Pioneer Life Inc.

(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

Financial Statements
December 31, 2022 and 2021

and

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pioneer Life Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pioneer Life Inc. (the 'Company'), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (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 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 PFRSs, 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 No. 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 No. 15-2010 in Note 31 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 Pioneer Life 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.

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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024
PTR No. 9564685, January 3, 2023, Makati City

May 2, 2023

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

		December 31	January 1
	2022	2021 (As restated – Note 12)	2021 (As restated – Note 12)
ASSETS			
Cash and cash equivalents (Notes 4, 7, and 29)	**₱2,646,022,164**	₱2,675,089,184	₱2,310,067,873
Insurance receivables (Notes 5 and 29)	**1,650,607,565**	1,519,382,916	555,854,022
Financial assets (Notes 6, 7, and 29)			
Financial assets at fair value through profit or loss	**3,119,697,757**	3,620,583,506	3,905,701,760
Financial assets at fair value though other comprehensive income (FVOCI)	**3,878,419,190**	4,132,674,488	4,376,547,945
Financial assets at amortized cost	**1,119,668,063**	1,103,887,009	1,076,599,780
Accrued income (Notes 8 and 29)	**137,549,897**	85,943,934	76,172,758
Reinsurance assets (Notes 13, 14, and 29)	**1,000,000**	1,000,000	1,000,000
Pension asset - net (Note 24)	**22,941,099**	–	–
Investment properties (Note 9)	**16,370,680**	16,240,450	14,874,950
Property and equipment - net (Note 10)	**28,547,062**	26,674,448	32,871,451
Software costs - net (Note 11)	**15,343,387**	4,315,418	4,323,543
Right-of-use assets (Note 27)	**18,239,945**	36,712,403	45,292,297
Deferred tax asset – net		–	92,505,687
Investments in associates (Note 12)	**2,012,426,776**	2,012,426,776	2,033,823,840
Other assets	**127,976,321**	101,711,726	74,420,296
TOTAL ASSETS	**₱14,794,809,906**	₱15,336,642,258	₱14,600,056,202
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities (Notes 13, 14, and 29)			
Legal policy reserves	**₱8,142,155,705**	₱9,428,263,359	₱10,010,502,790
Policy and contract claims	**1,498,897,487**	1,183,086,923	1,115,435,825
Policyholders' dividends (Note 29)	**260,795,212**	264,296,180	269,679,490
Reserve for policyholders' dividends (Note 29)	**-**	–	13,575
Policyholders' deposits (Note 29)	**363,997,701**	397,322,452	361,743,354
Insurance payables (Notes 15 and 29)	**1,404,645,386**	1,497,738,244	480,050,734
Accounts payable and accrued expenses (Notes 7, 16, and 29)	**163,360,043**	171,241,473	184,593,937
Lease liabilities (Note 27)	**19,486,317**	39,098,268	48,992,417
Pension liability - net (Note 24)	**-**	14,411,733	32,129,884
Deferred tax liability - net (Note 25)	**385,525,987**	108,318,903	–
Total Liabilities	**12,238,863,838**	13,103,777,535	12,503,142,006
Equity			
Capital stock (Note 17)	**260,000,000**	260,000,000	260,000,000
Additional paid-in capital	**261,297,581**	261,297,581	261,297,581
Contributed surplus	**430,000,000**	430,000,000	430,000,000
Contingency surplus	**111,000,000**	111,000,000	111,000,000
Reserve for fluctuation in value of financial assets at FVOCI	**(462,697,589)**	253,528,775	778,096,685
Remeasurement gains (losses) on legal policy reserves (Note 13)	**1,140,418,351**	324,987,429	(177,432,565)
Remeasurement gains on retirement benefit plan (Note 24)	**27,470,036**	8,106,594	1,644,627
Retained earnings	**788,457,689**	583,944,344	432,307,868
Total Equity	**₱2,555,946,068**	₱2,232,864,723	₱2,096,914,196
TOTAL LIABILITIES AND EQUITY	**₱14,794,809,906**	₱15,336,642,258	₱14,600,056,202

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021 (As restated – Note 12)
REVENUE		
Gross earned premiums on insurance contracts	**₱5,568,960,596**	₱4,701,711,374
Reinsurers' share of gross earned premiums on insurance contracts	**(1,529,571,619)**	(1,196,108,374)
Net earned premiums (Note 18)	**4,039,388,977**	3,505,603,000
Investment income - net (Note 19)	**260,820,392**	411,126,830
Foreign currency exchange gain (loss) - net (Note 6)	**36,486,354**	31,097,881
Other income	**1,825,184**	2,960,483
Other revenues	**299,131,930**	445,185,194
	4,338,520,907	3,950,788,194
BENEFITS, CLAIMS, EXPENSES AND LOSSES		
Gross change in legal policy reserves	**(159,004,314)**	132,469,204
Reinsurers' share of gross change in legal policy reserves	**(39,862,113)**	(27,916,975)
Gross benefits and claims incurred on insurance contracts	**4,288,284,743**	3,577,071,946
Reinsurers' share of gross benefits and claims incurred on insurance contracts	**(1,324,134,710)**	(1,076,541,226)
Net insurance benefits and claims (Notes 13 and 20)	**2,765,283,606**	2,605,082,949
General and administrative expenses (Note 21)	**792,724,701**	634,458,634
Commissions and other direct expenses (Note 22)	**524,333,024**	502,083,196
Interest expense	**14,699,754**	14,949,298
Expenses and losses	**1,331,757,479**	1,151,491,128
	4,097,041,085	3,756,574,077
INCOME BEFORE INCOME TAX	**241,479,822**	194,214,117
PROVISION FOR INCOME TAX (Note 25)	**36,966,477**	42,577,641
NET INCOME	**₱204,513,345**	₱151,636,476

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱204,513,345**	₱151,636,476
OTHER COMPREHENSIVE INCOME		
Items to be recycled to profit or loss in subsequent periods:		
Fair value gain (loss) on debt securities at FVOCI (Note 6)	**(717,867,675)**	(537,982,541)
	(717,867,675)	(537,982,541)
Items not to be recycled to profit or loss in subsequent periods:		
Fair value gain (loss) on equity securities designated at FVOCI (Note 6)	**1,930,954**	15,391,919
Consequential income tax effect (Note 25)	**(289,643)**	(1,977,288)
	1,641,311	13,414,631
Remeasurement gain (loss) on legal policy reserves (Note 13)	**1,087,241,228**	686,791,660
Consequential income tax effect (Note 25)	**(271,810,306)**	(184,371,666)
	815,430,922	502,419,994
Remeasurement gain (loss) on retirement benefit plan (Note 24)	**25,817,923**	8,431,962
Consequential income tax effect (Note 25)	**(6,454,481)**	(1,969,995)
	19,363,442	6,461,967
	118,568,000	(15,685,949)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱323,081,345**	₱135,950,527

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2022

	Capital Stock (Note 17)	Additional Paid-in Capital	Contributed Surplus	Contingency Surplus	Reserve for fluctuation in value of Financial Assets at FVOCI (Notes 6 and 29)	Remeasurement Gains (Losses) on Legal Policy Reserves (Note 13 and 25)	Remeasurement Gains (Losses) on Retirement Benefit Plan (Note 24)	Retained Earnings (Deficit)	Total
At January 1, 2022, as restated	**₱260,000,000**	**₱261,297,581**	**₱430,000,000**	**₱111,000,000**	**₱253,528,775**	**₱324,987,429**	**₱8,106,594**	**₱583,944,344**	**₱2,232,864,723**
Net income	–	–	–	–	–	–	–	**204,513,345**	**204,513,345**
Other comprehensive income (loss)	–	–	–	–	**(716,226,364)**	**815,430,922**	**19,363,442**	–	**118,568,000**
Total comprehensive income (loss)	–	–	–	–	**(716,226,364)**	**815,430,922**	**19,363,442**	**204,513,345**	**323,081,345**
At December 31, 2022	**₱260,000,000**	**₱261,297,581**	**₱430,000,000**	**₱111,000,000**	**(₱462,697,589)**	**₱1,140,418,351**	**₱27,470,036**	**₱788,457,689**	**₱2,555,946,068**
At January 1, 2021, as previously reported	₱260,000,000	₱261,297,581	₱430,000,000	₱111,000,000	₱778,096,685	(₱177,432,565)	₱1,644,627	₱771,278,508	₱2,435,884,836
Impact of impairment in associate from previous years (Note 12)	–	–	–	–	–	–	–	(338,970,640)	(338,970,640)
At January 1, 2021, as restated	260,000,000	261,297,581	430,000,000	111,000,000	778,096,685	(177,432,565)	1,644,627	432,307,868	2,096,914,196
Net income	–	–	–	–	–	–	–	151,636,476	151,636,476
Other comprehensive income (loss)	–	–	–	–	(524,567,910)	502,419,994	6,461,967	–	(15,685,949)
Total comprehensive income (loss)	–	–	–	–	(524,567,910)	502,419,994	6,461,967	151,636,476	135,950,527
At December 31, 2021	₱260,000,000	₱261,297,581	₱430,000,000	₱111,000,000	₱253,528,775	₱324,987,429	₱8,106,594	₱583,944,344	₱2,232,864,723

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021 (As restated – Note 12)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱241,479,822**	194,214,117
Adjustments for:		
Interest income (Note 19)	**(443,438,488)**	(352,650,360)
Net change in legal policy reserves (Notes 13 and 20)	**(198,866,427)**	104,552,229
Fair value loss (gain) on financial assets at FVTPL (Notes 6 and 19)	**251,895,869**	(30,362,367)
Dividend income (Note 19)	**(59,140,671)**	(60,645,667)
Impairment loss on investment in associate (Note 12)	**—**	33,897,064
Foreign currency exchange gain – net (Note 6)	**(19,149,369)**	18,752,114
Depreciation and amortization (Notes 10, 11 and 27)	**35,474,636**	38,110,362
Gain/loss on lease termination (Note 27)	**(470,815)**	(1,429,308)
Retirement expense (Note 24)	**13,818,901**	14,695,693
Interest expense on lease liabilities (Note 27)	**1,179,641**	2,112,373
Reversal of provision for ECL (Notes 5, 6, and 21)	**—**	(55,695,173)
Fair value gain on investment properties (Notes 9 and 19)	**(130,230)**	(1,365,500)
Net change in reserve for policyholders' dividends (Note 29)	**—**	(13,577)
Operating loss before changes in working capital	**(177,347,131)**	(95,828,000)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**(131,224,649)**	(963,528,894)
Loans and receivables	**(15,781,054)**	9,082,580
Other assets	**(26,264,595)**	(27,291,430)
Increase (decrease) in:		
Policy and contract claims	**315,810,564**	67,651,098
Accounts payable and accrued expenses	**(7,881,430)**	(13,352,464)
Insurance payables	**(93,092,858)**	1,017,687,510
Policyholders' deposits	**(33,324,751)**	35,579,098
Policyholders' dividends	**(3,500,967)**	(5,383,310)
Net cash used in operations	**(172,606,871)**	24,616,188
Contributions to the retirement fund (Note 24)	**(25,089,221)**	(24,533,864)
Income tax paid	**(36,966,477)**	(42,577,641)
Net cash used in operating activities	**(234,662,569)**	(42,495,317)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVTPL (Note 6)	**(1,114,994,156)**	(2,205,124,306)
Financial assets at FVOCI (Note 6)	**(449,947,465)**	(275,437,885)
Property and equipment (Note 10)	**(14,761,514)**	(7,682,454)
Software (Note 11)	**(14,127,647)**	(1,266,042)
Investment in associate (Note 12)	**–**	(12,500,000)

(Forward)

	Years Ended December 31	
	2022	2021
Proceeds from sale/maturities of financial assets at FVTPL (Note 6)	**₱1,375,228,355**	2,533,996,620
Interest received	**391,952,683**	341,810,833
Dividends received	**59,020,513**	61,714,018
Net cash provided by investing activities	**232,370,769**	435,510,784
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of lease liabilities (Note 27)	**(21,334,377)**	(24,954,642)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(5,440,843)**	(3,039,514)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(29,067,020)**	365,021,311
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,675,089,184**	2,310,067,873
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,646,022,164**	₱2,675,089,184

See accompanying Notes to Financial Statements.

1. Corporate Information

Pioneer Life Inc. (the "Company") was incorporated on December 15, 1997 as a joint venture between Allianz AG (Allianz) and Pioneer Life Holdings, Inc. (PLHI), the Parent Company. The Company was organized to engage, operate, manage and carry on the business of life insurance in all its branches and in particular to underwrite insurance upon the lives of individuals, either single or in groups, and every other kind of insurance appertaining thereto or connected therewith, including reinsurance. The line up of products offered runs the range from investment and protection to accident and health, as well as education and retirement. The Parent Company's ultimate parent is Pioneer, Inc.

On January 13, 2003, PLHI acquired all equity interest of Allianz in the Company, making the Company a wholly-owned subsidiary of PLHI.

The registered office address of the Company is Pioneer House, 108 Paseo de Roxas, Legaspi Village, Makati City.

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on May 2, 2023.

2. Summary of Significant Accounting Policies

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), financial assets at and designated at fair value through other comprehensive income (FVOCI), and investment properties that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded off to the nearest peso unit, unless otherwise indicated.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022. 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 PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2023

- 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. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

- 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.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- 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).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2022 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Translation of Foreign Currency-Denominated Transactions

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 using 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. All foreign exchange differences are taken to the statement of income.

Product Classification

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

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired.

Insurance contracts are further classified as being either with or without discretionary participation feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are (a) likely to be a significant portion of the total contractual benefits, (b) whose amount or timing is contractually at the discretion of the issuer, and (c) that are contractually based on the (i) performance of a specified pool of contracts or a specified type of contract, (ii) realized and/or unrealized investment returns on a specified pool of assets held by the issuer, or (iii) the profit or loss of the Company, fund or other entity that issues the contract.

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

Determination of Fair Value

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.

Financial assets

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Nonfinancial assets

A fair value measurement of a nonfinancial 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.



Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of 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.

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

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

Financial Instruments
A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVTPL.

The classification and initial recognition depend on the contractual cash flow characteristics of the financial assets and the Company's business model for managing them. The initial measurement of financial assets, except for those classified as FVTPL, includes transaction cost. The exception is for receivables that do not contain significant financing component.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets



in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases of sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

As of December 31, 2022, the Company's financial assets comprise of financial assets at FVTPL, FVOCI and amortized cost (see Note 6).

Subsequent measurement
Subsequent to initial recognition, the Company classifies its financial assets in the following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains or losses to profit or loss (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains or losses to profit or loss upon derecognition (equity investments); and
- Financial assets at FVTPL.

Financial assets at amortized cost (debt instruments). 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 these financial assets in order to collect contractual cash flow; and,
- The contractual term of the financial assets give rise, on specific dates, to cash flows that are 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 the statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, insurance receivables, collateral loans, policy loans, accounts receivable, accrued income, and other receivables.

Financial assets at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these were acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, 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 measured at fair value. Changes in fair values are recognized in the profit or loss.

This category includes investments in quoted equity securities, corporate and government debt securities, structured notes and investments under variable unit-linked funds.

Financial assets at FVOCI (debt instruments). The Company measures debt instruments at fair value through OCI 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 solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statements of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's financial assets at FVOCI includes investments in government debt securities.

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, the Company can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of income. Dividends are recognized as income in statement of income when the right of payment is established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably investments in unquoted equity securities and investments in golf and club shares under this category.

Impairment of financial assets

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

Expected credit loss methodology

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

Definition of "default"

The Company defines a financial instrument as in default in all cases when the counterparty becomes over 90 days past due on its contractual payments. As a part of the qualitative assessment of whether a counterparty is in default, the Company also considers a variety of instances that may indicate objective evidence of impairment, such as significant problems in the operations of the customers and bankruptcy of the counterparties.

Significant increase in credit risk (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 borrower becomes past due for over 30 days. Further, the Company assumes that the credit risk of a financial asset, particularly on cash and equivalents, short-term investments and investment securities at amortized cost, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting 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.

Staging assessment
For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:
- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

ECL parameters and methodologies
For 'Cash and cash equivalents', 'Short-term investments' and 'Investments at amortized cost', the Company's calculation of 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.

For 'Insurance receivables', 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 its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various counterparty segments that have similar loss patterns (e.g. by intermediary, debtor). The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Forward looking information
A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.



Write-offs
Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to 'Provision for impairment loss - net' in the statement of income.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost (e.g., loans and borrowings, payables), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Company's financial liabilities comprise of financial liabilities at amortized cost.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities at amortized cost
These are issued financial instruments or their components, which are not designated as at FVTPL and where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, 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 its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in the statement of income.

This category generally applies to the statement of financial position captions "Policyholders' deposits," "Insurance payables" and "Accounts payable and accrued expenses" that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable). Insurance liabilities include "Insurance contract liabilities," "Policyholders' dividends" and "Reserve for policyholders' dividends." Policies for insurance liabilities are provided in subsequent sections.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument, or the fair value computed using a valuation technique that includes as variables only data from observable market factors, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the statement of income, unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is



derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit or loss amount.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it has a contractual obligation to:

- deliver cash or another financial asset to another entity, or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instrument classified as equity are charged directly to equity net of any related income tax benefits.

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 "passthrough" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has 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.

When the Company has transferred its right to receive cash flows from an asset or has entered into a "passthrough" arrangement 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 the consideration that the Company could be required to repay.

Financial liabilities
Financial liabilities are derecognized when the obligations under the liabilities has expired, or is discharged or cancelled.

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, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability



simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies which are included under "Insurance receivables" in the statement of financial position. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence shows that the Company may not recover all outstanding amounts due under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies, which are included under "Insurance payables" in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired, or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest method.

Investment Properties

Investment properties are properties that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. The Company's investment properties consist of land and lot areas held for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in fair values of the investment properties are included under "Investment income" in the statement of income in the year in which they arise.



Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized under "Investment income" in the statement of income in the year of retirement or disposal.

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

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are charged against income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization commences once the property and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the assets as follows:

	Years
Office furniture and equipment	5
Transportation equipment	5
Electronic Data Processing (EDP) equipment	4

Leasehold improvements are amortized over the term of the lease or the EUL of the improvements of five (5) years, whichever is shorter.

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in the statement of income.

Software Costs
Software costs consist of system software used by the Company in its operations. The costs are capitalized only if the asset can be reliably measured, will generate future economic benefits, and there is an ability to use or sell the asset. Software costs will be amortized upon completion over the expected useful life of the asset, but not to exceed twenty (20) years. An impairment review is performed when an indication of impairment occurs.

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets - buildings and parking spaces are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of one (1) to five (5) years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Investments in Associates
Investments in associates are carried in the statement of financial position at cost, less any impairment in value (see Note 12).

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control over those policies.

The investments are derecognized on disposal, with the difference between the net proceeds and the carrying amount being recognized in the statement of income. The reporting dates of the associates are identical with the Company and the accounting policies conforms to those used by the Company for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

As of December 31, 2022, the Company, together with Pioneer Insurance & Surety Corporation (PISC) and Pioneer Intercontinental Insurance Corporation (PIIC) (collectively referred as “Pioneer Group”), has 9.86% ownership interest in Philippine Trust Company (PTC). In addition, the Company, together with Pioneer Insurance & Surety Corporation (PISC), also has 50% ownership over Pioneer Hollard Inc.

Other Assets
Other assets consist primarily of creditable withholding tax, contingency reserve from pool business and prepayments which are measured at cost.



Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

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

Insurance Contract Liabilities

Recognition and Measurement

Legal policy reserves

The provision for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (Code) and guidelines set by the IC.

The legal policy reserves beginning January 1, 2017 are calculated based on new regulations. For traditional policies with coverage beyond one year, the reserves are calculated based on gross premium valuation (GPV) method wherein reserves represent the sum of present value of future benefit and expenses less the present value of future gross premiums arising from the policy discounted using the appropriate risk-free discount rates. These expected future cash flows are determined using best estimate with due consideration of significant recent experience and margin for adverse deviation from the expected experience.

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

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. The change in the provision for unearned premiums is taken to the statement of income in the order that revenue is recognised over the period of risk.

Life insurance contracts with fixed and guaranteed terms
A liability for contractual benefits that is expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions on mortality, maintenance expenses and investment income that are established at the time the contract is issued. The Company has different assumptions for different products. However, the reserves are computed to comply with the statutory requirements, which require discount rates based on the risk-free rates as provided by the regulator and mortality rates to be in accordance with the standard table of mortality.

Reserves are computed per thousand of sum insured and depend on the issue age and policy duration. A margin for adverse deviations is included in the assumptions. Adjustment to the liabilities at each reporting date is recorded in the statement of income.

Variable unit-linked insurance contracts
The Company issues unit-linked insurance contracts. In addition to providing insurance coverage, a unit-linked contract links payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. Premiums received from the issuance of unit-linked insurance contracts are recognized as premium revenue. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products.

The reserve for unit-linked liabilities are increased by additional deposits and changes in unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. At each reporting date, this reserve is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds. The assets and liabilities underlying the internal investment funds have been consolidated with the general accounts of the Company.

Policy and contract claims
These claims reflect the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuities are recorded when due.

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

Reserve for Policyholders' Dividends
A deposit premium fund (DPF) is a contractual right that gives policyholders the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the specified fund. The supplementary discretionary returns are subject to the discretion of the Company and are within the constraints of the terms and conditions of the contract. The obligations for all supplementary returns are recognized in "Reserve for policyholders' dividends" in the statement of financial position.

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 remeasured 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 ₱260,000). 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.

Pension Cost

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit cost comprises 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 cost, which includes current service cost, past service cost and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service cost is recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest expense or interest income in profit or loss.



Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Remeasurement gains on retirement benefit plan" in the period in which they arise. Remeasurements are not recycled to profit or loss in subsequent periods.

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 a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements.

Revenue outside the scope of PFRS 15
Premiums
Premiums written are recognized as earned when due. Estimates for premiums due but not yet collected are accrued. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

Interest income
Interest income is recognized in the statement of income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the effective interest method.

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

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Benefits and claims
Life insurance claims reflect the cost of all claims arising during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued as liabilities.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general and administrative expenses directly attributable to the claims function.

General and administrative expenses
Expenses consist of costs of administering the business. These are recognized as expenses as incurred.

Commissions and other direct expenses
These accounts are charged against operations when incurred.

Interest expense
Interest expense on policyholders' deposits and policyholders' dividends is recognized in the statement of income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account at every policy anniversary date.

Equity

Capital stock and additional paid-in capital (APIC)

Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are treated as deductions from APIC.

Contributed surplus

Contributed surplus represents the contribution of the stockholders of the Company, in addition to the paid-up capital stock, in order to comply in advance the required margin of solvency set by IC.

Contingency surplus

Contingency surplus represents additional contribution to cover the Company's deficiency in margin of solvency and capital requirements, in accordance with the guidelines of the IC. The amount can only be withdrawn upon approval of the IC.

Deficit

Deficit represents accumulated losses of the Company including restatements made net of consequential income tax effect.

Income Tax

Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity or other comprehensive income. Tax on these items is recognized in the statement of comprehensive income.

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 taxation authorities. The tax rates and tax laws used to compute this amount are those that have been enacted or substantively enacted as of the reporting date.

Current income tax for current and prior periods, shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized under "Other assets" in the statement of financial position.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.

Deferred tax assets and liabilities, however, is not recognized when it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax that relates to items that are recognized (a) in other comprehensive income shall be recognized in other comprehensive income and (b) directly in equity shall be recognized directly in equity account.

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 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 all or part of the deferred tax assets to be recovered.

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

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.

Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to operations for the period.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of its provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where the discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the statement of income.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the statement of income.

Events After the Reporting Date

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

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

Product classification

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

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Classification of financial instruments

The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the contractual cash flow characteristics and the Company's business model for managing them under PFRS 9. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of assets, liabilities and fund balances. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at each reporting date. The classification of the Company's financial instruments is shown in Note 6.

Determination of impairment of nonfinancial assets carried at cost

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

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Impairments recognized by the Company's financial instruments is shown in Note 6.

As of December 31, 2022 and 2021, the carrying value of property and equipment amounted to ₱28,547,062 and ₱26,674,448 , respectively (see Note 10). As of December 31, 2022, and 2022, the carrying value of software costs amounted to ₱15,343,387 and ₱4,315,418, respectively (see Note 11). As of December 31, 2022 and 2021 the carrying amount of right-of-use assets amounted to ₱18,239,945 and ₱36,712,403, respectively (see Note 27). As of December 31, 2022 and 2021, as restated, the carrying value of investment in associates amounted to ₱2,012,426,776. An impairment loss of ₱ 372,867,704 was recognized due to the valuation of Investment in PTC (see note 12).

Assessment of significant influence
In determining whether the Company has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.00% to 50.00% of the voting rights of an investee is presumed to give the Company a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Company applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation to the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investees; (d) interchange of managerial personnel; or (e) provision of essential technical information.

As of December 31, 2022, and 2021, the Company together with other entities within the Pioneer Group with aggregate ownership of 9.86% has two (2) representatives in PTC's board of directors' equivalent to 16.67% of the voting power effective October 4, 2019. Based on a memorandum agreement signed on September 18, 2019, Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the board shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. Accordingly, the investment in PTC was classified as investment in associate (see Notes 6 and 12).

The Company together with Pioneer Insurance and Surety Corp. ("PISC") entered into an intercorporate agreement on February 17, 2021 with Hollard International Proprietary Limited ("HINT") to form Pioneer Hollard Inc. (PHI). The Company subscribed to 250,000 shares or ₱25,000,000 for 25% of the total outstanding capital stock of PHI. The Company assessed that it holds significant influence over PHI. Accordingly, the investment in PHI was classified as an 'Investment in associate' in the Company's financial statements. PHI was established primarily to develop and provide a customer relationship management services through various media including, but not limited to, telephone, facsimile, e-mail, web chat and voice-over internet and all allied or related business (see Notes 6 and 12).

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Recognition of legal policy reserves
The estimation of the ultimate liability arising from claims made under life 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 those claims. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. As required by IC, the method to be used in the valuation of traditional life products is the GPV method on which the reserves are calculated as the present value of benefits, plus present value of expenses, less the present value of gross premiums discounted at the appropriate risk-free

discount rate as provided by IC. The Company uses the best estimate assumptions for mortality, morbidity, persistency and expenses with due regards to significant recent experience in determining the expected future cash flows.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

As of December 31, 2022 and 2022, the carrying value of the Company's legal policy reserves amounted to ₱8,142,155,705 and ₱9,428,263,359, respectively (see Note 13).

Determination of fair values of financial assets not quoted in an active market
The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis. In addition, the Company considers the significance of the variability in the range of recoverable fair value estimates.

The Company has financial assets at FVOCI not quoted in an active market whose fair value is determined using the discounted cash flow (DCF) method which incorporate market observable and unobservable data (Level 3). The unobservable inputs to the model include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Discussion on the valuation methodology and significant inputs used is disclosed in Note 29.

The carrying value of financial assets at FVOCI not quoted in an active market amounted to ₱81,117,542 and ₱79,186,589 as of December 31, 2022 and 2021, respectively (see Note 6 and 29).

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

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product and inflation rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail and consumer product sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

As of December 31, 2022 and 2021, the carrying value of financial assets at amortized cost and allowance for ECL amounted to ₱ 1,119,668,063 and ₱ 40,189,332, and ₱ 1,144,076,341 and ₱40,189,332 respectively (see Note 6). No additional provision for ECL on loans and receivables was

recognized in 2022 and a reversal of provision for ECL on loans and receivables amounting to ₱36,369,809 was recognized on December 31, 2021 (see Note 6).

Insurance receivables amounted to ₱1,684,142,869 and ₱1,552,958,220 as of December 31, 2022 and 2022, respectively. Allowance for ECL on insurance receivables amounted to ₱33,575,304 as of December 31, 2022, and 2021 (see Note 5).

Accrued income amounted to ₱137,549,897 and ₱85,943,934 as of December 31, 2022 and 2021, respectively. No provision for ECL was recognized on accrued income in 2022 and 2022 (see Note 8).

Determination of fair values of investment property
Investment properties are carried at fair value, which has been determined based on arm's length transactions as at or near the reporting period, as certified by an independent firm of appraisers, Cuervo Appraisers, Inc. In determining the fair values of investment properties, the Company's external appraiser uses the sales comparison approach for land by gathering recently transacted sales or listings of current market offerings for comparable properties and applying valuation adjustments based on differences in property characteristics and other relevant factors. Comparative net price is being considered as external factor affecting the fair value of the investment property, while location and size are also considered as internal factors affecting the fair value of the investment property. There have been no significant changes on the valuation methodologies used by the external appraiser.

As of December 31, 2022 and 2021 the fair value of investment properties amounted to ₱16,370,680 and ₱16,240,450, respectively (see Note 9).

Estimating the incremental borrowing rate (Leases)
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Company's lease liabilities amounted to ₱19,486,318 and ₱39,098,268 as of December 31, 2022 and 2021, respectively (see Note 27).

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e. 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 lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value (i.e., those with value of less than ₱260,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term. The Company's rent expense relating to short-term leases amounted to ₱13,490,864 and ₱17,111,584 as of December 31, 2022 and 2021, respectively (see Note 27).

Recognition of pension and other employee benefits
The pension cost and the present value of the retirement benefit obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date. The valuation used a single weighted average discount rate in arriving at the present value of defined obligation. The average discount rate was based on bootstrapped PHP BVAL zero-coupon rates at various tenors as at reporting date. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

The mortality rate is based on publicly available mortality tables in the Philippines. Future salary increases are based on expected future inflation rates. See Note 24 for the details of assumptions used in the calculation.

As of December 31, 2022 and 2021, the carrying value of the net pension asset amounted to ₱22,676,510 and net pension liability of ₱14,411,733, respectively (see Note 24).

Recognition of deferred tax assets
Deferred tax assets are recognized for all future tax deductibles to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

As of December 31, 2022 and 2021, the Company's recognized deferred tax assets amounted to ₱13,267,999 and ₱22,140,774 (see Note 25).

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 the legal counsels and based upon an analysis of potential results. The Company does not believe these proceedings will have a material adverse effect on its financial position (see Note 23).

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand		
Petty cash funds	**₱1,299,523**	₱1,239,745
Special funds	**117,213,783**	79,110,076
Cash in banks		
Commercial banks	**213,936,064**	232,475,621
Thrift and rural banks	**12,779,720**	15,331,530
Cash equivalents	**2,300,793,074**	2,346,932,212
	₱2,646,022,164	₱2,675,089,184

Cash in banks earns interest at the corresponding bank deposit rates. Cash equivalents are time deposits made for varying periods not exceeding three months, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term deposit rates that ranged from 0.05% to 5.5% and 0.05% to 1% in 2022 and 2021, respectively.
Special funds consist of commission and claims funds provided to the Company's branches and partner

institutions. These funds are unrestricted and replenished regularly depending on the commission and claims pay-out made by the respective branches and partner institutions.

Cash and cash equivalents also include ₱367,960,049 and ₱200,301,693 in VUL funds (see Note 7).

Interest income earned from cash and cash equivalents amounted to ₱26,925,126 and ₱17,486,048 in 2022 and 2021, respectively (see Note 19).

5. Insurance Receivables

This account consists of:

	2022	2021
Reinsurance recoverable on paid losses	**₱1,363,774,084**	₱1,289,696,720
Premiums due and uncollected	**319,009,683**	261,862,398
Due from reinsurers	**1,399,102**	1,399,102
	1,684,182,869	1,552,958,220
Less: Allowance for ECL	**(33,575,304)**	(33,575,304)
	₱1,650,607,565	₱1,519,382,916

Premiums due and uncollected represent premiums on written policies which are collectible within the Company's grace period.

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company. Such may be collected on a quarterly basis and may be offset against the outstanding reinsurance payable upon written confirmation from the reinsurer.

The following table shows aging information of insurance receivables:

	2022						
	Stage 2			**Stage 3**			
	< 30 days	**30 - 60 days**	**61 - 90 days**	**91 - 180 days**	**181 - 360 days**	**> 360 days**	**Total**
Premiums due and uncollected	**₱184,567,836**	**₱28,116,155**	**₱30,396,998**	**₱38,868,049**	**₱32,516,060**	**₱4,544,585**	**₱319,009,683**
Reinsurance recoverable on paid losses	**484,518,158**	**170,662,456**	**118,745,938**	**287,145,634**	**197,443,361**	**105,258,537**	**1,363,774,084**
Due from reinsurers						**1,399,102**	**1,399,102**
	₱669,085,994	**₱198,778,611**	**₱149,142,936**	**₱326,013,683**	**₱229,959,421**	**₱111,202,224**	**₱1,684,182,869**

	2021						
	Stage 2			Stage 3			
	< 30 days	30 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	> 360 days	Total
Premiums due and uncollected	₱149,466,076	₱23,886,813	₱12,082,034	₱30,103,456	₱11,591,584	₱ 34,732,435	₱261,862,398
Reinsurance recoverable on paid losses	400,689,465	311,096,211	122,464,111	191,180,914	187,019,854	77,246,165	1,289,696,720
Due from reinsurers	–	–	–	–	–	1,399,102	1,399,102
	₱550,155,541	₱334,983,024	₱134,546,145	₱221,284,370	₱198,611,438	₱113,377,702	₱1,552,958,220

Movements of insurance receivables follow:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as of January 1, 2022	**₱–**	**₱1,019,684,710**	**₱533,273,510**	**₱1,552,958,220**
New assets originated	–	**(5,568,960,597)**	–	**(5,568,960,597)**
Assets derecognized or repaid	–	**5,889,935,082**	**(189,749,836)**	**5,700,185,246**
Transfers to Stage 3	–	**(323,651,654)**	**323,651,654**	–
Balance at December 31, 2022	**₱–**	**₱1,017,007,541**	**₱667,175,328**	**₱1,684,182,869**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as of January 1, 2021	₱–	₱394,799,348	₱213,955,342	₱608,754,690
New assets originated	–	4,701,711,375	–	4,701,711,375
Assets derecognized or repaid	–	(3,756,108,743)	(1,399,102)	(3,757,507,845)
Transfers to Stage 3	–	(320,717,270)	320,717,270	–
Balance at December 31, 2021	₱–	₱1,019,684,710	₱533,273,510	₱1,552,958,220

The reconciliation of changes in allowance for ECL follows:

	2022	2021
Beginning balance	**₱33,575,304**	₱52,900,668
Reversal of provision for ECL (Note 21)	–	(19,325,364)
Ending balance	**₱33,575,304**	₱33,575,304

	Stage 1	Stage 2	Stage 3	Total
Balance as of January 1, 2021	₱–	₱–	₱52,900,668	₱52,900,668
New assets originated	–	–	–	–
Assets derecognized or repaid	–	(19,325,364)	–	(19,325,364)
Transfers to Stage 3	–	19,325,364	(19,325,364)	–
Balance at December 31, 2021	₱–	₱–	₱33,575,304	₱33,575,304
New assets originated	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Transfers to Stage 3	–	–	–	–
Balance at December 31, 2022	**₱–**	**₱-**	**₱33,575,304**	**₱33,575,304**

6. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	2022	2021
Financial assets at FVTPL	**₱3,119,697,757**	₱3,620,583,506
Financial assets at FVOCI	**3,771,551,648**	4,027,737,899
Financial assets designated at FVOCI	**106,867,542**	104,936,589
Financial assets at amortized cost	**1,119,668,063**	1,103,887,009
	₱8,117,785,010	₱8,857,145,003

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

Financial assets at FVTPL
This account consists of:

	2022	2021
Listed equity securities	**₱2,838,800,706**	₱3,320,704,022
Government debt securities	**280,897,051**	299,879,484
	₱3,119,697,757	₱3,620,583,506

Financial assets at FVTPL contain investments under variable unit-linked funds amounting to ₱3,071,839,173 and ₱3,526,615,693 in December 31, 2022 and 2021, respectively (see Note 7).

Interest income from financial assets at FVTPL amounted to ₱16,153,607 and ₱17,717,587 in 2022 and 2021, respectively (see Note 19).

Government and corporate debt securities included in financial assets at FVTPL are composed of fixed-rate treasury notes and foreign currency-denominated bonds that earn interest at rates as indicated below:

	2022		2021	
	From	**To**	From	To
Peso	**3.375%**	**8.625%**	2.38%	6.25%
US Dollar	**1.95%**	**9.50%**	1.95%	9.50%

Financial assets at and designated at FVOCI
This account consists of:

	2022	2021
Financial assets at FVOCI		
Government debt securities	**₱3,771,551,648**	₱4,027,737,899
Financial assets designated at FVOCI		
Unquoted equity securities - at fair value	**81,117,542**	79,186,589
Golf and club shares	**25,750,000**	25,750,000
	106,867,542	104,936,589
	₱3,878,419,190	₱4,132,674,488

Interest income from financial assets at FVOCI amounted to ₱324,836,162 and ₱240,721,169 in 2022 and 2021, respectively (see Note 19).

Government and corporate debt securities included in financial assets at FVOCI are composed of fixed-rate treasury notes and foreign currency-denominated bonds that earn interests at rates indicated below for December 31, 2022 and 2021.

	2022	
	From	**To**
Peso	**3.50%**	**18.25%**
US Dollar	**3.70%**	**7.75%**

The rollforward analysis of reserve for fluctuation in value of financial assets at FVOCI is presented below:

	2022	2021
At January 1	**₱253,528,775**	₱778,096,685
Fair value losses (net of consequential income tax effect)	**(716,226,364)**	(524,567,910)
At December 31	**(₱462,697,589)**	₱253,528,775

Reserve for fluctuation in value of financial assets at FVOCI records the difference between the amortized costs and fair values of FVOCI and the difference between acquisition cost and fair value of FVOCI.

The rollforward analysis of financial assets (excluding loans and receivables) follows:

	2022		
	Financial Assets at FVTPL	**Financial Assets at FVOCI**	**Total**
At January 1	**₱3,620,583,506**	**₱4,132,674,488**	**₱7,753,257,994**
Additions	**1,114,994,156**	**449,947,465**	**1,564,941,621**
Disposals/maturities	**(1,375,228,355)**	**–**	**(1,375,228,355)**
Net premium amortization	**–**	**(8,604,075)**	**(8,604,075)**
Fair value loss	**(251,895,869)**	**(715,936,721)**	**(967,832,590)**
Foreign exchange gain	**11,244,319**	**20,338,033**	**31,582,352**
At December 31	**₱3,119,697,757**	**₱3,878,419,190**	**₱6,998,116,947**

	2021		
	Financial Assets at FVTPL	Financial Assets at FVOCI	Total
At January 1	₱3,905,701,760	₱4,376,547,951	₱8,282,249,711
Additions	2,205,124,306	275,437,885	2,480,562,191
Disposals/maturities	(2,533,996,620)		(2,533,996,620)
Fair value gain/(loss)	30,362,367	(524,567,910)	(494,205,543)
Foreign exchange gain	13,391,693	13,828,052	27,219,745
Net premium amortization		(8,571,490)	(8,571,490)
At December 31	₱3,620,583,506	₱4,132,674,488	₱7,753,257,994

Financial assets at amortized cost

Loans and receivables
This account consists of:

	2022	2021
Collateral loans	**₱731,351,685**	₱754,370,588
Policy loans	**223,947,411**	245,057,481
Accounts receivable	**138,934,852**	60,172,046
Other receivables	**65,623,447**	84,476,226
	1,159,857,395	1,144,076,341
Less: Allowance for ECL	**(40,189,332)**	(40,189,332)
	₱1,119,668,063	₱1,103,887,009

Movements of financial assets at amortized cost are as follows:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as of January 1, 2022	**₱89,560,741**	**₱17,712,601**	**₱1,036,802,999**	**₱1,144,076,341**
New assets originated	**31,694,083**	**-**	**212,833,041**	**244,527,124**
Assets derecognized or repaid	**-**	**(242,830)**	**(228,503,240)**	**(228,746,070)**
Transfers to Stage 2	**(17,466,304)**	**17,466,304**	**-**	**-**
Transfers to Stage 3	**(33,235,228)**	**(17,749,032)**	**50,984,260**	**-**
Balance at December 31, 2022	**₱70,553,292**	**₱17,187,043**	**₱1,072,117,060**	**₱1,159,857,395**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as of January 1, 2021	₱94,776,010	₱2,940,680	₱1,055,442,231	₱1,153,158,921
New assets originated	143,280,129	–	177,482,990	320,763,119
Assets derecognized or repaid	(81,221,518)	(242,830)	(248,381,351)	(329,845,699)
Transfers to Stage 2	(17,466,304)	17,466,304	–	–
Transfers to Stage 3	(49,807,576)	(2,451,553)	52,259,129	–
Balance at December 31, 2021	₱89,560,741	₱17,712,601	₱1,036,802,999	₱1,144,076,341

The reconciliation of changes in allowance for ECL follows:

	2022	2021
Beginning balance	**₱40,189,332**	₱76,559,141
Reversal of provision for ECL (Note 21)	–	(36,369,809)
Ending balance	**₱40,189,332**	₱40,189,332

	Stage 1	Stage 2	Stage 3	Total
Balance as of January 1, 2021	₱–	₱–	₱76,559,141	₱76,559,141
New assets originated	–	–	76,559,141	76,559,141
Assets derecognized or repaid	–	–	(36,369,809)	(36,369,809)
Transfers to Stage 3	–	–	–	–
Balance at December 31, 2021	₱–	₱–	₱40,189,332	₱40,189,332
New assets originated	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Transfers to Stage 3	–	–	–	–
Balance at December 31, 2022	**₱–**	**₱–**	**₱40,189,332**	**₱40,189,332**

Collateral loans consist of real estate and chattel mortgage loans extended to employees, agents and policyholders. The following presents the breakdown of collateral loans by contractual maturity dates:

	2022	2021
Due within one year	**₱53,311,442**	₱62,638,594
Due beyond one year	**678,040,243**	691,731,994
	₱731,351,685	₱754,370,588

Collateral loans earn interest ranging from 5.50% to 9.39% per annum and with maturities of three (3) to 20 years in 2022 and 2021.

Policy loans pertain to interest-bearing loans granted to policyholders. The policyholders' cash surrender values on their life insurance policies serve as collateral on the loans. Interests earned from these loans are at 10% and 8% per annum on Peso and US Dollar loans, respectively, with ceiling rates mandated by the IC.

Accounts receivable represent advances to agents and employees and intercompany trade receivables (see Note 26). Collection of advances to agents and employees are normally done through deduction from commissions and salaries, respectively. Intercompany trade receivables are reconciled and collected on a quarterly basis.

Other receivables consist primarily of proceeds from sale of investment in shares of stocks, advanced claims for bundled products and other miscellaneous receivables.

Interest income from loans and receivables amounted to ₱75,523,593 and ₱76,725,556 in 2022 and 2021, respectively (see Note 19).

7. Variable Unit-Linked Funds

Traditional Variable Unit-Linked

Traditional variable unit-linked (VUL) life insurance contracts are life insurance policies wherein a portion of the premiums received are invested in VUL funds which are composed mainly of investments in equity and debt securities. The withdrawal or surrender amount of a VUL policy can be computed by multiplying the total units held by the policyholder by the fund's Net Asset Value (NAV) per unit, which changes daily depending on the fund's performance. The Company's VUL funds are managed by an independent asset management company duly accredited by the Bangko Sentral ng Pilipinas. Management fees are charged at 1.20% of the fund value (see Note 21) in 2022 and 2021, respectively.

The distribution of net assets attributable to unitholders follows:

			Percentage	
	2022	2021	**2022**	2021
Policyholders' share in net assets	**₱2,826,904,858**	₱2,982,363,696	**82.32%**	80.44%
Seed capital	**607,143,174**	725,407,505	**17.68%**	19.56%
Net assets attributable to unitholders	**3,434,048,032**	₱3,707,771,201	**100.00%**	100.00%

The details of the Company's five (4) different VUL funds, namely, Peso Managed Fund, Peso Equity Fund, US Dollar Bond Fund, and Money Market Fund are presented in the next page. These balances are included in each of the categories in the statements of financial position.

Peso managed fund

The Pioneer VL Peso Managed Fund is a Philippine-peso denominated balanced fund. The investment objective of the fund is to achieve growth by investing in bonds and equities of Philippine companies.

Peso equity fund

The Pioneer VL Peso Equity Fund is a Philippine-peso denominated equities fund. The investment objective of the fund is to achieve long-term growth by investing in listed stocks of Philippine companies.

Dollar bond fund

The Pioneer VL Dollar Bond Fund is a US dollar denominated fund. The investment objective of the fund is to achieve growth by investing in fixed income securities issued by the Philippine government as well as top corporates.

Money market fund
The fund can invest in debt obligations issued and/or guaranteed by the Government of the Republic of the Philippines or Bangko Sentral ng Pilipinas, maturing in one year or less and peso time deposits, special saving accounts, money market placements and other short term debt instruments issued by accredited banks operating in the Philippines.

	2022				
	Peso Managed Fund	**Peso Equity Fund**	**US Dollar Bond Fund**	**Money Market Fund**	**Total**
Assets					
Cash and cash equivalents (Note 4)					
Cash in bank	₱1,038,013	₱7,554,432	₱–	₱101	₱8,592,546
Cash equivalents	58,600,000	177,500,000	65,413,784	57,853,719	359,367,503
Financial assets at FVTPL (Note 6)	551,321,280	2,420,913,536	99,604,357	–	3,071,839,173
Interest receivable (Note 8)	2,133,457	1,256,419	1,822,279	237,524	5,449,679
Accounts receivable	(177,756)	(893,107)	–	–	(1,070,863)
Dividends receivable	177,756	893,107	–	–	1,070,863
	₱613,092,750	₱2,607,224,387	₱166,840,420	₱58,091,344	₱3,445,248,901
Liabilities and Equity					
Accounts payable and accrued expenses (Note 16)					
Withholding taxes payable	₱386,776	₱72,662	₱13,085	₱ 47,505	₱520,028
Accrued expenses	1,864,841	8,036,925	239,370	539,705	10,680,841
Net assets attributable to unitholders	610,841,133	2,599,114,800	166,587,965	57,504,134	3,434,048,032
	₱613,092,750	₱2,607,224,387	₱166,840,420	₱58,091,344	₱3,445,248,901

	2021				
	Peso Managed Fund	Peso Equity Fund	US Dollar Bond Fund	Money Market Fund	Total
Assets					
Cash and cash equivalents (Note 4)					
Cash in bank	₱1,318,690	₱1,369,497	₱–	₱-	₱2,688,187
Cash equivalents	29,000,000	44,000,000	67,926,334	56,687,172	197,613,506
Financial assets at FVTPL (Note 6)	594,157,034	2,820,478,778	111,979,881	–	3,526,615,693
Interest receivable (Note 8)	1,914,854	850,431	1,624,235	60,831	4,450,351
Accounts receivable	9,130,727	16,535,650	–	–	25,666,377
Dividends receivable	101,033	849,676	–	–	950,709
	₱635,622,338	₱2,884,084,032	₱181,530,450	₱56,748,003	₱3,757,984,823
Liabilities and Equity					
Accounts payable and accrued expenses (Note 16)					
Withholding taxes payable	₱362,764	₱153	₱7,127	₱3,335	₱373,379
Accrued expenses	8,865,306	40,657,841	274,034	43,062	49,840,243
Net assets attributable to unitholders	626,394,268	2,843,426,039	181,249,288	56,701,606	3,707,771,201
	₱635,622,338	₱2,884,084,033	₱181,530,449	₱56,748,003	₱3,757,984,823

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

Financial assets at FVTPL
Financial assets at FVTPL consist of listed equity securities, government and corporate debt securities. Equity securities consist mainly of shares which are listed and actively traded. Government and corporate debt securities are composed of fixed-rate treasury notes and foreign currency-denominated bonds that earn interests at rates from 1.95% to 9.50% in 2022 and 2021.

Interest receivable
These are due accrued interest income from financial assets at FVTPL but have not yet been collected.

Accounts receivable
Accounts receivable pertain to amounts collectible from brokers for the sale of investment in stocks.

Dividends receivable
These are accrued dividend income from listed equity securities that are due to the company but not yet collected.

The unit-linked financial assets at fair value, traditional and structured, are classified as follows:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Listed equity securities	**₱ 2,790,942,122**	**₱–**	**₱–**	**₱ 2,790,942,122**
Government debt securities	**280,897,051**	**–**	**–**	**280,897,051**
Corporate debt securities	**–**	**–**	**–**	**–**
Structured notes	**–**	**–**	**–**	**–**
	₱ 3,071,839,173	**₱–**	**₱-**	**₱ 3,071,839,173**

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed equity securities	₱3,226,736,209	₱–	₱–	₱3,226,736,209
Government debt securities	299,879,484	–	–	299,879,484
Corporate debt securities	–	–	–	–
Structured notes	–	–	–	–
	₱3,526,615,693	₱–	₱-	₱3,526,615,693

The analyses of the fair market value as of December 31, 2022 and 2021 are performed for the reasonable possible movement in the significant unobservable inputs with all other variables held constant, showing the impact to profit and loss follow.

8. Accrued Income

This account consists of:

	2022	2021
Interest receivable on:		
Financial asset at FVOCI	**₱125,326,644**	₱79,384,476
Financial assets at FVTPL	**4,378,816**	3,400,247
Cash and cash equivalents	**6,773,573**	2,208,505
Dividends receivable	**1,070,864**	950,706
	₱137,549,897	₱85,943,934

Interest receivable contain receivables under variable unit-linked funds amounting to ₱5,449,679 and ₱4,450,351 in December 31, 2022 and 2021, respectively (see Note 7).

9. Investment Properties

The Company's investment properties consist of parcels of land acquired in extinguishment of loans receivable from third parties. The rollforward analysis of this account follows:

	2022	2021
At January 1	**₱16,240,450**	₱14,874,950
Fair value gains (Note 19)	**130,230**	1,365,500
At December 31	**₱16,370,680**	₱16,240,450

As of December 31, 2022 and 2021, the fair values of the properties are based on the valuations made on November 11, 2022 and November 16, 2021, respectively, by Cuervo Appraisers, Inc., an independent firm of appraisers and a specialist in valuing these types of investment properties.

The valuation for parcels of land was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g., market conditions, location, physical condition and amenities). Estimated price per square meter based on this approach and unobservable input ranges from ₱12,000 to ₱16,500 per square meter. Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

The Company has determined that the highest and best use of the parcels of land at the measurement date would be to convert the properties for residential purposes and as such are valued in this manner which is categorized under Level 3 of the fair value hierarchy. For strategic reasons, the properties are not being used in this manner.

As at December 31, 2022 and 2021, no land has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

10. Property and Equipment

The rollforward analysis of property and equipment follows:

	2022				
	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Cost					
At January 1	**₱33,992,312**	**₱16,880,518**	**₱45,713,430**	**₱12,591,335**	**₱109,177,595**
Additions	**625,888**	**27,972**	**11,124,492**	**2,983,162**	**14,761,514**
At December 31	**34,618,200**	**16,908,490**	**56,837,922**	**15,574,497**	**123,939,109**
Accumulated Depreciation and Amortization					
At January 1	**30,640,043**	**11,315,822**	**29,872,373**	**10,674,909**	**82,503,147**
Depreciation and amortization (Note 21)	**3,976,931**	**1,686,313**	**5,847,929**	**1,377,727**	**12,888,900**
At December 31	**34,616,974**	**13,002,135**	**35,720,302**	**12,052,636**	**95,392,047**
Net Book Value	**₱1,226**	**₱3,906,355**	**₱21,117,620**	**₱3,521,861**	**₱28,547,062**

	2021				
	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Cost					
At January 1	₱33,992,312	₱16,880,518	₱38,956,380	₱11,665,931	₱101,495,141
Additions	-	-	6,757,050	925,404	7,682,454
At December 31	33,992,312	16,880,518	45,713,430	12,591,335	109,177,595
Accumulated Depreciation and Amortization					
At January 1	27,089,404	8,807,244	24,691,499	8,035,543	68,623,690
Depreciation and amortization (Note 21)	3,550,639	2,508,578	5,180,874	2,639,366	13,879,457
At December 31	30,640,043	11,315,822	29,872,373	10,674,909	82,503,147
Net Book Value	₱3,352,269	₱5,564,696	₱15,841,057	₱1,916,426	₱26,674,448

The Company has fully depreciated property and equipment still used in operations with total cost of ₱19,067,915 as of December 31, 2022 and 2021, respectively.

11. Software Costs

This account consists of system software. The rollforward analysis of this account follows:

	2022	2021
Cost		
At January 1	**₱60,320,272**	₱59,054,230
Additions	**14,127,647**	1,266,042
At December 31	**74,447,919**	60,320,272
Accumulated amortization		
At January 1	**56,004,854**	54,730,687
Amortization (Note 21)	**3,099,678**	1,274,167
At December 31	**59,104,532**	56,004,854
Net book value	**₱15,343,387**	₱4,315,418

The Company has fully amortized software costs still used in operations with total cost of ₱4,943,843 as of December 31, 2022 and 2021.

12. Investments in Associates

Investments in associates consist of investments in the following entities, which are all incorporated and operating in the Philippines, as of December 31, 2022 and 2021:

	Date of Incorporation	**Principal Activity**
Associate		
PTC	October 21, 1916	Universal banking
Pioneer Hollard, Inc. (PHI)	March 17, 2022	Business process outsourcing

The Company's percentage of ownership in the shares of stock of its investees follow:

	Effective Percentage of Ownership		Amount of Investment	
	2022	2021	**2022**	2021 (As restated)
PTC	**9.86%**	9.86%	**₱1,999,926,776**	₱1,999,926,776
PHI	**25.00%**	25.00%	**12,500,000**	12,500,000
Total			**₱2,012,426,776**	₱2,012,426,776

PTC

On May 28, 2019, the Board of Directors of Philippine Trust Company (PTC) at its regular meeting has resolved that Pioneer Group, consisting of the Company, PISC and PIIC having an aggregate ownership of 9.86% of the total outstanding capital stock of PTC, be allowed to have two (2) representatives in the Board of Directors of PTC effective October 4, 2019. On September 18, 2019, the Pioneer Group signed a memorandum of agreement stating that Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the board shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. As a result, the Company together with other entities within the Pioneer Group, gained significant influence over PTC effective October 4, 2019.

Prior to October 4, 2019, the Company classified its investments in PTC as financial assets at FVOCI. The Company used the fair value as of reclassification date as the deemed cost of the investment in associate. Accordingly, the Company reclassified the investments in PTC from financial assets at FVOCI amounting to ₱2,372,794,480 to investment in associate. The unrealized fair value gain amounting to ₱13,762,498,540 under reserve for fluctuation in value of financial assets at FVOCI were not recycled to profit or loss but transferred within OCI under Retained Earnings account (see Note 6).

In 2022, the Company retroactively recognized the impairment of its investment in PTC due to the decrease in fair market value as of December 31, 2020. The impact of the prior period adjustments on the Company's financial statements are as follows:

	As at January 1, 2021		
Statement of Financial Position	As previously reported	Prior period adjustments	As restated
Investments in associates	₱2,372,794,480	(₱338,970,640)	₱2,033,823,840
Retained Earnings	771,278,508	(338,970,640)	432,307,868

	As at December 31, 2021		
Statement of Financial Position	As previously reported	Prior period adjustments	As restated
Investments in associates	₱2,385,294,480	(₱372,867,704)	₱2,012,426,776
Retained Earnings	956,812,047	(372,867,704)	583,944,344

	As at December 31, 2021		
Statement of Comprehensive Income	As previously reported	Prior period adjustments	As restated
Impairment loss	₱–	(₱33,897,064)	(₱33,897,064)
Income before income tax	228,111,180	(33,897,064)	194,214,117
Net income	185,533,539	(33,897,064)	151,636,476

PHI

On February 17, 2022, Hollard International Proprietary Limited (HINT), Pioneer Life Inc. (PLI) and Pioneer Insurance and Surety Corporation (PISC) entered into an Intercorporate Agreement to form and constitute PHI. The primary purpose of PHI is to develop and operate a call centre business focused on outbound Telemarketing, selling Pioneer insurance products to target customer segments in the Philippines. The capital contribution infused to PHI is 50% from HINT, 25% from PLI and 25% from PISC.

As of December 31, 2022, the Company's investment in PHI amounted to ₱12,500,000. Pioneer Group's total investments in PHI amounted to ₱25,000,000.

The financial information of the associates as of December 31, 2022 and 2021 are as follows:

	2022*	2021*
PTC		
Total assets	**₱169,355.4**	₱172,279.1
Total liabilities	**147,886.9**	146,216.1
Total equity	**21,468.4**	26,063.0
Revenue	**5,559.4**	4,404.9
Net income	**745.3**	826.3
PHI		
Total assets	**₱42.49**	₱35.46
Total liabilities	**63.0**	23.45
Total equity	**(20.52)**	12.01
Revenue	**13.26**	6.27
Net loss	**(32.83)**	(37.68)

**Amounts in millions*

There are no significant restrictions on the ability of the associates to transfer funds to the Company in the form of cash dividends or to repay loans or advances made by the Company.

13. Insurance Contract Liabilities and Reinsurance Assets

Insurance contract liabilities consist of:

	2022	2021
Legal policy reserves	**₱8,142,155,705**	₱9,428,263,359
Policy and contract claims	**1,498,897,487**	1,183,086,923
	₱9,641,053,192	₱10,611,350,282

Details of the legal policy reserves are as follows:

	2022	2021
Gross		
With fixed and guaranteed terms	**₱4,610,678,283**	₱5,840,902,936
VUL contracts	**2,828,355,595**	2,983,786,877
Group life insurance	**819,324,315**	703,047,183
Accident and health	**63,247,345**	40,114,083
	8,321,605,538	9,567,851,079
Reinsurers' share		
With fixed and guaranteed terms	**5,719,551**	5,434,203
VUL contracts	**1,450,737**	1,423,181
Group life insurance	**127,719,602**	101,337,923
Accident and health	**44,559,943**	31,392,413
	179,449,833	139,587,720
Net		
With fixed and guaranteed terms	**₱4,604,958,732**	**₱5,835,468,733**
VUL contracts	**2,826,904,858**	**2,982,363,696**
Group life insurance	**691,604,713**	**601,709,260**
Accident and health	**18,687,402**	**8,721,670**
	₱8,142,155,705	₱9,428,263,359

The movements in legal policy reserves during the year follow:

	2022		
	Gross Legal Policy Reserves	**Reinsurer's Share on Legal Policy Reserves**	**Net**
Reserves as of January 1	**₱9,567,851,079**	**₱139,587,720**	**₱9,428,263,359**
Decrease in reserves due to change in in-force policies	**(174,519,412)**	**39,862,113**	**(214,381,525)**
Increase in reserves due to change in assumptions other than discount rate	**15,515,099**	**–**	**15,515,099**
Decrease in reserves due to change in discount rate	**(1,087,241,228)**	**–**	**(1,087,241,228)**
Net change	**(1,246,245,541)**	**39,862,113**	**(1,286,107,654)**
Reserves as of December 31	**₱8,321,605,538**	**₱179,449,833**	**₱8,142,155,705**

	2021		
	Gross Legal Policy Reserves	Reinsurer's Share on Legal Policy Reserves	Net
Reserves as of January 1	₱10,122,173,535	₱111,670,745	₱10,010,502,790
Increase (decrease) in reserves due to change in in-force policies	84,660,637	27,916,975	56,743,662
Decrease in reserves due to change in assumptions other than discount rate	47,808,567	–	47,808,567
Decrease in reserves due to change in discount rate	(686,791,660)	–	(686,791,660)
Net change	(554,322,456)	27,916,975	(582,239,431)
Reserves as of December 31	₱9,567,851,079	₱139,587,720	₱9,428,263,359

The movements in policy and contract claims payable and reinsurers' share of liabilities during the year follow:

	2022			2021		
	Policy and Contract Claims Payable	**Reinsurers' Share of Liabilities**	**Net**	Policy and Contract Claims Payable	Reinsurers' Share of Liabilities	Net
At January 1	**₱1,183,086,923**	**₱1,000,000**	**₱ 1,182,086,923**	₱1,115,435,825	₱1,000,000	₱1,114,435,825
Arising during the year (Note 20)	**4,288,284,743**	**1,324,134,710**	**2,964,150,033**	3,577,071,946	1,076,541,226	2,500,530,720
Paid during the year	**(3,972,474,179)**	**(1,324,134,710)**	**(2,648,339,469)**	(3,509,420,848)	(1,076,541,226)	(2,432,879,622)
At December 31	**₱1,498,897,487**	**₱1,000,000**	**₱ 1,497,897,487**	₱1,183,086,923	₱1,000,000	₱1,182,086,923

The reinsurance assets pertain to reinsurance recoverable on unpaid losses which are the amounts of reinsurers' share of liabilities in the policy and contract claims payable. As of December 31, 2022 and 2021, reinsurance assets amounted to ₱1,000,000 (see Note 5).

14. Insurance Contract Liabilities and Reinsurance Assets - Terms, Assumptions and Sensitivities

Life Insurance Contracts

For life insurance contracts with fixed and guaranteed terms, estimates are made in two stages, at the inception of the contracts and subsequently at each reporting date.

At the inception of the contracts, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are "locked in" for the duration of the contract.

Subsequently, new estimates are calculated at each reporting date to reflect changes in cashflow and assumptions. Valuation assumptions are periodically updated as deemed necessary by the Actuary. A margin for adverse deviation is added to these updated assumptions as provided for in IC CL No. 2016-66.

Terms of life insurance contracts

Life insurance contracts offered by the Company mainly include whole life, endowment, term insurance, group term life, personal accident and unit-linked products.

Whole life insurance provides benefit upon death or benefit upon maturity to the policy holder. Term insurance provides a lump sum benefit payable on death occurring within the terms of the policy.

Endowment products are products where lump sum benefits are payable after a fixed period or upon death if it occurs before the period is completed.

Unit-linked products differ from conventional policies in that premiums, net of applicable charges, are allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance and investment contracts. Such assumptions are determined as appropriate and prudent estimates at the date of valuation, and no credit is taken for possible beneficial effects of voluntary withdrawals.

The key assumptions to which the Company's estimation of liabilities is particularly sensitive are as follows:

- *Mortality and Morbidity Rates*
  The Company updated their actual-to-expected (A/E) mortality study to reflect recent year experience. The favourable results were reflected to the mortality rates used for valuation purposes. It should be noted that the mortality rates are based on their actual-over-expected ratios. These were adjusted to reflect extra mortality loading of 27.7% due to COVID-19 for calendar years 2022 to 2023. The company intends to perform a mortality study on a quinquennial basis. On the other hand, the morbidity rate used by the Company was based on the pricing assumption due to the unavailability of experience-based assumptions. For life insurance policies, increased mortality and morbidity would usually lead to a larger number of claims, increasing the expenditure and reducing income for the shareholders. However, in as much as majority of the Company's portfolio of in-force policies are endowment products, the effect of higher mortality is somewhat mitigated, because endowment contracts pay out benefits only if the insured is alive at the maturity date. In the Company's sensitivity tests, the impact of increased mortality is an increase in reserves of only 2.10%.

- *Interest Rates*
  Forward rates specified in IC CL No. 2022-01 (Discount Rates for Life and Non-Life Insurance Policy Reserves and Reserves for Long-Term Contracts of Health Maintenance Organizations (HMO) as of December 31, 2022) were used to discount all cash flows.

  A decrease in the interest rate will result in an increase in the required reserves. Sensitivity tests done by the Company showed that decreasing the interest rate by one percentage point would increase the amount to approximately 13.56% of the base reserves.

- *Expenses*
  The expense assumptions were based on the latest expense study performed in 2022.

Sensitivities
Sensitivity analysis follows:

	2022			
(In Thousands)	**Change in Assumption**	**Impact on Gross Liabilities**	**Impact on Income before Tax**	**Impact on Equity**
Mortality	**+10%**	**₱89,574**	**₱89,574**	**₱–**
Valuation interest rate	**-1%**	**579,099**	**–**	**579,099**

	2021			
(In Thousands)	Change in Assumption	Impact on Gross Liabilities	Impact on Income before Tax	Impact on Equity
Mortality	+10%	₱93,302	₱93,302	₱–
Valuation interest rate	-1%	835,299	–	835,299

Interest rates used in discounting the cash flows are based on forward rates specified in IC CL No. 2022-01. The mortality table was based on the recent mortality study performed by the Company.

The method used for deriving sensitivity information and significant assumptions are consistent in 2022 and 2021.

Reinsurance - Assumptions and Methods
The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on surplus-share basis with retention limits varying by product. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

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.

15. Insurance Payables

This account consists of:

	2022	2021
Due to reinsurers	**₱1,377,146,585**	₱1,475,967,118
Life insurance deposits	**27,498,801**	21,771,126
	₱1,404,645,386	₱1,497,738,244

Due to reinsurers represent reinsurance premiums due and payable by the Company to all its treaty and facultative reinsurers. Settlement to the reinsurers is done on a quarterly basis.

Life insurance deposits represent amounts received from policyholders on periods before their premiums become due. The said advance payments will be recognized as revenue on the premium due date.

16. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Other liabilities - HDMF Program	**₱56,496,383**	₱34,240,348
Accrued expenses	**42,534,646**	39,992,687
Taxes and licenses payable	**36,248,514**	29,022,559
Commissions payable	**15,786,455**	12,272,603
Agents' provident fund	**4,209,284**	4,301,659
Service award liability	**2,515,421**	2,676,730
Payable to brokers	**–**	42,509,031
Other payables	**5,569,340**	6,225,856
	₱163,360,043	₱171,241,473

Payable to brokers pertains to unsettled payments to brokers for the purchase of equity securities. It also includes liability under variable-unit linked fund amounting to ₱11,200,869 and ₱50,213,622 for December 31, 2022 and 2021, respectively (see Note 7).

Accrued expenses consist mainly of accruals of recurring expenses and payables related to its employees. These are normally settled within one year after the reporting date.

Other liabilities - HDMF Program pertains to payables related to the HDMF group policies.

Taxes and licenses payable pertain to withholding tax, premium tax, documentary stamp tax and business taxes payable. Remittance is done subsequently within one month after the reporting date.

Commissions payable pertain to unpaid commissions to brokers, agents and employees. This is subsequently paid out within one month after the reporting date.

Agents' provident fund pertains to the agents' contributions for their retirement savings.

Service award liability pertains to accrual of loyalty awards to employees for the number of years rendered. This is paid annually to qualified employees who have rendered five (5) to 35 years of service.

Business development payable pertains to certain projects intended for marketing research and other costs related to business expansion.

Other payables pertain payables normally settled within one year including payables to government agencies and agents' provident fund. This also includes the unpaid portion of various operating expenses.

17. Capital Stock

As of December 31, 2022, and 2021, the Company's capital stock consists of the following:

Common shares - ₱10 par value	
Authorized - 60,000,000 shares	₱600,000,000
Issued and outstanding - 26,000,000 shares	260,000,000

18. Net Earned Premiums

The net earned premiums consist of the following:

	2022	2021
Gross earned premiums on insurance contracts		
With fixed and guaranteed terms	**₱81,845,654**	₱85,354,932
VUL insurance contracts	**538,977,899**	645,766,388
Group life insurance	**4,252,186,785**	3,444,724,273
Accident and health	**695,950,258**	525,865,781
	5,568,960,596	4,701,711,374
Reinsurers' share on gross earned premiums on insurance contracts		
With fixed and guaranteed terms	**13,022,547**	20,704,474
VUL insurance contracts	**35,367,384**	23,550,612
Group life insurance	**982,158,952**	775,164,307
Accident and health	**499,022,736**	376,688,981
	1,529,571,619	1,196,108,374
Net earned premiums	**₱4,039,388,977**	₱3,505,603,000

19. Investment Income - net

The investment income account consists of:

	2022	2021 (As restated – Note 12)
Interest income from:		
Financial assets at FVOCI (Note 6)	**₱324,836,162**	₱240,721,169
Loans and receivables (Note 6)	**75,523,593**	76,725,556
Cash and cash equivalents (Note 4)	**26,925,126**	17,486,048
Financial assets at FVTPL (Note 6)	**16,153,607**	17,717,587
	443,438,488	352,650,360
Fair value gains (losses) on financial assets at FVTPL (Note 6)	**(251,895,869)**	30,362,367
Dividend income	**59,140,671**	60,645,667
Gain on disposal - FVTPL	**10,006,872**	–
Fair value gains on investment properties (Note 9)	**130,230**	1,365,500
Impairment on investment in associate	**–**	(33,897,064)
	₱260,820,392	₱411,126,830

20. Benefits and Claims

Gross change in legal policy reserves consists of:

	2022	2021
With fixed and guaranteed terms	**(₱804,823)**	(₱34,181,452)
VUL insurance contracts	**(305,656,745)**	104,525,773
Group life insurance	**124,568,110**	26,410,975
Accident and health	**22,889,144**	35,713,908
	(₱159,004,314)	₱132,469,204

Reinsurers' share of gross change in legal policy reserves consists of:

	2022	2021
With fixed and guaranteed terms	**₱285,348**	₱136,293
VUL insurance contracts	**27,556**	122,616
Group life insurance	**26,381,679**	593,309
Accident and health	**13,167,530**	27,064,757
	₱39,862,113	₱27,916,975

Gross insurance benefits and claims incurred consist of:

	2022	2021
Death and hospitalization benefits	**₱4,006,436,471**	₱3,415,159,510
Surrenders	**56,391,345**	43,802,592
IBNR claims	**149,444,118**	64,821,345
Maturities	**76,012,809**	53,288,499
	₱4,288,284,743	₱3,577,071,946

Gross insurance contracts benefits and claims incurred are further analyzed into types of insurance contracts as follows:

	2022	2021
Group life insurance	**₱270,775,937**	₱2,785,075,186
VUL insurance contracts	**3,779,214,656**	310,949,699
With fixed and guaranteed terms	**211,073,272**	256,041,311
Accident and health	**27,220,878**	225,005,750
	₱4,288,284,743	₱3,577,071,946

Reinsurers' share of gross insurance contract benefits and claims incurred consists of:

	2022	2021
Group life insurance	**₱4,089**	₱10,900,002
VUL insurance contracts	**870,881,938**	849,513,856
With fixed and guaranteed terms	**27,420,223**	14,793,430
Accident and health	**425,828,460**	₱201,333,938
	₱1,324,134,710	1,076,541,226

21. General and Administrative Expenses

This account consists of:

	2022	2021
Salaries and benefits (Note 24)	**₱262,248,578**	₱231,033,363
Service fees	**237,033,013**	216,053,820
Advertising	**53,260,836**	45,183,371
Depreciation and amortization (Notes 10, 11 and 27)	**35,474,636**	38,110,362
Trustee fee	**23,944,598**	27,048,449
Agency expenses	**49,306,399**	21,039,148
Communications, light, and water	**21,445,253**	20,252,992
Transportation and travel	**23,737,697**	19,835,372
Rent (Note 27)	**13,490,864**	17,111,584
Professional fees	**12,635,941**	5,158,774
Social security and other contributions	**11,111,242**	9,899,905
Repairs and maintenance	**11,911,808**	5,798,091
Taxes, licenses, and fees	**10,945,704**	9,750,794
Seminar fees and meetings	**5,947,638**	3,075,386
Stationery and supplies	**4,531,325**	4,224,429
Interest expense from lease liabilities (Note 27)	**1,179,641**	2,112,373
Entertainment, amusement, and recreation	**962,318**	1,653,927
Reversal of provision for ECL (Notes 5 and 6)	**–**	(55,695,173)
Others	**13,557,210**	12,811,667
	₱792,724,701	₱634,458,634

Salaries, allowances and benefits consist of:

	2022	2021
Salaries and wages	**₱190,600,453**	₱179,050,258
Benefits and allowances	**58,065,558**	36,707,430
Net pension expense (Note 24)	**13,582,567**	15,275,675
	₱262,248,578	₱231,033,363

22. Commissions and Other Direct Expenses

This account consists of:

	2022	2021
Commissions	**₱402,271,489**	₱406,417,912
Insurance taxes	**99,101,488**	84,186,117
Bonuses and other provisions	**13,077,797**	667,559
Policyholders' dividends	**5,960,370**	5,856,441
Experience refunds	**650,846**	2,714,838
Underwriting expenses	**384,189**	214,636
Car purchase subsidy	**–**	51,182
Others	**2,886,845**	1,974,511
	₱524,333,024	₱502,083,196

23. Contingencies

The Company is subject to litigations including claims for punitive damages, in the normal course of its business. The Company does not believe that such litigations, which are common to the insurance industry in general, will have a material effect on its operating results and financial condition.

24. Retirement Benefits

The Company has a non-contributory defined benefit plan covering all regular employees and which requires contributions to be made to a separately administered retirement fund. Benefits are based on the employee's years of service and final plan salary. The Board of Trustees of the plan is responsible for setting investment strategies.

The Retirement Plan is considered a "reasonable private benefit plan" within the contemplation of Republic Act No. 4917.

The tables in the next page summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the statements of financial position for the plan.

Changes in net pension liability (asset) are as follows:

	2022												
		Net benefit expense in statement of income					Remeasurements in other comprehensive income						
	At January 1	Current service cost	Net interest	Subtotal	Net (transferred) /received obligation	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes rising from changes in demographic assumptions	Actuarial changes rising from changes in financial assumptions	Actuarial changes rising from experience adjustments	Subtotal	Contributions by employer	At December 31
Present value of defined benefit Obligation	**₱210,918,216**	**₱13,459,089**	**₱8,045,009**	**₱21,504,098**	**₱264,589**	**(₱12,894,922)**	**₱–**	**₱–**	**(₱6,080,834)**	**(₱35,563,840)**	**(₱41,644,674)**	**₱–**	**₱178,147,307**
Fair value of plan assets	**(196,506,483)**	**–**	**(7,949,786)**	**(7,949,786)**	**(264,589)**	**12,894,922**	**15,826,751**	**–**	**–**	**–**	**15,826,751**	**(25,089,221)**	**(201,088,406)**
	₱14,411,733	**₱13,459,089**	**₱95,223**	**₱13,554,312**	**₱—**	**₱–**	**₱15,826,751**	**₱–**	**(₱6,080,834)**	**(₱35,563,840)**	**(₱25,817,923)**	**(₱25,089,221)**	**(₱22,941,099)**

	2021												
		Net benefit expense in statement of income					Remeasurements in other comprehensive income						
	At January 1	Current service cost	Net interest	Subtotal	Net (transferred) /received obligation	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes rising from changes in demographic assumptions	Actuarial changes rising from changes in financial assumptions	Actuarial changes rising from experience adjustments	Subtotal	Contributions by employer	At December 31
Present value of defined benefit Obligation	₱197,940,354	₱14,482,951	₱6,267,302	₱20,750,253	(₱551,982)	(₱1,482,150)	₱–	₱–	(₱18,029,204)	₱12,290,945	(₱5,738,259)	₱–	₱210,918,216
Fair value of plan assets	(165,810,470)	–	(5,502,578)	(5,502,578)	–	1,482,150	(2,141,721)	–	–	–	(2,141,721)	(24,533,864)	(196,506,483)
	₱32,129,884	₱14,482,951	₱764,724	₱15,247,675	(₱551,982)	₱–	(₱2,141,721)	₱–	(₱18,029,204)	₱12,290,945	(₱7,879,980)	(₱24,533,864)	₱14,411,733

The Company's retirement fund is included in a multi–employer retirement fund of Pioneer Group of Insurance Companies. As of December 31, 2022 and 2021, the distribution of the plan assets within Pioneer Group attributed to the Company is 27.78% and 28.47%, respectively.

	2022	2021
Cash and cash equivalents	**₱36,039,351**	₱81,978,975
Financial assets	**84,620,505**	20,466,173
Investment properties	**24,939,661**	25,015,621
Receivables	**–**	1,423,327
Investment in associates	**55,605,647**	67,628,915
Liabilities	**(116,758)**	(6,528)
Total plan assets	**₱201,088,406**	₱196,506,483

The principal actuarial assumptions used in determining net pension cost for the Company's retirement plan are shown below:

	2022	**2021**
Salary increase rate	**7.50%**	6.00%
Discount rate	**7.24%**	5.10%
Average remaining working lives	**10 years**	10 years
Mortality rate	**2017 Philippine Intercompany Mortality Table**	2017 Philippine Intercompany Mortality Table
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5
Turnover rate	**A scale ranging from 17% at age 18 to 5% at age 60**	A scale ranging from 17% at age 18 to 5% at age 60

The expected rate of return on plan assets represents the expected long–term rate of return on the retirement fund investments, net of operating expenses (i.e., trustee's fees, actuarial valuation fees, service charges, etc.).

The discount rate represents the Company's estimate (as of the valuation date) of the interest rate at which retirement benefits could be effectively settled. The assumed discount rate is the "Single Discount Rate" derived based on the Philippine Government Zero Coupon Rates and the Expected Retirement Benefit of current employees.

During the year, Pioneer Life Inc. transferred four (4) employees to Pioneer Insurance & Surety Corporation and acquired one (1) employee from Pioneer Insurance & Surety Corporation and twenty-two (22) employees from CARD Pioneer Microinsurance Inc. The companies agreed that there will be no break in service due to the transfer and that the liabilities pertaining to these employees will be transferred with no corresponding asset transfers.

The net acquired/(released) obligation, as a result of this transfer, is reflected in the movement of defined benefit obligation and movement in the net liability/(asset) recognized in balance sheet amounting to ₱264,589 and (₱551,982), on December 31, 2022 and 2021, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2022 and 2021, assuming all other assumptions were held constant:

		Change in present value of defined benefit obligation	
	Increase (decrease)	**2022**	2021
Discount rate	1%	**(₱12,977,862)**	(₱12,197,077)
	-1%	**14,359,279**	14,217,108
Salary increase rate	1%	**14,848,768**	14,701,750
	-1%	**(12,996,660)**	(12,867,980)

The Plan is underfunded by ₱56,245,018 as of December 31, 2022 based on the latest funding valuation. The latest valuation report is as of and for the period ended December 31, 2022. The Company expects to contribute ₱24,167,098 to the retirement fund in 2023.

The maturity analysis of the undiscounted benefit payments follows:

	2022	2021
Within 1 year	**₱100,474,394**	₱106,345,871
More than 1 year to 5 years	**24,246,761**	30,056,670
More than 5 years to 10 years	**57,224,601**	60,161,935
More than 10 years to 15 years	**106,840,360**	113,119,928
More than 15 years to 20 years	**94,662,060**	96,808,403
More than 20 years	**381,733,513**	265,522,707

25. Income Tax

The provision for (benefit from) income tax consists of:

	2022	2021
RCIT	**₱–**	(₱3,472,192)
Final	**32,241,327**	31,578,829
MCIT	**6,111,969**	2,382,303
Deferred	**(1,386,819)**	12,088,701
	₱36,966,477	₱42,577,641

Implementation of CREATE Act

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduced reforms to the corporate income tax and incentives systems.

The law has a retroactive effective to reduce RCIT rate from 30% to 20% or 25%, as applicable, for domestic corporations effective July 1, 2020. Further, MCIT rate has been reduced to 1% for the period July 1, 2020 to June 30, 2023. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered as a substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e. 30% RCIT) for financial reporting purposes. On the other hand, amount to be paid and filed for 2020 annual income tax returns needs to be recomputed based on the CREATE rules.

An adjustment amounting to ₱12.67 million was also made on the deferred tax component of remeasurement gains (losses) on legal policy reserves due to the impact of the CREATE bill as presented below:

	Change due to discount rate	**Deferred Tax Component**	**Net Change**
December 31, 2019	₱708,017,245	₱212,405,175	₱495,612,070
Decrease in reserves due to change in discount rate in 2020	(961,492,335)	(288,447,700)	(673,044,635)
December 31, 2020	(253,475,090)	(76,042,525)	(177,432,565)
CREATE Impact	–	12,673,751	(12,673,751)
Increase in reserves due to change in discount rate	686,791,660	171,697,915	515,093,745
December 31, 2021	₱433,316,570	₱108,329,141	₱324,987,429

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

	2022	2021
Income tax at statutory tax rate	**₱60,369,957**	₱68,433,354
Add (deduct) the tax effects of:		
Income exempt from tax	**(33,262,799)**	(71,546,594)
Net change in unrecognized deferred tax assets and others	**(27,841,410)**	31,028,095
Nondeductible expense	**44,114,550**	27,902,583
Income subject to final tax	**(6,413,821)**	(1,834,238)
Impact of change in income tax rate	**–**	(11,405,559)
Provision for income tax	**₱36,966,477**	₱42,577,641

The Company's recognized net deferred tax liabilities consist of the following:

	2022	2021
Presented in profit or loss		
Deferred tax assets:		
Lease liabilities	**₱4,963,460**	₱11,569,872
Unrealized foreign exchange loss	**–**	4,688,028
Accrued expenses	**628,856**	669,183
Excess MCIT	**8,494,273**	–
Unamortized excess contributions over current service cost	**7,802,566**	5,213,691
	21,889,155	22,140,774
Deferred tax liabilities:		
ROU asset – office and parking space	**(4,430,285)**	(10,856,065)
Unrealized foreign currency exchange gain	**(4,787,341)**	
	(9,217,626)	(10,856,065)
	12,671,529	11,284,709
Presented in OCI		
Deferred tax assets (liabilities):		
Remeasurement gains on legal policy reserves	**(380,139,448)**	(108,329,142)
Reserve for fluctuation in value of financial assets at FVOCI	**(8,901,389)**	(8,611,745)
Remeasurement gains on retirement benefit plans	**(9,156,679)**	(2,662,725)
	(398,197,516)	(119,603,612)
Deferred tax assets (liabilities) – net	**(₱385,525,987)**	(₱108,318,903)

The Company did not recognize deferred tax assets on the following future deductible items:

	2022	2021
Allowance for doubtful accounts	**₱73,764,635**	₱73,764,635
NOLCO	**8,404,893**	141,425,532
Cumulative pension benefit cost	**117,064,861**	103,510,552
Excess of MCIT over RCIT	**—**	2,382,303
Allowance for impairment of other assets	**12,618,927**	12,618,928
	₱211,853,316	₱333,701,950

The related tax benefits will be recognized only if management's reassessment demonstrates that these are realizable. Realization is entirely dependent upon future taxable income.

The Company has an outstanding NOLCO balance as of December 31, 2022 of ₱8,404,893.

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2022	2025	₱–	₱–	₱–	₱–
2021	2026	141,425,533	133,020,640	–	8,404,893
2020	2025	–	–	–	-
		₱141,425,533	₱133,020,640	₱ –	₱8,404,893

The Company has an outstanding MCIT balance as of December 31, 2022 of ₱8,491,667. In 2022, the Company did not apply any MCIT.

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2022	2025	₱6,111,970	₱–	₱–	6,111,970
2021	2026	2,382,303	–	–	2,382,303
		₱8,494,273	₱–	₱–	₱8,494,273

26. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of reporting date are unsecured, interest–free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2022 and 2021, allowance for ECL/impairment losses for the receivables from Blue Cow Co., Inc. amounted to ₱29,489,080 and ₱29,489,080, respectively (see Note 6). Assessment for impairment of related party receivables is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The Company has entered into various transactions with related parties, settled in cash. 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 (referred to as affiliates). Related parties may be individuals or corporate entities. Related party transactions are based on terms agreed to by the parties.

The breakdown of the related party transactions follows:

	2022			
Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Entities under common control:				
Pioneer Insurance and Surety Corporation (PISC)				
Accounts receivable	**(₱7,351,662)**	**(₱7,351,662)**	**Non-interest-bearing, due and demandable**	**Unsecured, no impairment**
Lease (Note 27)	**4,205,691**	**–**	**- do -**	**- do -**
Pioneer Intercontinental Insurance Corporation (PIIC)				
Accounts receivable	**1,826,756**	**2,373,681**	**- do -**	**- do -**
Card Pioneer Microinsurance Inc (CPMI)				
Accounts receivable	**(3,573,830)**	**9,243,389**	**- do -**	**- do -**
M Pioneer Insurance Inc. (MPII)				
Accounts receivable	**(543,200)**	**59,827**	**- do -**	**- do -**
Pioneer Life Holdings, Inc (PLHI)				
Accounts receivable	**–**	**1,500,000**	**- do -**	**- do -**
Blue Cow Co., Inc (BCCI)				
Accounts receivable	**(277)**	**29,639,097**	**- do -**	**Unsecured, with allowance**
Investments in Associates:				
Philippine Trust Company (PTC)				
Cash equivalents	**(1,026,066,198)**	**774,859,089**	**Interest-bearing, due and demandable**	**Unsecured**
Pioneer Hollard Inc. (PHI)				
Accounts receivable	**8,496,668**	**8,496,668**	**- do -**	**- do -**

	2021			
Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Entities under common control:				
Pioneer Insurance and Surety Corporation (PISC)				
Accounts receivable	(₱27,157,674)	(₱27,157,674)	Non-interest-bearing, due and demandable	Unsecured, no impairment
Lease (Note 27)	23,454,020	–		
Pioneer Intercontinental Insurance Corporation (PIIC)				
Accounts receivable	1,087,029	1,633,954	- do -	- do -
Card Pioneer Microinsurance Inc (CPMI)				
Accounts receivable	(79,739,753)	(66,922,535)	- do -	- do -
M Pioneer Insurance Inc. (MPII)				
Accounts receivable	204,832	204,832	- do -	- do -
Pioneer Life Holdings, Inc (PLHI)				
Accounts receivable	–	1,500,000	- do -	- do -
Blue Cow Co., Inc (BCCI)				
Accounts receivable	(84,865)	29,554,509	- do -	Unsecured, with allowance
Investments in Associates:				
Philippine Trust Company (PTC)				
Cash equivalents	346,373,440	2,147,298,727	Interest-bearing, due and demandable	Unsecured
Pioneer Hollard Inc. (PHI)				
Accounts receivable	2,283,462	2,283,462	- do -	- do -

The Company's key management personnel include all officers in the position of Assistant Vice President and higher. The summary of compensation of key management personnel follows:

	2022	2021
Salaries and other short–term employee benefits	**₱88,651,572**	₱83,870,673
Post–employment and other long–term benefits	**8,574,067**	8,574,067
	₱97,225,639	₱92,444,740

27. Leases

Company as a lessee

The Company entered into a lease contract covering its head office premises for a period of two (2) years which will expire on March 31, 2023. The Company also has several lease agreements covering its branch offices and parking spaces used in operations for periods ranging from one (1) to four (4) years with remaining terms of less than a month to five years which have expiration dates ranging from March 31, 2022 to September 30, 2024. The branch office leases include a clause on upward revision of the rental charge with escalation rates ranging from 3% to 10%. These lease contracts are noncancellable and renewable upon mutual agreement of the Company and the lessors.

The Company also has certain leases of office spaces with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short–term lease' recognition exemptions for these leases.

The rollforward analysis of the right–of–use assets follows:

	2022	2021
Cost		
At January 1	**₱102,544,615**	₱97,731,255
Additions	**2,233,324**	24,293,568
Closed branches	**(39,277,555)**	(19,480,208)
At December 31	**65,500,384**	102,544,615
Accumulated Amortization		
At January 1	**65,832,212**	52,438,958
Amortization	**19,486,058**	22,956,738
Closed branches	**(38,057,831)**	(9,563,484)
At December 31	**47,260,439**	65,832,212
Net Book Value	**₱18,239,945**	₱36,712,403

The rollforward analysis of lease liabilities follows:

	2022	2021
At January 1	**₱39,098,268**	₱48,992,417
Additions	**2,233,324**	24,293,568
Interest expense (Note 21)	**1,179,641**	2,112,373
Closed branches	**(1,690,539)**	(11,345,448)
Payments	**(21,334,377)**	(24,954,642)
As at December 31	**₱19,486,317**	₱39,098,268

The amounts recognized in statement of income are presented below:

	2022	2021
Depreciation expense of right–of–use assets	**₱19,486,058**	₱22,956,738
Interest expense on lease liabilities	**1,179,641**	2,112,373
Rent expense relating to short–term leases	**13,490,864**	17,111,584
Other income relating to lease termination	**(470,815)**	(1,429,308)
Total amount recognized in statement of income	**₱33,685,748**	₱40,751,387

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022:

	2022	2021
1 year	**₱15,463,530**	₱46,940,432
more than 1 years to 2 years	**5,675,795**	20,116,191
more than 2 years to 3 years	**–**	6,360,617
more than 3 years to 4 years	**–**	–
more than 5 years	**–**	–

28. Capital Management

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintaining close vigil 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 solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

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

Capital Management Framework

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the RBC Requirement Model.

Fixed Capitalization Requirements

On August 5, 2013, the President of the Philippines approved the New Insurance Code which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The amount of required net worth and the schedule of compliance per New Insurance Code is presented below.

Networth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The Company has complied with the minimum statutory net worth requirements as at the end of each reporting period. Based on the 2021 final synopsis from IC, the Company's net worth is ₱1,627,873,204. Estimated net worth of the Company as of December 31, 2022 is at ₱1,902,475,979.

RBC requirements

In 2006, the IC issued Memorandum Circular (IMC) No. 6–2006 adopting RBC framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid–up capital, capital in excess of par value, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

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

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

Under Section A of Insurance Commission Insurance Memorandum Circular No. 7–2006, Company Action Event shall occur if the RBC ratio of the company is less than 100% but not below 75%. Should this event occur, the company shall file to the Commissioner within forty–five (45) days of the event an RBC plan that shall:

a) Identify the conditions that contributed to the event;
b) Contain proposals of corrective action that the company intends to take and that would be expected to result in the elimination of the event;
c) Provide projections of the company's Annual Statements for at least two years with and without the proposed corrective actions; including but not limited to projections on the balance sheets, analysis of operations (total), surplus accounts, RBC Exhibits and lines of business information relevant to the RBC plan;
d) Identify the key assumptions impacting the company's projections and the sensitivity of the projections to the assumptions; and
e) Identify the quality of, and problems associated with, the company's business, including but not limited to its assets, anticipated business growth, surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

The Commissioner shall notify the company within sixty (60) days upon submission of the RBC plan whether it shall be implemented or is unsatisfactory. In the latter case the Commission shall include reasons for the determination and proposed revisions to the RBC plan, and the company shall resubmit the RBC plan within thirty (30) days of notice.

On December 28, 2016, IC CL No. 2016–68*, Amended Risk–Based Capital (RBC2) Framework* was issued to supersede IC CL No. 2015–30*, Risk–Based Capital (RBC2) Quantitative Impact Study (QIS)*. This circular provides solvency requirements based on accepted solvency frameworks, requires insurance companies that at all times shall hold the RBC requirement determined in accordance with the rules and guidelines set forth by the circular plus any additional supervisory adjustments that may be required by the IC, and requires the satisfaction of the minimum statutory ratio. The new CL took effect on January 1, 2017.

IC has adopted a three pillar risk–based approach to solvency. This is a quantitative requirement in relation to the calculation of capital requirements and recognition of eligible capital, governance and risk management requirement, and disclosure requirements. The risk based capital ratio is calculated as the total available capital divided by the RBC requirement. The RBC requirement takes into account various risks such as credit, insurance liability, market, operational, catastrophic and surrender risks. The minimum statutory required RBC ratio required is set at 100%. In addition, all insurance companies are required to maintain the minimum RBC ratio and to not fail the trend test. The trend test is the same as the previous circular.



The RBC2 ratio as of December 31, 2022 based on the Company's calculation follows:

	2022 (Estimated)	2021 (Actual)
Net worth	₱1,902,475,979	₱2,784,196,891
RBC requirement	1,492,545,760	1,507,781,671
RBC Ratio	**127%**	185%

Based on the 2021 results of the IC examination, the Company was able to comply with the minimum RBC requirement. The final RBC ratio can only be determined after the accounts of the Company have been examined by IC.

If an insurance company failed to meet the fixed capitalization requirements, RBC requirements, and unimpaired capital requirements, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the IC.

Financial Reporting Framework (FRF)
On December 28, 2016, IC CL No. 2016–65, *Financial Reporting Framework Under Section 189 of the Amended Insurance Code* was issued to supersede IC CL No. 2015–29, *Financial Reporting Framework Under Section 189 of the Amended Insurance Code (RA No. 10607)*. It includes the economic valuation of asset and liabilities based on internationally accepted accounting, actuarial, and insurance core principles which requires quarterly and annual reporting of the calculated net worth to the IC. The new CL took effect on January 1, 2017. The Company has complied with the reporting requirements as at the end of each reporting period.

Valuation Standards for Life Insurance Policy Reserves
IC has released CL No. 2014–42–A, *Valuation Standards for Life Insurance Policy Reserves* which provides a change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to GPV which now considers other assumptions such as morbidity, lapse and/or persistency, expenses, non–guaranteed benefits and margin for adverse deviation.

IC CL No. 2016–26, *Valuation Standards For Life Insurance Policy Reserves* was issued to supersede IC CL No. 2014–42–A. The circular removed the cash value floor in the valuation of traditional life policy reserves. It also states that the Company's actuary shall provide an analysis of the valuation results.

On December 28, 2016, IC CL No. 2016–66, *Valuation Standards For Life Insurance Policy Reserves* was issued to supersede IC CL No. 2014–42A and IC CL No. 2016–26. The new circular states that valuation of the in–force file as of end of prior period using the current period discount rate shall be performed by the company and the resulting reserves shall be compared to the reserves as of end of prior period to determine the change in reserves due to the volatility in discount rate. It also added that the actuary shall provide the breakdown of the change in reserves due to the following: a) change in the discount rate; b) change in assumptions other than discount rate; and c) change in the in–force file. The CL took effect on January 1, 2017. The Company has complied with the valuation standards for life insurance policy reserves as of December 31, 2022 and 2021.

29. Management of Insurance and Financial Risks

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing groupwide policies on insurance, credit, liquidity and market. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

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

Insurance Risk

The risk under insurance contracts is the possibility of the occurrence of an insured event and the uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amounts of the related insurance liabilities. This could occur due to any of the following:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by the diversification of the risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio, as well as unexpected outcomes. The variability of risks will also be improved by careful selection and implementation of underwriting strategies and guidelines, as well as the use of reinsurance arrangements.

The majority of the reinsurance business ceded is placed on a surplus share basis, with retention limits varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits.

The Company principally writes life insurance contracts, where the life of the policyholder is insured against death or permanent disability, usually for a predetermined amount.

The Company's concentration of insurance risk, before and after reinsurance, in relation to the type of insurance contract is as follows:

	2022	2021
Whole life insurance		
Gross	**₱4,738,436,084**	₱4,483,668,123
Net	**3,167,882,885**	2,966,166,773
Endowment policies		
Gross	**5,412,330,494**	5,470,053,670
Net	**4,785,977,367**	4,791,266,239

(Forward)

	2022	2021
Term policies		
Gross	**₱5,331,956,832**	₱2,115,342,542
Net	**4,222,456,328**	1,002,059,398
Unit–linked policies		
Gross	**23,789,650,050**	24,306,010,280
Net	**10,912,502,109**	11,195,126,014
Group insurance		
Gross	**1,482,288,529,079**	1,179,665,435,727
Net	**960,221,086,372**	778,965,808,684
Total Gross	**1,521,560,902,539**	1,216,040,510,342
Total Net	**₱983,309,905,061**	₱798,920,427,108

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

The Company's retention limit on any single life is: (a) ₱2,000,000 in the order of basic individual life, accidental death & disability and accidental death benefit; (b) ₱1,000,000 of critical illness benefit; (c) ₱1,000,000 of basic group life; (d) ₱500,000 of personal accident benefit. The retention limit on any accumulation of catastrophe events is ₱6,000,000.

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

The insurance risk disclosed above is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholder's behavior. On the assumption that the policyholder can make decisions rationally, overall insurance risk can be assumed to be aggravated by such behavior.

Investment Risk

The Company likewise adopts a very cautious investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations. The Company also uses the statistics on claims and general expenses for the past three (3) years to derive a mean level of cash for its operation's strategy to produce cash flows required to meet maturing insurance liabilities. The Company invests in equities for various reasons, including diversifying its overall exposure to interest rate risk. Financial assets at and designated at FVOCI debt and equity securities are subject to declines in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest. When permitted by regulatory authorities and when deemed necessary to protect insurance assets including invested assets, from adverse movements of foreign currency exchange rates, interest rates and equity prices, the Company may also enter into derivative transactions as end users.

Fair Value of Financial Instruments

Due to short–term nature of cash and cash equivalents, insurance receivables, loans and receivables, accrued income, policy and contract claims, policyholders' dividends, reserve for policyholders' dividends, insurance payables and accounts payable and accrued expense, the carrying values reasonably approximate fair values as of the end of the reporting date.

The fair values of financial assets at FVTPL and listed financial assets designated at FVOCI were determined using quoted market prices at the reporting date.

The Company has investments in a car dealer company's and a microinsurance company's shares of stock which are not quoted in the market as of December 31, 2022 and 2021. The estimated fair market values, categorized as Level 3, as of December 31, 2022 and 2021:

	2022	2021
Investment in a microinsurance company	**₱80,942,408**	₱72,776,903
Investment in a car dealer company	**–**	6,234,551
	₱80,942,408	₱79,011,454

In 2022 and 2021, the following assumptions were used to determine the fair value of unquoted equity securities using the DCF method:

- Weighted average cost of capital (WACC) of the microinsurance company and car dealer company was used in determining the present value of the free cash flows (FCF);
- In 2022 and 2021, the terminal value was calculated using FCF from the last year of the 5–year projection period capitalized into perpetuity using the long–term growth rate of the Philippine financial industry per Oxford economics of 4% and 4% for microinsurance company and car dealer company, respectively;
- Normalization adjustments were made in the FCF of the last year of the projection period for purposes of computing the terminal value; and
- A marketability discount factor of 20% was used considering that the investments with microinsurance company and car dealer company are not liquid.
- A control discount factor of 20% was used considering the lack of control in the investment with car dealer company.

In accordance with the Company's fair value calculation using the DCF method, the following fair value adjustments and consequential deferred tax impacts were determined:

	2022	2021
Financial assets at FVOCI – at cost	**₱21,599,825**	₱21,599,825
Add fair value gains recognized in OCI, gross of deferred tax impact:		
Reserve for fluctuation in value of financial assets at FVOCI	**50,441,196**	48,799,884
Deferred tax liability on the reserve for fluctuation in value of financial assets at FVOCI (Note 25)	**8,901,387**	8,611,745
	59,342,583	57,411,629
Financial assets at FVOCI – at fair value	**₱80,942,408**	₱79,011,454

Fair value gains (losses) on the above unquoted equity securities classified as financial assets at FVOCI in 2022 and 2021 amounted to ₱1,930,954 and ₱13,181,919, respectively. Consequential deferred income tax liability (asset) impact in 2022 and 2021 amounted to ₱ 289,643 and ₱ 1,977,288, respectively.

The analysis of the fair market value of the investments with microinsurance company and car dealer company below is performed for the reasonably possible movements in unobservable inputs, with all other variables held constant, showing the impact on other comprehensive income as of December 31:

	2022		2021	
Significant unobservable input	**Level at year–end**	**Sensitivity of the input to fair value**	Level at year–end	Sensitivity of the input to fair value
WACC	**14.24%**	**0.25% increase (decrease) in the WACC of the microinsurance company would result in the (decrease) increase in fair value by (1,379,921) and 1,448,743, respectively.**	11.33% to 12.43%	0.25% increase (decrease) in the WACC of the microinsurance company and car dealer company would result in the (decrease) increase in fair value by (1,501,992) and 1,593,189, respectively.
FCF perpetuity growth	**4%**	**0.25% increase (decrease) in the perpetuity growth rate of the microinsurance company's FCF would result in the increase (decrease) in fair value by 1,199,155 and (1,142,015), respectively.**	4%	0.25% increase (decrease) in the perpetuity growth rate of the microinsurance company's and car dealer company's FCF would result in the increase (decrease) in fair value by 1,418,697 and (1,336,967), respectively.
Marketability discount factor	**20%**	**0.25% increase (decrease) in the marketability discount factor of the microinsurance company would result in the (decrease) increase in fair value by (252,945) and 252,945, respectively.**	20%	0.25% increase (decrease) in the marketability discount factor of the microinsurance company and car dealer company would result in the (decrease) increase in fair value by (227,428) and 227,428, respectively.
Control discount factor	**20%**	–	20%	0.25% increase (decrease) in the control discount factor of the car dealer company would result in the (decrease) increase in fair value by (19,483) and 19,483, respectively.

The tables presented below shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as of December 31.

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL				
Listed equity shares	**₱2,838,800,706**	**₱–**	**₱–**	**₱2,838,800,706**
Government debt securities	**280,897,051**	–	–	**280,897,051**
Corporate debt securities	–	–	–	**-**
Structured notes	–	–	–	**-**
Financial assets at FVOCI				**-**
Government debt securities	**3,771,551,648**	–	–	**3,771,551,648**
Corporate debt securities	–	–	–	**-**
Financial assets designated at FVOCI				**-**
Unquoted equity securities	–	–	**81,117,542**	**81,117,542**
Golf and club shares	–	**25,750,000**		**25,750,000**
	₱6,891,249,405	**₱25,750,000**	**₱81,117,542**	**₱6,998,116,947**

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL				
Listed equity shares	₱3,320,704,022	₱–	₱–	₱3,320,704,022
Government debt securities	299,879,484	–	–	299,879,484
Corporate debt securities		–	–	–
Structured notes		–	–	–
Financial assets at FVOCI				
Government debt securities	4,027,737,899	–	–	4,027,737,899
Corporate debt securities	–	–	–	–
(Forward)				
Financial assets designated at FVOCI	–	–	–	–
Unquoted equity securities	–	–	79,186,589	79,186,589
Golf and club shares	–	25,750,000	–	25,750,000
	₱7,648,321,405	₱25,750,000	₱79,186,589	₱7,753,257,994

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets, and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that the Company will incur a loss arising from its counterparties that fail to discharge their contractual obligations.

The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy, setting out the assessment and determination of what constitutes credit risk for the Company, setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments, right of offset where counterparties are both debtors and creditors, and guidelines on obtaining collateral and guarantees.

As of December 31, 2022 and 2021, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as of reporting date.

	2022			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Financial assets at amortized cost				
Policy loans	**₱223,947,411**	**₱412,794,773**	**₱–**	**₱223,947,411**
Accounts receivables	**138,934,852**	**138,934,852**	**–**	**138,934,852**
Collateral loans	**731,351,685**	**1,575,602,988**	**–**	**731,351,685**
	₱1,094,233,948	**₱2,127,332,613**	**₱–**	**₱1,094,233,948**

	2021			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Financial assets at amortized cost				
Policy loans	₱245,057,481	₱462,319,063	₱–	₱245,057,481
Accounts receivables	60,172,046	60,172,046	–	60,172,046
Collateral loans	754,370,588	1,617,281,388	–	754,370,588
	₱1,059,600,115	₱2,139,772,497	₱–	₱1,059,600,115

The table presented below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit ratings of counterparties:

	2022				
	Neither Past–Due nor Impaired				
	Investment Grade	Non–investment Grade	Past Due but Not Impaired	Impaired	Total
Financial assets at FVTPL					
Government debt securities	**280,897,051**	**-**	**-**	**-**	**280,897,051**
Corporate debt securities	**-**	**-**	**-**	**-**	**-**
Structured notes	**-**	**-**	**-**	**-**	**-**
Financial assets at FVOCI					
Government debt securities	**3,771,551,648**	**-**	**-**	**-**	**3,771,551,648**
Cash and cash equivalents					
Cash on hand – special funds	**117,213,783**	**-**	**-**	**-**	**117,213,783**
Cash in banks	**226,715,784**	**-**	**-**	**-**	**226,715,784**
Cash equivalents	**2,300,793,074**	**-**	**-**	**-**	**2,300,793,074**
Insurance receivables					
Premiums due and uncollected	**-**	**247,633,880**	**39,199,602**	**32,176,202**	**319,009,684**
Reinsurance recoverable on paid losses	**-**	**1,363,774,084**	**-**	**-**	**1,363,774,084**
Due from reinsurers	**-**	**-**	**-**	**1,399,102**	**1,399,102**
Accrued income					
Interest receivable from:	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**6,773,573**	**-**	**-**	**-**	**6,773,573**
Financial assets at FVTPL	**4,378,816**	**-**	**-**	**-**	**4,378,816**
Financial assets at FVOCI	**125,326,644**	**-**	**-**	**-**	**125,326,644**
Dividends receivable	**1,070,864**	**-**	**-**	**-**	**1,070,864**
Financial assets at amortized cost					
Policy loans	**223,947,411**	**-**	**-**	**-**	**223,947,411**
Accounts receivable	**138,934,852**	**-**	**-**	**40,189,332**	**179,124,184**
Collateral loans	**731,351,685**	**-**	**-**	**-**	**731,351,685**
Other receivables	**–**	**65,623,446**	**-**	**-**	**65,623,446**
	7,928,955,185	**1,677,031,410**	**39,199,602**	**73,764,636**	**9,718,950,833**

	2021				
	Neither Past–Due nor Impaired				
	Investment Grade)	Non–investment Grade	Past Due but Not Impaired	Impaired	Total
Financial assets at FVTPL					
Government debt securities	₱299,879,484	₱–	₱–	₱–	₱299,879,484
Corporate debt securities	–	–	–	–	–
Structured notes	–	–	–	–	–
Financial assets at FVOCI					
Government debt securities	4,027,737,899	–	–	–	4,027,737,899
Cash and cash equivalents					
Cash on hand – special funds	79,110,076	–	–	–	79,110,076
Cash in banks	247,807,151	–	–	–	247,807,151
Cash equivalents	2,346,932,212	–	–	–	2,346,932,212
Insurance receivables					
Premiums due and uncollected	–	190,486,595	39,199,600	32,176,202	261,862,397
Reinsurance recoverable on paid losses	–	1,289,696,720	–	–	1,289,696,720
Due from reinsurers	–	–	–	1,399,102	1,399,102
Accrued income					
Interest receivable from:					
Cash and cash equivalents	2,208,505	–	–	–	2,208,505
Financial assets at FVTPL	3,400,247	–	–	–	3,400,247
Financial assets at FVOCI	79,384,476	–	–	–	79,384,476
Dividends receivable	950,706	–	–	–	950,706
Financial assets at amortized cost					
Policy loans	245,057,481	–	–	–	245,057,481
Accounts receivable	60,172,046	–	–	40,189,332	100,361,378
Collateral loans	754,370,588	–	–	–	754,370,588
Other receivables	–	84,476,226	–	–	84,476,226
	₱8,147,010,871	₱1,564,659,541	₱39,199,600	₱73,764,636	₱9,824,634,648

Assessment for expected credit losses

Cash and cash equivalents and short–term investments and debt investments at FVOCI
The credit risk for cash and cash equivalents and short–term investments is considered negligible or the probability of default from these reputable banks is remote since there has been no history of default from these counterparties and because of their high–quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱0.50 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

For investments in government securities classified as investments at FVOCI, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly–available and are considered to be low credit risk investments. It is the Company's policy to measure ECL on such instruments on a 12–month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

As of December 31, 2022 and 2021, impairment allowance on those financial assets is not material. Hence, the Company did not provide an ECL on such forgoing balances.

Insurance Receivables
The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for receivables from students.

The expected loss rates on these receivables are determined based on the history of credit–impaired agent, broker and direct accounts. The Company analyzes insurance receivables based on the number of days the receivables have been outstanding. Insurance receivables that are outstanding for at least one year or 180 days are assessed for credit impairment.

The historical loss rates, which are expressed as the relationship between the credit–impaired accounts and the related recognized insurance receivables are adjusted to reflect current and forward–looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company assessed that the expected loss rates for insurance receivables are a reasonable approximation of the loss rates for these financial assets.

Set out below is the information about the credit risk exposure on the Company's insurance receivables using a provision matrix as of December 31, 2022 and 2021.

	2022			
	(12–month ECL) Stage 1	**Lifetime ECL Not Credit impaired Stage 2**	**Lifetime ECL – Credit–impaired Stage 3**	**Total**
Expected credit loss rates		**0%**	**46%**	
ECL	**₱ -**	**₱ -**	**₱33,575,304**	**₱33,575,304**
Gross carrying amount	**-**	**1,611,407,964**	**72,774,904**	**1,684,182,868**

	2021			
	(12–month ECL) Stage 1	Lifetime ECL Not Credit impaired Stage 2	Lifetime ECL – Credit–impaired Stage 3	Total
Expected credit loss rates	0%	0%	46%	
ECL	₱–	₱–	₱33,575,304	₱33,575,304
Gross carrying amount	–	1,480,183,315	72,774,905	1,552,958,220

The aging analyses of financial assets that are past due but not impaired follow:

	2022						
	Past Due but Not Impaired*						
	< 30 days	**30 to 60 days**	**61 to 180 days**	**More than 180 days**	**Total Past Due but Not Impaired**	**Impaired**	**Total**
Premiums due and uncollected	**₱184,567,836**	**₱28,116,155**	**₱69,265,047**	**₱4,884,442**	**₱286,833,480**	**₱32,176,203**	**₱319,009,683**
	₱184,567,836	**₱28,116,155**	**₱69,265,047**	**₱4,884,442**	**₱286,833,480**	**₱32,176,203**	**₱319,009,683**

	2021						
	Past Due but Not Impaired*						
	< 30 days	30 to 60 days	61 to 180 days	More than 180 days	Total Past Due but Not Impaired	Impaired	Total
Premiums due and uncollected	₱149,466,076	₱23,886,813	₱12,082,034	₱44,251,272	₱229,686,195	₱32,176,203	₱261,862,398
	₱149,466,076	₱23,886,813	₱12,082,034	₱44,251,272	₱229,686,195	₱32,176,203	₱261,862,398

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, or counterparty failing on repayment of a contractual obligation, or insurance liability falling due for payment earlier than expected, or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of its payables.

The Company manages liquidity through its liquidity risk policy, which determines what constitutes liquidity risk for the Company, specifies minimum proportion of funds to meet emergency calls, sets up contingency funding plans, specifies the sources of funding and the events that would trigger the plan, and concentrates on funding sources.

The table presented below summarizes the maturity profile of the Company's financial assets and financial liabilities, including legal policy reserves, based on remaining undiscounted contractual obligations. For legal policy reserves, maturity profiles are determined based on estimated timing of net cash outflows from the reporting date. Unit–linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

	2022						
	Up to a year/ on demand	> 1–5 years	> 5–10 years	> 10–20 years	Over 20 years	No maturity date	Total
Financial assets							
Financial assets at FVTPL	**45,822,971**	**133,017,003**	**76,365,435**	**46,364,286**	**-**	**2,818,128,062**	**3,119,697,757**
Financial assets at FVOCI	**127,101,949**	**549,979,313**	**793,595,546**	**2,335,963,891**	**71,778,491**	**-**	**3,878,419,190**
Financial assets at amortized cost							
Cash and cash equivalents	**2,646,022,164**	–	–	–	–	–	**2,646,022,164**
Insurance receivables							
Premiums due and uncollected	**319,009,683**	–	–	–	–	–	**319,009,683**
Reinsurance recoverable on paid losses	**1,363,774,084**	–	–	–	–	–	**1,363,774,084**
Accrued income	**137,549,897**	–	–	–	–	–	**137,549,897**
Other loans and receivables	**495,982,145**	**249,500,058**	**230,973,902**	**322,735,498**	**2,108,261,312**	**-**	**3,407,452,915**
Total financial assets	**5,135,262,893**	**932,496,374**	**1,100,934,883**	**2,705,063,675**	**2,180,039,803**	**2,818,128,062**	**14,871,925,690**
Financial and insurance liabilities							
Legal policy reserves	**8,142,155,705**	–	–	–	–	–	**8,142,155,705**
Policy and contract claims	**1,498,897,487**	–	–	–	–	–	**1,498,897,487**
Policyholders' dividends	**260,795,212**	–	–	–	–	–	**260,795,212**
Reserve for policyholders' dividends	–	–	–	–	–	–	–
	363,997,701						**363,997,701**
Policyholders' deposits	**1,404,645,386**	–	–	–	–	–	**1,404,645,386**
Insurance payables		–	–	–	–	–	
Accounts payable and accrued expenses*	**120,830,421**	–	–	–	–	–	**120,830,421**
Lease liability	**15,463,530**	**5,675,795**	–	–	–	–	**21,139,325**
Total financial liabilities	**11,806,785,442**	**5,675,795**	–	–	–	–	**11,812,461,237**

**Accounts payable and accrued expenses exclude taxes and licenses payable.*

	2021						
	Up to a year/ on demand	> 1–5 years	> 5–10 years	> 10–20 years	Over 20 years	No maturity date	Total
Financial assets							
Financial assets at FVTPL	₱52,466,970	₱152,303,504	₱87,437,870	₱53,086,772	₱–	₱3,226,736,209	₱3,572,031,325
Financial assets at FVOCI	227,854,870	985,944,482	1,422,673,782	4,187,667,889	128,676,852	–	6,952,817,875
Financial assets at amortized cost							
Cash and cash equivalents	2,675,089,184	–	–	–	–	–	2,675,089,184
Insurance receivables							
Premiums due and uncollected	229,686,196	–	–	–	–	–	229,686,196
Reinsurance recoverable on paid losses	1,289,696,720	–	–	–	–	–	1,289,696,720
Accrued income	85,943,934	–	–	–	–	–	85,943,934
Other loans and receivables	470,109,373	372,381,749	358,655,240	16,779,921	–	–	1,217,926,283
Total financial assets	₱5,030,847,247	₱1,510,629,735	₱1,868,766,892	₱4,257,534,582	₱128,676,852	₱3,226,736,209	₱16,023,191,517
Financial and insurance liabilities							
Legal policy reserves	₱9,428,263,359	₱–	₱–	₱–	₱–	₱–	₱9,428,263,359
Policy and contract claims	1,183,086,923	–	–	–	–	–	1,183,086,923
Policyholders' dividends	264,296,180	–	–	–	–	–	264,296,180
Reserve for policyholders' dividends	–						–
Policyholders' deposits	397,322,452	–	–	–	–	–	397,322,452
Insurance payables	1,497,738,244	–	–	–	–	–	1,497,738,244
Accounts payable and accrued expenses*	142,218,913	–	–	–	–	–	142,218,913
Lease liability	21,150,342	17,947,926	–	–	–	–	39,098,268
Total financial liabilities	₱12,934,076,413	₱17,947,926	₱–	₱–	₱–	₱–	₱12,952,024,339

**Accounts payable and accrued expenses exclude taxes and licenses payable.*

It is unusual for a Company primarily transacting insurance business to predict the requirements of funding with absolute certainty since the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate, based on statistical techniques and past experience.

Market risk

Market risk is the risk of change in the fair value of financial instruments from fluctuations in foreign currency exchange rates (currency risk), market interest rates (interest rate risk) and market prices (equity price risk), whether such change in prices is caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Company structures the levels of market risk it accepts through a group market risk policy that determines what constitutes market risk for the Company, the basis used to fair value financial assets and liabilities, asset allocation and portfolio limit structure, diversification benchmarks by type of instrument and geographical area, and sets out the net exposure limits by each counterparty or group of counterparties, geographical and industry segments.

Currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar. The Company's policy is to ensure that exposure to foreign currency exchange risk is minimized by holding sufficient foreign denominated assets that will cover its foreign denominated liabilities.

The table below shows the Company's exposure to currency risk:

	2022	
	In US$	**In Peso**
Financial assets		
Financial assets at FVTPL	**$2,968,424**	**₱151,386,665**
Financial assets at FVOCI	**3,454,127**	**176,157,023**
Financial assets at amortized cost		**-**
Cash and cash equivalents	**5,890,450**	**₱300,407,046**
Insurance receivables	**11,553,421**	**589,212,901**
Other loans and receivables	**182,791**	**9,322,159**
Total US$–denominated financial assets	**$24,049,213**	**₱1,226,485,794**
Financial liabilities		
Legal policy reserves	**$7,151,094**	**₱364,698,648**
Policyholders' deposits	**820,559**	**41,847,701**
Due to reinsurers	**4,884**	**249,089**
Policyholders' dividends	**74,643**	**3,806,686**
Accounts payable and accrued expenses	**5,400**	**275,381**
Total US$–denominated financial liabilities	**8,056,580**	**410,877,505**
Net currency exposure	**$15,992,633**	**₱815,608,289**

The exchange rate used is ₱55.755 to US$1.

	2021	
	In US$	In Peso
Financial assets		
Financial assets at FVTPL	$3,553,977	₱181,249,288
Financial assets at FVOCI	4,515,726	230,297,510
Financial assets at amortized cost		
Cash and cash equivalents	$6,043,484	₱308,211,626
Insurance receivables	439,300	22,403,838
Other loans and receivables	120,246	6,132,408
Total US$–denominated financial assets	$14,672,733	₱748,294,670
Financial liabilities		
Legal policy reserves	$9,962,739	₱508,089,717
Policyholders' deposits	1,082,382	55,200,405
Due to reinsurers	4,381	223,435
Policyholders' dividends	81,300	4,146,229
Accounts payable and accrued expenses	6,988	356,366
Total US$–denominated financial liabilities	11,137,790	568,016,152
Net currency exposure	$3,534,943	₱180,278,518

The exchange rate used is ₱48.023 to US$1.

The analysis presented as follows is performed for reasonably possible movements in Philippine Peso to US Dollar with all other variables held constant, showing the impact on income before tax and on equity (due to changes in fair value of currency sensitive financial assets and liabilities). There is no other impact on the Company's equity other than those already affecting the statements of income.

	Change in Foreign Exchange Rates	Impact on Income Before Tax
2022	**+1.79**	**₱13,590,259**
	–1.79	**(13,590,259)**
2021	+0.89	₱1,598,819
	–0.89	(1,598,819)

Reasonably possible movements in foreign exchange rates are computed based on average percentage changes in the BAP closing rate for the past three years.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed interest rate instruments expose the Company to fair value interest rate risk.

The following table shows the information relating to the Company's financial instrument subject to fixed interest rates:

	2022						
	Effective Interest Rate	**Up to a year**	**> 1–5 years**	**> 5– 10 years**	**> 10–20 years**	**Over 20 years**	**Total**
Financial assets at FVTPL							
Local currency	**3.38% to 8.63%**	**₱20,778,006**	**₱63,068,005**	**₱13,600,672**	**₱20,778,005**	**₱63,068,005**	**₱181,292,693**
Foreign currency	**1.95% to 9.50%**			**49,051,900**	**50,552,457**		**99,604,357**
Financial assets at FVOCI							
Local currency	**3.50% to 18.25%**	**-**	**117,530,856**	**406,578,354**	**3,052,485,038**		**3,576,594,248**
Foreign currency	**3.70% to 7.75%**		**6,400,823**	**33,531,700**	**40,718,259**	**114,306,619**	**194,957,401**
		₱20,778,006	**₱186,999,684**	**₱502,762,626**	**₱3,164,533,759**	**₱177,374,624**	**₱4,052,448,699**

	2021						
	Effective Interest Rate	Up to a year	> 1–5 years	> 5– 10 years	> 10–20 years	Over 20 years	Total
Financial assets at FVTPL							
Local currency	2.38% to 6.25%	₱40,064,772	₱121,609,610	₱26,225,221	₱–	₱–	₱187,899,603
Foreign currency	1.95% to 9.50%	–	–	55,146,443	56,833,439	–	111,979,882
Financial assets at FVOCI							
Local currency	3.50% to 18.25%	–	94,490,446	270,903,557	3,432,046,386	–	3,797,440,389
Foreign currency	3.70% to 7.75%	–	–	43,979,804	46,890,266	139,427,440	230,297,510
		₱40,064,772	₱216,100,056	₱396,255,025	₱3,535,770,091	₱139,427,440	₱4,327,617,384

The analysis presented below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of fixed–rate financial assets at FVTPL) and other comprehensive income (due to changes in fair value of fixed–rate financial assets at FVOCI).

	2022		
Currency	**Change in Interest Rate**	**Impact on Profit Before Tax**	**Impact on Other Comprehensive Income**
Peso	**+0.18%**	(₱8,234,951)	₱78,558,817
US$	**-0.69%**	(25,031,734)	–
Peso	**+0.18%**	(₱2,687,376)	₱169,840,942
US$	**-0.69%**	(22,671,823)	–

	2021		
Currency	Change in Interest Rate	Impact on Profit Before tax	Impact on Other Comprehensive Income
Peso	+0.13%	(₱6,214,462)	₱78,558,817
US$	+0.31%	(26,012,060)	–
Peso	–0.13%	(₱4,778,084)	₱169,840,942
US$	–0.31%	(21,643,979)	–

The Company determined the reasonably possible change in interest rates using the daily percentage changes in weighted average yield rates of outstanding securities for the past three years.

Equity price risk
The Company's price risk exposure at year–end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, financial assets at FVTPL and financial assets at FVOCI.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by diversifying its investments to different asset classes and setting limits on investment in each sector and market.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on income before tax (due to changes in fair value of equity securities classified as financial assets at FVTPL) and other comprehensive income (due to changes in the fair value of equity securities classified as financial assets at FVOCI).

	2022	
Market index	**Change in Market Price**	**Impact on Income Before Tax**
PSEi	–2.81%	(₱2,623,156)
	2.81%	2,623,156

	2021	
Market index	Change in Market Price	Impact on Income Before Tax
PSEi	–4.27%	(₱4,101,563)
	4.27%	4,101,563

The Company determined the reasonably possible change in equity pricing using percentage changes in the PSE composite index for the past three years. The sensitivity analysis includes the Company's stock portfolio with amounts adjusted by the specific beta for these investments as at reporting date.

30. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to when they are expected to be recorded or settled:

	2022			2021		
	Less than 12 months	**Over 12 Months**	**Total**	Less than 12 months	Over 12 Months	Total
ASSETS						
Cash and cash equivalents	**₱2,646,022,164**		**₱2,646,022,164**	₱2,675,089,184	₱–	₱2,675,089,184
Insurance receivables	**1,684,182,868**		**1,684,182,868**	1,552,958,220	–	1,552,958,220
Financial assets						
Financial assets at FVTPL	**3,119,697,757**		**3,119,697,757**	3,620,583,506	–	3,620,583,506
Financial assets at FVOCI		**3,878,419,190**	**3,878,419,190**	–	4,132,674,488	4,132,674,488
Financial assets at amortized cost	**481,817,152**	**678,040,243**	**1,159,857,395**	452,344,347	691,731,994	1,144,076,341
Accrued Income	**137,549,897**		**137,549,897**	85,943,934	–	85,943,934
Reinsurance Assets	**1,000,000**		**1,000,000**	1,000,000	–	1,000,000
Pension Asset	**22,941,099**		**22,941,099**			
Investment Properties		**16,370,680**	**16,370,680**	–	16,240,450	16,240,450
Property and equipment – net		**28,547,062**	**28,547,062**	–	26,674,448	26,674,448

(Forward)

	2022			2021		
	Less than 12 months	**Over 12 Months**	**Total**	Less than 12 months	Over 12 Months	Total
Software Costs – net	**₱**	**₱15,343,387**	**₱15,343,387**	₱–	₱4,315,418	₱4,315,418
Right–of–Use Asset	**18,239,945**		**18,239,945**	36,712,403	–	36,712,403
Investment in Associate		**2,012,426,776**	**2,012,426,776**	–	2,012,426,776	2,012,426,776
Deferred tax asset-net		**-**	**-**	–	–	–
Other assets	**128,103,210**		**128,103,210**	101,711,725	–	101,711,725
Total Assets	**8,239,554,092**	**6,629,147,338**	**14,868,701,430**	₱8,526,343,319	₱6,884,063,574	₱15,410,406,893
LIABILITIES						
Insurance contract liabilities						
Legal policy reserves		**8,142,155,705**	**8,142,155,705**		9,428,263,359	9,428,263,359
Policy and contract claims	**1,498,897,488**		**1,498,897,488**	1,183,086,923		1,183,086,923
Policyholder's dividends	**260,795,213**		**260,795,213**	264,296,180		264,296,180
Reserve for policyholder's dividends	**-**		**-**	-		-
Policyholder's deposits	**363,997,701**		**363,997,701**	397,322,452		397,322,452
Insurance payables	**1,404,645,385**		**1,404,645,385**	1,497,738,244		1,497,738,244
Accounts payable and accrued expenses	**163,360,043**		**163,360,043**	171,241,473		171,241,473
Lease liability	**13,176,599**	**6,309,718**	**19,486,317**	21,150,342	17,947,926	39,098,268
Pension liability – net			**-**		14,411,733	14,411,733
Deferred tax liability – net		**391,764,841**	**391,764,841**		108,318,903	108,318,903
Total Liabilities	**₱3,704,872,429**	**₱8,540,230,265**	**₱12,245,102,693**	₱3,534,835,614	₱9,568,941,921	₱13,103,777,535

31. Supplementary Tax Information Under Revenue Regulations (RR) No. 15–2010

In compliance with Revenue Regulations No. 15–2010 issued by the Bureau of Internal Revenue (BIR) on November 25, 2010, mandating all taxpayers to include information on taxes, duties and license fees paid or accrued during the taxable year, presented in the next page are the taxes paid and accrued by the Company:

Value Added Tax (VAT)

The Company is exempt from VAT being engaged in the business of life insurance under Section 4.109–1 (B)(e)(6) of Revenue Regulation No. 16–05 or otherwise known as the Consolidated VAT Regulations of 2005. However, it is subject to percentage tax under Section 123 of the Tax Code, as amended. Hence, it paid the amount of ₱101,017,028 in 2022 as percentage tax based on the amount reflected in the premiums on insurance contracts.

Revenue Memorandum Circular (RMC) N o. 30–08, as amended by RMC 59–08, provides that income earned by the life insurance company from services which can be pursued independently of the insurance business activity are not subject to 5% (now 2%) premium tax but the same are treated as income for services that are subject to the imposition of VAT pursuant to Section 108 of the Tax Code, as amended.

No VAT Payment in 2022.

Documentary Stamp Tax (DST)

The transactions for which DST is paid/accrued are detailed below:

Life insurance policies	₱736,260
Others	134,075
	₱870,335

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees. Details consist of the following:

Local	
Mayor's permit	₱8,354,486
Licenses fees	2,573,593
Professional tax receipts	5,025
Real property taxes	3,600
	10,936,704
National	
BIR annual registration	9,000
	₱10,945,704

Withholding Taxes
Details of withholding taxes for 2022 are as follows:

Expanded withholding taxes	₱57,689,666
Taxes on compensation and benefits	31,132,532
Final withholding VAT	71,103
Final withholding taxes	109,975
Fringe benefit taxes	921,411
	₱89,924,687

The total unpaid withholding tax liabilities as at December 31, 2022 amounted to ₱4,751,337 which comprised of unpaid expanded withholding taxes and withholding taxes on compensation amounting to ₱2,998,154 and ₱1,753,183, respectively. In addition, the Company recognized accrual on these withholding taxes amounting to ₱ 520,028 and ₱ 373,377 as at December 31, 2022 and December 31, 2021, respectively.

Excise Tax
The Company did not incur any excise tax in 2022.

Tax Assessment and Cases
The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as of December 31, 2022. Deficiency tax for LOA of taxable year 2017 was paid in 2022 amounting to ₱1,396,948.