Making the World a Better Place
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eTiQa

Growth for the Future

2023 Etiqa Philippines Annual Report

Why the name Etiqa?

Etiqa is derived from 'etika' the Malay word for ethics.

It is defined as a system of moral principle and standard practice.

Behaving in an ethical manner is to behave in a more considerate and humane way. This is how the company attempts to humanize insurance for everyone inside and outside the organization.

Contents

Did you know?

Within the Etiqa logo, the letters “T”, “I”, and “Q” form a face, with the yellow stroke forming a smile, thus symbolizing the human aspect of the brand. Additionally, the smile begins and ends with the letters “T” and “Q” respectively, with the “I” in the middle, signalling the shortened form of “I Thank You”.

A Glimpse of Who We Are

Etiqa Life and General Assurance Philippines, Inc. has been in the industry for more than 65 years in the group medical space. Our history has gone a long way from 1958 when we first started as Star Life Insurance. And through many name changes, mergers and acquisitions, until we became AsianLife to Etiqa Philippines, our commitment to bring security and protection to the Filipino has never wavered.

Maybank, one of Asia's leading banking groups, procured shares in AsianLife in 2015 until it was rebranded in 2019 to what is now Etiqa Philippines. The name was aligned with its parent organization Etiqa International Holdings Malaysia, an investment holding company of Maybank. Etiqa's headquarters is located in Kuala Lumpur, Malaysia with regional presence in Singapore, Indonesia, Philippines and Cambodia.

Today, Etiqa Philippines offers a broad product range of both Group Life and General Insurance, Group Medical Benefits, Individual Life and Non-Life that cover protection, savings and investment needs under one unified brand.

In partnership with Maybank Philippines, it now offers various Personal Life & General Insurance products through its bancassurance partnership.

2023 Highlights

The year 2023 saw Etiqa Philippines' presence more relevant than ever in a growing market. We have launched new products that are well-adapted to InsurTech for our customers, communities, and stakeholders as we endeavor to remain one of the country's leading Group Health Insurers.

We are committed to progress within and outside our organization through employee empowerment, community services, media exposure, and mutually beneficial partnerships. 2023 has brought us new milestones as we continue to humanize insurance.

Growing through Partnerships

Etiqa Philippines' recognizes that health is a priority. Part of our growth trajectory is forming partnerships with those who share with us a common goal of bringing accessible medical care to our customers.

2023 saw us enter a most beneficial partnership with various health apps that provide a 24/7 portal for doctor consultations, diagnostics, and home care. Through KonsultaMD, Healthway, Doctor Anywhere, and KwikCare, we were able to serve our customers better, easier, and faster.

Growth Measured by Recognition

Our hard work and dedication were able to reap recognition from different award-giving bodies. An attestation that we are indeed on the right track.

We are honored and grateful to be recognized for our innovative products and services by prestigious award-giving bodies:

- Golden Arrow Award from The ASEAN Corporate Governance Scorecard (ACGS) that measures a company's accountability and transparency to raise its level of compliance.
- "Best Insuretech Initiative of the Year" by International Finance Awards for our Gadget Insurance product
- "Insurtech Initiative of the Year" by Insurance Asia Awards for our Gadget Insurance product

Growth in Employees' Well-being

Our employees are our most valuable asset. Their empowerment speaks of who we are, a company that takes care from within and extends to our external stakeholders.

The Year 2023 saw us approach employee relationships on a new level by enabling them to excel in their work and become highly talented through open communication in webinars, workshops and seminars, team building, engagement activities, company annual activities, and the Etiqa Academy.

- Our compliance webinars train employees on how to work in accordance with the regulations set by the Insurance Commission and by the law.
- At Etiqa Academy, our employees gain an understanding of Etiqa's products and services. This allows them to enrich their knowledge and skills in selling and marketing our products. They learn the whole process, from product knowledge to processing claims.
- Our Employee Wellness efforts take care of our employees' health and welfare concerns and overall well-being. We organized summer outings, Halloween and Christmas parties, and a Flu Vaccination program.
- Our Sustainability strategy starts within our organization by educating our employees on its importance and relevance in the workplace, country, and the world as a whole. While growing our financials and market, we also do not forget to create a positive social impact.

Growth through Tech Advancements

Our forward-thinking ethos brought us to the forefront of technology utilization in insurance products and services.

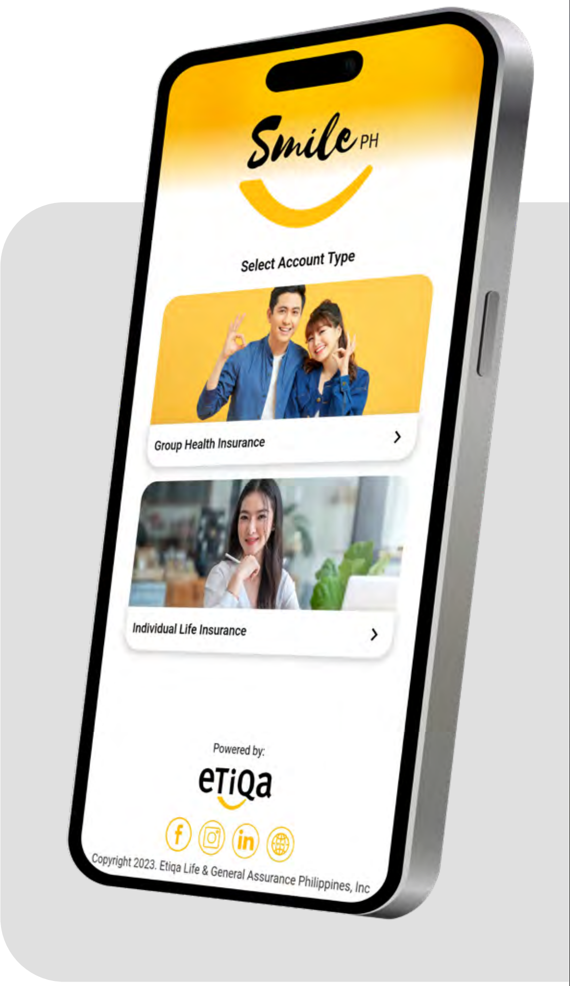
We launched our Doctors App, Etiqa's payment app for doctors. Simultaneously, we also developed a Providers Portal for our medical partners to facilitate a faster payment process.

Our Digital Touchpoints

At Etiqa, we believe in the power of digital innovation to enhance customer experience, making insurance management easier and more efficient. Our range of digital touchpoints offers flexibility and convenience, allowing you to access and manage your insurance needs anytime, anywhere.

Smile PH App

Our Smile PH app is a comprehensive platform for Group Health Insurance members, enabling them to easily manage their benefits. Through the app, members can check their Schedule of Benefits, manage their dependents, and locate nearby accredited hospitals and clinics. The app also allows users to request Letters of Guarantee and conveniently file claims, making the process more efficient. For Individual Life Insurance clients, Smile PH offers tools to view policies, track funds, manage beneficiaries, and receive premium reminders. Clients can also update contact information and explore additional Etiqa products for purchase online.



Member's Portal

For users who prefer browser access, our Member's Portal offers functionalities similar to those of the Smile PH app. Through the portal, members can file claims, view coverage details, and request Letters of Guarantee from any internet-enabled device, ensuring flexibility and ease of access.

Doctor's App

In support of our healthcare providers, we developed the Doctor's App, a robust platform that empowers our accredited doctors. Through this app, doctors can submit claims online, track payments in real time, and download essential documents, such as the Certificate of Withholding Tax (BIR 2307). The Doctor's App also simplifies the accreditation process for new doctors, providing a streamlined application feature.

HR Portal

For our corporate clients, we offer the HR Portal, a powerful tool designed for companies to efficiently manage their employees' Group Health Insurance. With the HR Portal, businesses have full control over employee coverage and can ensure that all administrative processes are handled effortlessly.

Our digital touchpoints exemplify our commitment to modern, customer-centric insurance solutions, making the entire experience more convenient for everyone involved.

Our Vision and Purpose

Vision

To be a leading ASEAN insurer in the Philippines

Purpose Statement

A life, health, and non-Life insurance company that makes the world a better place

Our Shared Values

We are driven by our relentless aspirations, dynamic set of values and compelling core beliefs that are deeply embedded in our organization.

We are committed to doing the right thing. How we conduct ourselves inside and outside our organization is a responsibility that we take seriously. We know how important it is to maintain the trust and respect of all our stakeholders who we regard as our partners in providing solutions.

E — **ETHICAL**
We strive to make profits from work that benefits humanity

T — **Trustworthy**
We provide fast and easy service with the best advice

I — **Inclusive**
We want our business partners to grow with us

Q — **Questing**
We don’t stop learning

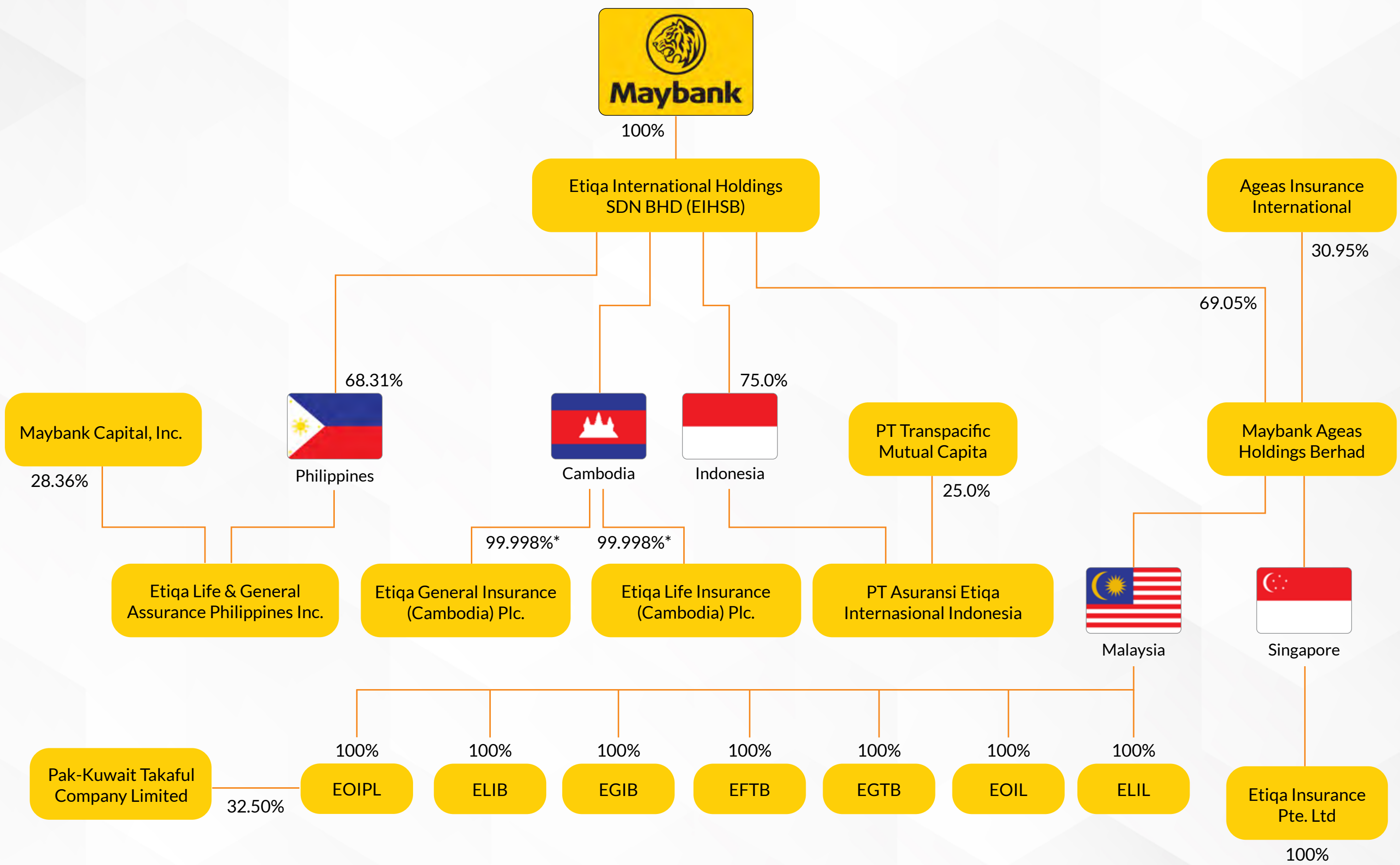
A — **Authentic**
We practice candor

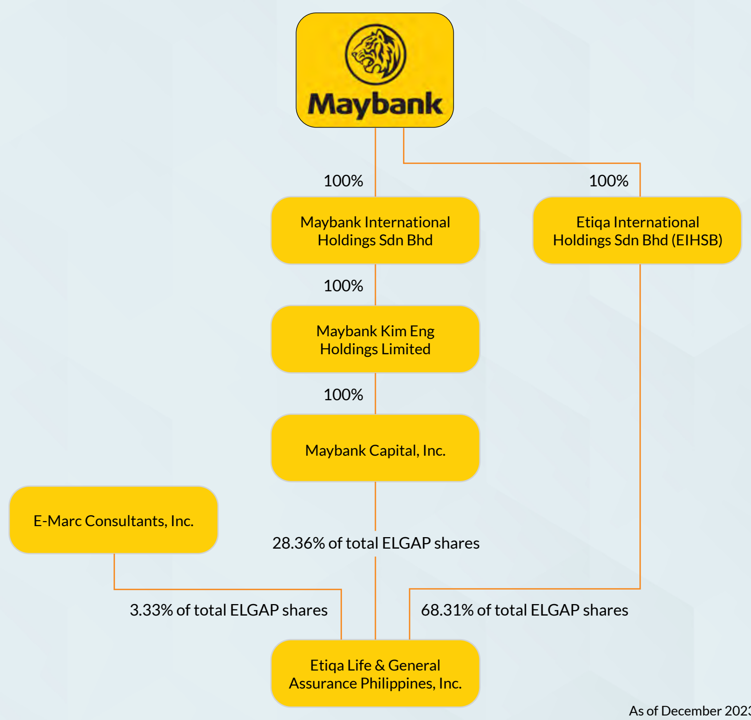
N — **Nurturing**
We treat customers like family

Our Regional Footprint

Etiqa is a leading Insurance and Takaful business in ASEAN, offering a full range of Life and General conventional insurance policies as well as Family and General Takaful plans via more than 10,000 agents, 46 branches and 17 offices. It also has a bancassurance network comprising over 490 branches, cooperatives, brokers and online platforms across Malaysia, Singapore, Indonesia, the Philippines and Cambodia.

Group Organizational Structure





ELIB - Etiqa Life Insurance Berhad
EGIB - Etiqa General Insurance Berhad
EFTB - Etiqa Family Takaful Berhad
EGTB - Etiqa General Takaful Berhad
EOIL - Etiqa Offshore Insurance (L) Ltd
ELIL - Etiqa Life International (L) Ltd
EOIPL - Etiqa Overseas Investment Pte Ltd

*0.001% Encik Kamaludin Ahmad
0.001% Mr. Eng Poh Yoon

As of December 2023

Message from the Chairman

Mohd Din Bin Merican

Dear Valued Shareholders,

Coming from the pandemic in 2020 to 2021 and a war that stunned the world in 2022, the year 2023 saw the global economy fight against inflation. The capital markets were skeptical about the performance of both old and new investments. Everyone was concerned about how they could afford a higher cost of living, maintain a quality life, and sustain their businesses. In assessment, the past three years were a transitory phase that opened up the world to a new era. In the blink of an eye, everyone was scrambling to get a foothold as everything was moving fast because of the onset of technological advancements. It was a challenge not only for the insurance industry but the whole business world as well.

In spite of the inflationary challenges that Etiqa Philippines faced, we remained focused in bringing value to our stakeholders. We introduced new products, enhanced our customer service, intensified our sustainable framework, and kept abreast with technology innovations for ways to reach our customers, communities and stakeholders. We prepared, we adapted, we grew.

Reinforcing our Presence utilizing our Key Strengths

Through our constant evaluation of our processes and approaches, we were able to identify the key capabilities that we adapted to current economic situations. We were able to accelerate the development of these key capabilities for long-term sustainable growth, which is imperative for staying relevant and competitive. By constantly assessing our strategies, we were able to improve our share of the market and plan for the future to meet our objectives, which are aligned with our mission and vision. We made sure that we were on course.

This proactive mindset allowed us to offer an extensive range of Life and Non-life Insurance and Investment Products. And grow regionally.

Innovating Strategic Touchpoints through M25+

In 2023, after a thorough definition of our key strengths, we were able to outline a refined strategy, the M25+. The M25+ was built on the foundation of M25 rolled out in 2022 that focuses on "intensifying customer centricity, accelerating digitalization and technological modernization, strengthening Maybank's business presence and position beyond Malaysia, driving its leadership position in the sustainability agenda and becoming a global leader in Islamic Banking." Relevant to ELGAP, M25+ served as our guide, anchoring us with a deeper purpose of "Becoming a Values-Driven Platform, Powered by a Bionic Workforce that Humanises Financial Services." We fostered one of M25+'s Strategic Programmes, which is to "Become a regional leader in Insurance" (SP6) by "strengthening life coverage in core markets of Malaysia and Singapore, leveraging built-platform and learnings to scale and expand regionally while delivering customer-centricity through cutting-edge banca 2.0, agency 2.0, straight-through processing and analytics". Our adoption of this strategy focused on giving a wholly positive customer experience, creating more value in the consumer life-cycle. It empowered us to gain both new and repeat businesses, achieve loyalty from our stakeholders, and smartly manage business growth.

M25+ is what shaped the culture of our work environment in 2023 leading us to overcome all the operational adversities that we faced. Along with these achievements we strengthened our environmental, social and governance (ESG) base and made them even more significant.

Our People, our Driving Force

Our employees are our best partners. We made sure that their overall well-being is an important component in our decisive management. Our employees were able to enjoy competitive salaries and benefits. We steered them to further enhance their skills and talents through the Etiqa Academy and our engagement activities, while cultivating an inclusive, fair and equal opportunity environment within our workplace.

We promoted zero tolerance for discrimination, bullying, bias or harassment through the Maybank Group Dignity Policy, acknowledging that it is impossible to achieve success without a healthy and engaged workforce. Our preparedness for the future depends on the diversity and strength of our employees.

> *"We were able to derive paradigms to charter our policies that commit to a sound and stable corporate governance so we can have a clearer vision of the future that prepares us to meet current challenges in a positive manner."*

We See the Bigger Picture

While we continue to strengthen our identity through our strategic approaches, it is imperative that everyone in the organization is on the same page. This includes the implementation of a Group-wide structured sustainability plan. This has set in motion our environment-conscious actions as part of being a regional player.

We equipped ourselves with the knowledge and tools to ensure that our sustainability commitments will be achieved. We fortified our sustainability initiatives such as the introduction of digital platforms to eliminate paper forms and reduce environmental footprints through online payments for suppliers and accredited providers , E-Channel for products, and E-Policy Issuance for our Auto Insurance. Internally, we started accepting soft copies for employee reimbursements and cash advances.

We also partnered with Green Antz Builders to recycle plastics. Green Antz is a solution provider of building materials that integrate eco-friendly practices and green technology.

We were able to steadily implement our mitigation processes on the impact of environmental concerns and issues to our finances. Through this, we became more effective in contributing to the society at large.

Good Governance As our Bottom line

In 2023, we were able to grow our business through our strengthened governance framework. It provided us with the foundation to improve our performance to get better financial results, empowering us to become more productive, allowing us to unlock new opportunities, and enabling us to understand, anticipate and mitigate risks in a stable and safe environment while staying compliant.

To attest that we run our business responsibly and ethically, we received recognition from the Institute of Corporate Directors for Good Corporate Governance through the ASEAN Corporate Governance Scorecard (ACGS).

The ASEAN Corporate Governance Scorecard (ACGS) is an initiative by the ASEAN Capital Market Forum to provide guidance to public-listed and insurance companies in the ASEAN region to benchmark against international best practices, assess the corporate governance performance and a useful methodology to improve corporate governance standards to advocate long-term sustainability and resilience. The scorecard is a resourceful and beneficial diagnostic tool that enables important foreign investors, capital market regulators, and other stakeholders to understand up-to-date corporate governance standards across the region.

With its rigorous methodology as a guide, we improved our policies in governance. We were able to derive paradigms to charter our policies that commit to a sound and stable corporate governance so we can have a clearer vision of the future that prepares us to meet current challenges in a positive manner.

In summation, we grew in spite of a challenging environment. I am confident in our corporate health. We will continue to improve and innovate protection and coverage products, reaching even low-income and marginalized segments to ensure that insurance coverage is made available to all Filipinos. We will leverage new technologies while building long and beneficial relationships with our customers, stakeholders, and communities. We will work smarter and harder towards a more sustainable future by providing solutions to the social, health, and education requirements of our surrounding communities.

I am grateful for your support in our endeavors. A clear direction, good oversight and strategic decision-making capabilities has always been our backbone that has brought us to where we are now. We are more than primed to lead on this basis.

Best regards,

Chairman Din

Our Awards

Golden Arrow Award
ASEAN Corporate Governance Scorecard

Etiqa Philippines has been awarded the Golden Arrow Award by the Institute of Corporate Directors (ICD). This recognition is given to top Philippine publicly-listed companies and insurance companies that have exemplified best practices in corporate governance based on international standards. A testament to our dedication to good governance and a positive work culture for our employees, partners, and shareholders.

ACGS
ASEAN CORPORATE GOVERNANCE SCORECARD

Insurtech Initiative of the Year
Insurance Asia Awards

Etiqa Philippines has been honored with the "Insurtech Initiative of the Year" award at the Insurance Asia Awards 2023. This recognition showcases our relentless dedication to pushing the boundaries of innovation within the insurance industry and solidifies our position as a leading advocate of insurtech not only in the Philippines but also in the entire ASEAN market.

Best Insuretech Initiative Award
International Finance Awards

Etiqa Philippines received the "Best Insuretech Initiative Award" for our Gadget Insurance from the International Finance Awards. The recognition affirms our commitment to be a leading advocate of insuretech while fulfilling our purpose to make the Philippines a better place.

INTERNATIONAL FINANCE

Our Partnerships

At Etiqa, we take pride in forging strategic partnerships that allow us to deliver top-notch insurance solutions and healthcare services, making life easier and more accessible for our customers.

Healthway Medical Clinics

In 2023, we partnered with Healthway to provide our members access to a new Primary Care Clinic network. This collaboration expands our healthcare services, offering comprehensive medical consultations and treatments at Healthway facilities across the country.

KonsultaMD & Doctor Anywhere

We recognize the growing need for convenient and accessible healthcare. That's why we've partnered with KonsultaMD and Doctor Anywhere, leading teleconsultation platforms. Etiqa health insurance members can now consult with doctors from the comfort of their homes, ensuring quick and professional medical advice anytime, anywhere.

KwikInsure

Together with KwikInsure, we introduced KwikCare – a range of affordable health subscription plans aimed at MSMEs, freelancers, and individuals. This product, underwritten by Etiqa, allows more people to access reliable health coverage at budget-friendly prices.

UBX

We're thrilled to partner with UBX, a leader in open finance solutions, to launch our "Insure Now, Pay Later" scheme. Through UBX's BUx platform and Splix vertical, our policyholders now have flexible payment options. Customers can settle their premiums on an installment basis via online banking, e-wallets, over-the-counter payments, or even without credit cards, making insurance more accessible to all.

MyCasa

Our latest partnership with MyCasa service centers makes purchasing insurance even more convenient. Whether it's eCompulsory Third Party Liability (eCTPL) car insurance, eComprehensive Insurance, or eTravel Insurance, customers can now access our products directly at their service centers.

Lazada, Shopee, & GCash

We've expanded our reach through partnerships with popular platforms like Lazada, Shopee, and GCash. This collaboration resulted in the distribution of over 15 million insurance policies in the past year, showcasing our commitment to making protection accessible to Filipinos across the country.

At Etiqa, these partnerships are not just collaborations – they're part of our mission to provide innovative, customer-centric solutions that keep up with the evolving needs of our clients.

Our Board of Directors

The Board of Etiqa Philippines comprises Seven (7) members as of 31 December 2023, of whom Four (4) are Independent Non-Executive Directors ("INED"), Two (2) are Non-Independent Non-Executive Directors ("NINED"), and One (1) Executive Director ("ED"). Membership composition of the ELGAP Board as of 31 December 2023 is as follows:

Chairman: Mohd Din Bin Merican (INED)
Vice Chairman: Loh Lee Soon (INED)
Members:

- Rico T. Bautista (ED)
- Manuel N. Tordesillas (NINED)
- Eulogio A. Mendoza (NINED)
- Ricardo Nicanor N. Jacinto (INED)
- Helen T. De Guzman (INED)

ELGAP's Board held seven (7) board meetings during the financial year ended 31 December 2023. All the directors, including the President and Chief Executive Officer attended all Board meetings. All of the Directors were also present in the Annual Shareholders' Meeting held on 21 March 2023.

Details of the meeting attendance by each of the Directors for the financial year ended 31 December 2023 are as follows:

Directors	02/20/ 2023	03/02/ 2023	03/21/ 2023	06/21/ 2023	07/18/ 2023	09/14/ 2023	11/21/ 2023	Total no. of meetings
Mohd Din Bin Merican	✔	✔	✔	✔	✔	✔	✔	7
Loh Lee Soon	✔	✔	✔	✔	✔	✔	✔	7
Rico Bautista	✔	✔	✔	✔	✔	✔	✔	7
Manuel Tordesillas	✔	✔	✔	✔	✔	✔	✔	7
Eulogio Mendoza	✔	✔	✔	✔	✔	✔	✔	7
Ricardo Nicanor Jacinto	✔	✔	✔	✔	✔	✔	✔	7
Helen De Guzman	✔	✔	✔	✔	✔	✔	✔	7
TOTAL	7	7	7	7	7	7	7	

Atty. Raul Hebron
Corporate Secretary

Atty. John Joseph Tamares
Assistant Corporate Secretary

Mohd Din Bin Merican

Independent Director
Chairman of the Board (2023 - 2024)

Date of Re-Election	:	21 March 2023
Age	:	61
Board Meeting Attendance	:	7/7 (100%)
Citizenship	:	Malaysian

Currently, En. Din Merican is an Independent Non-Executive Director of Etiqa Family Takaful Berhad (EFTB) and Etiqa General Insurance Cambodia (EGIC).

En. Din Merican has over 35 years of experience in the insurance industry. He started his insurance career in August 1985 after graduation and since then has held various management positions in the industry including as Principal Officer of Scor Switzerland Ltd. (formerly known as Converium Ltd.), Labuan branch from 2000 to 2008.
Thereafter, En. Din Merican joined Etiqa as Chief Operating Officer of MAHB and Chief Executive Officer ("CEO") of Etiqa Insurance Berhad from November 2008 to December 2011. He subsequently left Etiqa to become the President & Group CEO of MNRB Holdings Berhad from January 2012 until November 2020.

En. Din Merican holds a Bachelor of Commerce (Honours) degree from the Carleton University, Ottawa, Canada. He is an Associate of the Malaysian Insurance Institute since 1991.

Loh Lee Soon

Independent Director
Vice Chairman of the Board (2023-2024)

Date of Re-Election	:	21 March 2023
Age	:	68
Board Meeting Attendance	:	7/7 (100%)
Citizenship	:	Malaysian

Mr. Loh Lee Soon has more than 35 years' experience in the professional accounting, finance, and management consulting fields, in the United Kingdom ("UK") and South East Asia. He started his career with Peat Marwick Mitchell & Co., in the UK as an auditor from 1974 until 1982. Thereafter, he established his auditing and information technology consultancy firm in Malaysia in 1984. He has worked for a number of major Malaysian corporations, like KPMG Consulting, Oracle Corporation Malaysia and UEM Group, specializing in information technology and management consulting.

Mr. Loh's experience in technology includes providing banking front office solutions; technology strategy consulting services in association with Stanford Research Institute (SRI) International; as Director of IT Consulting for KPMG Consulting in Malaysia and Asia Pacific; Director for e-Business Solutions for Oracle Malaysia; and IT project management for major Malaysian corporations involved in property development, gaming and expressway operations.

Mr. Loh is also a freelance Consultant with a Training Facilitator, the key clients include large Malaysian corporates such as Magnum Corporation Berhad, Magnum 4D, Bandar Raya Developments Bhd, Guocoland Berhad, Malaysian Venture Capital Management, Juris Technologies Sdn Bhd, Microsoft Malaysia, Ship'n'Track Sdn Bhd. Among his notable achievement, he wrote a novel on organizational politics entitled "Daggers in the Shadows".

Mr. Loh received his Malaysia Certificate of Education at SMJK St. George, Taiping, Perak, Malaysia in 1971, and "A" Levels at National Junior College in Singapore in 1973. In 1976, he obtained Foundation in Accountancy at John Moores University in Liverpool. He is also a Member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants in England and Wales.

Rico Bautista

Executive Director (2023-2024)
President and Chief Executive Officer

Date of Re-Election	:	21 March 2023
Age	:	50
Board Meeting Attendance	:	7/7 (100%)
Citizenship	:	Filipino

Mr. Rico T. Bautista is a veteran in the insurance industry in the Philippines and an accomplished Senior Executive who has 20 years of successful general management, business operations, sales management and business building experience. He is highly skilled in growing the business with emphasis on increasing new business accounts and decreasing the operational expense ratios. He has the experience in coming up with business strategies for the company to execute and implement improvement in business processes, particularly on sales and operations process. He is a visionary, goal oriented and passionate person. He comes forth as people oriented, assertive, as well as results and teamwork-oriented individual. He is naturally driven, pro-active and demonstrates strong planning and follow-up skills. His strengths include leadership, relationship building and strong experience in insurance and bancassurance. As a leader, he is inclusive and believes in the importance of teamwork, cohesiveness, mentoring and coaching. He was previously connected as Vice President for Segment Strategy and Customer Management of BPI-Philam, Vice President and Director of Agencies of Philam Life, Vice President and Sales Director of PruLife UK, Senior Assistant Vice President and Division Head of Insular Life, Area Director for Philippines and Indonesia of Regus Business Center and Vice President in Sales of Philam Plans. He is a registered financial planner and a fellow of the Life Management Institute (LOMA). He completed his Bachelor of Arts major in Philosophy at the University of Santo Tomas (UST).

Manuel Tordesillas

Non-Executive Director (2023-2024)

Date of Re-Election	:	21 March 2023
Age	:	71
Board Meeting Attendance	:	7/7 (100%)
Citizenship	:	Filipino

Mr. Manuel N. Tordesillas has over 35 years of experience in international and local investment banking. Over the last 13 years, he has led all of ATR KimEng's engagements in initial public offerings, private equity, debt placements and financial advisory services, including mergers and acquisitions, asset buybacks and corporate restructurings. Under his leadership, ATR KimEng was awarded "Best Domestic Equity House" by Finance Asia in 2008 and 2011, "Best Domestic Equity House" by The Asset in 2009 and "Best Domestic Equity House" by AsiaMoney in 2009. His membership in Professional Societies include: President, Investment House Association of the Philippines (IHAP); Member of the Board of Advisors of De La Salle University College of Business and Economics. His professional record includes: President and Chief Executive Officer, ATR KimEng Financial Corp., Manila, Philippines. (1998 to Present); President and Chief Executive Officer, Peregrine Capital Philippines, Inc. (1995 to 1998); Executive Director – Corporate Finance, Head of Equity Capital Markets, Peregrine Capital Limited, Hong Kong. (1991 to 1995); Executive Director – Cross-Border Corporate Finance, Citicorp International Limited, Hong Kong. (1985-1991); Assistant Vice President, BPI International Finance Ltd., Hong Kong. (1982-1985); Senior Assistant Treasurer, Head of Equities and Bond Origination, Bancom Development Corp., Manila, Philippines. (1976-1980). He completed his Masters of Business Administration, Harvard Business School in 1982) and Bachelor of Science in Industrial Management Engineering (with Honors), De La Salle University in 1975.

Eulogio Mendoza

Non-Executive Director (2023-2024)

Date of Re-Election	:	21 March 2023
Age	:	75
Board Meeting Attendance	:	7/7 (100%)
Citizenship	:	Filipino

Mr. Eulogio A. Mendoza is currently the Chairman and President of the following companies: ATRKE Philippine Balanced Fund, Inc., ATRKE Equity Opportunity Fund, Inc., ATRKE Alpha Opportunity Fund, Inc., ATR KimEng AsiaPlus Recovery Fund, Inc., and ATR KimEng Total Return Bond Fund, Inc. His professional record includes: President of Asianlife and General Assurance Corporation (now Etiqa Life and General Assurance Philippines, Inc.); Incorporator of PhilamCare Health Systems, Inc. (an AIG HMO), and member of the Board of Directors; Incorporator of Philam Plans, Inc. (an AIG Pre-need Company), and member of the Board of Directors; President and CEO of The Pan Philippine Life Insurance Corporation (now Philippine AXA Life); Vice-President of the Philippine American Life Insurance Company, Inc. (an AIG company) and President and CEO of GE Life Insurance Company and then ATR Professional Life Assurance Corporation. He earned the title Fellow, Life Management Institute (FLMI) from the Life Office Management Administration (LOMA) and obtained his Master of Arts in Business Administration from the Ateneo Graduate School of Business and both his Master of Arts in Philosophy cum laude and Bachelor of Science in Philosophy cum laude from the University of Santo Tomas. He was formerly President of Philippine Life Insurance Association (PLIA), an association of all life insurance companies in the Philippines.

Ricardo Nicanor Jacinto

Independent Director (2023-2024)

Date of Re-Election	:	21 March 2023
Age	:	63
Board Meeting Attendance	:	7/7 (100%)
Citizenship	:	Filipino

Mr. Ricardo N. Jacinto is the Vice-Chairman of SBS Philippines Corporation (a publicly-listed corporation) and also acts as a director of its subsidiary, SBS Holdings and Enterprise Corporation. He is likewise an independent director of the Metro Retail Stores Group, Inc. and an executive director of the Torre Lorenzo Development Corporation. His previous directorships were at the Manila Water Corporation and the Socialized Housing Finance Corporation, a government owned and controlled corporation (GOCC).

Apart from his private sector directorships, Ricky also serves as a Trustee of the Institute of Corporate Directors where he is also a highly-rated lecturer and facilitator for the organization's director training seminars and strategic planning workshops that cater to the needs of publicly-listed companies, privately-held family firms and GOCCs. Ricky also serves as the Treasurer and Trustee of the Judicial Reform Initiative, a not-for-profit corporation which advocates reforms in the judiciary with particular emphasis on its impact on business and the economy.

He also recently joined the faculty of the MBA program of the University of the Philippines Virata School of Business in Bonifacio Global City as a lecturer.

His work experience spans over 26 years. From 1997-2011, he worked in various capacities at Ayala Corporation. From 1997-2004, he was seconded to Ayala Land, Inc. as Vice President for the Land and Community Development Group where he was responsible for leading several expansion projects, overseeing the land acquisition and development of various high-end subdivisions such as Nuvali, Westgrove Heights, Paseo de Magallanes, Ayala Southvale and Ayala Heights. Prior to joining Ayala, he worked at Bankers Trust Company (Manila OBU) and AB Capital and Investment Corporation.

Ricky received a degree in Business Economics (magna cum laude) from the University of the Philippines in 1982. In 1986 he obtained his Master's degree in Business Administration from the Harvard Business School. Ricky has continued his professional development by attending executive education courses at Harvard and IESE in Barcelona.

Helen De Guzman

Independent Director (2023-2024)

Date of Re-Election	:	21 March 2023
Age	:	65
Board Meeting Attendance	:	7/7 (100%)
Citizenship	:	Filipino

Ms. Helen T. De Guzman has more than 30 years of experience in managing risk-based internal audit activities and overseeing accounting, tax management and risk management functions. She has held various directorship positions in Miescor Builders, Inc., Customer Frontline Solutions, Inc., and the Philippine Institute of Certified Public Accountants, Institute of Internal Auditors, Philippines, and the Asian Confederation of Institutes of Internal Auditors. Ms. De Guzman is a seasoned chief audit executive and a former external auditor. In addition, she has work experience in senior executive positions in comptrollership, treasury and general management in various companies, which include Metro, Inc., Computer Information System, Inc. and the Manila Electric Company ("Meralco").

Ms. De Guzman is currently an Independent Member of the Audit Committee of the Peace and Equity Foundation Inc., Treasurer of Couples for Christ Global Mission Foundation, Inc., and a teaching Fellow and Chairperson of the Board Diversity and Inclusion Committee of the Institute of Corporate Directors. She is also an independent director of SBS Philippines Corporations and Chairperson of the Audit and Risk Oversight Committee.

From 1986-2018, she worked in various capacities at Meralco in particular in Treasury Operations, Internal Audit and Comptrollership. From 2000-2008 and 2011-2018, she was appointed as Chief Audit Executive (CAE) where she was responsible for the performance of the audit activity in the Meralco group. Prior to joining Meralco, she worked at Metro, Inc. and Carlos J. Valdes & Co. CPAs.

Ms. De Guzman received a degree in Commerce major in Accountancy from the University of Santo Tomas in 1979. In 2001, she obtained her Executive Master's degree in Business Administration from the Asian Institute of Management and in 2017, undertook the certificate program on "Women on Boards: Succeeding as Corporate Director" from the Harvard Business School. Ms. De Guzman is a certified public accountant, certified internal auditor and has global certification on risk management assurance.

The Board Committees

To aid in complying with the principles of good corporate governance, the Board constituted the following Committees:

Audit Committee of the Board (ACB)

The ACB exercises oversight over the company's financial reporting, internal control system, and internal and external audit processes. The ACB is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. All members of the Committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. Membership composition of ACB as of 31 December 2023 is as follows:

Chairperson: Loh Lee Soon (INED)

Members:
- Ricardo Nicanor N. Jacinto (INED)
- Helen T. De Guzman (INED)

ELGAP's Audit Committee held six (6) meetings in 2023. The Chairperson of the Committee and the Committee Members were all present on the dates of board committee meetings.

Directors	02/17/ 2023	03/01&06/ 2023	03/08/ 2023	05/05/ 2023	08/08/ 2023	11/09/ 2023	Total no. of meetings
Loh Lee Soon (Chairperson)	✓	✓	✓	✓	✓	✓	6
Ricardo Nicanor Jacinto	✓	✓	✓	✓	✓	✓	6
Helen T. De Guzman	✓	✓	✓	✓	✓	✓	6
TOTAL	3	3	3	3	3	3	

Corporate Governance Committee (CGC)

The CGC is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. The CGC is likewise tasked to ensure compliance with and proper observance of corporate governance principles and practices.

The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. Membership composition of CGC as of 31 December 2023 is as follows:

Chairperson: Ricardo Nicanor Jacinto (INED)

Members:
- Loh Lee Soon (INED)
- Helen T. De Guzman (INED)

ELGAP's Corporate Governance Committee held four (4) meetings in 2023. The Chairperson of the Committee and the Committee Members were all present on the dates of board committee meetings.

Directors	03/01/ 2023	03/10/ 2023	05/10/ 2023	08/11/ 2023	Total no. of meetings
Ricardo Nicanor Jacinto (Chairperson)	✔	✔	✔	✔	4
Loh Lee Soon	✔	✔	✔	✔	4
Helen T. De Guzman	✔	✔	✔	✔	4
TOTAL	3	3	3	3	

Related Party Transactions Committee (RPTC)

The RPTC is primarily tasked with reviewing all material related party transactions of the company. The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. Membership composition of RPTC as of 31 December 2023 is as follows:

Chairperson: Ricardo Nicanor Jacinto (INED)

Members:
- Loh Lee Soon (INED)
- Helen T. De Guzman (INED)

ELGAP's Related Party Transactions Committee held two (2) meetings in 2023. The Chairperson of the Committee and the Committee Members were all present on the date of board committee meeting.

Directors	08/11/ 2023	11/14/ 2023	Total no. of meetings
Ricardo Nicanor Jacinto (Chairperson)	✔	✔	2
Helen T. De Guzman	✔	✔	2
Loh Lee Soon	✔	✔	2
TOTAL	3	3	

Board Risk and Compliance Oversight Committee (BRCOC)

The BRCOC is primarily responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness, and compliance with applicable laws and regulations.

Enterprise risk management is integral to an effective corporate governance process and the achievement of a company's value creation objectives. Thus, the BRCOC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. Membership composition of BRCOC as of 31 December 2023 is as follows:

Chairperson: Helen T. De Guzman (INED)

Members:
- Loh Lee Soon (INED)
- Ricardo Nicanor Jacinto (INED)

ELGAP's Board Risk and Compliance Oversight Committee held five (5) meetings in 2023. The Chairperson of the Committee and the Committee Members were all present on the dates of board committee meetings.

Directors	02/17/2023	03/01&06/2023	03/08/2023	05/05/2023	08/08/2023	Total no. of meetings
Helen T. De Guzman (Chairperson)	✔	✔	✔	✔	✔	5
Ricardo Nicanor Jacinto	✔	✔	✔	✔	✔	5
Loh Lee Soon	✔	✔	✔	✔	✔	5
TOTAL	3	3	3	3	3	

Corporate Governance

An Overview Statement

In compliance with the Code of Corporate Governance, ELGAP strengthens its culture of integrity, trust, and sustainability through a commitment to ensure transparency and accountability, give the utmost fair benefit to its stakeholders and other related parties, and enhance its competitive advantage.

CORPORATE GOVERNANCE PRACTICES UNDER THE CODE

This Corporate Governance Overview Statement sets out a summary of Etiqa Philippines' corporate governance practices during FY2023. As at 31 December 2023, Etiqa Philippines has applied all recommended practices in the Revised Code of Corporate Governance for Insurance Commission Regulated Companies (IC-Circular Letter No. 2020-71) save for Recommendation 8.4 with regard to disclosure of individual remuneration of directors and executives, and Recommendation 13.4 with regard to alternative dispute mechanism to resolve intra-corporate disputes.

The application of each practice in the Revised Code of Corporate Governance is disclosed in Etiqa Philippines' Annual Corporate Governance Report (ACGR) which is available on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.

BOARD LEADERSHIP AND EFFECTIVENESS

The Role of the Board

The business and affairs of the Company are managed under the direction and oversight of its Board which also has the responsibility to periodically review and approve the overall strategies, business, organization and significant policies of the Company. The Board also sets the Company's core values and adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations. The Board has the responsibility to approve and periodically review the overall business strategies and significant policies of the Company, premised on sustainability and promoting ethical conduct in business dealings, understanding the major risks faced by the Company, setting acceptable levels of risk taking and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks. The Board also approves the organizational structure and ensures that senior management is monitoring the effectiveness of the internal control system. A description of the roles and responsibilities of the Board can be found in our Board Charter which is available on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.aspx.

The Company has a Code of Ethics and Conduct Policy that sets out sound principles and standards of good practice in the insurance industry that will guide all its employees in discharging their duties. Aside from the standards, the Code also includes certain clauses which will continue to apply to the employees even after they have ceased employment with the Company.

The Board also has a formal schedule of matters specifically reserved for its decision, details of which can also be found in our Board Charter which is available on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.aspx.

Board Size, Composition and Diversity

As at 01 January 2023, Etiqa Philippines' Board is composed of seven (7) members, four (4) are independent and non-executive (57.14% of total members), two (2) are non-independent and non-executive (28.57% of total members), and one (1) is non-independent and executive of the Company (14.29% of total members). Each Director holds one common share. The stockholders of the Company then reelected the seven (7) directors as members of Etiqa Philippines Board for 2023-2024 during the Annual Shareholders' Meeting held on 21 March 2023.

The Company's President and Chief Executive Officer (PCEO) is the only ED on the Board, while the two (2) NINEDs, in addition to the President, are nominees of Etiqa International Holdings Sdn Bhd, Maybank Capital Inc., and E-Marc Consultants, Inc. The Board is committed in maintaining diversity and inclusion in its composition and decision-making process. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

As at 31 December 2023, woman director represented 14.29% of members of the Board. There are two foreign nationals on the Board (28.57%), Encik Mohd Din Bin Merican and Mr. Loh Lee Soon, both Malaysians.

Separation of Roles of the Chairman, and the President and Chief Executive Officer (PCEO)

The roles and responsibilities of the Chairman and the PCEO are separated by a clear division of responsibilities which are defined and approved by the Board in line with best practices to ensure the appropriate supervision of management. This distinction allows for better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach, facilitates efficiency and expedites informed decision-making.

Board Effectiveness Evaluation (BEE)

The effectiveness of the Board is vital to the success of the Company. The Board conducts its rigorous evaluation process for FY2023 to assess the performance of the Board, Board Committees and each individual Board member. In compliance with the IC-issued Revised Code of Corporate Governance, the BEE will be conducted by an independent firm of consultants once every three years. The BEE for FY2023 was conducted internally (with the assistance of the local Corporate Secretarial Department) via questionnaires to evaluate the effectiveness of the Board and Board Committees and the performance, personality and quality aspects of individual directors as well as independence of INEDs.

Taking into consideration the M25 Plan of the Maybank Group, the questionnaire was supplemented with assessments on conflict of interest, ESG priority topics and trainings.

The overall results of the BEE conducted for FY2023 were positive with all evaluated areas rated as either "strong" or "satisfactory" reflecting strong performance by the Board and Board Committees.

Directors' Training

The Board acknowledges the importance of continuing education for the Directors to ensure that they are well equipped with the necessary skills and knowledge to perform their duties and meet the challenges facing the Board. During FY2023, all the Board members attended various training programmes and workshops on issues relevant to the Maybank Group, including a tailor-made ESG programme conducted by an international independent academic institution.

As for the BEE for FY2023, the following key training needs of Directors were identified as follows: (i) Global Financial Markets, (ii) Trends & Developments, (iii) Managing External Fund Managers, (iv) Deep-dive on Risk Management Metrics, and (v) ESG Initiatives.

Onboarding Programme

A comprehensive induction programme has been established to ease new Directors into their role and to assist them in their understanding of the Company's business strategy and operations. New Directors are required to attend the onboarding programme as soon as possible once they have been appointed. Typically, the programme includes intensive sessions with the PCEO, wherein new Directors will be briefed and updated on business operations, as well as challenges and issues faced by the Company.

Remuneration of the Board of Directors and Officers

The Maybank Group NRC is authorized by the Maybank Board to develop and implement formal and transparent procedures in developing Maybank and all subsidiaries' remuneration policy for its Directors by ensuring that their compensation is competitive and consistent with industry standards. The Group NRC has established a remuneration framework for the NEDs (NED Remuneration Framework) which is subject to periodic review.

In line with this principle, a Board Remuneration Review (BRR) is conducted annually, and periodically with the assistance of an independent international firm of consultants. Since the Maybank Board had appointed an independent firm of consultants to conduct the BRR, the BRR for FY2023 was conducted internally (with the assistance of the local Corporate Secretarial Department). The main objective of the internal BRR was to verify and refresh the data provided by said consultants and to assess whether the NEDs' remuneration is still competitive.

In accordance to Etiqa Philippines' By-Laws, each Director shall receive a reasonable per diem allowance for his actual attendance at each meeting of the Board of Directors. An additional compensation or allowance shall be given should a director serve as a member of a committee or committees of the Company. In addition to their regular per-diems the transportation and hotel accommodations of non-Filipino Directors are paid or reimbursed by the Company.

Total annual compensation of directors for FY2023 amounted to PhP4,736,773.00.

For ELGAP officers, the Bank has adopted a remuneration system that is at par with the local insurance industry. Basic pay is benchmarked against the market rate and employee benefits are reviewed in terms of its competitiveness in the industry. This approach of "Total Rewards" has evolved to focus on the right compensation and benefits package, partnered with a robust career development and progression opportunities to help employees achieve their personal and professional aspirations, and at the same time, ensuring that the Company is positioned to deliver high performance.

The most highly compensated management officers are the President and CEO, the Executive Vice Presidents and Senior Vice Presidents. The total amount spent last 2023 for ELGAP employees' compensation and benefits is Php203,791,017.00, lower than the 2022 manpower cost of Php223,975,212.00. This amount includes the salaries, bonuses, allowances, retirement provisions, and all other benefits of the officers and staff of Etiqa Philippines.

Dividend Policy

Dividends may be declared from the surplus profits arising from the business of the Company at such time and in such percentage as the Board may deem proper. No dividends may be declared that will impair the Company's capital. Dividends shall be declared in accordance with the law.

Stakeholder Engagements

Annual Stockholders' Meeting

The ASM is a primary platform for two-way interaction between shareholders and the Board with the support of its senior management. The FY2023 Annual Stockholders' Meeting was conducted physically and through videoconferencing on 21 March 2023. The hybrid meeting was conducted in accordance with the provisions of the Revised Corporation Code of the Philippines (R.A. 11232) and SEC Memorandum Circular No. 06, Series of 2020. The meeting was attended by 10 out of 13 shareholders.

During the 2023 ASM, the PCEO gave separate presentations to shareholders on various topics, including the Company's FY2022 financial and business performance. All the questions raised by the shareholders prior to and during the meeting were shared with the shareholders during the vASM.

The Notice of the 2023 ASM was dispatched to shareholders not less than twenty one (21) days before the ASM. At that ASM, voting on each resolution was undertaken through e-polling and the poll results were immediately announced, and have since been made available on Etiqa Philippines' corporate website. The minutes the Minutes of the ASM were published on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.aspx.

Website

Etiqa Philippines' corporate website **www.etiqa.com.ph** provides a brief description of its history, current operations and strategy, as well as an archive of news and historical financial information of the Company.

Our Procurement Process

Our Procurement Process is aligned with that of our parent company, Malayan Banking Berhad (MBB) and embodied in ELGAP's Procurement Manual.

The Procurement Manual is designed to streamline the procurement functions within the company.

Key objectives:

- to provide standard guidelines on good management practices expected in the procurement process and procedures, and
- to procure high quality goods and services as economically as possible and support the organization's need for a diverse and globally competitive supply base.

It governs all our procurement activities vital to our operation and is to be adhered by all business units procuring within ELGAP.

Our Procurement Process involves the following steps:

1. Selection of vendors
2. Establishing payment terms
3. Strategic vetting and selection
4. Negotiation of contracts
5. Actual purchasing
6. Delivery of goods and/or services

Our Management Team

Rico Bautista
President & Chief Executive Officer

Howard Laurente
Head, Finance

Atty. Raul Hebron
Head, Legal & Corporate Secretarial

Glenn Warren Navea
Head, Business Channels

Rogelio Sotelo
Head, Group Insurance

Hazel Francisca Don
Head, Human Capital

Gladys Pascual
Head, Strategy and Transformation

Philippe Guzman
Head, Digital & Transformation Services

Dra. Ma. Luisa Mamaril
Head, Medical Operations

Our Workforce

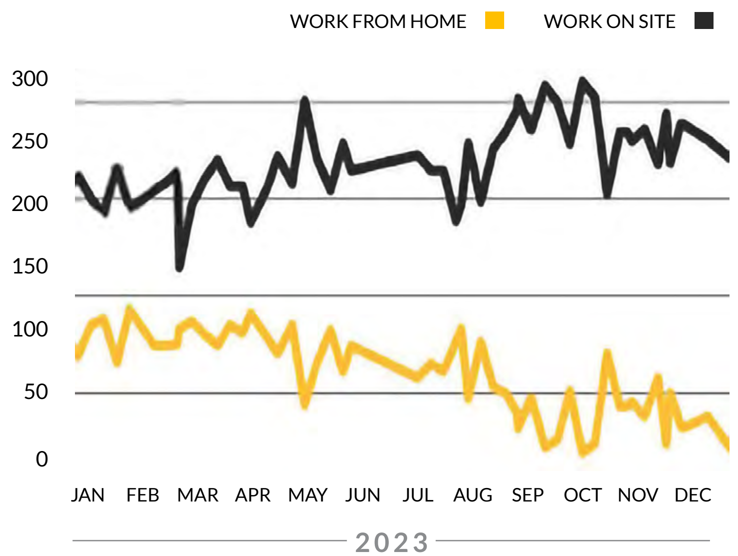
December 2023 Headcount:

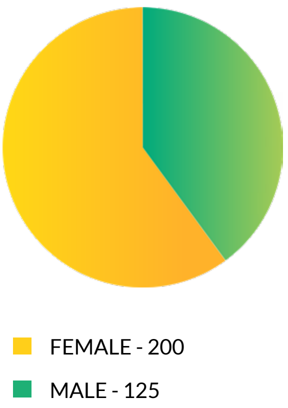
325

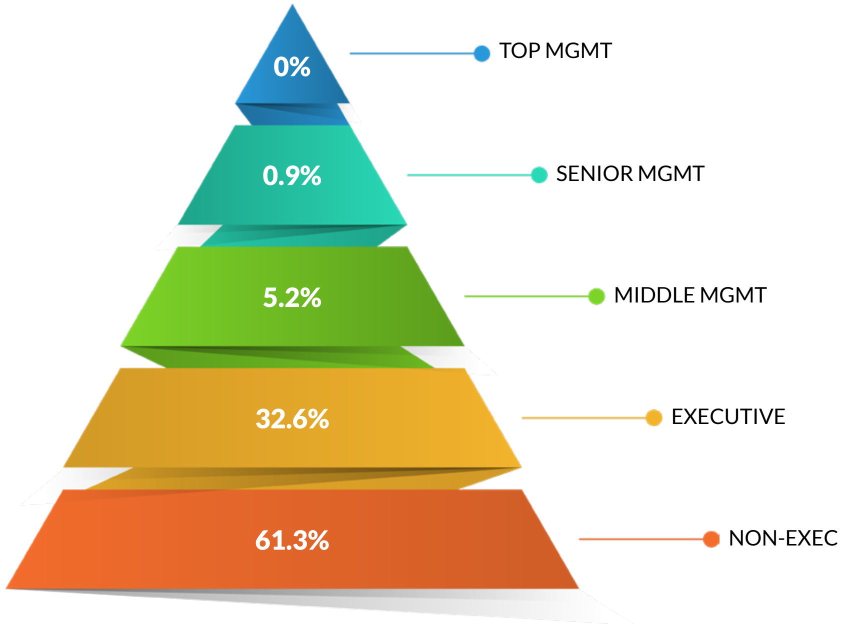
Job Type

Job type distribution within Etiqa Philippines

Front Office	Middle Office	Back Office
15%	40%	45%







Overall Etiqa Philippines

Our Training Programs

The real movers and shakers of Etiqa Philippines are its human resources. Capitalizing on our greatest asset, our people, we invested in various learning programs to ensure that everyone working behind every insurance policy is competent, proactive and performing par excellence.

We apply the 70:20:10 approach that translates into 70% experiential development, 20% network support and 10% formal learning to maximize potential from the leaders down to the employees.

Training at every level is available focusing on technical, personal, managerial and leadership competencies. Certifications and training, workshops and eLearning courses are an integral part of our employee upskilling programs.

We value learning from each other through our coaching, mentoring, senior management engagement, special projects and International Assignment programs. We offer Life Office Management Association (LOMA), Society of Actuaries (SOA), Maybank's Learning Never Stops (LNS) and Harvard Manage Mentor (HMM) and more.

Overall human resources development is actualized through the various learning tools that we offer all year-round.

Our Health & Welfare Policy

We recognize that people are our most valuable asset. Our investment in their health and safety, and overall welfare remains to be at the forefront of our business strategies.

Employee experience and wellness is a vital part of our Human Capital structure that are essential to drive satisfaction and overall well-being giving us better leaders, more effective managers, smarter decisions, and a greater return on investment.

Health and Safety:

- Webinars are offered on topics about mental health and health topics that coincide with the health calendar set forth by the Department of Health.
- Annual Physical Examination
- Flu vaccination are provided for the employees and their dependents (May 30, 2023)
- Standard First Aid and Basic Life Support, CPR with AED Training (June 26 to 29, 2023)
- Basic Occupational Safety and Health (BOSH) Training with the Department of Labor and Employment (July 11 to 12, 2023)

Our Rewards Policy

To drive positive outcomes and deliver business targets, we aligned with Maybank Group's "Reward Right" principles for our Total Rewards framework.

- ### Base Pay + Guaranteed Bonuses

  We give guaranteed bonuses on top of their base pay.

- ### Variable Bonus

  We compensate achievements with a non-fixed monetary reward.

- ### Long Term Incentive Plan

  We honor loyalty through our Employees' Share Grant Program for people who have stayed with us long-term and contributed to the company's growth.

- ### Benefits and Allowances

  We provide our employees with financial protection, Group Life, Group Hospitalization, medical and dental reimbursement, Retirement Benefit, annual leaves, paid-time-off, long term service awards, work life balance, and more.

- ### Development, Mentoring, Cross Postings, Career Opportunities and International Assignments

  We offer opportunities for employees to grow in their careers across our different businesses and geography.

Our Code of Ethics

We ensure our organization operates with the highest standards. The Code of Ethics and Conduct addresses key areas such as conflicts of interest, misuse of position, misuse of information, fair and equitable treatment, relationships with customers, and confidentiality. Employees must act in the company's best interests, avoid conflicts, and maintain transparency in all business dealings. Our policy covers compliance with applicable laws, proper record management, and upholding our company's reputation.

Etiqa Philippines maintains confidentiality, particularly regarding customer information, and prohibits misuse of company resources. It provides clear instructions on handling entertainment, gifts, and external employment. Employees are required to act ethically when representing the company in any public statements or social media usage, and any breaches of this code could result in disciplinary action. Through this, we commit to ethical conduct, responsible decision-making, and fostering a professional environment for all employees.

Our Compliance Policies

Anti-Bribery and Corruption Policy

Etiqa Philippines strongly advocates international trade and investment, and the growth of local and global economies. We have in place a Compliance Department that mitigates the occurrence of reputational and financial risks that may arise from supporting our advocacies.

We are committed to comply with RA 3019 "Anti-Graft and Corrupt Practices Act" in the country and the other anti- bribery and corruption laws in countries where Etiqa is present. It establishes the principles that govern our conduct and strengthens our obligation to act honestly in all business dealings.

Our Compliance Department created a policy that reprehends the giving and receiving of gifts, money or anything of value that might directly or indirectly influence decisions and actions in favor of the giver or receiver whether they are agents, employees or in the management level.

Whistleblowing Policy

Our organization is committed to the highest standard of ethics and integrity in conducting its business and operations. We encourage our people to act honestly and fairly fostering respect and safety.

The policy we have established ensures that a secured avenue for our employees and the public is available for disclosures on any misconduct by our members or representatives. By immediately escalating breaches in conduct we are able to deliver fair and exceptional service to all our stakeholders. We assure that concerns of this nature are handled with utmost respect for privacy, confidentiality and professionalism.

Get in touch with us through the following hotlines:

Whistleblowing

Call: 0915-1634147

Decorum and Investigation of Sexual Harassment

Email: rpbariuan@etiqa.com.ph

Call: 09153784343

Atty. Roselle Perez-Bariuan
Head
Compliance

Our Anti-Money Laundering Policy

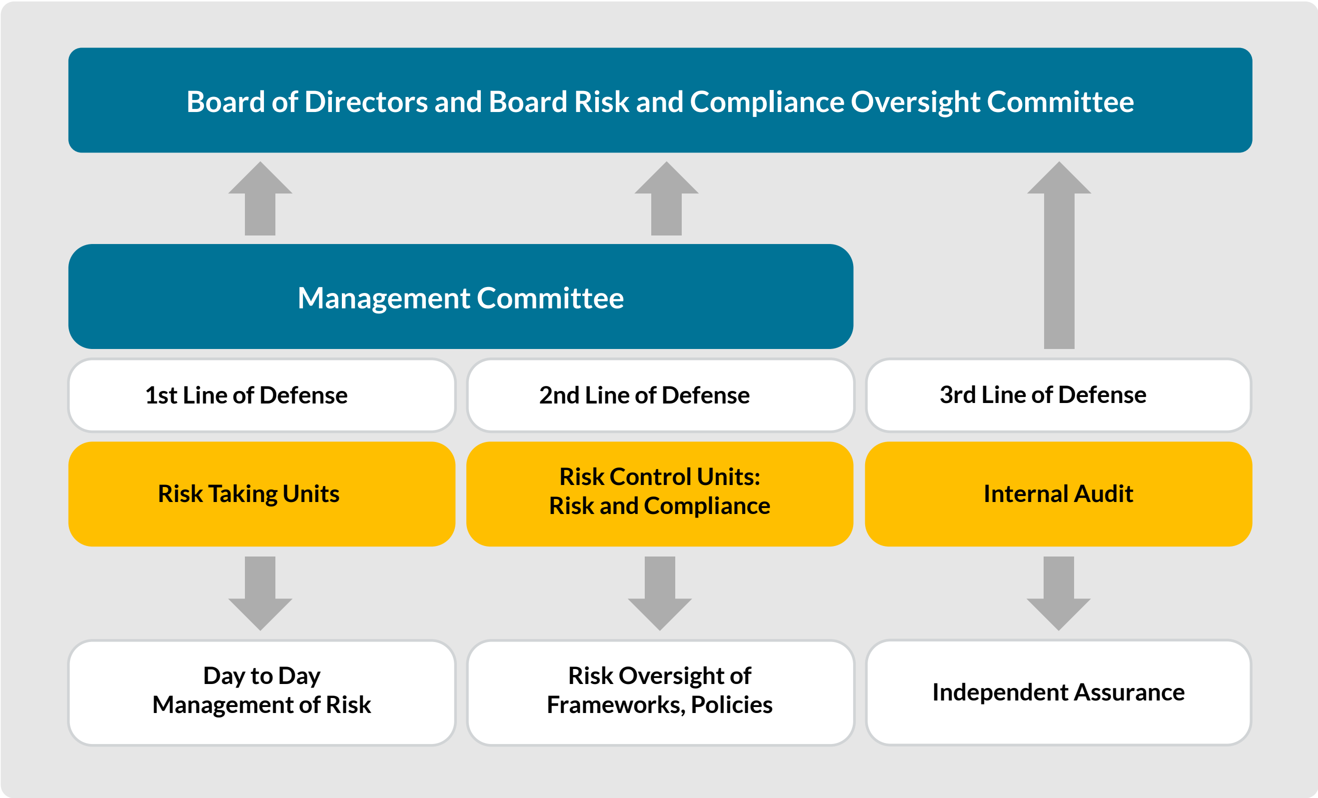
Under the Anti-Money Laundering Act (AMLA) of 2001, we ensure that our operations at Etiqa comply with strict regulations designed to prevent money laundering.

We play a vital role in mitigating risks through internal controls and customer due diligence. Our Compliance Team acts as a line of defense, ensuring that all business activities align with AMLA requirements. When dealing with high-risk clients, we conduct Enhanced Due Diligence (EDD), which involves a deeper investigation and management approval before any transactions proceed. By strictly adhering to these protocols, we protect our company and contribute to broader efforts to prevent financial crimes.

Our Risk Management Framework

Etiqa Life and General Assurance Philippines's (ELGAP) management of risk is an important driver for strategic decisions in support of business strategies, balancing the appropriate level of risk taken to the desired level of reward while maintaining the sound financial position and adequate capital. The Enterprise Risk Management (ERM) Framework is intended to institutionalize vigilance and awareness of the management of risk within ELGAP. Beyond compliance to policies, core values, code of ethics and conduct, we instill in our belief, emotion and behavior that "risk is everyone's business" to strengthen our risk culture.

Our governance model places accountability and ownership based on the ERM Framework.



The Risk Taking Units or the 1st line of defense ensure that the business is operated within the established strategies, risk policies and procedures. To uphold the ERM Framework, the Risk Control Units or the 2nd line of defense provide effective risk oversight and guidance in the day-to-day management of risk. As important as the first two lines of defense, the Internal Audit or the 3rd line of defense provide reasonable assurance via regular and independent assessment and validation of the effectiveness of the ERM Framework.

Identified Key Risks in 2023

1. Being sufficiently operationally and strategically resilient and/or agile to recognize and adapt during a disruption, and to manage and recover from a crisis.
2. To compete through service and product offerings by "activating" health insurance market expertise and leveraging data and digital savviness, as supported by adequate infrastructure.
3. To ensure that operational resources and risk culture strongly aligns with strategy in all levels, including external stakeholders.

Our Risk Control Measures

Enterprise Analytics, Reporting and Governance

Risk Landscape and Appetite are refreshed annually to reflect the company's strategies and business objectives. Data-driven assessments on the enterprise key risk indicators are reviewed on a continuous basis to ensure that it remains relevant and reflects any changes. Monthly data analytics is done to study cause and effect of the various initiatives implemented in the business to support the Risk Taking Units. Analytics is reported to Management Committee for Risk and Compliance (MCRC) and Board Risk and Compliance Oversight Committee (BRCOC).

The MCRC is responsible for the supervision, internal control and monitoring of our risk profile and risk appetite. BRCOC advises on risk topics that include limits, exposures and methodologies. In addition, Management level committees monitor the different risk categories so that preventive actions are executed in a timely manner. Moreover, the MCRC assists the Board of Directors (BOD) who governs the overall risk oversight of the company.

Operational Risk Management

ELGAP ensures continuous efforts to identify root causes of failures in the organization's day to day operations, assessing the risk of loss and taking appropriate actions to minimize impact of such loss. We consistently facilitate and implement ways to make risk management practices easy to understand and apply by business units.

Risk & Control Self-Assessment (RCSA) is implemented to set out an organized process for the identification and assessment of inherent risks and controls effectiveness in the business operations, leveraging on the knowledge, experience and expert opinions of business process/risk owners. The RCSA is reviewed on a continuous basis or whenever there is a change in the internal business environment, external environment and other elements that affect the operational risk exposure of a business.

The Incident Management and Data Collection Procedure (IMDC) is a structured process to collate reports on operational risk episodes from detection to resolution. For learning purposes, the procedures and reporting tools can be accessed anytime. This process has set turnaround times for reporting and resolution that highly improves effectiveness in control mitigations to minimize future operational losses.

Training Pro-activeness and Risk Awareness

We facilitate webinars and regular meetings to strengthen the risk culture of the company. These include Risk Awareness on modern risks namely Digitalization, Cyber Security, ESG, Third Party and Outsourcing. Also, trainings are organized to discuss about the Company's ERM Framework, existing policies on Enterprise Risk, BCP, Data Classification and Ethics and Anti-Fraud and Market Conduct.

Business Continuity Management

A Business Continuity Plan (BCP) test is regularly conducted on schedule to guarantee that our systems are able to respond and recover from a crisis. The Business Continuity Management (BCM) policy outlines empowering continuous improvement of business continuity activities to achieve agile business disruption identification and recovery.

Zero tolerance to Data Breaches and Cyber Attempts

As part of our enterprise-wide cyber security testing and backend controls, our employees undergo regular training on correct cyber and digital practices. Our cyber risk management is owned by all functional units across the organization. We have successfully rolled out a new Virtual Private Network (VPN) solution to increase the posture and maturity level of our cyber defense capabilities.

Soleil Baria
Head, Risk

Our Internal Controls Management

The Company has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and that the Company's objectives are attained. The Board recognizes its responsibility to present a fair, balanced, and understandable assessment of the Company's position and prospects. It is accountable for reviewing and approving the effectiveness of internal controls operated by the Company, including financial, operational, and compliance controls and risk management. The Board recognizes its responsibility with respect to the Company's risk management process and system of internal control and oversees the activities of the Company's external auditors and the Company's risk management function, which have been delegated to the Audit Committee of the Board (ACB), and Board Risk and Compliance Oversight Committee (BRCOC).

Jelly Riza Ala
Head
Internal Audit

Our Commitment to Sustainability

At Etiqa Philippines, sustainability is embedded in everything we do. As part of our commitment to minimizing our environmental impact, we have introduced several initiatives promoting eco-friendly practices. Aligned with the Maybank Group Sustainability Framework principles, we are focused on integrating responsible business practices that benefit both the environment and the communities we serve. Here are some of our key sustainability efforts.

Digital Touchpoints for Medical Providers and Clients

Our digital touchpoints for doctors, hospitals, clinics, and clients simplify processes such as claims filing, billing, and payments. These innovations eliminate paper forms, reducing our environmental footprint while enhancing efficiency and accuracy for our medical partners and clients.

Online Payments for Suppliers and Accredited Providers

We've introduced online payment systems for suppliers and accredited providers, reducing the use of physical checks. This shift helps decrease paper consumption while making our transactions faster, more secure, and environmentally friendly.

Acceptance of Soft Copies for Employee Reimbursements and Cash Advances

Internally, we have adopted a paperless approach to reimbursements and cash advances by accepting soft copies of receipts. This policy reduces paper waste and makes our processes more efficient and sustainable.

Partnering with Green Antz to Recycle Plastics

As part of our waste management strategy, we have partnered with Green Antz, an organization that transforms plastic waste into eco-bricks for sustainable construction. By donating our plastic waste, we help reduce the amount of plastic in landfills and support the development of eco-friendly infrastructure.

Launching E-Channel Products Annually to Reduce Paper Usage

We introduce new e-channel products each year to help reduce our reliance on paper. These digital solutions allow customers to manage their insurance needs online, cutting down on paper waste, energy consumption, and carbon emissions while providing a smoother and more convenient experience.

E-Policy Issuance with a Php 500 Reduction for Auto Insurance

To encourage customers to choose paperless options, we offer e-policy issuance for auto insurance with a Php 500 reduction on premiums. This initiative reduces the need for printing and mailing, contributing to a more sustainable way of doing business.

Our Financial Highlights

Line of Business	2017	2018	2019	2020	2021	2022	2023
Variable Life	60.37	111.06	1,210.94	1,103.01	1,153.65	694.94	529.60
Ordinary & Group Life	219.90	323.10	339.64	353.47	443.33	586.71	1,587.62
Health & Accident	2,433.13	2,600.92	3,147.19	3,188.66	3,483.77	4,129.93	5,647.84
Non-Life	11.85	56.57	77.24	143.41	184.40	242.99	376.83
TOTAL PREMIUM INCOME*	**2,725.25**	**3,091.66**	**4,775.01**	**4,788.55**	**5,265.15**	**5,654.57**	**8,141.89**

**Direct, excluding reinsurance. Based on Annual Statements submitted to the Insurance Commission*

	2018	2019	2020	2021	2022	2023
Risk Based Capital 2 (Capital Adequacy Ratio) - Composite	636%	505%	476%	353%	213%	228%
Life	429%	353%	344%	281%	173%	154%
Non-Life	1816%	1689%	886%	594%	616%	646%

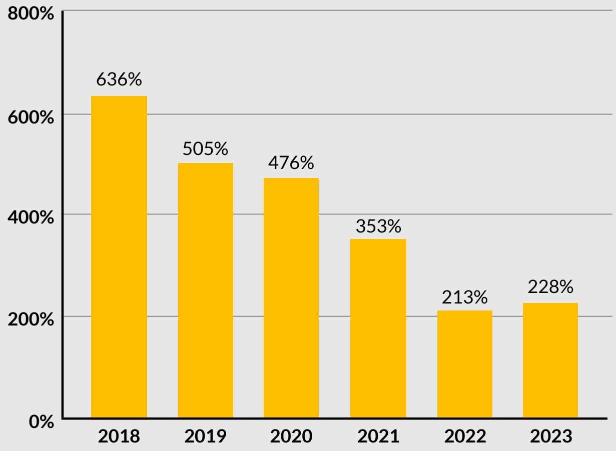
	2017	2018	2019	2020	2021	2022	2023
Total Assets	**2,778.64**	**3,477.70**	**5,295.40**	**7,428.07**	**8,779.43**	**9,834.54**	**10,664.02**

	2017	2018	2019	2020	2021	2022	2023
Total Equity	**1,499.61**	**1,677.78**	**1,938.22**	**2,359.87**	**2,560.32**	**2,716.72**	**2,537.60**

	2017	2018	2019	2020	2021	2022	2023
Net Income	**175.63**	**225.26**	**217.06**	**425.13**	**218.17**	**193.11**	**-222.97**

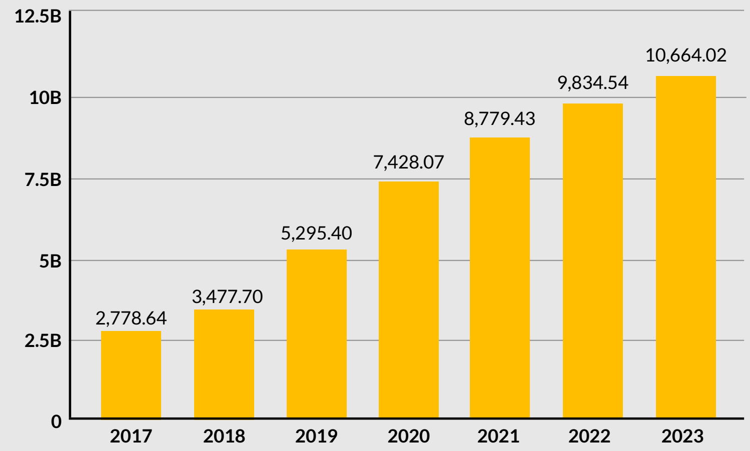
***Based on audited financial statements*

Capital Adequacy Ratio

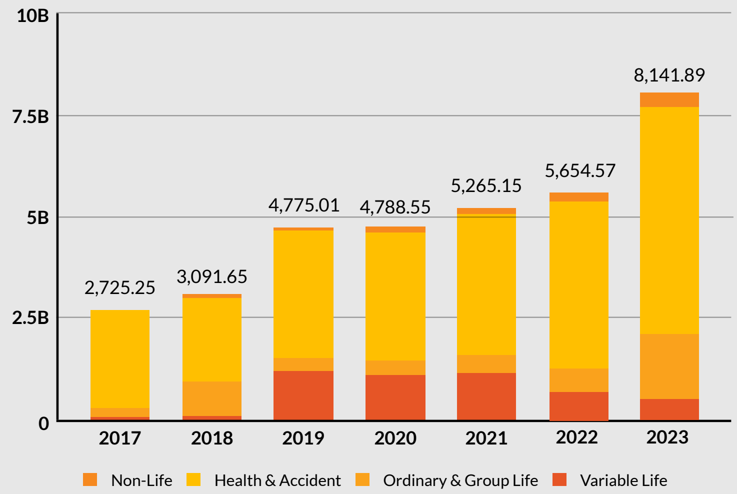


The declining Capital Adequacy Ratio is due to an increase in Risk-Based Capital (RBC) requirements, mainly driven by higher insurance Liability Risk from the growing retail insurance business of Etiqa Philippines.

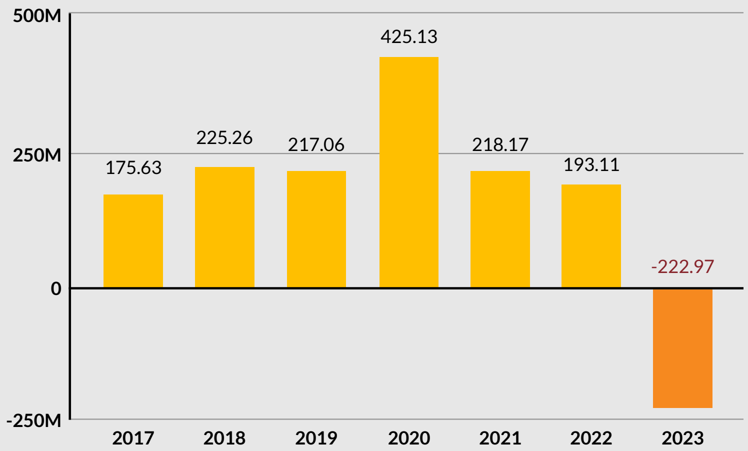
Total Assets (PhP Million)



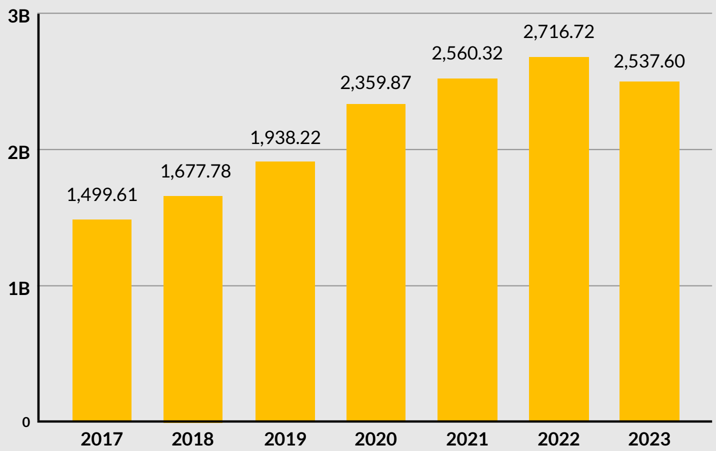
Premium Income (PhP Million)



Net Income (PhP Million)



Total Net Worth (PhP Million)



Etiqa Philippines:

Etiqa Philippines, as approved by its shareholders and management, engaged the services of SGV & Co., a member of Ernst and Young International, as its External Auditor for the audit year 2023. For the past few years and for the year 2023, the Company has not received a qualified, adverse or disclaimer of opinion in the audit of SGV & Co. Php 2.37 million in audit fees were paid in 2023, exclusive of out-of-pocket expenses and 12% value added tax. There were no payments made in 2023 for non-audit activities.

2023
Audited Financial Statements

The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: May 03, 2024 06:47:15 PM

Company Information

SEC Registration No.: CS201015592
Company Name: ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC. DOING BUSINESS UNDER THE NAMES AND STYLES OF ETIQA PHILIPPINES, ETIQA PHILS., ETIQA, ELGAPI, AND ELGAP
Industry Classification: K74990
Company Type: Stock Corporation

Document Information

Document ID: OST10503202482333854
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

Etiqa Life and General Assurance Philippines, Inc.

Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

Building a better
working world

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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Etiqa Life and General Assurance Philippines, Inc.

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Etiqa Life and General Assurance Philippines, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño
Partner
CPA Certificate No. 114462
Tax Identification No. 225-158-629
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079897, January 5, 2024, Makati City

March 21, 2024

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Cash and cash equivalents (Notes 6 and 28)	**₱495,876,999**	₱674,919,452
Insurance receivables (Note 7)	**2,132,745,171**	1,779,761,699
Reinsurance assets (Note 7)	**193,061,546**	142,074,288
Financial assets (Notes 8 and 28)		
At fair value through profit or loss (FVTPL)	**234,933,731**	425,826,589
At fair value through other comprehensive income (FVOCI)	**2,217,235,066**	2,185,900,349
Loans and receivables - net (Notes 8 and 28)	**976,732,189**	688,374,329
Accrued interest receivable (Notes 6 and 8)	**33,812,715**	22,848,621
Due from related parties (Note 27)	**847,294**	701,607
Segregated fund assets (Note 14)	**3,209,888,755**	2,985,781,057
Right-of-use assets - net (Note 10)	**3,077,168**	6,086,693
Property and equipment - net (Note 9)	**33,391,709**	26,768,608
Intangible assets - net (Note 9)	**460,511,534**	441,198,508
Deferred acquisition costs (Note 11)	**228,233,908**	232,622,612
Deferred tax assets - net (Note 26)	**223,956,812**	60,304,156
Pension asset - net (Note 24)	–	11,675,366
Other assets (Notes 12 and 28)	**219,711,262**	149,699,631
	₱10,664,015,859	₱9,834,543,565
LIABILITIES AND EQUITY		
Liabilities		
Segregated fund liabilities (Note 14)	**₱3,209,888,755**	₱2,985,781,057
Insurance contract liabilities (Note 13)	**3,286,585,920**	2,643,864,274
Accounts payable and other liabilities (Notes 15 and 27)	**1,124,231,084**	1,051,734,581
Insurance payables (Note 16)	**481,953,124**	418,253,376
Lease liabilities (Note 10)	**3,290,464**	6,421,725
Due to related parties (Note 27)	**1,363,888**	11,768,854
Pension liability - net (Note 24)	**19,102,271**	–
Total Liabilities	**₱8,126,415,506**	₱7,117,823,867
Equity		
Capital Stock - Issued and outstanding (Note 17)		
Common stock	**1,161,720,830**	1,161,720,830
Preferred stock	**5,005,960**	5,005,960
Contributed surplus (Note 17)	**39,784,362**	39,784,362
Other comprehensive income (loss)		
Unrealized losses on financial assets at FVOCI (Note 8)	**(14,643,629)**	(73,275,078)
Actuarial gains (losses) on net pension liability (Note 24)	**(13,984,603)**	3,673,993
Remeasurement of legal policy reserves (Note 13)	**9,080,158**	5,898,717
Retained earnings	**1,350,637,275**	1,573,910,914
Total Equity	**2,537,600,353**	2,716,719,698
	₱10,664,015,859	₱9,834,543,565

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
INCOME		
Gross earned premiums on insurance contracts	**₱6,874,167,228**	₱5,134,549,997
Reinsurers' share of gross earned premiums on insurance contracts	**(269,809,063)**	(249,162,923)
Net insurance premiums (Note 18)	**6,604,358,165**	4,885,387,074
Service and network fees (Note 19)	**235,149,688**	102,832,215
Interest income (Note 19)	**155,141,693**	116,769,904
Third party administration fees (Note 19)	**34,848,293**	28,855,496
Fair value gains (losses) on financial assets at FVTPL - net (Note 8)	**1,034,236**	(22,535,429)
Loss on sale of financial assets at FVOCI (Note 8)	**(19,746,177)**	(15,862,330)
Others (Note 19)	**59,582,768**	48,629,818
	466,010,501	258,689,674
	7,070,368,666	5,144,076,748
EXPENSES		
Underwriting Expenses - Net		
Net benefits and claims incurred on insurance contracts (Note 20)	**5,213,945,732**	2,876,990,133
Expenses for the acquisition of insurance contracts (Note 21)	**977,483,088**	758,411,018
Transfer to segregated funds (Note 14)	**457,440,121**	664,331,396
Net change in legal policy reserves (Note 13)	**208,067,149**	29,508,893
	6,856,936,090	4,329,241,440
Other Expenses		
General and administrative expenses (Note 22)	**525,488,155**	542,099,985
Interest expense (Notes 10 and 13)	**1,303,022**	1,749,344
	526,791,177	543,849,329
	7,383,727,267	4,873,090,769
INCOME (LOSS) BEFORE INCOME TAX	**(313,358,601)**	270,985,979
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)	**(90,385,320)**	77,877,490
NET INCOME (LOSS)	**(222,973,281)**	193,108,489
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of debt financial assets at FVOCI during the year (Note 8)	**58,631,449**	(59,583,638)
Other comprehensive gain not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain (loss) on pension liability - net of tax effect (Note 24)	**(17,658,596)**	8,731,927
Remeasurement gain on life insurance reserves (Note 13)	**3,181,441**	14,445,933
	44,154,294	(36,405,778)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱178,818,987)**	₱156,702,711

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock - Issued and Outstanding (Note 17)			Other Comprehensive Income (Loss)				
	Common Stock	**Preferred Stock**	**Contributed Surplus** (Note 17)	**Unrealized Gains (Losses) on Financial Assets at FVOCI** (Note 8)	**Actuarial Gains (Losses) on Pension Liability** (Note 24)	**Remeasurement loss on legal policy reserves** (Note 13)	**Retained Earnings** (Note 17)	**Total**
As at January 1, 2023	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**(₱73,275,078)**	**₱3,673,993**	**₱5,898,717**	**₱1,573,910,914**	**₱2,716,719,698**
Net loss	–	–	–	–	–	–	**(222,973,281)**	**(222,973,281)**
Other comprehensive income (loss)	–	–	–	**58,631,449**	**(17,658,596)**	**3,181,441**	–	**44,154,294**
Total comprehensive income (loss)	–	–	–	**58,631,449**	**(17,658,596)**	**3,181,441**	**(222,973,281)**	**(178,818,987)**
Cumulative preferred stock dividends	–	–	–	–	–	–	**(300,358)**	**(300,358)**
As at December 31, 2023	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**(₱14,643,629)**	**(₱13,984,603)**	**₱9,080,158**	**₱1,350,637,275**	**₱2,537,600,353**
As at January 1, 2022	₱1,161,720,830	₱5,005,960	₱39,784,362	(₱13,691,440)	(₱5,057,934)	(₱8,547,216)	₱1,381,102,783	₱2,560,317,345
Net income	–	–	–	–	–	–	193,108,489	193,108,489
Other comprehensive income (loss)	–	–	–	(59,583,638)	8,731,927	14,445,933	–	(36,405,778)
Total comprehensive income (loss)	–	–	–	(59,583,638)	8,731,927	14,445,933	193,108,489	156,702,711
Cumulative preferred stock dividends	–	–	–	–	–	–	(300,358)	(300,358)
As at December 31, 2022	₱1,161,720,830	₱5,005,960	₱39,784,362	(₱73,275,078)	₱3,673,993	₱5,898,717	₱1,573,910,914	₱2,716,719,698

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱313,358,601)**	₱270,985,979
Adjustments for:		
Decrease in provision for IBNR (Note 13)	**358,188,750**	(205,291,867)
Interest income (Note 19)	**(155,141,693)**	(116,769,904)
Depreciation and amortization (Notes 9, 10 and 25)	**24,889,096**	66,624,471
Loss on sale of financial assets at FVOCI (Note 8)	**(19,746,177)**	15,862,330
Pension expense (Notes 23 and 24)	**7,232,843**	8,209,978
Net change in legal policy reserves (Note 13)	**208,067,149**	29,508,893
Interest expense (Notes 10 and 13)	**1,303,021**	1,749,344
Recovery from impairment of financial assets at FVOCI (Note 8)	**267,572**	(1,116,094)
Operating income before working capital changes	**111,701,960**	69,763,130
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**(352,983,472)**	(907,359,859)
Reinsurance assets	**(50,987,258)**	20,739,122
Financial assets at FVTPL	**190,892,858**	5,773,536
Loans and receivables	**(182,911,599)**	(130,467,966)
Due from related parties	**(145,687)**	(701,607)
Deferred acquisition costs	**4,388,704**	(72,558,021)
Other assets	**(70,011,631)**	(37,338,434)
Increase (decrease) in:		
Insurance contract liabilities	**79,647,188**	610,673,330
Insurance payables	**63,699,748**	92,410,913
Accounts payable and other liabilities	**72,196,144**	283,945,915
Due to related parties	**(10,404,966)**	(705,132)
Net cash generated from (used in) operations	**(144,918,011)**	(65,825,073)
Income taxes paid	**(68,003,702)**	(65,936,968)
Interest paid	**(1,177,561)**	(1,098,549)
Net cash used in operating activities	**(214,099,274)**	(132,860,590)

(Forward)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**₱145,989,405**	₱107,681,478
Proceeds from:		
Disposal and maturities of financial assets at FVOCI (Note 8)	**2,153,521,600**	3,637,068,118
Collections of salary loans (Note 8)	**93,765,066**	216,766,608
Acquisitions of:		
Financial assets at FVOCI (Note 8)	**(2,107,935,504)**	(4,350,460,194)
Salary loans (Note 8)	**(199,211,327)**	(154,434,852)
Property and equipment (Note 9)	**(22,272,330)**	(9,149,723)
Intangible assets (Note 9)	**(25,543,368)**	(182,263)
Net cash used in investing activities	**38,313,542**	(552,710,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities (Note 10)	**(3,256,721)**	(20,318,198)
Cash used in financing activities	**(3,256,721)**	(20,318,198)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(179,042,453)**	(705,889,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**674,919,452**	1,380,809,068
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱495,876,999**	₱674,919,452

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

Etiqa Life and General Assurance Philippines, Inc. (ELGAP or the "Company") was incorporated on October 4, 2010 as AsianLife and General Insurance Corporation (ALGA), the successor-in-interest of a corporate entity which also bears the same name (the "Old ALGA" - with Securities Exchange Commission No. 14341), the corporate term of which expired on August 22, 2008.

In 2019, the Company underwent a rebranding campaign and changed its corporate name from AsianLife and General Assurance Corporation to Etiqa Life and General Assurance Philippines, Inc., in a drive to establish a more unified visual identity for the Etiqa Group in Southeast Asia and to strengthen the "Etiqa" brand and its ability to gain greater recognition regionally. The change in corporate name was approved by the Board of Directors (BOD) on June 17, 2019 and by the Securities and Exchange Commission (SEC) on June 19, 2019.

The Company's primary purpose is to carry on the business of insurance upon lives of individuals and the business of non-life insurance; to grant contract of insurance and reinsurance providing for all risks, hazards, guarantees and contingencies to which life, accidents or health insurance is applicable and to grant or effect assurance of all kinds of payment of money by way of single payment or by several payments, or by any person of immediate or referred annuities upon the death of or upon reaching a given age by any person or persons subject or not such death or age requirement or happening of any contingency or event dependent upon human life or upon a fixed or given date.

The Company's parent company is Etiqa International Holdings Sdn. Bhd (EIHSB or the Parent Company) domiciled in Malaysia while the Company's ultimate Parent Company is Malayan Banking Berhad of Malaysia (the Ultimate Parent Company).

As of December 31, 2023 and 2022, EIHSB owns 68.31% of the total outstanding and issued shares of ELGAP, Maybank Capital, Inc. owns 28.36%, and the remaining 3.33% is owned by E-MARC Consultants, Inc.

The Company's registered office address, which is also its principal place of business, is 3rd Floor, Morning Star Center, Sen. Gil J. Puyat Avenue, Makati City.

2. Basis of Preparation

The financial statements of the Company 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) and segregated fund assets which are carried at fair value.

The financial statements are presented in Philippine Peso (₱) which is the Company's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance
The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities 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

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company 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*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

  The Company does not intend to early adopt PFRS 17. To date, the Company is assessing the impact of the new standard and is enhancing its processes and systems to address the requirements of PFRS 17.

- Amendments to PAS 21, *Lack of exchangeability*

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*

4. Summary of Material Accounting Policy Information

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all direct business arrangements and as an agent in all its ceded-out businesses. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Fees from variable insurance

Fees from variable insurance are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation of issuance of the policy (policy fees), and administration of the policyholder's fund (administrative fees). Surrender fees are also charged to policyholders who wish to terminate their policy earlier than the holding period.

Service and network fees

Service and network fees are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation for the issuance of health cards to give network access to the policyholders.

Third party administration fee

Revenue is recognized when earned, which is upon the performance of the obligation for administration (based on the terms of the contract) of policyholder's medical and health expenses. This is satisfied upon actual processing of the client's utilization.

Revenue outside the scope of PFRS 15

Premiums revenue - life

Premiums arising from life insurance contracts are generally recognized as income when received and on the issue date which coincides with the effective date of the insurance policies for the first-year premiums. Premiums from short-duration insurance contracts, such as from group health and group life are recognized as revenue over the period of the contracts using the 365th method.

For the renewal business, premiums are recognized as income when still in-force and in the process of collection. Renewal premiums from life insurance contracts are recognized as revenue by the Company and payable by the policyholder. Receivables are recorded at the date when payments are due. Premiums are shown before deduction of commissions and reinsurers' share on gross premiums.

The Company cedes insurance risk in the normal course of business as part of its risk management policy. Ceded premiums are presented in “Reinsurers’ share of gross earned premiums on insurance contracts” portion of the statement of comprehensive income.

Premiums revenue - nonlife
Gross insurance written premiums from non-life insurance comprise the total premiums receivable for the whole covered period provided by contracts entered into during the accounting period and are recognized on the date which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method.

The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period is accounted for as Provision for unearned premiums as part of “Insurance Contract Liabilities” in the statement of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

The Company assumes and cedes insurance risk in the normal course of business. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered as direct business, taking into account the product classification of the reinsured business. Ceded premiums are presented in “Reinsurers’ share of gross earned premiums on insurance contracts” portion of the statement of comprehensive income.

Interest income
For all interest-bearing financial assets measured at amortized cost, interest income is recognized using the effective interest method. The effective interest rate (EIR) exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. The change in carrying amount is recorded as interest income for the period.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

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

Other income
Income from other sources is recognized when earned.

Benefits, Claims and Expenses Recognition
Benefits and claims - Life
Benefits and claims consist of benefits and claims paid to policyholders as well as changes in the valuation of insurance contract liabilities and reserve for policyholders' dividends. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a liability is recognized for the estimated cost of all claims made but not settled as of reporting date less reinsurance recoveries. Provision is also made for the cost of claims incurred as of reporting date but not reported (IBNR) until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss in the

statement of comprehensive income of subsequent years. Unpaid benefits to life policies form part of policy and contract claims payable included in "Insurance Contract Liabilities" in the statement of financial position.

Benefits and claims - Non-life
Benefits and claims for non-life include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Direct costs and expenses - Life and Non-life
Commissions and other expenses for the acquisition of insurance contracts are expensed as incurred. The portion of acquisition costs for group life, group health and non-life businesses incurred during the financial period but relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins.

Deferred acquisition costs (DAC)
Commissions and other acquisition costs incurred during the financial period, pertaining to the group health and life, as well as for non-life businesses, that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 365th or 24th method over the life of the contract. Amortization is charged against profit or loss. The unamortized acquisition costs are shown as 'Deferred acquisition costs' in the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss.

General and administrative expenses
General and administrative expenses constitute costs of administering the business. These are recognized when incurred.

Interest expense
Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized in profit or loss in the statement of comprehensive income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

<u>Insurance Receivables</u>
Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums due and uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss in the statements of comprehensive income.

Insurance receivables are derecognized following the derecognition criteria for financial instruments.

Classification and Measurement of Financial Instruments

Financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing financial assets. The Company classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at amortized cost. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Classification and measurement

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this 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).

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The expected frequency, value and timing of sales are also important aspects of the Company'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 Company's original expectations, the Company 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 Company's measurement categories are described below:

Financial assets at FVOCI

The Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets included within the FVOCI category are initially recognized and subsequently measured at fair value. Movements in the carrying amount should be recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. Where the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Company's debt instruments at FVOCI are composed of investments in government and corporate debt securities. It includes both those directly held by the Company and those under investment management agreement (IMA) with ATRAM Trust Corporation.

Financial assets at amortized cost
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes Salary loans, Mortgage loans, Accounts receivable, Policy loans, Due from policyholders, Receivable from third party administration, Receivable from unit-linked funds, and Other receivables.

Financial assets at FVTPL
Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes government and corporate debt securities, listed equity securities and proprietary shares, as well as investments in Mutual Funds and Unit Investment Trust Funds (UITFs) both held by the Company and those under its 02-IM-01 account (IMA account) managed by ATRAM Trust Corporation and BPI AMTC.

<u>Other Financial Liabilities</u>
Issued financial instruments or their components, which are not classified as FVTPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of interest expense for the period. This category includes the Company's accounts payable and other liabilities (except government and statutory liabilities), due to related parties, life insurance deposit, premium deposit fund, and "claims payable and policyholders' dividends" (included under "Insurance Contract Liabilities" account in the statements of financial position).

Reclassifications
The Company 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 Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met;
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria

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; thus, the related assets and liabilities are presented on a gross basis in the statements of financial position.

Impairment of Financial Instruments
Expected credit loss (ECL) represents 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.

The Company records ECL for all loans and receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts using general approach.

The ECL allowance is based on the credit losses expected to arise on 12-month duration if there was no significant increase in the credit risk (SICR) of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For insurance receivables (excluding reinsurance assets), the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposures, irrespective of the timing of the default (a lifetime ECL).

Definition of "default"
The Company defines a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted.

SICR
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if based on the Company's aging information, the customer becomes past due over 30 days. In subsequent periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

For debt securities, the Company uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk.

ECL parameters and methodologies
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 is an estimate of the likelihood of default over a 12-month horizon for Stage I or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented 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 and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as unemployment rate, interest payment growth and interest rates. A regression analysis is also performed to determine which of the variables best reflect the behavior of the Company's loan portfolio. However, the inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-off
The Company writes-off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the 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 Company has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial liability
A financial liability is derecognized when the obligation under the liability is 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 liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognized in profit or loss.

Fair Value Measurement
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 Company.

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 Company 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
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 financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company 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.

Reinsurance
Contracts entered into by the Company with reinsurers which compensate the Company for losses on one or more contracts insured by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Income from reinsurance contracts are classified within “Gross premiums on insurance contracts” in the statements of comprehensive income. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable by the Company under its reinsurance contracts are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified as “Financial assets at amortized cost”. Due to reinsurers for reinsurance contracts are recognized as an expense upon recognition of premiums on the related insurance contract, classified as “Insurance payables”. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for financial assets.

Related Party Transactions

Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely legal form.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment loss. The initial cost of property and equipment comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the related lease, whichever is shorter. The EUL of the different categories of property and equipment are as follows:

	Years
Office furniture, fixtures and equipment	3 - 5
Leasehold improvements	5
Transportation equipment	5

Subsequent costs are included in the asset's carrying amount or are recognized as asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to current operations when incurred.

The asset's residual values, useful lives, and depreciation and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the period when the asset is derecognized.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and any impairment loss. The initial cost of intangible assets comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

Amortization is computed using the straight-line method over the estimated useful life (EUL) of the assets. The EUL of the different categories of intangible assets are as follows:

	Years
Software	10
Exclusive access fee	15

In 2023, the Company changed the amortization methodology of exclusive access fee, from the straight line method to activity-based, using the new business annualized premium equivalent (NBAPE) as amortization factor.

Subsequent costs are included in the asset's carrying amount or are recognized as asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably.

The asset's residual values, useful lives, and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset. An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Leases

Right-of-use assets (ROU)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The recognized ROU assets are depreciated on a straight-line basis over the lease term of the related contract.

Lease liabilities

At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if 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 re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 to leases of office equipment that are considered of low value (i.e., below ₱0.3 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Impairment of Non-financial Assets
The Company assesses whether there is any indication that its nonfinancial assets such as its ROU asset, property and equipment and intangible assets may be impaired. When an indicator of impairment exists (or when an annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired asset. The recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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 assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, consistent within the function of impaired assets.

For non-financial assets, an assessment is made at every 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. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities - Life
Legal policy reserves represent the accumulated total liability for policies in-force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all insurance policies in-force as of reporting date.

For life insurance, the reserves are calculated using actuarial methods and assumptions as approved by the IC. As of December 31, 2021, the insurance contract liabilities for traditional life policies are measured using Gross Premium Valuation (GPV) method, and variable life policies are measured using unearned cost of insurance and present value of loyalty bonus methods.

For group life and group health insurance, unearned premium reserves are calculated using the 365^{th} method.

A number of life insurance contracts issued by the Company include discretionary participation feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are under the discretion of the Company. The Company's policy dividends are computed using actuarial methods and assumptions, and are included under "Net benefits and claims incurred on insurance contracts" account in the statements of comprehensive income with the corresponding liability recognized under the "Insurance contract liabilities" account in the statements of financial position.

Provision is also made for the cost of claims incurred but not reported (IBNR) as of the reporting date based on the Company's experience. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of comprehensive income in later years. Policy and contract claims payable forms part of the insurance contract liability section of the statement of financial position.

Insurance Contract Liabilities - Non-Life

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provisions for claims reported, provision for claims Incurred But Not Reported (IBNR) losses, claims handling expense (CHE) and Margin for Adverse Deviation (MfAD)

Provisions for claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of each reporting date. The liability is not discounted for the time value of money.

Provision for claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by using standard actuarial projection techniques (or combination of such techniques), including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Fergusion method. The method used is determined by its appropriateness by considering the characteristics of the Company's claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

The Company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for claims handling expense (CHE) is also calculated to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19. Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

Premium liabilities
Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from policy contracts with a term of exactly one year are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premiums and presented as part of "Insurance contract liabilities" in statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further, provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk
Provision for unexpired risk (URR) is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses for all classes of business, with MfAD.

Unit Linked Insurance Contracts
The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, unit-linked contracts link payments to insurance investment funds set-up by the Company with the consideration received from the policyholders. As allowed by PFRS 4, *Insurance Contracts*, the Company chose not to unbundle the investment portion of its unit-linked products. Premiums received from the issuance of unit-linked insurance contracts pertaining to the insurance portion are recognized as premium revenue.

The Company withdraws from the consideration received from the policyholders administrative and cost of insurance charges in accordance with the provisions of the unit-linked insurance contracts.

After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies and can be withdrawn anytime.

The investment returns on the insurance investment funds belong to policyholders and the Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders are reflected directly in the "Segregated fund assets" and "Segregated fund liabilities" accounts in the statements of financial position. Such changes have no effect on the Company's results of operations.

The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to its total number of outstanding units multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by its total number of outstanding units.

Product Classification
The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Company may also transfer insurance risk on insurance contracts through its reinsurance arrangements to hedge a greater possibility

of claims occurring than expected. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

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

Insurance contracts may contain a premium and capital fund rider that entitles the policyholder to receive additional benefits based on the Company's investment performance. These contracts are recorded as financial liabilities under “Premium deposit fund” account in the statements of financial position. Local statutory regulation sets out a limitation on the accumulation of fund deposits and contributions.

Pension Cost

Defined benefit plan

The net defined 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 (PUC) method.

Defined benefit costs comprise the following:

(a) Service cost;
(b) Net interest on the net defined benefit liability or asset; and
(c) Remeasurements of 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Bonus plans
The Company recognizes a liability and an expense for 13^{th} month and mid-year bonus based on a formula that takes into consideration the employee's current monthly salary. The Company recognizes a provision when contractually obligated.

<u>Income Tax</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted as at the reporting date.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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 as at the reporting date.

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

<u>Equity</u>
Capital stock consists of common and preferred shares classified as equity. When the Company issues shares in excess of par, the excess is recognized as contributed surplus. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Contributed surplus represents the contribution of the stockholders of the Company in addition to the paid-up capital stock in order to comply with the pre-licensing and capital requirements as provided under the Code.

Retained earnings represent accumulated earnings of the Company less dividends declared.

Foreign Currency Transactions and Translation
The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Company's profit or loss.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and liabilities, if any, within the next financial year. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Product classification

The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such.

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position.

In addition, the Company classifies financial assets by evaluating, among other, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates and Assumptions

Life

Estimate of the ultimate liability arising from claims made under insurance contracts

Estimate of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The primary sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Estimation of claims takes into account several factors such as industry average mortality experience, with adjustments to reflect Company's historical experience.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

Estimates of future benefit payments depend on the expectations of future benefit payments for contingencies covered, the major ones being death and endowment benefits. The Company based these estimates on mortality and other contingency tables approved by the IC as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code of the Philippines (Insurance Code).

Source of uncertainty in the estimation of future claim payments

Although the Company has taken necessary steps to mitigate the uncertainty in the estimation of future benefit payments and premium receipts, it is still subject to the unpredictability of changes in mortality levels. The Company adopts the standard mortality table in assessing future benefit payments and premium receipts as approved by the IC.

The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in course of settlement as of reporting date. The IBNR provision is based on historical experience and is subject to a high degree of uncertainty. In 2023 and 2022, the Company used the development method using completion factors for the Medical - Direct IBNR portfolio, and used the expected loss ratio method for the most recent two (2) incurred months.

Reinsurance - assumptions and methods
The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under loans and receivables.

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent on any reinsurance contract.

Non-life
Estimate of the ultimate liability arising from claims made under insurance contracts
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision.

The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claims cost resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period the estimates are made.

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using either the 365th method (for group life) or 24th method (for nonlife). The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision and Incurred but not reported (IBNR) losses
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. In estimating the ultimate cost of the claims incurred, we used the following methods: claims development method; Bornhuetter-Ferguson method; and expected claims method. The liability is not

discounted for the time value of money and includes a provision for margin for adverse deviation. The liability is derecognized when the contract is discharged, cancelled or has expired.

Recognition of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available against which all or part of the tax benefits can be utilized. However, there is no absolute assurance that sufficient taxable income will be generated in the near foreseeable future to allow all or part of the recognized deferred tax assets to be utilized.

As of December 31, 2023 and 2022, net deferred tax assets amounted to ₱224.0 million and ₱60.3million, respectively (see Note 26).

Pension and other retirement benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension 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 pension 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.

As of December 31, 2023 and 2022, net pension asset (liability) amounted to (₱19.1 million) and ₱11.7 million, respectively (see Note 24).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates for the Philippines.

Further details about the assumptions used are provided in Note 24.

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external and internal legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

6. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	**₱150,834**	₱146,834
Cash in banks	**377,906,843**	473,365,208
Cash equivalents	**117,819,360**	201,407,559
	495,877,037	674,919,601
Less: Allowance for impairment	**38**	149
	₱495,876,999	₱674,919,452

Cash in banks and cash equivalents earn annual interest ranging from 0.25% to 5.50% in 2023 and from 0.25% to 3.87% in 2022. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term deposit rates.

Interest income from cash in banks and cash equivalents amounted to ₱16.2 million and ₱18.1 million in 2023 and 2022, respectively (see Note 19). Accrued interest income amounted to ₱0.3 million and ₱0.5 million as of December 31, 2023 and 2022, respectively.

Based on management's assessment, an allowance for impairment has been recognized for the Company's cash equivalents. The roll forward analysis of the impairment allowance follows:

	2023	2022
At January 1	**₱149**	₱1,387,329
Reversal of impairment losses	**(111)**	(1,387,180)
At December 31	**₱38**	₱149

7. Insurance Receivables and Reinsurance Assets

Insurance Receivables
This account consists of:

	2023	2022
Premiums due and uncollected	**₱1,554,379,792**	₱1,200,161,309
Reinsurance recoverable on paid losses	**629,637,493**	584,419,982
	2,184,017,285	1,784,581,291
Less: Allowance for impairment	**51,272,114**	4,819,592
	₱2,132,745,171	₱1,779,761,699

Premiums due and uncollected consist of premiums already billed by the Company to its clients but remain unpaid at the end of the reporting period.

Reinsurance recoverable on paid losses pertains to the amount of claims paid in excess of the retention limit of the Company and is recoverable from the reinsurers.

The roll forward analysis of the impairment allowance follows:

	2023	2022
At January 1	**₱4,819,592**	₱7,887,047
Provision for (recovery from) impairment losses (Note 22)	**46,452,522**	(3,067,455)
At December 31	**₱51,272,114**	₱4,819,592

Reinsurance Assets
This account consists of:

	2023	2022
Reinsurance recoverable for unpaid losses	**₱143,081,327**	₱105,205,986
Deferred reinsurance premiums	**49,980,219**	36,868,302
	₱193,061,546	₱142,074,288

Reinsurance recoverable on unpaid losses pertains to the amount of claims incurred in excess of the retention limit of the Company and is recoverable from the reinsurer.

Deferred reinsurance premiums pertain to deposit premiums for the excess of loss treaty for the Company's non-life business.

8. Financial Assets

The Company's financial assets are summarized as follows:

	2023	2022
Financial assets at FVTPL	**₱234,933,731**	₱425,826,589
Financial assets at FVOCI	**2,217,235,066**	2,185,900,349
Loans and receivables	**976,732,189**	688,374,329
	₱3,428,900,986	₱3,300,101,267

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

(a) Financial assets at FVTPL

	2023	2022
Unit investment trust fund	**₱102,967,000**	₱293,563,842
Mutual funds	**98,907,273**	109,872,039
Listed equity securities	**16,689,178**	6,020,428
Seed capital on unit-linked investment funds (Note 13)	**12,000,000**	12,000,000
Proprietary shares	**4,370,280**	4,370,280
	₱234,933,731	₱425,826,589

A portion of the investments in unit investment trust fund, mutual funds and the Company's seed capital on its unit-linked investment funds are managed by ATRAM Trust Corporation and BPI Asset Management and Trust Corporation under an investment management agreement (IMA), with no guaranteed rate of return. These investments under IMA amounted to ₱193.5 million and ₱397.9 million as of December 31, 2023 and 2022, respectively.

The movements in financial assets at FVTPL follows:

	2023	2022
At January 1	**₱425,826,589**	₱431,600,125
Additions	**463,004,633**	1,062,635,337
Disposals	**(654,931,727)**	(1,045,873,442)
Fair value gains (losses) on financial assets at FVTPL	**1,034,236**	(22,535,431)
At December 31	**₱234,933,731**	₱425,826,589

(b) Financial assets at FVOCI

	2023	2022
Government debt securities	**₱2,033,618,194**	₱1,861,746,922
Corporate debt securities	**184,233,866**	324,502,849
	2,217,852,060	2,186,249,771
Less: Allowance for impairment	**616,994**	349,422
	₱2,217,235,066	₱2,185,900,349

Significant portion of the investments in government and corporate debt securities are managed by ATRAM Trust Corporation and BPI Wealth, under an IMA, with no guaranteed rate of return. These investments under IMA amounted to ₱1.7 billion and ₱1.8 billion as of December 31, 2023 and 2022, respectively.

The movements in financial assets at FVOCI follows:

	2023	2022
At January 1	**₱2,185,900,349**	₱1,553,300,399
Additions	**2,107,935,504**	4,350,460,194
Disposals	**(2,133,775,423)**	(3,652,930,448)
Changes in fair value	**59,454,926**	(62,020,455)
Movement in expected credit losses (ECL)	**(267,572)**	1,116,094
Amortization of premium	**(2,012,718)**	(4,025,435)
At December 31	**₱2,217,235,066**	₱2,185,900,349

An analysis of the cost and market value of financial assets at FVOCI follow:

	2023	2022
Market value, net of impairment	**₱2,217,235,066**	₱2,185,900,349
Amortized cost	**2,232,478,798**	2,260,599,006
Unrealized losses on financial assets at FVOCI	**(15,243,732)**	(74,698,657)
Deferred income tax	**600,103**	1,423,579
Unrealized losses on financial assets at FVOCI recognized in equity	**(₱14,643,629)**	(₱73,275,078)

The "Unrealized losses on financial assets at FVOCI" is recognized in the equity section of the statements of financial position while the movements thereof are shown as part of "Other comprehensive income" in the statements of comprehensive income.

The roll forward analysis of unrealized gains (losses) on financial assets at FVOCI follow:

	2023	2022
At January 1	**(₱73,275,078)**	(₱13,691,440)
Fair value gain (losses) recognized in OCI	**79,000,191**	(46,158,125)
Transferred to profit or loss	**(19,746,177)**	(15,862,330)
Deferred tax	**(622,565)**	2,436,817
At December 31	**(₱14,643,629)**	(₱73,275,078)

Interest income earned from financial assets at FVOCI including the amortization of discount amounted to ₱124.0 million and ₱68.3 million in 2023 and 2022, respectively (see Note 19).

Accrued interest income amounted to ₱33.5 million and ₱22.3 million as of December 31, 2023 and 2022, respectively.

An allowance for impairment has been recognized for financial assets at FVOCI. The roll forward analysis follows:

	2023	2022
At January 1	**₱349,422**	₱1,465,516
Provision for (reversal of) impairment losses	**267,572**	(1,116,094)
At December 31	**₱616,994**	₱349,422

As of December 31, government and corporate debt securities amounting to ₱319.2 million in 2023 and ₱342.8 million in 2022 were designated as restricted investments and maintained with the Bureau of Treasury in accordance with the provisions of the IC as security for the benefit of the Company's policyholders and creditors. Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the IC and its purpose is to pay valid claims against insolvent insurance companies.

(c) Loans and receivables
This account consists of:

	2023	2022
Salary loans	**₱336,330,500**	₱230,884,239
Receivable from third party administration arrangements	**270,296,857**	89,295,540
Receivable from unit-linked funds	**230,158,199**	232,969,520
Due from policyholders	**105,816,088**	84,352,246
Accounts receivable	**20,951,846**	23,771,480
Policy loans	**11,942,315**	12,273,044
Mortgage loans	**7,010,743**	7,578,063
Other receivables	**28,930,982**	49,730,984
	1,011,437,530	730,855,117
Less: Allowance for impairment losses	**34,705,341**	42,480,788
	₱976,732,189	₱688,374,329

Salary loans
Salary loans represent loans to Company's employees, DepEd teachers and private institution employees with annual interest rates ranging from 5.7% to 9.66% in 2023 and 2022, respectively. These loans have terms ranging from six (6) to sixty (60) months and are collected through salary deductions. The noncurrent portion of the salary loans amounted to ₱290.6 million and ₱186.0 million as of December 31, 2023 and 2022, respectively. Interest income earned from salary and policy loans amounted to ₱14.8 million and ₱30.3 million in 2023 and 2022, respectively (see Note 19).

The Company has an existing Memorandum of Agreement (MOA) on Automatic Payroll Deduction System with the Department of Education (DepEd) that allows it to engage in lending operations with DepEd teachers and personnel as borrowers. The Company's DepEd Teacher's Salary Loan accreditation for lending has been renewed last August 26, 2021 which shall be effective until December 31, 2025.

The roll forward analysis of salary loans follow:

	2023							
	Outstanding Balance				**ECL**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At January 1	**₱206,662,077**	**₱7,738,175**	**₱16,483,987**	**₱230,884,239**	**₱19,761,307**	**₱4,021,866**	**₱7,417,795**	**₱31,200,968**
Loan releases	**199,211,327**	–	–	**199,211,327**	**3,429,444**	–	–	**3,429,444**
Collections	**(86,116,677)**	**(1,596,251)**	**(6,052,138)**	**(93,765,066)**	**(1,482,508)**	**(152,401)**	**(2,723,461)**	**(4,358,370)**
Other movement	**(10,860,605)**	**(416,254)**	**11,276,859**	–	**(16,390,564)**	**(3,322,812)**	**5,074,586**	**(14,638,790)**
At December 31	**₱308,896,122**	**₱5,725,670**	**₱21,708,708**	**₱336,330,500**	**₱5,317,679**	**₱546,653**	**₱9,768,920**	**₱15,633,252**

	2022							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At January 1	₱270,736,652	₱10,233,491	₱12,245,852	₱293,215,995	₱4,814,960	₱6,001,586	₱12,245,854	₱23,062,400
Loan releases	154,434,852	–	–	154,434,852	14,582,247	–	–	14,582,247
Collections	(206,733,675)	(6,407,707)	(3,625,226)	(216,766,608)	(19,520,473)	(3,330,365)	(1,631,352)	(24,482,190)
Other movement	(11,775,752)	3,912,391	7,863,361	–	19,884,573	1,350,645	(3,196,707)	18,038,511
At December 31	₱206,662,077	₱7,738,175	₱16,483,987	₱230,884,239	₱19,761,307	₱4,021,866	₱7,417,795	₱31,200,968

Receivable from third party administration arrangements
Receivable from third party administration clients represent amounts initially paid by the Company for billings made by medical providers for availment of covered employees under TPA arrangement. This is normally due within fifteen (15) days from date billed to TPA clients.

Receivables from unit-linked funds
Receivable from unit-linked funds pertains to amounts payable by fund manager (ATRAM) to the Company coming from the redemption of units of the Company's VUL products.

Due from policyholders
Due from policyholders pertains to the excess of the amount paid by the Company over the benefits of the claimant. The Company pays the entire amount incurred by the claimant during hospitalization and bills the claimant for the excess.

Accounts receivable
Accounts receivable consist mostly of receivables from employees, brokers, and SSS.

Policy loans
Policy loans pertain to loans issued to insurance policyholders. These loans are collateralized with the cash surrender value of the policyholders' insurance policy. The annual interest rate on policy loans in 2023 and 2022 is fixed at 10.0%. The policyholders may repay the policy loans any time during the effectivity of the policy and if unpaid upon surrender or maturity, the policy loan will be deducted from the surrender or maturity benefits. Interest income earned from salary and policy loans amounted to ₱14.8 million and ₱30.3 million in 2023 and 2022, respectively (see Note 19).

Mortgage loans
Mortgage loans consist of:

	2023	2022
Chattel mortgage (car loans) (Note 27)	**₱6,356,777**	₱6,924,097
Real estate mortgage (housing loans)	**653,966**	653,966
	₱7,010,743	₱7,578,063

Housing and car loans to officers and employees are collectible over a period of five (5) to fifteen (15) years through salary deduction. These loans bear annual interest ranging from 0% to 8.4% depending on the position of the employee. Interest income earned amounted to ₱0.1 million and ₱0.03 million in 2023 and 2022, respectively (see Note 19). The noncurrent portion of the mortgage loans amounted to ₱3.0 million and ₱2.5 million as of December 31, 2023 and 2022, respectively.

Other receivables
Other receivables consist of advances to officers, employees and agents.

Allowance for impairment losses
The changes in allowance for impairment losses on loans and receivables are as follows:

	2023			
	Salary loans	**Accounts and Other Receivable**	**Mortgage Loans**	**Total**
At January 1	**₱31,200,968**	**₱10,625,854**	**₱653,966**	**₱42,480,788**
Impairment (Note 22)	**–**	**7,792,269**	**–**	**7,792,269**
Recovery (Note 22)	**(14,569,410)**	**–**	**–**	**(14,569,410)**
Write-off	**(998,306)**	**–**	**–**	**(998,306)**
At December 31	**₱15,633,252**	**₱18,418,123**	**₱653,966**	**₱34,705,341**

	2022			
	Salary loans	Accounts and Other Receivable	Mortgage Loans	Total
At January 1	₱23,062,400	₱26,996,224	₱653,966	₱50,712,590
Impairment (Note 22)	8,243,866	–	–	8,243,866
Recovery (Note 22)	–	(16,370,370)	–	(16,370,370)
Write-off	(105,298)	–	–	(105,298)
At December 31	₱31,200,968	₱10,625,854	₱653,966	₱42,480,788

9. Property and Equipment and Intangible Assets

The rollforward analyses of property and equipment follow:

	2023			
	Office Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱92,782,700**	**₱32,732,875**	**₱7,562,697**	**₱133,078,272**
Additions	**20,755,365**	**–**	**1,516,964**	**22,272,330**
At December 31	**113,538,065**	**32,732,875**	**9,079,661**	**155,350,602**
Accumulated Depreciation				
At January 1	**73,029,695**	**25,717,272**	**7,562,697**	**106,309,664**
Depreciation (Note 25)	**11,234,543**	**4,319,876**	**94,810**	**15,649,229**
At December 31	**84,264,238**	**30,037,148**	**7,657,507**	**121,958,893**
Net Book Value	**₱29,273,827**	**₱2,695,727**	**₱1,422,154**	**₱33,391,709**

	2022			
	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
At January 1	₱83,815,724	₱32,732,875	₱7,562,697	₱124,111,296
Additions	9,027,783	–	–	9,027,783
Retirement	(60,807)	–	–	(60,807)
At December 31	92,782,700	32,732,875	7,562,697	133,078,272
Accumulated Depreciation				
At January 1	63,504,546	21,374,920	7,562,697	92,442,163
Depreciation (Note 25)	9,548,678	4,342,352	–	13,891,030
Retirement	(23,529)	–	–	(23,529)
At December 31	73,029,695	25,717,272	7,562,697	106,309,664
Net Book Value	₱19,753,005	₱7,015,603	₱–	₱26,768,608

The rollforward analysis of intangible assets follows:

	2023	2022
Cost		
At January 1	**₱529,282,107**	₱528,940,624
Additions	**25,543,368**	341,483
At December 31	**554,825,475**	529,282,107
Accumulated Amortization		
At January 1	**88,083,598**	52,441,379
Amortization (Note 25)	**6,230,342**	35,642,220
At December 31	**94,313,941**	88,083,598
Net Book Value	**₱460,511,534**	₱441,198,508

Intangible assets consist of exclusive access fee and computer software used in the Company's operations. The exclusive access fee amounting to ₱500.0 million is relative to the Bancassurance agreement signed by the Company and a related party (see Note 27). The agreement took effect on January 1, 2021 for 15 years and shall automatically extinguish upon achievement of New Business Annualized Premium Equivalent even before the expiration of the term.

10. Right-of-Use Assets and Lease Liabilities

The roll forward analysis of right-of-use assets follow:

	2023	2022
Cost		
At January 1	**₱18,296,954**	₱81,001,396
Additions	–	3,529,674
Contract renewals	–	2,982,516
Retirement	**(11,784,763)**	(69,216,632)
At December 31	**6,512,191**	18,296,954
Accumulated Depreciation		
At January 1	**₱12,210,261**	₱64,335,672
Depreciation charge (Note 24)	**3,009,525**	17,091,221
Retirement	**(11,784,763)**	(69,216,632)
At December 31	**3,435,023**	12,210,261
Net Book Value	**₱3,077,168**	₱6,086,693

Right-of-use assets pertain to leasing agreements that the Company entered into for its head office and servicing branches.

Rental deposits amounting to ₱32.8 million and ₱8.7 million as of December 31, 2023 and 2022, respectively are included under the "Other assets" account in the statements of financial position (see Note 12). Gain on termination of ROU assets amounted to nil and ₱0.02 million in 2023 and 2022, respectively (see Note 19).

The roll forward analysis of lease liabilities follow:

	2023	2022
At January 1	**₱6,421,725**	₱19,576,937
Additions	–	6,512,190
Accretion of interest	**125,460**	650,795
Payments	**(3,256,721)**	(20,318,197)
At December 31	**₱3,290,464**	₱6,421,725

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2023, and 2022.

	2023	2022
Within one year	**₱1,758,141**	₱3,131,260
More than one year to two years	**838,682**	1,758,141
More than two years to three years	**693,641**	838,682
More than three years	–	693,642
Total	**₱3,290,464**	₱6,421,725

Non-cash additions to ROU assets
The Company has additions to ROU assets amounting to nil and ₱6.5 million in 2023 and 2022, respectively. This represents additions to lease liabilities during the year which are treated as non-cash in the statements of cash flow.

11. Deferred Acquisition Costs

This account consists of:

	2023	2022
Group life and group health insurance	**₱201,519,568**	₱202,180,862
Non-life - fire policies	**14,717,106**	11,388,238
Non-life - motor policies	**8,033,498**	13,897,207
Group credit life insurance	**3,646,129**	5,013,396
Non-life - personal accident policies	**256,943**	69,710
Individual medical policies	**60,664**	73,199
Total	**₱228,233,908**	₱232,622,612

Deferred acquisition costs pertain to commissions and other direct acquisition costs incurred within the year relative to the Company's group life and non-life insurance business and deferred based on the inception and expiry of the related insurance contracts.

The roll forward analysis of deferred acquisition costs follow:

	2023	2022
At January 1	**₱232,622,612**	₱160,064,591
Costs deferred during the year	**671,113,054**	598,210,936
Amortization during the year	**(675,501,758)**	(525,652,915)
At December 31	**₱228,233,908**	₱232,622,612

12. **Other Assets**

This account consists of:

	2023	2022
Creditable withholding taxes	**₱152,926,096**	₱123,525,756
Rental deposits (Notes 10 and 25)	**32,835,118**	8,666,648
Performance bond	**11,740,198**	8,796,295
Prepayments	**10,749,369**	21,220,308
Reserve fund	**572,311**	572,311
Security fund	**221,082**	221,082
Miscellaneous	**12,579,025**	2,077,958
	221,623,199	165,080,328
Allowance for impairment losses	**(1,911,937)**	(15,380,697)
	₱219,711,262	₱149,699,631

Creditable withholding taxes consists of the amount withheld arising from premium collections to be claimed as a deduction from income tax liability. These are available for offset against income tax due. The Company has written off CWTs amounting to ₱13.5 million in 2022 (Note 22).

Rental deposits pertain to refundable deposits relating to the Company's various lease contracts for its home office and branches. The deposits are refundable at the end of the lease term.

Performance bond consists of amounts paid by the Company to hospital network providers in compliance with certain group insurance policy contracts. These bonds will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Prepayments include advance payments made by the Company relative to documentary stamps as well as for computer maintenance contracts.

Reserve fund consists of contingency funds which are maintained to defray claims of the insurance pools business of the Company.

Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the IC and its purpose is to pay valid claims against insolvent insurance companies.

Miscellaneous assets mainly include advance payments to suppliers for ongoing projects.

13. **Insurance Contract Liabilities**

The breakdown of this account follows:

	2023	2022
Life insurance contracts	**₱2,851,802,851**	₱2,336,883,844
Non-life insurance contracts	**434,783,069**	306,980,430
	₱3,286,585,920	₱2,643,864,274

Life insurance liabilities
Life insurance contract liabilities may be analyzed as follows:

	2023	2022
Group insurance premium reserves	**₱1,572,093,182**	₱1,575,083,608
Claims and benefits payable	**901,190,205**	595,211,646
Legal policy reserves	**368,022,413**	162,576,671
Policyholders' dividends	**9,317,278**	3,595,724
Individual medical premium reserves	**1,179,773**	416,195
	₱2,851,802,851	₱2,336,883,844

The movements in group insurance premium reserves may be analyzed as follows:

	2023	2022
At January 1	**₱1,575,083,608**	₱994,258,509
New policies issued during the year	**5,573,716,152**	4,740,723,081
Premiums earned during the year (Note 18)	**(5,576,706,578)**	(4,159,897,982)
At December 31	**₱1,572,093,182**	₱1,575,083,608

Claims and benefits payable includes provision for IBNR as follows:

	2023	2022
Claims and benefits payable	**₱416,077,516**	₱305,313,272
Provision for IBNR	**485,112,689**	289,898,374
At December 31	**₱901,190,205**	₱595,211,646

The movements in claims and benefits payable follow:

	2023	2022
At January 1	**₱595,211,646**	₱802,868,080
Arising during the year (Note 20)	**4,810,877,704**	2,914,042,545
Increase (decrease) in IBNR	**195,214,315**	(206,440,047)
Paid during the year	**(4,700,113,460)**	(2,915,258,932)
At December 31	**₱901,190,205**	₱595,211,646

The movements in legal policy reserves for ordinary life policies during the year follow:

	2023	2022
At January 1	**₱162,576,671**	₱147,494,492
Net change in legal policy reserves:		
New business, reinstatement and change in policy year	**213,703,037**	37,904,771
Released by death and other terminations and supplementary contracts	**(5,075,854)**	(8,376,659)
Due to change in discount rates	**(3,181,441)**	(14,445,933)
	205,445,742	15,082,179
At December 31	**₱368,022,413**	₱162,576,671

Policyholders' dividends is broken down as follows:

	2023	2022
Dividends payable on participating policies	**₱3,740,260**	₱3,053,859
Dividends payable on variable unit-linked policies	**5,577,018**	541,865
	₱9,317,278	₱3,595,724

Dividends payable on variable unit-linked policies are the amounts received by the Company from the fund manager and were released subsequently to VUL policyholders.

The movements in policyholders' dividends for participating policies follow:

	2023	2022
At January 1	**₱3,053,859**	₱3,697,461
Policyholder's dividends	**4,336,283**	342,297
Payments during the year	**(3,649,882)**	(985,899)
At December 31	**₱3,740,260**	₱3,053,859

Non-life insurance liabilities
Non-life insurance liabilities may be analyzed as follows:

	2023	2021
Provision for claims reported and loss adjustment expenses	**₱45,698,553**	₱74,025,470
Provision for IBNR	**221,459,458**	58,485,024
Total claims reported and IBNR	**267,158,011**	132,510,494
Reserve for unearned premiums	**167,625,058**	174,469,936
Total insurance contract liabilities	**₱434,783,069**	₱306,980,430

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	2023	2022
At January 1	**₱132,510,495**	₱152,380,942
Claims incurred (Note 20)	**144,577,071**	130,175,352
Recoveries from reinsurers (Note 20)	**(168,548,307)**	(32,246,932)
Increase in IBNR (Note 20)	**162,974,435**	1,148,180
Claims paid	**(4,355,683)**	(118,947,048)
At December 31	**₱267,158,011**	₱132,510,494

Reserve for unearned premiums may be analyzed as follows:

	2023	2022
At January 1	**₱174,469,936**	₱122,277,438
New policies written during the year (Note 18)	**529,649,180**	239,010,939
Premiums earned during the year (Note 18)	**(536,494,058)**	(186,818,441)
At December 31	**₱167,625,058**	₱174,469,936

The assumptions that have the greatest effect on the 2023 and 2022 statements of financial position, statements of comprehensive income and statements of changes in equity are listed below:

Mortality

		2023		
	Change in Assumptions	**Increase/ (Decrease) in Net Liabilities**	**Increase/ (Decrease) in Profit Before Tax**	**Increase/ (Decrease) in Equity**
Mortality	**10.00%**	**₱1,891,491**	**(₱1,891,491)**	**(₱1,418,619)**
	-10.00%	**(1,979,578)**	**1,979,578**	**1,484,683**
Discount rate	**1.00%**	**(18,360,589)**	**18,360,589**	**13,770,442**
	-1.00%	**21,956,554**	**(21,956,554)**	**(16,467,416)**
Lapse	**10.00%**	**(1,628,252)**	**1,628,252**	**1,221,189**
	-10.00%	**1,689,376**	**(1,689,376)**	**(1,267,032)**
Expense	**10.00%**	**989,994**	**(989,994)**	**(742,495)**
	-10.00%	**(₱982,747)**	**₱982,747**	**₱737,060**

		2022		
	Change in Assumptions	Increase/ (Decrease) in Net Liabilities	Increase/ (Decrease) in Profit Before Tax	Increase/ (Decrease) in Equity
Mortality	10.00%	₱1,065,430	(₱1,065,430)	(₱799,072)
	-10.00%	(1,068,874)	1,068,874	801,656
Discount rate	1.00%	(4,651,624)	4,651,624	3,488,718
	-1.00%	6,281,947	(6,281,947)	(4,711,460)
Lapse	10.00%	(460,362)	460,362	345,271
	-10.00%	484,703	(484,703)	(363,527)
Expense	10.00%	578,636	(578,636)	(433,977)
	-10.00%	(572,787)	572,787	429,590

MfAD

		2023		
	MfAD	**Increase in Net Liabilities (from Unpadded reserves)**	**Decrease in Profit Before Tax**	**Decrease in Equity**
Lapse	**-50.00%**	**₱12,611,770**	**(₱12,611,770)**	**(₱9,458,828)**
Mortality	**10.00%**	**8,838,505**	**(8,838,505)**	**(6,628,879)**
Interest	**-10.00%**	**17,426,563**	**(17,426,563)**	**(13,069,923)**
Expense	**50.00%**	**11,101,002**	**(11,101,002)**	**(8,325,751)**
Total MfAD		**₱49,977,840**	**(₱49,977,841)**	**(₱37,483,381)**

		2022		
	MfAD	Increase in Net Liabilities (from Unpadded Reserves)	Decrease in Profit Before Tax	Decrease in Equity
Lapse	-50.00%	₱1,064,920	(₱1,064,920)	(₱798,690)
Mortality	10.00%	710,575	(710,575)	(532,931)
Interest	-10.00%	2,565,255	(2,565,255)	(1,923,941)
Expense	50.00%	2,095,821	(2,095,821)	(1,571,866)
Total MfAD		₱6,436,571	(₱6,436,571)	(₱4,827,428)

14. **Segregated Funds**

In 2016, the Company started commercial issuance of unit-linked insurance contracts where the payments to policyholders are linked to investment funds set up by the Company. As of December 31, 2023 and 2022, the Company has eight (8) PHP and four (4) USD insurance investment funds (IIFs), namely: Philippine Balanced Fund (PHP), Equity Opportunity Fund (PHP), Fixed Income Fund (PHP), Global Technology Feeder Fund (PHP), Asia Equity Opportunity Feeder Fund (PHP), Global Total Return Bond Feeder Fund – Peso Denominated (PHP), GI Consumer Trends Feeder Fund (PHP), Peso Multi-Asset Dividend Paying Fund A (PHP), Global Equity Opportunity Feeder Fund (USD), Global Allocation Feeder Fund (USD), Global Total Return Bond Feeder Fund (USD) and Dollar Multi-Asset Dividend |Paying Fund A (USD).

The details of this account are as follows:

	2023	2022
Peso funds	**₱1,918,503,533**	₱1,633,333,551
Dollar funds	**1,291,385,222**	1,352,447,506
	₱3,209,888,755	₱2,985,781,057

The breakdown of net assets in segregated funds as of December 31, 2022 and 2023 are as follows:

	2023		
	Peso funds	**Dollar funds**	**Total**
Cash and cash equivalents	**₱12,973,431**	**₱15,879,874**	**₱28,853,305**
Mutual funds	**297,158,396**	**–**	**297,158,396**
Accumulated market losses - mutual funds	**(19,452,941)**	**–**	**(19,452,941)**
Unit investment trust fund (UITF)	**1,558,667,613**	**1,500,827,728**	**3,059,495,341**
Accumulated market losses - UITF	**55,296,153**	**(153,898,313)**	**(98,602,160)**
Accumulated foreign exchange gains - UITF	**60,641,246**	**133,995,340**	**194,636,586**
Accounts receivable	**679,464**	**413**	**679,877**
Accrued trust fee payable	**(3,200,298)**	**(2,498,828)**	**(5,699,126)**
Accounts payable	**(5,022,324)**	**–**	**(5,022,324)**
Net assets	**1,957,740,740**	**1,494,306,214**	**3,452,046,954**
Less: Seed capital (Note 8)	**8,000,000**	**4,000,000**	**12,000,000**
Amounts payable on redemption of units (Note 8)	**31,237,207**	**198,920,992**	**230,158,199**
Segregated fund liabilities	**₱1,918,503,533**	**₱1,291,385,222**	**₱3,209,888,755**

	2022		
	Peso funds	Dollar funds	Total
Cash and cash equivalents	₱15,243,606	₱30,136,864	₱45,380,470
Mutual funds	310,482,848	–	310,482,848
Accumulated market losses - mutual funds	(30,499,278)	–	(30,499,278)
Unit investment trust fund (UITF)	1,486,930,504	1,568,211,013	3,055,141,517
Accumulated market gains - UITF	(7,481,686)	(287,710,732)	(295,192,418)
Accumulated foreign exchange losses - UITF	–	157,402,524	157,402,524
Accounts receivable	302	278,936	279,238
Accrued trust fee payable	(3,508,543)	(3,121,546)	(6,630,089)
Accounts payable	(5,446,535)	(167,700)	(5,614,235)
Net assets	1,765,721,218	1,465,029,359	3,230,750,577
Less: Seed capital (Note 8)	8,000,000	4,000,000	12,000,000
Amounts payable on redemption of units (Note 8)	124,387,667	108,581,853	232,969,520
Segregated fund liabilities	₱1,633,333,551	₱1,352,447,506	₱2,985,781,057

Amounts payable by fund manager (ATRAM) to the Company on redemption of units are presented as "Receivable from unit-linked funds" as part of loans and receivables - net (see Note 8). The seed capital is presented as part of financial assets at FVTPL (see Note 8).

The roll forward analyses of net assets in segregated funds are as follows:

Segregated Fund Assets / Segregated Fund Liabilities

	2023					
	At January 1	**Subscriptions**	**Redemptions/ Surrenders/ Withdrawals**	**Change in fair value**	**Charges and Fees**	**At December 31**
Peso funds	**₱1,633,333,552**	**₱426,147,192**	**(₱170,598,115)**	**₱95,305,318**	**(₱65,684,414)**	**₱1,918,503,533**
Dollar funds	**1,352,447,505**	**31,292,929**	**(112,421,308)**	**110,405,235**	**(90,339,139)**	**1,291,385,222**
	₱2,985,781,057	**₱457,440,121**	**(₱283,019,423)**	**₱205,710,553**	**(₱156,023,553)**	**₱3,209,888,755**

	2022					
	At January 1	Subscriptions	Redemptions/ Surrenders/ Withdrawals	Change in fair value	Charges and Fees	At December 31
Peso funds	₱1,471,723,666	₱393,440,968	(₱78,584,035)	(₱105,124,044)	(₱48,123,003)	₱1,633,333,552
Dollar funds	1,398,583,517	270,890,428	(240,205,734)	(58,258,730)	(18,561,976)	1,352,447,505
	₱2,870,307,183	₱664,331,396	(₱318,789,769)	(₱163,382,774)	(₱66,684,979)	₱2,985,781,057

15. Accounts Payable and Other Liabilities

This account consists of:

	2023	2022
Accounts payable	**₱517,414,258**	₱537,101,929
Commissions payable	**201,622,707**	199,327,348
Client deposits	**195,882,061**	107,829,063
Accrued expenses	**70,561,144**	110,997,638
Life insurance deposit	**55,799,084**	23,325,670
Taxes payable	**49,861,616**	38,755,439
Due to policyholders	**26,801,307**	28,881,249
Premium deposit fund	**1,992,184**	1,492,881
Miscellaneous	**4,296,723**	4,023,364
	₱1,124,231,084	₱1,051,734,581

Accounts payable represent billings for medical fees, dental fees, annual physical examination, and third-party administration which are payable on demand. This account also includes unreleased and outstanding checks and the unpaid portion of the exclusive access fees (see Note 9).

Commissions payable refer to accrual for obligations to brokers, referrers and agents arising from commissions, overrides and service fees.

Client deposits pertain to unidentified bank credits as of the reporting date and are subject for clearing the following period.

Accrued expenses include accruals for employee bonuses which are payable the following year, accruals for other employee benefits, professional and legal fees and utilities.

Life insurance deposits represent deposits paid by policyholders in advance which are applied to premiums or other policyholder obligations when these fall due.

Taxes payable include withholding tax and premium tax payable which are remitted within one month subsequent to reporting date.

Due to policyholders represent the PhilHealth benefits due to insured members who were hospitalized or who availed of laboratory procedures from PhilHealth accredited hospitals or clinics. PhilHealth issues the Benefit Payment Notice (BPN) direct to the insured to claim the benefit. The Company will then require the submission of this BPN as a supporting document prior to paying the related claims on due to policyholders.

Premium deposit fund pertains to funds held for policyholders with annual interest ranging from 4.0% to 6.0%.

Miscellaneous includes unearned interest from policy loans and due to Insurope, a multinational pooling facilitator who administers the Company's group life policy pooling arrangements.

16. Insurance Payables

Insurance payables pertain to unpaid reinsurance premiums of the Company to insurers. As of December 31, 2023, and 2022, insurance payables amounted to ₱482.0 million and ₱418.3 million, respectively.

17. Equity

Capital stock
Details of the Company's capital stock for both 2023 and 2022 follows:

Common	Shares	Amount
Authorized (₱10.00 - par value)	124,499,404	₱1,244,994,040
Issued and outstanding:		
Balance at the beginning and end of the year	116,172,083	1,161,720,830
Preferred	**Shares**	**Amount**
Authorized (₱0.10 - par value)	50,059,600	₱5,005,960
Issued and outstanding:		
Balance at the beginning and ending of the year	50,059,600	5,005,960

The preferred shares have the following features:

a) Entitled to receive cash dividends at six percent (6.0%) per annum;
b) Voting rights;
c) Convertible at any time into common shares at the sole option of the Company;
d) Redeemable at any time at the sole option of the Company;
e) Priority to receive the guaranteed dividends, including dividends in arrears, over the common stockholders;
f) Not entitled to any participation or share in the retained earnings remaining after all cumulative dividends thereon have been paid; and
g) In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company, holders of preferred shares shall enjoy preferences in the payment, in full or pro-rata basis as the assets of the Corporation will permit, of the value of their shares plus all unpaid cumulative dividends, before any assets of the Company shall be paid or distributed to holders of common shares.
h) Accrued payable for preferred share dividends in arrears amounted to ₱3.2 million in 2023 and ₱2.9 million in 2022.

Contributed surplus
Contributed surplus amounted to ₱39.8 million as of December 31, 2023 and 2022. This represents original contributions of the stockholders as provided under the Amended Insurance Code.

Retained earnings
This represents the accumulated earnings of the Company reduced by any losses the Company may incur during a certain accounting period or by dividend declarations.

18. Net Insurance Premiums

Life and Non-life insurance contracts
Gross premiums on insurance contracts and reinsurers' share of gross premiums on insurance contract consists of the following:

	2023	2022
Life insurance contract premiums:		
Group accident and health insurance	**4,492,511,873**	₱4,143,447,478
Group life insurance	**1,075,058,284**	597,312,425
Change in provision for unearned premiums	**9,136,421**	(580,861,921)
Gross premiums earned on group life insurance contracts	**5,576,706,578**	4,159,897,982
Ordinary life insurance	**103,490,050**	56,503,553
Unit-linked	**658,240,121**	664,331,376
Change in provision for unearned premiums	**(763,580)**	26,736
Gross premiums earned on individual life insurance contracts	**760,966,591**	₱720,861,665
Total life insurance contract premiums earned	**6,337,673,169**	4,880,759,647
Reinsurers' share on life insurance contracts:		
Group life insurance	**(148,209,216)**	(144,726,799)
Ordinary life insurance	**(20,557,112)**	(14,331,133)
Total reinsurers' share on gross premiums earned on life insurance contracts	**(168,766,328)**	(159,057,932)
Net premiums earned on life insurance contracts	**6,168,906,841**	4,721,701,715
Non-life insurance contracts premiums:		
Fire	**364,683,672**	122,433,249
Gadget insurance (Property floater)	**73,717,319**	77,809,941
Motor	**70,323,642**	91,071,623
Travel insurance	**20,034,469**	13,642,557
Personal accident	**890,078**	1,025,478
Gross premiums written on nonlife insurance contracts	**529,649,180**	305,982,848
Change in unearned premium reserves	**6,844,879**	(52,192,498)
Gross earned premiums on nonlife insurance contracts	**536,494,059**	253,790,350
Reinsurers' share on gross premiums written on non-life insurance contracts	**(101,042,735)**	(90,104,991)
Net premiums earned on non-life insurance contracts	**435,451,324**	163,685,359
Net insurance premiums earned	**₱6,604,358,165**	₱4,885,387,074

19. Interest and Other Income

Interest income
Interest income consists of interest arising from:

	2023	2022
Financial assets at FVOCI (Note 8)	**₱123,988,593**	₱68,284,034
Loans and receivables (Note 8)		
Salary and policy loans	**14,821,060**	30,315,208
Mortgage loans	**96,671**	35,619
Cash and cash equivalents (Note 6)	**16,235,369**	18,135,043
	₱155,141,693	₱116,769,904

Service and network fees
Service fees consist of income from:

	2023	2022
Fees from variable life insurance	**₱110,127,673**	₱97,576,666
Network fees	**125,022,015**	5,255,549
	₱235,149,688	₱102,832,215

Fees from variable life insurance pertain to charges to the policyholders' holding investments in variable unit-linked products for fund management, as well as policy issue fees.

Network fees are membership fees paid by the policyholders for the use of accredited hospitals, clinics and doctors' network for a no cash-out arrangement in case of in-patient and out-patient availments. These membership fees cover the insured members with health cards issued by the Company.

Third party administration fees
Third party administration fees pertain to fees paid by third parties to the Company for handling medical and health expenses of the said third parties which amounted to ₱34.8 million and ₱28.9 million in 2023 and 2022, respectively.

Others
Other income (loss) consists of:

	2023	2022
Processing and handling fees	**₱39,782,593**	₱12,427,930
Dividend income	**14,233,097**	10,226,704
Reinsurance commission income	**6,394,074**	11,103,838
Gain (loss) on sale of assets	**288,001**	(13,597)
Gain (loss) on foreign currency transactions	**(1,114,997)**	14,884,943
	₱59,582,768	₱48,629,818

Processing and handling fees pertain to non-finance charges to cover cost of processing salary loans to DepEd teachers and private institution employees and delivery charge for non-life policies printed and delivered in hard copy.

20. Net Benefits and Claims Incurred on Insurance Contracts

This account consists of:

	2023	2022
Life	**₱5,074,942,533**	₱2,777,913,533
Non-life	**139,003,199**	99,076,600
	₱5,213,945,732	₱2,876,990,133

Life insurance contracts
Net insurance contract benefits and claims incurred follow:

	2023	2022
Claims (Note 13)	**₱5,006,092,019**	₱2,707,602,498
Surrenders	**64,170,946**	69,953,725
Policyholders' dividends (Note 13)	**4,336,283**	342,297
Maturities	**343,285**	15,013
	₱5,074,942,533	₱2,777,913,533

Non-life insurance contracts
Insurance contract benefits and claims incurred follow:

	2023	2022
Fire insurance	**₱83,874,168**	₱34,099,504
Motor car insurance	**58,275,594**	94,613,325
Travel insurance	**2,020,057**	–
Gadget insurance claims	**357,019**	152,481
Personal accident insurance	**50,233**	1,310,042
Claims incurred	**144,577,071**	130,175,352
Recoveries from reinsurers	**(168,548,307)**	(32,246,932)
Increase in IBNR	**162,974,435**	1,148,180
	₱139,003,199	₱99,076,600

21. Expenses for the Acquisition of Insurance Contracts

This account consists of:

	2023	2022
Commissions	**₱395,830,360**	₱351,058,461
Service fees	**289,455,051**	174,594,454
Salaries, wages and employees' benefits (Notes 22 and 26)	**131,734,891**	117,950,641
Insurance taxes	**117,830,179**	90,043,453
Others	**42,632,607**	24,764,009
	₱977,483,088	₱758,411,018

Commissions represent amounts that are given to agents and brokers. This account includes overriding expenses that are in excess of 10.0% of commissions.

Service fees represent amounts paid to intermediaries of group policyholders for collecting the premiums from the assured.

Salaries, wages and employees' benefits pertain to personnel costs of the departments directly involved in the marketing, selling and processing the Company's insurance products.

Insurance taxes include documentary stamp tax and premium tax.

Others include medical fees, inspection fees and other direct costs.

22. General and Administrative Expenses

This account consists of:

	2023	2022
Salaries, wages and employees' benefits (Note 23)	**₱203,791,017**	₱223,975,212
Occupancy (Note 25)	**120,168,947**	118,871,407
Management and professional fees (Note 27)	**82,429,268**	81,555,917
Provision for (recovery from) impairment of insurance receivables (Note 7)	**46,452,522**	(3,067,455)
Postage and communication	**13,356,287**	13,675,769
Taxes and licenses	**8,762,289**	48,909,051
Office supplies	**7,920,284**	10,571,427
Transportation and travel	**5,420,860**	3,592,723
Representation and entertainment	**2,574,101**	2,141,223
Insurance	**877,109**	913,265
Recovery from impairment of financial assets (Notes 6 and 8)	**(6,509,680)**	(10,629,779)
Provision for impairment of other assets (Note 12)	**–**	13,468,760
Others	**40,245,151**	38,122,465
	₱525,488,155	₱542,099,985

Management and professional fees pertain to expenses incurred for management and other professional services received by the Company such as consulting fee, IMA fees, audit fees, directors' fees, legal fees, temporary staff expenses and miscellaneous services.

Taxes and licenses consist of license and permit fees, LGU Taxes, fringe benefit tax, and input VAT.

Others consists mainly of membership dues, prizes and awards, trainings and seminars and bank charges.

23. Salaries, Wages and Employees' Benefits

This account consists of:

	2023	2022
Salaries and wages and other benefits	**₱314,704,374**	₱322,062,302
SSS, Medicare and PAG-IBIG contributions	**13,588,691**	11,653,573
Pension expense (Note 24)	**7,232,843**	8,209,978
	₱335,525,908	₱341,925,853

Salaries, wages and employees' benefits are charged as follows:

	2023	2022
Expenses for the acquisition of insurance contracts (Note 21)	**₱131,734,891**	**₱117,950,641**
General and administrative expenses (Note 22)	**203,791,017**	**223,975,212**
	₱335,525,908	**₱341,925,853**

24. **Pension Plan**

The Company has a funded, non-contributory defined benefit plan (the Plan) which is managed by ATRAM Trust Corporation providing death, disability and retirement benefits for all of its employees. Under the Plan, the normal retirement age is sixty (60) and the employee should have completed at least ten (10) years of service. Normal retirement benefit consists of a lump-sum benefit equivalent to 100.00% of the employee's final monthly pay for every year of service.

The most recent actuarial valuation was carried out for the retirement plan of the Company as of December 31, 2023.

Based on the actuarial valuation as of December 31, 2023 and 2022 computed using the Projected Unit Credit (PUC) method, the Company's pension liabilities and expenses are summarized as follows:

	2023	2022
Net pension asset (liability)	**(₱19,102,271)**	₱11,675,366
Pension expense (Note 23)	**7,232,843**	8,209,978

The amounts recognized in the statements of comprehensive income are as follow:

	2023	2022
Current service cost	**₱8,064,767**	₱8,608,104
Net interest cost	**(831,924)**	(398,126)
Pension expense	**₱7,232,843**	₱8,209,978

The amounts of net pension asset (liability) recognized in the statements of financial position are as follows:

	2023	2022
Fair value of plan assets	**₱103,420,015**	₱109,158,522
Present value of defined benefit obligation	**(122,522,286)**	(97,483,156)
Net pension asset (liability)	**(₱19,102,271)**	₱11,675,366

The movements in the net pension asset (liability) recognized in the statements of financial position are as follows:

	2023	2022
At January 1	**₱11,675,366**	₱8,242,775
Pension expense (Note 23)	**(7,232,843)**	(8,209,978)
Amount to be recognized in OCI	**(23,544,794)**	11,642,569
At December 31	**(₱19,102,271)**	₱11,675,366

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

	2023	2022
At January 1	**₱97,483,156**	₱107,419,069
Current service cost	**8,064,767**	8,608,104
Interest cost on benefit obligation	**6,946,132**	5,188,341
Benefits paid from retirement fund	**(9,646,076)**	(7,285,326)
Actuarial losses (gains):		
Experience adjustments	**10,095,136**	4,491,120
Changes in financial assumptions	**9,579,171**	(20,938,152)
At December 31	**₱122,522,286**	₱97,483,156

Changes in fair value of the plan assets are as follow:

	2023	2022
At January 1	**₱109,158,522**	₱115,661,844
Expected return on plan assets	**7,778,056**	5,586,467
Remeasurement losses	**(3,870,487)**	(4,804,463)
Benefits paid	**(9,646,076)**	(7,285,326)
At December 31	**₱103,420,015**	₱109,158,522

Remeasurement gains (losses) recognized in OCI:

	2023	2022
Remeasurement losses on plan assets	**(₱3,870,487)**	(₱4,804,463)
Actuarial losses (gains) from benefit obligation	**(19,674,308)**	16,447,034
	(23,544,795)	11,642,570
Deferred tax on remeasurement on net plan assets (Note 24)	**5,886,199**	(2,910,643)
	(₱17,658,596)	₱8,731,927

Movement of cumulative remeasurement effect recognized in OCI under equity section of the statements of financial position:

	2023	2022
At January 1	**₱3,673,993**	(₱5,057,934)
Remeasurement losses on plan assets	**(3,870,487)**	(4,804,463)
Actuarial gains from benefit obligation	**(19,674,308)**	16,447,033
At December 31	**(19,870,801)**	6,584,635
Deferred tax asset on remeasurement gain during the year	**5,886,199**	(2,910,643)
Actuarial gains (losses) on net pension asset/liability	**(₱13,984,603)**	₱3,673,993

Plan assets consist of:

	2023		2022	
	Amount	%	Amount	%
Cash and cash equivalents	**₱2,482,445**	**2.40%**	₱21,418,980	19.62%
Government debt securities	**24,477,230**	**23.67%**	29,878,528	27.37%
Equity securities	**39,393,497**	**38.09%**	20,810,973	19.06%
Mutual Funds/UITFs	**31,910,318**	**30.86%**	28,056,893	25.70%
Loans and receivables	**5,260,822**	**5.09%**	9,110,585	8.35%
Accounts payable	**(104,297)**	**-0.10%**	(117,437)	-0.11%
	₱103,420,015	**100.00%**	₱109,158,522	100.00%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as of reporting dates.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. Accounts payable pertain to projected benefit payable and accrued trust fees.

Net unrealized gains (losses) on investments follow:

	2023	2022
Government debt securities	**₱265,466**	₱161,983
Mutual funds	**90,493**	23,603
Equity securities	**(552,992)**	(949,981)
Unit investment trust funds	**1,320,270**	(4,495,105)
	₱1,123,237	(₱5,259,500)

Actual return on plan assets amounted to ₱3.9 million and ₱0.8 million in 2023 and 2022, respectively.

The principal actuarial assumptions used are as follows:

	2023	2022
Discount rate	**6.09%**	7.13%
Expected return on plan assets	**3.75%**	0.70%
Salary increase rate	**5%**	5%
Average remaining working lives	**17 years**	15 years

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of reporting period, assuming all other assumptions were held constant.

	2023		2022	
Discount rate	**+0.50%**	**(4,825,711)**	+0.50%	(₱3,615,818)
	-0.50%	**5,323,720**	-0.50%	3,896,383
Salary increase rate	**+.50%**	**5,341,281**	+0.50%	4,048,647
	-0.50%	**(5,200,549)**	-0.50%	(4,006,294)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Company's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

25. **Occupancy Expenses**

This account consists of:

	2023	2022
Depreciation and amortization - property and equipment and intangible assets (Note 9)	**₱21,879,571**	₱49,533,250
Repairs and maintenance	**58,032,635**	32,821,696
Rent	**30,221,764**	12,043,995

(Forward)

	2023	2022
Light and water	**₱6,886,067**	₱7,086,360
Amortization - right of use assets (Note 10)	**3,009,525**	17,091,221
Others	**139,385**	294,885
	₱120,168,947	₱118,871,407

Rent expenses are related to short-term leasing agreements that the Company entered into for its servicing branches and clinics.

26. **Income Taxes**

Provision for income tax consists of:

	2023	2022
Current	**₱46,916,404**	₱48,875,157
Final	**21,087,298**	17,061,811
Deferred	**(158,389,022)**	11,940,522
	(₱90,385,320)	₱77,877,490

Current tax regulations also provide the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as deduction against taxable income. Under the regulation, EAR expense allowed as deductible expense for service company like the Parent Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. The regulations also provide for MCIT of 1.5% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.0% to 25.0% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.0%.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- Minimum corporate income tax (MCIT) rate reverted from 1.00% to 2.00% of gross income effective July 1, 2023, making the effective tax rate to 1.5% for 2023.

Applying the provisions of the CREATE Act, the Company is subjected to lower regular corporate income tax rate effective July 1, 2020.

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax as shown in the statements of comprehensive income follows:

	2023	2022
At statutory tax rate	**(₱78,339,651)**	₱67,746,495
Tax effects:		
Income subjected to final tax	**(35,055,990)**	(4,542,958)

(Forward)

	2023	2022
Nondeductible expenses	**₱24,007,227**	₱11,046,713
Unrealized losses (gains) on financial assets at FVTPL	**(996,906)**	3,627,240
At effective tax rate	**(₱90,385,320)**	₱77,877,490

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of the Company's deferred tax assets as at December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets on:		
Affecting profit or loss:		
Provision for IBNR	**₱176,643,037**	₱33,039,960
Allowance for impairment losses	**22,126,596**	12,369,072
Accrued expenses	**6,911,516**	8,861,537
Unamortized contribution of past service cost	**4,399,011**	5,114,979
Post employment benefit obligation	**4,775,568**	–
Affecting other comprehensive income:		
Tax effect of actuarial loss on pension liability	**8,300,070**	2,413,871
Net unrealized losses on financial assets at FVOCI	**801,014**	1,423,579
	223,956,812	63,222,997
Deferred tax liabilities on:		
Affecting profit or loss:		
Post-employment benefit obligation	–	₱2,918,842
		2,918,842
Deferred tax assets - net	**₱223,956,812**	₱60,304,156

The movements of the Company's net deferred tax assets (liabilities) are as follow:

	2023	2022
At January 1	**₱60,304,156**	₱72,718,503
Provision	**158,389,022**	(11,940,521)
Tax effect of actuarial loss on pension liability (Note 24)	**5,886,199**	(2,910,643)
Tax effect on unrealized gains on financial assets at FVOCI	**(622,565)**	2,436,817
At December 31	**₱223,956,812**	₱60,304,156

27. Related Party Transactions

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

In the normal course of the business, the Company has various transactions with its related parties as follows:

a. Loans to officers consist of car loans which earn interest ranging from 0%-8.4% per annum depending on the position of the employee. Total loans outstanding amounted to ₱6.4 million and ₱6.9 million as of December 31, 2023 and 2022, respectively. The related interest income on the car loans amounted to nil for the years ended December 31, 2023 and 2022 (see Note 19).

b. In 2023 and 2022, directors' remuneration included in management and professional fees under "General and administrative expenses" amounted to ₱4.7 million and ₱4.0 million, respectively (Note 23).

   Details of key management compensation follows:

	2023	2022
Salaries and other short-term benefits	**₱86,284,325**	₱93,579,022
Post-employment benefits	**10,379,909**	10,767,345
Fringe benefits	**5,993,029**	2,762,923
Social security cost	**700,200**	544,100
	₱103,357,463	₱107,653,390

   Key management includes officers with positions of Vice President and up.

c. Outstanding balances with related parties as of December 31 are as follow:

	2023					
	Relationship	**Nature of Transaction**	**Amount/ Volume**	**Outstanding Receivable (Payable) Balance**	**Terms**	**Conditions**
Etiqa Insurance Pte. Ltd.	**Entity under common control**	**Chargeback for software maintenance and service fees**	**(₱13,803,270)**	**₱–**	**Interest free, payable on demand**	**Unsecured**
Maybank Shared Services	**Entity under common control**	**Chargeback for shared services**	**(1,059,537)**	**–**	**Interest free, payable on demand**	**Unsecured**
Etiqa Life Insurance Berhad	**Entity under common control**	**Chargeback for shared services**	**–**	**639,828**	**Interest free, payable on demand**	**Unsecured**
Etiqa International Holdings Sdn. Bhd.	**Parent company**	**Chargeback for shared services**	**(513,256)**	**(519,491)**	**Interest free, payable on demand**	**Unsecured**
Malayan Banking Berhad	**Parent company**	**Chargeback for shared services**	**–**	**(636,931)**	**Interest free, payable on demand**	**Unsecured**
A.V. Ocampo	**Entity under common control**	**Commissions**	**(845,325)**	**(67,685)**	**Interest free, payable on demand**	**Unsecured**
			(₱16,221,388)	**(₱584,279)**		

	2022					
	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
Maybank ATR KE Securities	Entity under common control	Common expenses / premium refund	₱–	(₱4,106,262)	Interest free, payable on demand	Unsecured
Maybank ATR KE Capital	Shareholder	Common expenses	–	(7,656,161)	Interest free, payable on demand	Unsecured
Etiqa Insurance Pte. Ltd.	Entity under common control	Chargeback for software maintenance and service fees	(25,371,455)	–	Interest free, payable on demand	Unsecured
Maybank Shared Services	Entity under common control	Chargeback for shared services	(196)	(196)	Interest free, payable on demand	Unsecured

(Forward)

	2022					
	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
Etiqa Life Insurance Berhad	Entity under common control	Chargeback for shared services	₱654,414	₱639,828	Interest free, payable on demand	Unsecured
Etiqa International Holdings Sdn. Bhd.	Parent company	Chargeback for shared services	(6,235)	(6,235)	Interest free, payable on demand	Unsecured
Malayan Banking Berhad	Parent company	Chargeback for shared services	61,779	61,779	Interest free, payable on demand	Unsecured
A.V. Ocampo	Entity under common control	Commissions	(628,714)	(41,701)	Interest free, payable on demand	Unsecured
			(₱25,290,407)	(₱11,108,948)		

e. The Company also maintains accounts with Maybank Philippines Inc. (MPI), details as of December 31 follow:

	2023	2022
Cash in bank	**₱272,193,210**	₱381,840,793
Time deposits	**1,003,825**	201,407,559
	₱273,197,035	₱583,248,352

Interest income earned from cash in bank and time deposits amounted to ₱8.9 million and ₱7.14 million as of December 31, 2023 and 2022, respectively.

The Company also provides hospitalization and life cover for employees of MPI, and other Maybank entities within the group, as well as Group Credit Life (GCL) insurance cover for borrowers from its lending business. Premium earned in 2023 and 2022 relative to these insurance covers amounted to ₱67.9 million and ₱65.1 million, respectively.

In November 2020, the Company and MPI signed a Bancassurance Agreement (the Agreement), effective January 1, 2021 for a period of fifteen (15) years. This supersedes the previous Bancassurance agreement expiring in 2025. The Company will pay service fees for clients referred by MPI availing of its insurance products. For 2023 and 2022, service fees paid to MPI amounted to ₱67.7 million and ₱46.3 million, respectively.

f. The Company has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. As of December 31, 2023 and 2022, investments under IMA measured at FVOCI amounted to ₱1.4 billion and ₱1.5 billion, respectively, while investments measured at FVTPL amounted to ₱122.0 million and ₱211.1 million, respectively (Note 8).

The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM. As of December 31, 2023 and 2022, segregated fund assets amounted to ₱3.2 billion and ₱3.0 billion, respectively (Note 13).

Total IMA fees paid to ATRAM included in management and professional fees under "General and administrative expenses" amounted to ₱24.5 million in 2023 and ₱20.0 million in 2022 (Note 21).

g. The Company also maintains its retirement fund with ATRAM, with plan assets as of December 31, 2023 and 2022 amounting to ₱103.4 million and ₱109.2 million, respectively (Note 24). The Company has no other transactions with the retirement plan.

Terms and conditions of transactions with related parties
The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2023 and 2022. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Outstanding balances will be settled in cash.

28. Management of Capital and Insurance Risk

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

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

<u>Regulatory Framework</u>
Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable levels of risk.

The operations of the Company are subject to the regulatory requirements of the IC. The IC does not only prescribe approval and monitoring of activities but also imposes certain restrictive provisions (e.g. fixed capitalization requirements and risk-based capital (RBC) requirements). Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

<u>Capital Management</u>
The Company's capital includes the common and preferred stock and contributed surplus.

The Company has established the following capital management objectives in managing the risks that affect its capital position:

- To maintain the required level of net worth thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of credit facilities.
- To align the profile of assets and liabilities taking account into the risks inherent in the business.
- To maintain healthy capital and liquidity ratios in order to support its business objectives and maximize shareholders value.

The Company manages its capital through its compliance with the statutory requirements on minimum net worth. The Company is also complying with the statutory regulations on RBC to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC 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 Company's policy to address the situations where the capital level maintained is lower than minimum is to require the shareholders to add more capital.

To ensure compliance with these externally-imposed capital requirements, it is the Company's policy to monitor the net worth and related requirements on a quarterly basis as part of Company's internal financial reporting process.

Fixed capitalization requirements
Under the new Insurance Code, the required net worth which is defined as the sum of paid-up capital, retained earnings, unimpaired surplus, and revalued assets is set as follows:

Required Net Worth	Compliance Date
₱250.0 million	June 30, 2013
550.0 million	December 31, 2016
900.0 million	December 31, 2019
1.3 billion	December 31, 2022

Insurance Commission Circular Letter (CL) No. 2018-45 issued in September 5, 2018 sets the net worth requirements for composite insurers at ₱1.1 billion by December 31, 2016, ₱1.8 billion by December 31, 2019 and ₱2.6 billion by December 31, 2022. However, on October 25, 2019, the Insurance Commission issued Circular Letter No. 2019-55 revoking CL No. 2018-45, citing the need for a clear basis to seek and wait for appropriate legislation that will provide greater clarity on the minimum capitalization and net worth requirements.

As of December 31, 2023, the Company's estimated regulatory net worth amounted to ₱1.30 billion.

The Company received a letter from IC on January 12, 2024 for FY 2022 Annual Statement verification of the Company's net worth. Based on the assessment, the Company's approved regulatory net worth amounted to ₱1.29 billion and has deficiency amounting to ₱8.1 million. As of March 19, 2024, the Company has requested the IC, to allow the Company to address this deficiency before June 30, 2024, subject to IC's approval.

RBC requirements
Insurance Memorandum Circular (IMC) No. 6-2006 provides for the RBC framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Subsequently, Insurance Circular 2016-68 amended the RBC framework (dubbed 'RBC2') as part of a new three (3) pillar risk-based approach to solvency regulation. The Risk Based Capital Ratio and Risk Based Capital Requirement are the key requirements under Pillar 1. The RBC2 framework became effective on January 1, 2017.

Every life insurance company is annually required to maintain an RBC ratio of at least 100.0% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be computed as the Total Available Capital divided by the RBC requirement. The Total Available Capital is the aggregate of the Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover the losses of the insurer at all times on a going concern and winding up basis. The Tier 2 Capital does not have the same high-quality characteristics as Tier 1 but can provide additional buffer to the insurer. The RBC requirement on the other hand is the capital that is required to be held appropriately to the risks and insurance company is exposed to such as Credit Risk, Insurance Risk, Market Risk, Operational Risk, Catastrophe Risk and Surrender Risk.

The following table shows how the RBC ratios at December 31, 2023 determined based on its internal calculations and December 31, 2022 as reviewed and approved by IC:

	2023 (Estimated)	2022 (Reviewed by IC)
Total Available Capital (TAC)	**₱1,557,206,223**	₱2,037,922,744
RBC2 requirement	**775,905,488**	956,158,044
RBC2 ratio	**200.70%**	213.14%

The final amount of the RBC ratio for 2023 can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code.

Unimpaired capital requirement
IMC 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or stockholders' equity is at least equal to the actual paid-up capital.

The Company has complied with the unimpaired capital requirement as of December 31, 2023 and 2022.

Insurance Risk
Nature of risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts
Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored by an in-house actuary on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and controlling
The Company regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability.

The main underwriting strategy of the Company in managing insurance risk is the use of reinsurance. The Company maintains surplus-type reinsurance treaties for both individual and group life business.

Frequency and severity of claims
The frequency and severity of claims is dependent on the type of contracts as follows:

a. For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected;
b. For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted;
c. For contracts with discretionary participating feature, the participating nature of these insurance contracts results in a portion of the insurance risk being shared with the insured party; and
d. For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

The Company manages these risks through its underwriting strategy and reinsurance program. However, the risk is also dependent on the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely.

The following represents the Company's concentration of insurance risk per product as of December 31, 2023 and 2022:

	2023			
	Exposure, Gross of Reinsurance ('000)	**Concentration (%)**	**Exposure, Net of Reinsurance ('000)**	**Concentration (%)**
Group life	**₱13,647,863**	**4.89%**	**₱12,665,739**	**12.48%**
Group health	**259,552,581**	**93.08%**	**86,036,318**	**84.80%**
Unit-linked policies	**4,554,960**	**1.63%**	**1,780,304**	**1.75%**
Ordinary life	**774,000**	**0.28%**	**726,805**	**0.72%**
Group accident	**323,000**	**0.12%**	**243,000**	**0.24%**
	₱278,852,404	**100.00%**	**₱101,452,166**	**100.00%**

	2022			
	Exposure, Gross of Reinsurance ('000)	Concentration (%)	Exposure, Net of Reinsurance ('000)	Concentration (%)
Group life	₱251,924,860	93.10%	₱92,339,765	86.85%
Group health	13,530,756	5.00%	11,709,974	11.01%
Unit-linked policies	4,474,096	1.65%	1,723,052	1.62%
Ordinary life	336,620	0.12%	311,024	0.29%
Group accident	323,000	0.13%	243,000	0.23%
	₱270,589,332	100.00%	₱106,326,815	100.00%

Summary of claims analysis

	2023	2022
Mortality Ratio		
Aggregate individual	**22.75%**	16.91%
Aggregate group	**93.30%**	143.27%

Non-life Insurance Contracts
The Company principally issues different types of general insurance such as fire and motor. Risk under general insurance policies usually cover a twelve-month duration.

For general insurance contracts, the significant risks arise from climate changes and natural disasters. These risks vary significantly in relation to the location of risk insured, type of risk insured and by industry. Undue concentration by amount can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit the exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

The following tables set out the concentration of the claims liabilities by type of contract:

	2023	2022
Fire	**₱213,162,300**	₱89,792,874
Motor car	**49,450,394**	40,855,863
Property floater	**2,936,569**	1,522,394
Travel insurance	**1,564,062**	323,442
Personal accident	**44,686**	15,921
	₱267,158,011	₱132,510,494

Assumptions
The principal assumption underlying the estimates is the Company's past claims development experience or in case of first year non-life business, average industry experience is used. This includes assumptions in respect of average claims costs, claim handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key assumptions include variation in interest rate, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of the certain assumptions such as legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

Claims development table

The following tables reflect the cumulative incurred claims for each successive accident year at each reporting date, together with cumulative payments to date.

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

			2023			
Accident year	**Prior to 2020**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimate of ultimate claims costs:						
At the end of accident year	**₱49,807,152**	**₱57,290,543**	**₱103,101,088**	**₱140,043,863**	**₱241,629,443**	**₱241,629,443**
One year later	**46,868,163**	**90,298,151**	**117,158,997**	**159,631,776**	**–**	**159,631,776**
Two years later	**57,071,906**	**87,527,434**	**161,117,723**	**–**	**–**	**161,117,723**
Three years later	**51,994,835**	**89,543,346**	**–**	**–**	**–**	**89,543,346**
More than three years later	**57,525,878**	**–**	**–**	**–**	**–**	**57,525,878**
Current estimate of cumulative claims	**57,525,878**	**89,543,346**	**161,117,723**	**159,631,776**	**241,629,443**	**709,448,166**
Estimate of gross cumulative payments:						
At the end of accident year	**17,983,106**	**10,153,611**	**40,474,958**	**73,520,568**	**35,014,317**	**35,014,317**
One year later	**26,446,148**	**56,599,816**	**86,707,110**	**149,166,362**	**–**	**149,166,362**
Two years later	**40,094,981**	**82,516,207**	**146,924,255**	**–**	**–**	**146,924,255**
Three years later	**49,079,681**	**87,477,356**	**–**	**–**	**–**	**87,477,356**
More than three years later	**53,582,924**	**–**	**–**	**–**	**–**	**53,582,924**
Cumulative payments to date	**53,582,924**	**87,477,356**	**146,924,255**	**149,166,362**	**35,014,317**	**472,165,213**
Gross insurance liabilities	**3,942,954**	**2,065,990**	**14,193,469**	**10,465,414**	**206,615,126**	**237,282,953**
Unallocated Loss Adjustment Expenses						
Best Estimate of Gross Claims Liabilities						**237,282,953**
Margin for Adverse Development						**26,527,083**
Gross Insurance Claims Liabilities at December 31, 2023						**₱263,810,036**

			2022			
Accident year	Prior to 2019	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:						
At the end of accident year	₱–	₱49,807,152	₱57,290,543	₱103,101,088	₱140,043,863	₱140,043,863
One year later	–	46,868,163	90,298,151	117,158,997	–	117,158,997
Two years later	–	57,071,906	87,527,434	–	–	87,527,434
Three years later	–	51,994,835	–			51,994,835
More than three years later	37,623,259	–	–	–	–	37,623,259
Current estimate of cumulative claims	37,623,259	51,994,835	87,527,434	117,158,997	140,043,863	434,348,388
Estimate of gross cumulative payments:						
At the end of accident year		17,983,106	10,153,611	40,474,958	73,520,568	73,520,568
One year later		26,446,148	56,599,816	86,707,110	–	86,707,110
Two years later		40,094,981	82,516,207	–	–	82,516,207
Three years later		49,079,681	–	–	–	49,079,681
More than three years later	32,065,016	–	–	–	–	32,065,016
Cumulative payments to date	32,065,016	49,079,681	82,516,207	86,707,110	73,520,568	323,888,582
Gross insurance liabilities	5,558,243	2,915,154	5,011,227	30,451,887	66,523,295	110,459,806
Unallocated Loss Adjustment Expenses						–
Best Estimate of Gross Claims Liabilities						110,459,806
Margin for Adverse Development						22,050,688
Gross Insurance Claims Liabilities at December 31, 2022						₱132,510,494

Source of Uncertainty in the Estimation of Future Claim Payments

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

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

The liability for these contracts comprises the incurred IBNR provision, a provision for reported claims not yet paid and a provision for unexpired risk at reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Financial Instruments

Due to the short-term nature of cash and cash equivalents, premiums due and uncollected, due from policyholders, receivable from third party administration arrangement, accounts receivable, other receivables, accrued interest receivable, performance bond, reserve and security funds, rental deposits, accounts payable and other liabilities, claims payable, policyholders' dividends due to related parties, premium deposit fund, their carrying values approximate their fair values at reporting dates.

The fair values of salary loans and mortgage loans are determined by computing the present value of the expected future cash flows of the loans using the predetermined market rate for similar instrument as of reporting date as discount rate. As of December 31, 2023 and 2022, the fair value of salary loans amounted to ₱348.2 million and ₱208.7 million, respectively.

The fair values of financial instruments classified as financial assets at FVTPL and at FVOCI that are actively traded in an organized exchange or active markets are determined by reference to quoted market or broker bid prices at the close of business as of reporting dates. For shares in an open-ended investment company, fair value is established by reference to published Net Asset Value (NAV) per share. For proprietary shares, as these instruments are not quoted in an active market, the Company uses the most recent price at which the instruments were sold, are being sold to third parties.

The Company classifies its non-linked financial assets at fair value as follows:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL:				
Unit investment trust funds	**₱102,967,000**	**₱–**	**₱–**	**₱102,967,000**
Mutual funds	**98,907,273**	**–**	**–**	**98,907,273**
Listed equity securities	**16,689,178**	**–**	**–**	**16,689,178**
Seed capital on unit-linked investment funds	**12,000,000**	**–**	**–**	**12,000,000**
Proprietary shares	**–**	**–**	**4,370,280**	**4,370,280**
Financial assets at FVOCI:				
Government debt securities	**985,031,912**	**1,048,034,686**	**–**	**2,033,066,598**
Corporate debt securities	**184,168,468**	**–**	**–**	**184,168,468**
	₱1,399,763,831	**₱1,048,034,686**	**₱4,370,280**	**₱2,452,168,797**

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Unit investment trust funds	₱293,563,842	₱–	₱–	₱293,563,842
Mutual funds	121,872,039	–	–	121,872,039
Listed equity securities	6,020,428	–	–	6,020,428
Seed capital on unit-linked investment funds	12,000,000	–	–	12,000,000
Proprietary shares	–	–	4,370,280	4,370,280
Financial assets at FVOCI:				
Government debt securities	1,500,316,018	361,117,924	–	1,861,433,942
Corporate debt securities	324,466,407	–	–	324,466,407
	₱2,258,238,734	₱361,117,924	₱4,370,280	₱2,623,726,938

The Company classifies its unit-linked financial assets at fair value as follows:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Unit investment trust funds	**₱2,943,732,346**	**₱–**	**₱–**	**₱2,943,732,346**
Mutual funds	**266,156,409**	**–**	**–**	**266,156,409**

	2022			
	Level 1	Level 2	Level 3	Total
Unit investment trust funds	₱2,917,351,623	₱–	₱–	₱2,917,351,623
Mutual funds	279,983,570	–	–	279,983,570

Financial Risks

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The relevant financial risks faced by the Company in its day-to-day operations are market risk, credit risk and liquidity risk.

The BOD is the ultimate governing body with overall risk oversight. Board Risk and Compliance Oversight Committee (BRCOC) assists the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control, including monitoring the risk profile of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board. ELGAP Risk Officer is the advisor to the BRCOC concerning all Risk related topics, including limits, exposures and methodologies.

Credit risk

The Company has a significant exposure to credit risk, defined as the risk of financial loss resulting from the failure of counterparty to meet its contractual obligations to the Company. In particular, the Company is exposed to credit risk in the following accounts:

- Amounts due from Department of Education (DepEd) teachers and private institution employees;
- Amounts due from related parties and employees;
- Reinsurers' share in insurance liabilities;
- Obligations of companies issuing Mutual Fund shares and equity securities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance policyholders;
- Amounts due from insurance intermediaries; and
- Amounts due from banks.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such counterparty limits are subject to an annual or more frequent review. Limits are approved regularly as the need arises at the BOD level.

The Company fully complies with the guidelines issued by the DepEd in granting loans to teachers which are monitored by DepEd on a regular basis. Any violation shall result to the revocation of the Company's license to extend loans to public school teachers. The Company's credit evaluation policies are anchored on the DepEd guidelines on net take home pay of the teachers and authenticity of documents submitted by the borrowers.

The ManCom has also created a special committee (DepEd Committee), tasked to monitor the DepEd loans business. The DepEd Committee meets on a monthly basis to discuss developments and status of past due accounts, action plans for collecting unpaid accounts and other pertinent issues relative to the loans operations. The DepEd Committee, in turn, reports to the ManCom the status of the loans business on a regular basis.

Loans to policyholders granted against the cash surrender value of policies carry substantially minimal credit risk.

A significant credit exposure arises with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and/or excellent track records which are allowed to participate in the Company's reinsurance programs. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company 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.

In respect of investments securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer. The Company 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.

The table below shows the maximum exposure to credit risk as of December 31, 2023 and 2022:

<u>Non-linked</u>

	2023	2022
Cash and cash equivalents (excluding cash on hand)	**₱495,726,203**	₱674,772,767
Premiums due and uncollected	**1,554,379,792**	1,200,161,309
Reinsurance recoverable on paid losses	**629,637,493**	584,419,982
Reinsurance recoverable on unpaid losses	**143,081,327**	105,205,986
Financial assets at FVTPL	**234,933,731**	425,826,589
Financial assets at FVOCI	**2,217,852,060**	2,186,249,771
Loans and receivables	**1,011,437,530**	730,855,117
Accrued interest receivable	**33,812,715**	22,848,621
Other assets*	**45,368,709**	18,256,336
	₱6,366,229,560	₱5,948,596,478

**excluding prepayments and miscellaneous*

<u>Unit-linked</u>

	2023	2022
Cash and cash equivalents	**₱28,853,306**	₱45,380,470
Mutual funds	**277,705,455**	279,983,570
Unit investment trust funds	**3,155,529,767**	2,917,351,623
Accounts receivable	**679,876**	279,237
	₱3,462,768,404	₱3,242,994,900

The Company uses an external credit grading system from various rating agencies based on the borrowers and counterparties overall credit worthiness, as described below:

Investment grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment grade - satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations, for individuals into business or for corporate entities. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

The Company assessed that its cash and cash equivalents, premiums due and uncollected, reinsurance recoverable on paid and unpaid losses, financial assets at FVTPL, financial assets at FVOCI, accrued interest receivable, and other assets have investment grade and ECL recognized under stage 1. There were no transfers during the year.

The table below provides information regarding the credit risk exposure of the Company's loans and receivables by classifying as to the counterparties' credit grading and staging assessment of the outstanding allowance for ECL.

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment grade	₱230,158,199	₱–	₱–	₱230,158,199
Non-investment grade - satisfactory	734,772,862	5,725,670	–	740,498,532
Past due or impaired	–	–	40,780,799	40,780,799
	₱964,881,061	₱5,725,670	₱40,780,799	₱1,011,437,530

	2022			
	Stage 1	Stage 2	Stage 3	Total
Investment grade	₱232,969,521	₱–	₱–	₱232,969,521
Non-investment grade - satisfactory	455,404,808	23,783,173	–	479,187,981
Past due or impaired	–	–	18,697,615	18,697,615
	₱688,374,329	₱23,783,173	₱18,697,615	₱730,855,117

Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company maintains minimum proportion of sufficient funds available to meet such calls to cover maturities, claims and surrenders at unexpected levels of demand.

The BOD has formed an Asset and Liability Committee (ALCO) which meets on a quarterly basis to ensure the adequacy of reserves and liquid assets and complies with the regulatory reserve and liquidity requirements. Cash forecasts are prepared and reviewed by the ALCO, DepEd Committee and Investment Committee to ensure that the operational funding requirements are adequately met.

The table below summarizes the maturity profile of the Company's liabilities as at December 31, 2023 and 2022 based on contractual undiscounted payments except for the legal policy reserves of the life and non-life insurance contracts (included in the "Insurance contract liabilities" account) which shows the maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability amounts:

	2023					
	On Demand	**Up to a Year**	**1 -2 Years**	**2 -3 Years**	**Over 3 Years**	**Total**
Insurance contract liabilities:						
Premium reserves and legal policy reserves	**₱–**	**₱1,720,281,012**	**₱7,733,041**	**₱4,756,097**	**₱376,150,276**	**₱2,108,920,426**
Claims payable	**–**	**1,168,348,216**	**–**	**–**	**–**	**1,168,348,216**
Policyholders' dividends	**9,317,278**	**–**	**–**	**–**	**–**	**9,317,278**
Premium deposit fund	**1,992,184**	**–**	**–**	**–**	**–**	**1,992,184**
Accounts payable and other liabilities:						
Accounts payable	**–**	**517,414,258**	**–**	**–**	**–**	**517,414,258**
Life insurance deposits	**–**	**55,799,084**	**–**	**–**	**–**	**55,799,084**
Accrued expenses	**–**	**70,561,144**	**–**	**–**	**–**	**70,561,144**
Due to policyholders	**–**	**26,801,307**	**–**	**–**	**–**	**26,801,307**
Lease liabilities	**–**	**1,758,141**	**838,682**	**693,641**	**–**	**3,290,464**
Insurance payables	**–**	**481,953,124**	**–**	**–**	**–**	**481,953,124**
Others	**–**	**451,663,107**	**–**	**–**	**–**	**451,663,107**
	₱11,309,462	**₱4,494,579,394**	**₱8,571,723**	**₱5,449,738**	**₱376,150,276**	**₱4,896,060,592**

	2022					
	On Demand	Up to a Year	1 -2 Years	2 -3 Years	Over 3 Years	Total
Insurance contract liabilities:						
Premium reserves and legal policy reserves	₱–	₱1,560,898,522	₱6,996,993	₱4,303,401	₱340,347,493	₱1,912,546,410
Claims payable	–	727,722,140	–	–	–	727,722,140
Policyholders' dividends	3,595,724	–	–	–	–	3,595,724
Premium deposit fund	1,492,881	–	–	–	–	1,492,881
Accounts payable and other liabilities:						
Accounts payable	–	537,101,929	–	–	–	537,101,929
Life insurance deposits	–	23,325,670	–	–	–	23,325,670
Accrued expenses	–	110,997,638	–	–	–	110,997,638
Due to policyholders	–	28,881,249	–	–	–	28,881,249
Lease liabilities	–	3,131,260	1,758,141	838,682	693,641	6,421,725
Insurance payables	–	413,043,542	–	–	–	413,043,542
Others	–	355,145,049	–	–	–	355,145,049
	₱5,088,605	₱3,760,246,999	₱8,755,135	₱5,142,084	₱341,041,134	₱4,120,273,956

Market risk
Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of adverse changes in market prices. Market risk relevant to the Company comprises market rate (fair value interest rate risk) and market price (equity price risk) risks.

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of adverse changes in market interest rates. Fixed rate securities and receivables, in particular, are exposed to such risk.

The Company's investment policy is to maintain an adequate yield to match the interest necessary to support future policy liabilities. Management's focus is to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company has an Investment Committee which approves all investment undertaking of the Company and meets on a quarterly basis. The Company adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations.

The following table shows the information relating to the Company's financial instruments as of December 31, 2023 and 2022 that are exposed to fair value interest rate risk presented by maturity profile:

	2023						
	Range of Interest Rate	**On Demand**	**Less than 1 Year**	**1 -2 Years**	**2 -3 Years**	**More than 3 Years**	**Total**
Cash and cash equivalents (excluding cash on hand)	0.25% - 5.5%	**₱377,906,843**	**₱117,819,360**	**₱–**	**₱–**	**₱–**	**₱495,726,203**
Financial assets at FVOCI							
Government debt securities	3.63% - 9.25%	–	–	**64,672,646**	**112,574,306**	**1,856,371,242**	**2,033,618,194**
Corporate debt securities	2.79% - 8.03%	–	**44,863,986**	**4,460,682**	**47,558,445**	**87,350,753**	**184,233,866**
Loans and receivables							
Salary loans	5.70% - 69.660%	–	**45,640,846**	**8,542,227**	**18,235,995**	**263,911,432**	**336,330,500**
Mortgage loans	6.00%	–	**3,976,259**	**1,416,186**	**861,102**	**757,196**	**7,010,743**
Policy loans	10.00%	**11,942,315**	–	–	–	–	**11,942,315**
		389,849,158	**212,300,451**	**79,091,741**	**179,229,848**	**2,208,390,623**	**3,068,861,821**
Policyholders' dividends	4.00%	**9,317,278**	–	–	–	–	**9,317,278**
Premium deposit fund	4.00-6.00%	**1,992,184**	–	–	–	–	**1,992,184**
		₱11,309,462	**₱–**	**₱–**	**₱–**	**₱–**	**₱11,309,462**

	2022						
	Range of Interest Rate	On Demand	Less than 1 Year	1 -2 Years	2 -3 Years	More than 3 Years	Total
Cash and cash equivalents (excluding cash on hand)	0.25% - 3.875%	₱473,365,208	₱201,407,559	₱–	₱–	₱–	₱674,772,767
Financial assets at FVOCI							
Government debt securities	3.63% - 9.25%	–	14,014,513	82,062,553	89,583,092	1,676,086,763	1,861,746,921
Corporate debt securities	2.79% - 8.03%	–	1,004,263	135,395,055	8,729,948	179,373,583	324,502,849
Loans and receivables							
Salary loans	5.70% - 6.00%	–	47,381,707	62,881,438	120,621,094	–	230,884,239
Mortgage loans	6.00%	–	5,044,720	1,452,798	798,293	282,253	7,578,064
Policy loans	10.00%	12,273,044	–	–	–	–	12,273,044
		₱485,638,252	₱268,852,762	₱281,791,844	₱219,732,427	₱1,855,742,599	₱3,111,757,884
Policyholders' dividends	4.00%	₱3,595,724	–	–	–	–	₱3,595,724
Premium deposit fund	4.00-6.00%	1,492,881	–	–	–	–	1,492,881
		₱5,088,605	₱–	₱–	₱–	₱–	₱5,088,605

The sensitivity analysis below is presented for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of FVOCI financial assets):

	Change in Interest Rate	**Impact on Equity**
2023	**1.00%**	**(₱837,428)**
	-1.00%	**839,133**
2022	1.00%	(₱4,702,843)
	-1.00%	3,277,231

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

Equity price risk
The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities and investment in mutual funds classified as financial assets at FVTPL. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Company invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

The Company has an IMA with ATRAM Trust Corp. which monitors and manages a portion of the Company's investments. The Investment Committee of the Company oversees its investment undertaking.

The analysis below is performed for reasonably possible movements in PSE index with all other variables held constant, showing the impact on equity and profit before tax:

	Change in PSE Index	Impact on Profit Before Tax	Impact on Equity
2023	**5.00%**	**₱5,515**	**₱4,137**
	-5.00%	**(5,515)**	**(4,137)**
2022	5.00%	₱301,021	₱225,766
	-5.00%	(301,021)	(225,766)

In 2023 and 2022, the Company determined the reasonably possible change in PSE index using the specific adjusted data for each equity security the Company holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity and Profit before tax:

	Change in NAV per Share	Impact on Profit Before Tax	Impact on Equity
2023	**5.00%**	**₱1,248,157**	**₱936,118**
	-5.00%	**(1,248,157)**	**(936,118)**
2022	5.00%	₱1,174,053	₱880,540
	-5.00%	(1,174,053)	(880,540)

Foreign currency risk
The Company's foreign exchange risk arises primarily from any transaction denominated in a foreign currency such as the US Dollar. In 2023 and 2022, the Company's transactions are primarily denominated in Philippine Peso, thus, reducing the Company's exposure to currency risk to an insignificant amount.

29. Contingencies and Subsequent Events

The Company is currently involved in various legal proceedings and the Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

30. Approval of the Financial Statements

The accompanying financial statements of the Company were authorized for issue by BOD on March 21, 2024.

31. Current and Non-current Classification

The following tables present the assets and liabilities by contractual maturity:

	2023			2022		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Cash and cash equivalents	**₱495,876,999**	**₱–**	**₱495,876,999**	₱674,919,452	₱–	₱674,919,452
Insurance receivables	**2,132,745,171**	**–**	**2,132,745,171**	1,779,761,699	–	1,779,761,699
Reinsurance assets	**193,061,546**	**–**	**193,061,546**	142,074,288	–	142,074,288
Financial assets:						
At Fair value through profit or loss	**234,933,731**	**–**	**234,933,731**	425,826,589	–	425,826,589
At Fair value through other comprehensive income	**44,863,986**	**2,172,371,080**	**2,217,235,066**	15,007,707	2,170,892,642	2,185,900,349
Loans and receivables	**683,008,051**	**293,724,138**	**976,732,189**	502,338,454	186,035,875	688,374,329
Accrued interest receivable	**33,812,715**	**–**	**33,812,715**	22,848,621	–	22,848,621
Due from related parties	**847,294**	**–**	**847,294**	701,607	–	701,607
Segregated fund assets	**3,209,888,755**	**–**	**3,209,888,755**	2,985,781,057	–	2,985,781,057
Right-of-use assets	**–**	**3,077,168**	**3,077,168**	–	6,086,693	6,086,693
Property and equipment	**–**	**33,391,709**	**33,391,709**	–	26,768,608	26,768,608
Intangible assets	**–**	**460,511,534**	**460,511,534**	–	441,198,508	441,198,508
Deferred acquisition cots	**228,233,908**	**–**	**228,233,908**	232,622,612	–	232,622,612
Net pension asset	**–**	**–**	**–**	–	11,675,366	11,675,366
Other assets	**219,711,262**	**–**	**219,711,262**	149,699,631	–	149,699,631
Deferred tax asset - net	**–**	**223,956,812**	**223,956,812**	–	60,304,156	60,304,156
Total Assets	**₱7,476,983,418**	**₱3,187,032,441**	**₱10,664,015,859**	**₱6,931,581,717**	**₱2,902,961,848**	**₱9,834,543,565**
Liabilities						
Segregated fund liabilities	**₱3,209,888,755**	**₱–**	**₱ 3,209,888,755**	₱2,985,781,057	₱–	₱2,985,781,057
Insurance contract liabilities	**2,897,946,506**	**388,639,414**	**3,286,585,920**	2,292,216,386	351,647,888	2,643,864,274
Accounts payable and other liabilities	**1,124,231,084**	**–**	**1,124,231,084**	1,051,734,581	–	1,051,734,581
Insurance payables	**481,953,124**	**–**	**481,953,124**	413,043,542	–	413,043,542
Lease liabilities	**1,758,141**	**1,532,323**	**3,290,464**	3,131,261	3,290,464	6,421,725
Due to related parties	**1,363,888**	**–**	**1,363,888**	11,768,854	–	11,768,854
Net pension liability	**–**	**19,102,271**	**19,102,271**	–	–	–
Total Liabilities	**₱7,717,141,499**	**₱409,274,008**	**₱8,126,415,506**	₱6,762,885,515	₱354,938,352	₱7,117,823,867

32. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

The Company reported and/or paid the following taxes in 2023:

Value-added tax (VAT)
The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. The Company, however, as a domestic corporation doing life insurance business, is a non-VAT registered Company. Sales or receipts of life insurance premiums are subject to percentage tax called premium tax.

The premium tax rate was reduced from 5.0% to 2.0% pursuant to Republic Act 10001. The Company paid premium taxes amounting to ₱114.2 million in 2023.

An analysis of the Company's VAT transactions is presented below:

Transactions subject to VAT	₱393,741,857
VAT rate	12%
VAT on sales / receipts	47,249,023
Less allowable input tax	19,431,817
Output VAT declared in returns	₱27,817,206

The roll forward of Input VAT is presented below:

As of January 1, 2023	₱–
Input VAT on domestic purchase of services	196,249,897
Input VAT on domestic purchases of goods other than capital goods	4,744,826
Total available input VAT	200,994,723
Input VAT allocable to exempt sales, treated as part of Company costs	181,562,907
Allowable input VAT claimed as offset against output VAT	₱19,431,816

Information on the Company's Importations
The Company has not undertaken any importation activity in 2023.

Excise taxes
The Company is neither involved in the local production nor in the importation of excisable items, therefore, has not paid excise taxes.

Documentary Stamp Tax

On others - policy issuance	₱27,872,356
On loan instruments	1,943,280
	₱29,815,636

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, license and permit fees. Details of other taxes and licenses in 2023 follow:

License and permit fees	₱10,184,636
Fringe benefit tax	3,882,636
	₱14,067,272

Withholding Taxes
Details of taxes withheld in 2023 follow:

Creditable withholding taxes	₱211,113,938
Withholding taxes on compensation and benefits	32,419,694
Final withholding tax	12,025,889
	₱255,559,521

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