630
Net	**15,682,942,909**	13,396,609,777
Term Insurance		
Gross	**3,963,670,108**	4,317,417,328
Net	**3,785,758,432**	4,259,301,906
Group Insurance		
Gross	**144,637,218,507**	143,026,763,168
Net	**112,220,592,657**	109,107,552,557
Variable Life		
Gross	**158,905,266,664**	143,529,741,436
Net	**103,265,144,903**	103,529,405,855
Total		
Gross	**₱403,020,147,671**	₱384,511,575,994
Net	**₱296,785,932,208**	₱301,465,502,107

27.1.2 Life Insurance Contracts

a. Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions, and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of the Code and guidelines set forth by the IC.

b. Terms

Life insurance contracts offered by the Group mainly include whole life, endowments, term insurance, group insurance, and variable insurance.

Whole life and term insurance are conventional products where lump sum benefits are payable upon death of insured.

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

Group insurance policies are yearly renewable life plan products issued to corporate accounts that provide the beneficiaries of the insured employee cash proceeds in the event of the employee's death.

Variable life products provide, in addition to life insurance coverage, living benefit where payments are linked to units of an investment fund set up by the Group from the premiums paid by the policyholders.

For legal policy reserves, the following assumptions are used:

a. Mortality and morbidity rates
   Assumptions on mortality and morbidity are based on the Group's actual experience. Rates are differentiated by age, gender, underwriting class and product type. For life insurance policies, increased mortality rates would lead to larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing profits for stakeholders.

b. Discount rates
   Discount rates relate to the time value of money. These are based on the risk-free discount rates prescribed by IC. An increase (decrease) in discount rate would result in decrease (increase) in liability that needs to be set up to meet obligations to policyholders.

c. Expenses
   Operating expense assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. The current level of expense is adjusted for inflation in the future. An increase in the level of expense would result in an increase in expenditure thereby reducing profits for the stakeholders.

d. Lapses rates
   Assumptions on lapse are based on the Group's actual experience. These are differentiated by product type, annual premium level and duration of the policy. Higher lapse rates on lapse-supported products would translate to a decrease in the reserves that needs to be set-up.

c. Sensitivities

The application of the MfAD in the assumptions ensure that the resulting legal policy reserves will be sufficient. The scenarios tested involved increasing and decreasing one type of assumption by the recommended minimum MfAD while retaining the others constant at the original base run results.

27.1.3 Reinsurance Contracts

a. Terms and Assumptions

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on excess share basis with retention limits varying by issue age and underwriting classification.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligation to its policyholders. Thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any reinsurance contract.

27.2 Financial Risk

The Group is exposed to financial risk through its financial assets, financial liabilities, insurance assets, and insurance liabilities. In particular, the key financial risk that the Group is exposed to is that proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, and market risk.

These risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements.

The Group has guidelines and procedures on fixed and equity investments. On fixed investments, the Group has to place its investment portfolio in negotiable instruments that will give high-yield, low-risks return without sacrificing the IC and the Group's requirements. The IC requirements state that the investment in fixed instruments shall only come from financial institutions or corporate entities with acceptable ratings from PhilRatings, or at least the rank is within the top 15, in case of banks. Meanwhile, investment in negotiable instruments involving reserve and surplus investments shall follow the guidelines set by the Code (Note 29). On equity investments, the Group has to place its investment portfolio in equity market that will give high-yield, low-risks return taking into account the IC and Group's requirements.

27.2.1 *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Key areas where the Group is exposed to credit risk pertain to the amounts due from the following:

- Reinsurers in respect of unpaid claims;
- Reinsurers in respect of claims already paid;
- Financial assets at FVTPL;
- Financial assets at FVOCI;
- Financial assets at Amortized Cost

Risk Concentrations of the Maximum Exposure to Credit Risk

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved by the Division Heads.

The following table analyses the Group's concentration of credit risk in the Group's debt securities portfolio under "Financial assets" in the statements of financial position by industry sectors as percentage of total debt securities:

	2023	2022
Property	**38%**	34%
Holding firms	**19%**	23%
Electricity, energy, power, and water	**17%**	16%
Financial institutions	**7%**	7%
Food, beverage, and tobacco	**7%**	9%
Telecommunications	**1%**	0%
Tollways operation and maintenance	**6%**	7%
Others	**5%**	4%
Total	**100%**	100%

The Group has a significant concentration of credit risk with counterparties under the "Property" industry as of December 31, 2023 and 2022. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each year-end, management performs assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain a suitable allowance for impairment of reinsurance assets.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Internal audit makes regular reviews to assess the degree of compliance with the Group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

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

Loans to policyholders, which are granted at amount not to exceed the policyholder's cash surrender value, are netted off against the cash surrender values of policies and carry substantially no credit risk.

In respect of investment securities, the Group secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers and setting the minimum ratings for each issuer or group of issuers.

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

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed on the expiry of which the policy is either paid up or terminated.

The maximum credit exposure of the financial assets of the Group is equal to their carrying value except for mortgage loans and employee housing loans with collaterals. The financial effect of collaterals for mortgage loans amounted to ₱26,500,542 and ₱27,179,678 as of December 31, 2023 and 2022, respectively. The financial effect of collaterals for employee housing loans amounted to ₱219,620,520 and ₱214,686,025 as of December 31, 2023 and 2022, respectively.

Financial effect is the lower of the carrying value of the financial asset or the fair value of the collateral for each financial asset.

Credit quality per class of financial assets

The table below shows the credit quality of the Group's exposures based on their risk rating and stage classification as of December 31, 2023 and 2022. The amounts presented are gross of allowance for credit losses:

Segments/ Internal rating grade	**2023 ECL staging Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial assets at FVOCI				
Government				
BBB	**₱38,934,441,147**	**₱–**	**₱–**	**₱38,934,441,147**
Corporate bonds				
AAA	**11,078,931,482**	**–**	**–**	**11,078,931,482**
BBB	**51,621,451**	**–**	**–**	**51,621,451**
	50,064,994,080	**–**	**–**	**50,064,994,080**
Financial assets at amortized cost				
Term loans and Unquoted Debt				
AAA	**1,551,575,000**	**–**	**–**	**1,551,575,000**
No Rating	**1,222,250,000**	**–**	**–**	**1,222,250,000**
	2,773,825,000	**–**	**–**	**2,773,825,000**
	₱52,838,819,080	**₱–**	**₱–**	**₱52,838,819,080**

Segments/ Internal rating grade	2022 ECL staging Stage 1	Stage 2	Stage 3	Total
Financial assets at FVOCI				
Government bonds				
BBB	₱32,147,965,808	₱–	₱–	₱32,147,965,808
Corporate bonds				
AAA	13,412,308,309	–	–	13,412,308,309
BBB	300,083,240	–	–	300,083,240
	45,860,357,357	–	–	45,860,357,357
Financial assets at amortized cost				
Term loans and Unquoted Debt				
AAA	1,419,535,000	–	–	1,419,535,000
No Rating	1,707,750,000	–	–	1,707,750,000
	3,127,285,000	–	–	3,127,285,000
	₱48,987,642,357	₱–	₱–	₱48,987,642,357

An analysis of changes in the gross carrying amounts (excluding accrued interest receivable) and corresponding allowance for expected credit loss of its financial assets is as follows:

Financial assets at FVOCI – Corporate Debt Securities

	Gross Carrying Amount				**Expected Credit Losses**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances at January 1, 2023	**₱13,712,391,549**	**₱–**	**₱–**	**₱13,712,391,549**	**₱26,369,273**	**₱–**	**₱–**	**₱26,369,273**
New financial assets originated or purchased	**1,000,000,000**	**–**	**–**	**1,000,000,000**	**1,473,461**	**–**	**–**	**1,473,461**
Financial assets derecognized or matured	**(3,701,760,000)**	**–**	**–**	**(3,701,760,000)**	**(6,991,091)**	**–**	**–**	**(6,991,091)**
Other changes in the gross carrying amounts*	**119,921,384**	**–**	**–**	**119,921,384**	**–**	**–**	**–**	**–**
Changes in exposures, models, inputs and assumptions	**–**	**–**	**–**	**–**	**(4,236,223)**	**–**	**–**	**(4,236,223)**
Balances at December 31, 2023	**₱11,130,552,933**	**₱–**	**₱–**	**₱11,130,552,933**	**₱16,615,420**	**₱–**	**₱–**	**₱16,615,420**

*Pertain to movements in fair value, foreign exchange differences and amortization of premium/discount

	Gross Carrying Amount				Expected Credit Losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances at January 1, 2022	₱16,354,241,271	₱–	₱–	₱16,354,241,271	₱31,449,617	₱–	₱–	₱31,449,617
New financial assets originated or purchased	500,000,000	–	–	500,000,000	816,850	–	–	816,850
Financial assets derecognized or matured	(2,472,000,000)	–	–	(2,472,000,000)	(4,779,861)	–	–	(4,779,861)
Other changes in the gross carrying amounts*	(669,849,722)	–	–	(669,849,722)	(1,117,333)	–	–	(1,117,333)
Balances at December 31, 2022	₱13,712,391,549	₱–	₱–	₱13,712,391,549	₱26,369,273	₱–	₱–	₱26,369,273

*Pertain to movements in fair value, foreign exchange differences and amortization of premium/discount

Financial assets at FVOCI – Sovereign Debt Securities

	Gross Carrying Amount				**Expected Credit Losses**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances at January 1, 2023	**₱32,147,965,808**	**₱–**	**₱–**	**₱32,147,965,808**	**₱45,078,064**	**₱–**	**₱–**	**₱45,078,064**
New financial assets originated or purchased	**4,036,024,000**	**–**	**–**	**4,036,024,000**	**4,856,275**	**–**	**–**	**4,856,275**
Financial assets derecognized or matured	**(89,810,000)**	**–**	**–**	**(89,810,000)**	**(128,776)**	**–**	**–**	**(128,776)**
Other changes in the gross carrying amounts*	**2,840,261,339**	**–**	**–**	**2,840,261,339**	**–**	**–**	**–**	**–**
Changes in exposures, models, inputs and assumptions	**–**	**–**	**–**	**–**	**(7,426,112)**	**–**	**–**	**(7,426,112)**
Balances at December 31, 2023	**₱38,934,441,147**	**₱–**	**₱–**	**₱38,934,441,147**	**₱42,379,451**	**₱–**	**₱–**	**₱42,379,451**

*Pertain to movements in fair value, foreign exchange differences and amortization of premium/discount

	Gross Carrying Amount				Expected Credit Losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances at January 1, 2022	₱39,754,230,364	₱–	₱–	₱39,754,230,364	₱55,743,612	₱–	₱–	₱55,743,612
New financial assets originated or purchased	6,420,244,806	–	–	6,420,244,806	5,079,269	–	–	5,079,269
Financial assets derecognized or matured	(8,890,696,957)	–	–	(8,890,696,957)	(8,662,912)	–	–	(8,662,912)
Other changes in the gross carrying amounts*	(5,135,812,405)	–	–	(5,135,812,405)	(7,081,905)	–	–	(7,081,905)
Balances at December 31, 2022	₱32,147,965,808	₱–	₱–	₱32,147,965,808	₱45,078,064	₱–	₱–	₱45,078,064

*Pertain to movements in fair value, foreign exchange differences and amortization of premium/discount

Financial assets at AC – Term Loans and Unquoted Debt

	Gross Carrying Amount				**Expected Credit Losses**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances at January 1, 2023	**₱3,127,285,000**	**₱–**	**₱–**	**₱3,127,285,000**	**₱3,992,042**	**₱–**	**₱–**	**₱3,992,042**
New financial assets originated or purchased	**500,000,000**	**–**	**–**	**500,000,000**	**385,819**	**–**	**–**	**385,819**
Financial assets derecognized or matured	**(853,460,000)**	**–**	**–**	**(853,460,000)**	**(981,207)**	**–**	**–**	**(981,207)**
Other changes in the gross carrying amounts	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Changes to models, inputs and assumptions	**–**	**–**	**–**	**–**	**(738,129)**	**–**	**–**	**(738,129)**
Balances at December 31, 2023	**₱2,773,825,000**	**₱–**	**₱–**	**₱2,773,825,000**	**₱2,658,525**	**₱–**	**₱–**	**₱2,658,525**

	Gross Carrying Amount				Expected Credit Losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances at January 1, 2022	₱3,634,245,000	₱–	₱–	₱3,634,245,000	₱4,598,440	₱–	₱–	₱4,598,440
New financial assets originated or purchased	75,000,000	–	–	75,000,000	80,722	–	–	80,722
Financial assets derecognized or matured	(581,960,000)	–	–	(581,960,000)	(687,120)	–	–	(687,120)
Other changes in the gross carrying amounts	–	–	–	–	–	–	–	–
Changes to models, inputs and assumptions	–	–	–	–	–	–	–	–
Balances at December 31, 2022	₱3,127,285,000	₱–	₱–	₱3,127,285,000	₱3,992,042	₱–	₱–	₱3,992,042

The Group has segmented its financial assets between investments and loan exposures (in which ECL is measured in an individual approach), and receivables (whereby ECL is calculated on a collective basis). The methodologies for PD, EAD, LGD, and forward-looking adjustments are set separately between these two segments.

As the Group has insufficient default history on its portfolio, the PD model for the individual exposures followed an external benchmarking approach, wherein credit ratings sourced from external rating agency (i.e., S&P) have been used. The observed transition/migration matrices published by the external rating agency have been used to calculate the cumulative and marginal PD term structures.

Similar to PD, the Individual segment's LGD estimates have also been benchmarked externally from the external rating agency's (e.g., S&P) published average recoveries per type of exposure.

EAD estimate for the Individual segment follows the scheduled amortization schedule of the exposure, reflecting contractual payments, refinancing, overpayments, and future drawdowns, as applicable.

In determining the forward-looking adjustment for the Individual segment, macroeconomic variables have undergone univariate and multivariate analyses in order to identify which set of variables produces a statistically significant model in relation to historical defaults. The combination of unemployment rate and inflation has resulted in the highest goodness-of-fit, while satisfying other qualitative and quantitative criteria. The forecasted values of these two macroeconomic variables have been integrated into producing the forward-looking PD estimates.

The Collective segment generally follows an operational simplification, where in PDs estimates in the form of "asset impairment factors" are derived from historical aging reports per each type of receivable. Considering the use of a provision matrix as practical expedient, the gross carrying amount or outstanding balance per delinquency bucket as of reporting date is used as the EAD under this approach. For receivables in which an underlying security, collateral, or guarantee can be foreclosed, repossessed, or recovered to offset any loss partially or fully, an LGD has been estimated and applied.

The following tables show the breakdown of receivables and the related ECL allowance under the Collective segment. The credit quality of these receivables is analyzed based on days past due.

	December 31, 2023					
	Days Past Due					
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
Gross carrying amount						
Receivable from operations*	**₱435,667,989**	**₱10,545,993**	**₱12,130,365**	**₱7,250,091**	**₱64,035,434**	**₱529,629,872**
Mortgage loans and other finance receivables	**119,447,431**	**–**	**–**	**–**	**11,081,484**	**130,528,915**
Total	**₱555,115,420**	**₱10,545,993**	**₱12,130,365**	**₱7,250,091**	**₱75,116,918**	**₱660,158,787**

	December 31, 2023					
	Days Past Due					
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
ECL allowance						
Receivable from operations*	**₱368,547**	**₱1,061,033**	**₱2,004,455**	**₱2,759,785**	**₱36,981,544**	**₱43,175,364**
Mortgage loans and other finance receivables	**–**	**–**	**–**	**–**	**4,257,440**	**4,257,440**
Total	**₱368,547**	**₱1,061,033**	**₱2,004,455**	**₱2,759,785**	**₱41,238,984**	**₱47,432,804**

	December 31, 2023					
	Days Past Due					
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
ECL Cover %						
Receivable from operations*	**0.08%**	**10.06%**	**16.52%**	**38.07%**	**57.75%**	**8.15%**
Mortgage loans and other finance receivables	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**38.42%**	**3.26%**
Total	**0.08%**	**10.06%**	**16.52%**	**38.07%**	**54.90%**	**7.19%**

*Receivables from operations consist primarily of rental receivables, receivables from agents and employees, among others.

	December 31, 2022					
	Days Past Due					
	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Gross carrying amount						
Receivable from operations*	₱199,926,847	₱14,169,005	₱8,041,118	₱3,818,903	₱42,986,594	₱268,942,467
Mortgage loans and other finance receivables	120,714,913	–	–	536,282	15,864,931	137,116,126
Total	₱320,641,760	₱14,169,005	₱8,041,118	₱4,355,185	₱58,851,525	₱406,058,593

	December 31, 2022					
	Days Past Due					
	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
ECL allowance						
Receivable from operations*	₱6,574,315	₱5,083,894	₱4,820,430	₱3,115,143	₱42,986,595	₱62,580,377
Mortgage loans and other finance receivables	–	–	–	2,457	5,400,648	5,403,105
Total	₱6,574,315	₱5,083,894	₱4,820,430	₱3,117,600	₱48,387,243	₱67,983,482

	December 31, 2022					
	Days Past Due					
	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
ECL Cover %						
Receivable from operations*	3.29%	35.88%	59.95%	81.57%	100.00%	23.27%
Mortgage loans and other finance receivables	0.00%	0.00%	0.00%	0.46%	34.04%	3.94%
Total	2.05%	35.88%	59.95%	71.58%	82.22%	16.74%

*Receivables from operations consist primarily of rental receivables, receivables from agents and employees, among others.

27.2.2 *Liquidity Risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, or failing on repayment of a contractual obligation, or insurance liability falling due for payment earlier than expected or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the matching of available cash resources in respect of claims arising from insurance contracts.

The Group manages liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Group, specifies minimum proportion of funds to meet emergency calls, sets up contingency funding plans, specifies the sources of funding and the events that would trigger the plan, determines concentration of funding sources, reports of liquidity risk exposures and breaches to the monitoring authority, monitors compliance with liquidity risk policy, and reviews liquidity risk policy for pertinence and changing environment.

The amounts disclosed in the maturity analysis of financial assets used to manage liquidity, insurance liabilities, and financial liabilities of the Group are the contractual undiscounted cash flows, except for legal policy reserves which are based on GPV amounts, based on the remaining period at the reporting date to their contractual maturities or in the case of financial assets at FVTPL and legal policy reserves, the expected repayment dates detailed as follows:

	2023				
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Financial assets:					
Cash and cash equivalents	**₱5,238,746,973**	**₱–**	**₱–**	**₱–**	**₱5,238,746,973**
Short term investments	**611,470,175**	–	–	–	**611,470,175**
Insurance receivables	**187,340,736**	–	–	–	**187,340,736**
Financial assets at FVTPL	**44,233,912,121**	**918,356,213**	**1,250,474,364**	**3,078,819,959**	**49,481,562,657**
Financial assets at FVOCI	**38,155,514,640**	**12,797,318,429**	**7,793,895,105**	**51,324,104,142**	**110,070,832,316**
Financial assets at AC	**1,583,459,930**	**701,506,384**	**1,853,160,565**	**4,248,962,291**	**8,387,089,170**
Total financial assets	**90,010,444,575**	**14,417,181,026**	**10,897,530,034**	**58,651,886,392**	**173,977,042,027**
Financial liabilities:					
Insurance liabilities:					
Legal policy reserves	**5,054,172,573**	**2,484,710,683**	**1,128,650,346**	**37,544,292,523**	**46,211,826,125**
Other insurance liabilities:					
Members' deposits and other funds on deposit	**47,593,576,565**	**42,983,807**	**22,710,604**	**4,417,466,560**	**52,076,737,536**
Claims pending settlement	**2,649,673,943**	–	–	–	**2,649,673,943**
Incurred but not reported	**258,877,987**	–	–	–	**258,877,987**
	55,556,301,068	**2,527,694,490**	**1,151,360,950**	**41,961,759,083**	**101,197,115,591**
Other financial liabilities:					
Accrued expenses and other liabilities:					
Accounts payable and accrued expenses					
Accounts payable	**395,775,760**	–	**481,303,497**	–	**877,079,257**
General expenses due and accrued	**286,942,032**	–	–	–	**286,942,032**
Accrued employee benefits	**106,960,125**	–	–	**315,642,415**	**422,602,540**
Commissions payable	**116,815,919**	–	–	–	**116,815,919**
Lease liability	**10,753,751**	**11,194,474**	**1,705,829**	**461,604**	**24,115,658**
Others	**34,595,067**	–	–	–	**34,595,067**
	951,842,654	**11,194,474**	**483,009,326**	**316,104,019**	**1,762,150,473**
Total financial liabilities	**56,508,143,722**	**2,538,888,964**	**1,634,370,276**	**42,277,863,102**	**102,959,266,064**
Liquidity position	**₱33,502,300,853**	**₱11,878,292,062**	**₱9,263,159,758**	**₱16,374,023,290**	**₱71,017,775,963**

	2022				
	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	₱6,728,620,993	₱–	₱–	₱–	₱6,728,620,993
Insurance receivables	125,472,526	–	–	–	125,472,526
Financial assets at FVTPL	38,644,650,476	1,154,159,610	849,612,330	2,824,431,425	43,472,853,841
Financial assets at FVOCI	41,894,610,090	10,949,120,974	9,587,613,424	48,340,697,801	110,772,042,289
Financial assets at AC	2,433,320,546	716,792,366	1,451,051,641	4,520,902,444	9,122,066,997
Total financial assets	89,826,674,631	12,820,072,950	11,888,277,395	55,686,031,670	170,221,056,646
Financial liabilities:					
Insurance liabilities:					
Legal policy reserves	4,511,999,565	2,685,068,346	931,111,498	35,800,599,357	43,928,778,766
Other insurance liabilities:					
Members' deposits and other funds on deposit*	40,749,561,669	112,297,590	28,131,068	4,489,814,441	45,379,804,768
Claims pending settlement	2,619,682,625	–	–	–	2,619,682,625
Incurred but not reported	245,704,353	–	–	–	245,704,353
	48,126,948,212	2,797,365,936	959,242,566	40,290,413,798	92,173,970,512
Other financial liabilities:					
Accrued expenses and other liabilities:					
Accounts payable and other accrued expenses					
Accounts payable	724,445,810	–	461,456,390	–	1,185,902,200
General expenses due and accrued	293,970,857	–	–	–	293,970,857
Accrued employee benefits	117,966,178	–	–	348,131,201	466,097,379
Commissions payable	224,559,357	–	–	–	224,559,357
Lease liability	15,629,481	14,056,925	2,503,549	611,624	32,801,579
Others	26,841,981	–	–	–	26,841,981
	1,403,413,664	14,056,925	463,959,939	348,742,825	2,230,173,353
Total financial liabilities	49,530,361,876	2,811,422,861	1,423,202,505	40,639,156,623	94,404,143,865
Liquidity position	₱40,296,312,755	₱10,008,650,089	₱10,465,074,890	₱15,046,875,047	₱75,816,912,781

**Excluding unearned membership fees of I-Care amounting to ₱408,168,185*

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

27.2.3 *Market Risk*

Market risk is the risk of change in fair value of financial instruments from fluctuations in market interest rates (fair value interest rate risk), market prices (equity price risk), and foreign exchange rates (currency risk) whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

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

- The Group structures levels of market risk it accepts through a group market risk policy that determines what constitutes market risk for the Group; basis used to fair value financial assets and financial liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type and duration of instrument; reporting of market risk exposures and breaches to the monitoring authority; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment;

- Set out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment; and

- Establish asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

a. *Fair Value Interest Rate Risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate investments in particular are exposed to such risk.

The following tables show the information relating to the Group's exposure to fair value interest rate risk:

	2023							
	Maturity							
Fixed Rate Instruments	**Effective Interest Rate**	**In 1 year or less**	**More than 1 year but not 2 years**	**More than 2 years but not 3 years**	**More than 3 years but not 4 years**	**More than 4 years but not 5 years**	**More than 5 years**	**Total**
Financial assets at FVTPL- debt securities								
Government:								
Local currency	**0.0% - 8.1%**	**₱119,336,632**	**₱184,445,186**	**₱80,887,616**	**₱312,083,237**	**₱382,299,459**	**₱1,126,116,766**	**₱2,205,168,896**
Foreign currency	**2.7% - 10.6%**	**124,627,281**	**236,359,026**	**-**	**-**	**-**	**1,408,696,575**	**1,769,682,882**
Corporate:								
Local currency	**3.4% - 7.1%**	–	–	–	**125,262,589**	**43,947,685**	**25,066,776**	**194,277,050**
Foreign currency	**2.50%**	–	–	–	–	–	**33,917,586**	**33,917,586**
Financial assets at FVOCI - debt								
Government:								
Local currency	**0.0% - 13.8%**	**1,149,973,470**	**899,713,225**	**1,908,325,856**	**233,677,766**	**337,171,546**	**33,436,172,033**	**37,965,033,896**
Foreign currency	**2.7% - 9.5%**	–	–	–	–	**28,135,988**	**941,271,263**	**969,407,251**
Corporate:								
Local currency	**3.4% - 8.5%**	**3,250,479,381**	**2,156,672,778**	**1,941,959,330**	**1,701,967,510**	**610,615,617**	**1,011,616,733**	**10,673,311,349**
Foreign currency	**2.1% - 5.1%**	–	**51,621,451**	–	–	–	**405,620,133**	**457,241,584**
		₱4,644,416,764	**₱3,528,811,666**	**₱3,931,172,802**	**₱2,372,991,102**	**₱1,402,170,295**	**₱38,388,477,865**	**₱54,268,040,494**

	2022							
	Maturity							
Fixed Rate Instruments	Effective Interest Rate	In 1 year or less	More than 1 year but not 2 years	More than 2 years but not 3 years	More than 3 years but not 4 years	More than 4 years but not 5 years	More than 5 years	Total
Financial assets at FVTPL- debt securities								
Government:								
Local currency	0.0% - 8.0%	₱701,072,429	₱88,327,141	₱181,060,683	₱80,329,143	₱304,401,830	₱763,685,764	₱2,118,876,990
Foreign currency	2.7% - 10.6%	–	274,203,954	252,286,915	–	–	1,401,419,599	1,927,910,468
Corporate:								
Local currency	3.0% - 5.3%	323,573,901	–	–	–	129,821,949	71,647,158	525,043,008
Foreign currency	2.50%	–	–	–	–	–	34,264,653	34,264,653
Structured VULs:								
Local currency	0.00%	–	–	–	–	–	–	–
Foreign currency	0.80%	133,867,755	–	–	–	–	–	133,867,755
Financial assets at FVOCI - debt								
Government:								
Local currency	0.0% - 13.8%	91,838,226	657,859,110	913,425,732	1,868,311,533	228,734,741	27,446,968,041	31,207,137,383
Foreign currency	2.7% - 9.5%	–	–	–	–	–	940,828,426	940,828,426
Corporate:								
Local currency	3.0% - 8.5%	5,048,026,463	1,231,068,756	2,684,551,111	1,986,891,794	707,541,589	1,589,404,902	13,247,484,615
Foreign currency	2.1% - 5.1%	–	–	49,847,200	–	–	415,059,735	464,906,935
		₱6,298,378,774	₱2,251,458,961	₱4,081,171,641	₱3,935,532,470	₱1,370,500,109	₱32,663,278,278	₱50,600,320,233

The following tables provide the sensitivity analysis of the fair value of financial assets and its impact to profit before tax and equity due to changes in interest rates as of December 31:

		Changes in variable	Effect on income before tax	Effect on equity
2023	**USD**	**+ 25 basis points**	**(₱2,568,590)**	**(₱41,856,142)**
	PHP	**+ 25 basis points**	**(342,017)**	**(674,054,299)**
	USD	**- 25 basis points**	**2,631,631**	**43,120,933**
	PHP	**- 25 basis points**	**347,384**	**689,672,272**

		Changes in variable	Effect on income before tax	Effect on equity
2022	USD	+ 25 basis points	(₱2,413,057)	(₱43,495,626)
	PHP	+ 25 basis points	(240,046)	(580,287,644)
	USD	- 25 basis points	2,473,534	44,888,138
	PHP	- 25 basis points	243,560	593,414,662

The impact on the Group's equity excludes the impact on transactions affecting profit or loss.

The use of +/-25 basis points is a reasonably possible change in the market value of the debt securities.

b. *Equity Price Risk*

The Group's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, financial assets at FVOCI and FVTPL.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair value are recorded in the statements of income) and on statements of changes in members' equity (due to changes in fair value of financial assets recognized in OCI).

	Change in PSE index	Effect on income before tax*	Effect on Equity
2023	**Increase by 5%**	**₱908,149,005**	**₱1,784,605,356**
	Decrease by 5%	**(886,897,617)**	**(1,669,019,548)**
2022	Increase by 5%	₱922,367,928	₱1,884,196,919
	Decrease by 5%	(915,236,142)	(1,812,029,918)

**The changes in the fair value of the financial assets under VUL funds, excluding those attributable to seed capital, have offsetting effect on the changes in the "Subscriptions to VUL funds" under "Other Insurance Liabilities".*

The impact on the Group's equity excludes the impact on transactions related to financial assets affecting profit or loss.

Risk Concentrations of the Maximum Exposure to Equity Price Risk

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The following table presents the Group's concentration of equity price risk in the Group's equity portfolio under "Financial assets" in the statements of financial position by industrial distribution as percentage of total equity securities:

	2023	2022
Financial institutions	**59%**	59%
Electricity, energy, power, and water	**10%**	11%
Holding firms	**10%**	10%
Property	**9%**	8%
Food, beverage, and tobacco	**5%**	5%
Telecommunications	**1%**	1%
Others	**7%**	6%
Total	**100%**	100%

27.2.4 *Currency Risk*

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

The Group's foreign currency-denominated assets and liability as of December 31 consist of the following:

	2023		2022	
	United States Dollar Value	**Peso Equivalent**	United States Dollar Value	Peso Equivalent
Assets				
Cash and cash equivalents	**$3,391,960**	**₱187,812,840**	$3,868,780	₱215,703,856
Short term investments	**1,407,582**	**77,937,826**	–	–
Financial assets at FVTPL	**123,494,985**	**6,837,917,336**	90,327,137	5,036,189,504
Financial assets at FVOCI	**25,765,737**	**1,426,648,835**	25,212,723	1,405,735,359
	$154,060,264	**₱8,530,316,837**	$119,408,640	₱6,657,628,719
Liabilities				
Legal policy reserves	**$293,379**	**₱16,244,418**	$336,974	₱18,788,008
	$293,379	**₱16,244,418**	$336,974	₱18,788,008

The foregoing United States Dollar amounts have been translated to their Peso equivalents using the exchange rate of ₱55.370 and ₱55.755 to US$1.00, as recommended by IC, as of December 31, 2023 and 2022, respectively. Net foreign exchange gains (losses) amounted to (₱24,395,829) in 2023 and ₱232,246,583 in 2022.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before tax (due to changes in fair value of currency sensitive monetary assets and liabilities.

	Change in USD - PHP exchange rate	**Effect on income before tax**
2023	**Increase by 1.19%**	**(₱101,704,079)**
	Decrease by 1.19%	**101,704,079**
2022	Increase by 2.40%	(₱160,234,001)
	Decrease by 2.40%	160,234,001

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

28. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be realized or settled:

	2023		
	Less than 12 months	**Over 12 months**	**Total**
ASSETS			
Cash and Cash Equivalents	**₱5,238,745,472**	**₱–**	**₱5,238,745,472**
Short Term Investments	**611,470,175**	**–**	**611,470,175**
Insurance Receivables	**187,340,736**	**–**	**187,340,736**
Financial Assets at:			
Fair value through profit or loss	**43,989,233,107**	**3,959,082,501**	**47,948,315,608**
Fair value through other comprehensive income	**35,013,150,378**	**45,200,689,679**	**80,213,840,057**
Amortized cost	**1,171,483,908**	**6,481,535,366**	**7,653,019,274**
Investments in Associates	**–**	**413,567,039**	**413,567,039**
Investment Properties	**–**	**7,327,257,407**	**7,327,257,407**
Property and Equipment	**–**	**1,657,402,869**	**1,657,402,869**
Retirement Benefits Asset	**–**	**72,729,831**	**72,729,831**
Other Assets	**1,028,271**	**2,220,269,857**	**2,221,298,128**
Total Assets	**₱86,212,452,047**	**₱67,332,534,549**	**₱153,544,986,596**
LIABILITIES			
Legal Policy Reserves	**₱5,054,172,573**	**₱41,157,653,552**	**₱46,211,826,125**
Other Insurance Liabilities	**50,502,128,495**	**4,483,160,971**	**54,985,289,466**
Accrued Expenses and Other Liabilities	**1,263,739,727**	**807,669,955**	**2,071,409,682**
Deferred Income Tax Liabilities – net	**–**	**2,444,646,157**	**2,444,646,157**
Total Liabilities	**₱56,820,040,795**	**₱48,893,130,635**	**₱105,713,171,430**

	2022		
	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and Cash Equivalents	₱6,728,620,993	₱–	₱6,728,620,993
Insurance Receivables	125,472,526	–	125,472,526
Financial Assets at:			
Fair value through profit or loss	38,415,101,263	3,581,448,788	41,996,550,051
Fair value through other comprehensive income	39,667,584,069	39,932,137,130	79,599,721,199
Amortized cost	2,045,219,602	6,347,169,743	8,392,389,345
Investments in Associates	–	789,095,228	789,095,228
Investment Properties	–	6,425,301,842	6,425,301,842
Property and Equipment	749,149	1,764,774,502	1,765,523,651
Retirement Benefits Asset	1,021,393	–	1,021,393
Deferred Income Tax Assets – net	–	52,875,419	52,875,419
Other Assets	81,237,878	2,570,801,318	2,652,039,196
Total Assets	₱87,065,006,873	₱61,463,603,970	₱148,528,610,843
LIABILITIES			
Legal Policy Reserves	₱4,511,999,565	₱39,416,779,201	₱43,928,778,766
Other Insurance Liabilities	44,023,116,832	4,630,243,099	48,653,359,931
Accrued Expenses and Other Liabilities	1,708,294,595	822,461,317	2,530,755,912
Retirement Benefits Liability	–	88,886,407	88,886,407
Deferred Income Tax Liabilities – net	–	2,680,073,129	2,680,073,129
Total Liabilities	₱50,243,410,992	₱47,638,443,153	₱97,881,854,145

29. **Capital Management and Regulatory Requirements**

29.1 Capital Management Framework

The Group manages its capital through its compliance with the statutory requirements on minimum members' equity. The Parent Company is also complying with the statutory regulations on Amended Risk-Based Capital (RBC2) Framework to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC2 method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium, and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The Parent Company considers its total retained earnings amounting to ₱35,623,727,141 and ₱32,962,884,952 as of December 31, 2023 and 2022, respectively, as disclosed in parent company financial statements, as its capital.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to policyholders.

To ensure compliance with these externally imposed capital requirements, it is the Group's policy to monitor the minimum members' equity requirements, and RBC2 requirements on a quarterly basis as part of Group's internal financial reporting process.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies, and processes from the previous year.

As of December 31, the estimated amount of non-admitted assets of the Parent Company, as defined under the Code, which are included in the accompanying statements of financial position, follows:

	2023	2022
Property and equipment	**₱238,953,833**	₱201,954,861
Accounts receivable and other assets	**2,674,519,446**	2,653,439,804
	₱2,913,473,279	₱2,855,394,665

The Group is not subject (i.e., under guarantyship, suretyship, or other similar arrangements other than reinsurance in the normal course of operation) to any contingent liability, or capital or purchase commitments as of December 31, 2023 and 2022.

29.1.1 *Minimum Total Members' Equity Requirements*

Insurance Commission (IC) Circular Letter (CL) No. 2017-14, as amended by CL No. 2019-67, provides for the minimum total members' equity requirements for all mutual life insurance companies on a staggered basis for the years ended December 31, 2016 up to 2022. The term "Members' Equity/Owners' Equity" is equal to the total company assets minus total company liabilities which shall remain unimpaired at all times. The table below shows the amount of minimum total members' equity and schedule of compliance per IC CL No. 2017-14, as amended by CL No. 2019-67.

Minimum Total Members' Equity	**Compliance Date**
1,300,000,000	31 December 2022

As disclosed in its parent company financial statements, as of December 31, 2023 and 2022, the Parent Company's members' equity is ₱47,831,357,498 and ₱50,230,547,920, respectively.

29.1.2 *Amended Risk-Based Capital Requirements*

In December 2016, the IC issued Circular Letter No. 2016-68 on Amended Risk-Based Capital (RBC2) Framework adopting a three (3) pillar risk-based approach to solvency. Under Pillar 1, all insurance companies are required to maintain the minimum RBC ratio of 100%. Failure to meet the required minimum RBC Ratio based on quarterly and annual submissions shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as Total Available Capital divided by the RBC requirement. Total Available Capital shall include the Parent Company's paid-up capital, contributed and contingency surplus, and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of Total Available Capital only to the extent authorized by the IC.

As of December 31, 2023 and 2022, the Parent Company's Capital Adequacy Ratio under RBC2 Framework is equivalent to 277% and 268% with Total Available Capital of ₱48,744,029,823 and ₱51,130,013,092, and RBC requirement amounting to ₱17,611,761,353 and ₱19,072,992,797, respectively. This is compliant with the minimum statutory requirement of 100%.

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

30. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies and subsidiaries , are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions and balances between the Parent Company and the subsidiaries have been eliminated in the consolidation.

Transactions with related parties consist mainly of:

a. Lease of office spaces, dividends, additional investments, interests, and loans. The balances as of and for the years ended December 31, 2023 and 2022 are presented below:

Category	Year	Amount of transaction during the year	Outstanding Balance			Terms and condition
			Due From	Due to	Cash, prepayments and investment accounts	
Subsidiaries*						
Common Overhead	**2023**	**₱13,082**	**₱14,652**	₱–	₱–	30-day; noninterest-bearing; settled in cash;
	2022	₱31,671,154	₱–	₱–	₱–	
Rental Income	**2023**	**7,002,408**	–	–	–	One to three-year lease contract; 30-day; noninterest-bearing; settled in cash; unsecured, unguaranteed, no impairment
	2022	8,203,776	735,815	–	–	
Rental Deposits	**2023**	**208,366**	–	–	–	Noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2022	312,090	355,058	5,110,985	–	
Dividends	**2023**	**1,600,000**	–	–	–	Noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2022	500,000	–	–	–	
Insurance Revenue	**2023**	–	–	–	–	
	2022	4,021,071	–	–	–	
Salaries and Compensation	**2023**	**6,223,423**	–	–	–	
	2022	–	–	–	–	
Association Dues, Utilities and Others	**2023**	**2,175,143**	–	–	–	Noninterest-bearing; settled in cash; unsecured
	2022	2,493,808	470,469	–	–	
Insular Foundation						
Donation	**2023**	**19,579,536**	–	–	–	30-day; noninterest-bearing; settled in cash;
	2022	35,608,195	–	–	–	
Common Overhead	**2023**	**8,337,711**	–	–	–	30-day; noninterest-bearing; settled in cash
	2022	7,179,553	–	–	–	
Rental Income	**2023**	**89,190**	–	–	–	One to three-year lease contract; 30-day; noninterest-bearing; settled in cash; unsecured, unguaranteed, no impairment
	2022	84,943	–	–	–	
Rental Deposits	**2023**	**2,123**	–	**44,595**	–	Noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2022	2,023	–	42,472	–	
Association Dues, Utilities and Others	**2023**	**18,818**	–	–	–	Noninterest-bearing; settled in cash; unsecured
	2022	18,786	–	–	–	
Associates						
PPVI						
Advances	**2023**	–	**6,000,000**	–	–	Noninterest-bearing; unsecured
	2022	–	6,000,000	–	–	
I-Care**						
Common Overhead	**2023**	**65,994,975**	-	–	–	30-day; noninterest-bearing; settled in cash;
	2022	–	–	–	–	
Association Dues, Utilities and Others	**2023**	**627,826**	**1,254,479**	–	–	noninterest-bearing; settled in cash; unsecured
	2022	–	–	–	–	
Insurance Revenue	**2023**	**1,058,694**	–	–	–	
	2022	–	–	–	–	
Rental Deposits	**2023**	–	**29,652**	**5,387,715**	–	Noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2022	–	–	–	–	

(Forward)

Category	Year	Amount of transaction during the year	Outstanding Balance			Terms and condition
			Due From	Due to	Cash, prepayments and investment accounts	
Rental Income	**2023**	**₱2,361,094**	**₱101,465**	₱–	₱–	Two to five-year lease contract; 30-day; noninterest-bearing; unsecured; unguaranteed; settled in cash; no impairment
	2022	–	–	–	–	
OIIC (formerly MIIC)***						
Additional Equity Investment	**2023**	–	–	–	–	
	2022	208,462,369	–	–	–	
Capital Infusion	**2023**	–	–	–	–	
	2022	120,000,000	–	–	–	
Rental Income	**2023**	**752,238**	**39,068**	–	–	Two to five-year lease contract; 30-day; noninterest-bearing; unsecured; unguaranteed; settled in cash; no impairment
	2022	784,455	45,068			
Rental Deposits	**2023**	–	–	**2,771,497**	–	Noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
	2022	19,441	–	2,803,322	–	
Insurance Revenue	**2023**	**4,372,184**	–	–	–	
	2022	1,441,881	–	–	–	
Insurance Expense	**2023**	**19,415,731**	–	**427,705**	–	
	2022	19,170,736	–	223,278	–	
Expense Allocation	**2023**	–	–	–	–	Noninterest-bearing, unguaranteed; unsecured; unrestricted
	2022	–	–	17,476,854	–	
Association Dues, Utilities and Others	**2023**	**281,639**	**561,125**	–	–	
	2022	281,900	366,845	–	–	
UBP****						
Service Fee	2022	284,293,919	–	–	–	Noninterest-bearing; unsecured; unguaranteed; settled in cash
Access Fee, net of amortization during the year	2022	79,721,173	–	–	–	Noninterest-bearing; settled in cash
Bancassurance Distribution Expense	2022	20,818,435	–	–	–	Noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
Rental Income	2022	23,671,597	–	–	–	One to five-year lease contract; 30-day; noninterest-bearing; unsecured; unguaranteed; settled in cash; no impairment
Dividends	2022	585,578,319	–	–	–	Noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment
Director's Fees	2022	56,380,801	–	–	–	
Insurance Revenue	2022	402,133,636	–	–	–	
Interest Income	2022	22,492,218	–	–	–	
Association Dues, Utilities and Others	2022	5,128,160	–	6,561	–	
TOTAL	**2023**	**₱140,114,181**	**₱8,000,441**	**₱8,631,512**	₱–	
TOTAL	2022	₱1,920,474,439	₱7,973,255	₱25,663,472	₱–	

**The Parent Company's subsidiaries are disclosed in Note 27. Transactions with subsidiaries are eliminated upon consolidation.*

***In September 2023, the Parent Company lost control over I-Care. For purposes of reporting the related party transactions, the transactions up to September 30, 2023 in which I-Care is accounted for as subsidiary are still reported in the category "Subsidiaries" while transactions and balances as of and for the three months ended December 31, 2023 are presented under the "Associates" category.*

**** On December 15, 2023, the Parent Company sold its investment in OIIC. Accordingly, OIIC is no longer a related party as of December 31, 2023. For purposes of reporting the related party transactions, the transactions up to December 15, 2023 in which Oona is accounted for as associate are still presented, while balances as of December 31, 2023 are no longer disclosed.*

*****As of November 30, 2022, the Parent Company lost its significant influence in UBP and accounted for as equity investment in FVOCI under PFRS9 (Note 3.1.5). Accordingly, UBP is no longer a related party as of December 31, 2022. For purposes of reporting the related party transactions, the transactions up to November 30, 2022 in which UBP is accounted for as associate are still presented, while balances as of December 31, 2022 are no longer disclosed.*

b. In February 2020, the Group invested in subordinated notes issued by UBP for a face value of ₱300,000,000. The investment in subordinated note is classified as financial asset at FVOCI. This investment earned interest amounting to ₱15,750,000 in 2022.

c. Key management personnel include all officers that have ranks of vice president and up. Compensation of key management personnel is summarized below:

	2023	2022
Salaries and other short-term employee benefits	**₱362,162,724**	₱361,262,639
Post-employment and other long-term benefits	**34,462,383**	31,446,382
	₱396,625,107	₱392,709,021

31. Commitments and Contingent Liabilities

Lease

The Group has entered into non-cancelable leases with terms ranging between one (1) month and thirteen (13) years, both as lessee and as lessor. Most leases include a clause to enable upward revision of the rental charge on an annual basis based on contract.

a. Group as Lessee

The Group has lease contracts for its branches and offices. Leases of its branches and offices generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The following are the amounts recognized in statements of income:

	2023	2022
Depreciation expense of right-of-use assets included in property and equipment (Note 10)	**₱21,909,183**	₱30,289,834
Interest expense on lease liabilities (Note 22)	**1,326,143**	1,169,207
Rent expense related to short-term leases	**7,757,631**	2,740,495
Total amount recognized in statements of income	**₱30,992,957**	₱34,199,536

The rollforward analysis of lease liabilities follows:

	2023	2022
Beginning balance	**₱28,503,207**	₱36,210,640
Additions	**8,654,332**	21,722,357
Interest expense	**1,326,143**	1,169,207
Payments	**(16,233,359)**	(30,598,997)
Deconsolidation of a subsidiary and others	**(772,530)**	–
Ending balance	**₱21,477,793**	₱28,503,207

The rollforward analysis of right-of-use assets follows:

	2023	2022
Cost		
Beginning balance	**₱94,471,756**	₱102,830,212
Additions	**8,840,747**	24,601,149
Retirements/disposals	**(11,136,570)**	(32,861,921)
Deconsolidation of subsidiary	**(749,149)**	–
Reclassification and other adjustment	**8,863,181**	(97,684)
Ending balance	**100,289,965**	₱94,471,756
Accumulated Amortization		
Beginning balance	**65,931,291**	68,601,063
Amortization (Note 21)	**21,909,183**	30,100,451
Retirements/disposals	**(11,069,440)**	(32,861,921)
Deconsolidation of subsidiary	**(6,616,379)**	–
Reclassification and other adjustment	**8,863,181**	91,698
Ending balance	**79,017,836**	65,931,291
Net Book Value	**₱21,272,129**	₱28,540,465

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
Within one year	**₱10,753,751**	₱15,629,481
more than 1 year to 2 years	**7,635,471**	8,391,539
more than 2 years to 3 years	**3,559,003**	5,665,386
more than 3 years to 5 years	**1,705,829**	2,503,549
more than 5 years	**461,604**	611,624
	₱24,115,658	₱32,801,579

b. Group as Lessor

The future minimum rentals receivable under non-cancelable operating leases follows:

	2023	2022
Within one year	**₱562,825,746**	₱354,330,730
more than 1 year to 2 years	**387,238,218**	222,579,004
more than 2 years to 3 years	**239,673,449**	192,716,329
more than 3 years to 5 years	**162,425,607**	55,581,385
more than 5 years	**73,396,758**	10,524,117
	₱1,425,559,778	₱835,731,565

Rent income recognized in 2023 and 2022 amounted to ₱732,961,795 and ₱718,070,989 respectively. The lease terms of the Group's non-cancelable operating leases range from 6 months to 12 years.

c. Others

On October 11, 2022, the Group entered into an agreement to purchase a real estate property on an installment basis. The property was fully paid on October 25, 2023 and the Deed of Absolute Sale was executed in favor of the Group. The property was transferred to the name of the Group on January 31, 2024.

FEEDBACK

We welcome feedback from our stakeholders to improve our reporting process. Please email Ms. Karen L. Plata / Communications and Media Relations at klplata@insular.com.ph.

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