The Manufacturers Life Insurance Co. (Phils.), Inc.
(A Wholly Owned Subsidiary of The Manufacturers Life Insurance Company of Canada)

Parent Company Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
The Manufacturers Life Insurance Co. (Phils.), Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

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

In our opinion, the accompanying Parent Company financial statements present fairly, in all material respects, the financial position of the Parent 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 the Parent Company Financial Statements* section of our report. We are independent of the Parent 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 Parent Company 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 Parent Company Financial Statements

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

In preparing the Parent Company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company 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 Parent Company 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 Parent 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 Parent 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 Parent Company 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 Parent Company to cease to continue as a going concern.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 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 The Manufacturers Life Insurance Co. (Phils.), 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

March 31, 2023

THE MANUFACTURERS LIFE INSURANCE CO. (PHILS.), INC.
(A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Company of Canada)

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash and cash equivalents (Note 4)	**₱2,492,518,745**	₱2,177,119,101
Insurance receivables (Note 26)	**148,850,685**	133,720,939
Financial assets (Note 5)		
Financial assets at fair value through profit or loss (FVPL)	**60,796,475,914**	60,091,263,262
Available-for-sale financial assets	**37,030,866,223**	42,348,896,307
Loans and receivables	**10,513,246,633**	10,508,989,111
Accrued income (Note 7)	**420,839,900**	379,787,097
Reinsurance assets (Note 13)	**65,745,392**	125,828,744
Investments in Subsidiaries (Note 8)	**1,339,286,607**	1,455,047,004
Property and equipment (Note 9)	**362,859,403**	482,243,828
Right-of-use assets (Note 23)	**166,377,430**	230,488,091
Software costs and other intangible assets (Note 10)	**706,416,505**	651,850,662
Pension asset - net (Note 24)	**27,292,281**	–
Deferred tax assets (Note 25)	**1,148,924,854**	2,736,108,662
Other assets (Note 11)	**252,362,109**	418,151,575
	₱115,472,062,681	₱121,739,494,383
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 12 and 13)	**₱90,212,353,884**	₱94,792,707,909
Policyholders' dividends (Note 26)	**3,297,390,886**	3,372,795,841
Insurance payables (Note 26)	**1,479,123,159**	1,204,498,186
Premium deposit fund (Note 26)	**26,058,377**	27,836,099
Accounts payable and accrued expenses (Note 14)	**2,749,643,036**	3,135,443,957
Income tax payable	**–**	114,973,405
Due to related parties (Note 27)	**2,122,943,719**	1,360,216,108
Lease liabilities (Note 23)	**208,695,268**	285,113,739
Pension liability - net (Note 24)	**–**	8,991,628
Total Liabilities	**100,096,208,329**	104,302,576,872
Equity		
Capital stock (Notes 16 and 28)	**930,000,000**	930,000,000
Additional paid-in capital (Note 16)	**50,635,817**	50,635,817
Retained earnings	**17,801,773,758**	17,406,155,393
Appropriated surplus - Negative reserves (Note 2)	**3,688,221,591**	3,922,213,814
Remeasurement loss on policy reserves (Notes 2 and 12)	**(1,593,009,997)**	(6,951,809,265)
Remeasurement gains on pension plan (Note 24)	**72,895,933**	38,729,171
Reserve for fluctuation in value of available-for-sale financial assets (Note 5)	**(5,574,662,750)**	2,040,992,581
Total Equity	**15,375,854,352**	17,436,917,511
	₱115,472,062,681	₱121,739,494,383

See accompanying Notes to Parent Company Financial Statements.

THE MANUFACTURERS LIFE INSURANCE CO. (PHILS.), INC.
(A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Company of Canada)

PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
REVENUE		
Gross premiums earned on insurance contracts	**₱17,634,552,093**	₱18,262,565,356
Reinsurers' share of gross premiums earned on insurance contracts	**(707,790,783)**	(751,992,818)
Net insurance premiums earned (Note 17)	**16,926,761,310**	17,510,572,538
Investment income (Note 18)	**2,731,977,870**	2,471,272,123
Gain on sale of available-for-sale financial assets (Note 5)	**28,939,450**	16,524,458
Fair value loss on financial assets at FVPL (Note 5)	**(6,514,898)**	(511,592)
Other income (Note 19)	**3,750,087,896**	3,441,512,058
Total revenue	**23,431,251,628**	23,439,369,585
BENEFITS, CLAIMS AND OPERATING EXPENSES		
Gross benefits and claims incurred on insurance contracts (Note 20)	**4,018,265,398**	4,760,441,809
Reinsurers' share of benefits and claims incurred on insurance contracts (Note 20)	**(13,167,131)**	(67,375,928)
Gross change in legal policy reserves (Note 20)	**11,759,611,983**	8,489,843,308
Reinsurers' share of gross change in legal policy reserves (Note 20)	**(2,345,476)**	(11,154,645)
Dividends to policyholders	**375,904,098**	416,263,798
Net insurance benefits and claims	**16,138,268,872**	13,588,018,342
General and administrative expenses (Note 21)	**3,830,484,466**	3,329,328,622
Commissions and other direct expenses (Note 22)	**1,679,724,753**	1,845,784,884
Impairment loss on Investment in subsidiary (Note 8)	**115,760,397**	563,636,306
Insurance and other taxes (Note 21)	**269,622,747**	272,443,132
Foreign currency exchange losses	**(6,348,780)**	(35,484,334)
Underwriting expenses	**7,183,185**	6,449,847
Interest on premium deposit fund	**50,277**	65,988
Total benefits, claims and operating expenses	**22,034,745,917**	19,570,242,787
INCOME FROM OPERATIONS	**1,396,505,711**	3,869,126,798
Interest expense on lease liabilities (Note 23)	**7,602,968**	40,546,670
INCOME BEFORE INCOME TAX	**1,388,902,743**	3,828,580,128
PROVISION FOR INCOME TAX (Note 25)	**251,776,601**	1,002,032,652
NET INCOME	**₱1,137,126,142**	₱2,826,547,476

See accompanying Notes to Parent Company Financial Statements.

THE MANUFACTURERS LIFE INSURANCE CO. (PHILS.), INC.
(A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Company of Canada)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱1,137,126,142**	₱2,826,547,476
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods:		
Net change in fair value of available-for-sale financial assets (Note 5)	**(7,615,655,331)**	(4,903,000,804)
Remeasurement gains on legal policy reserves, net of tax (Note 12)	**5,358,799,268**	2,630,414,579
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gains on pension plan, net of tax (Note 24)	**34,166,762**	70,037,831
	(2,222,689,301)	(2,202,548,394)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱1,085,563,159)**	₱623,999,082

See accompanying Notes to Parent Company Financial Statements.

THE MANUFACTURERS LIFE INSURANCE CO. (PHILS.), INC.
(A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Company of Canada)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Retained Earnings (Note 2)	Appropriated Surplus – Negative Reserves (Notes 2 and 12)	Remeasurement Loss on Policy Reserves (Notes 2 and 12)	Remeasurement Gains on Pension Plan (Note 24)	Reserve for Fluctuation in Value of Available-for sale Financial Assets (Note 5)	Total
As at January 1, 2022	**₱930,000,000**	**₱50,635,817**	**₱17,406,155,393**	**₱3,922,213,814**	**(₱6,951,809,265)**	**₱38,729,171**	**₱2,040,992,581**	**₱17,436,917,511**
Net income	–	–	**1,137,126,142**	–	–	–	–	**1,137,126,142**
Other comprehensive income (loss)	–	–	–	–	**5,358,799,268**	**34,166,762**	**(7,615,655,331)**	**(2,222,689,301)**
Total comprehensive income (loss)	–	–	**1,137,126,142**	–	**5,358,799,268**	**34,166,762**	**(7,615,655,331)**	**(1,085,563,159)**
Dividends declared (Note 16)	–	–	**(975,500,000)**	–	–	–	–	**(975,500,000)**
Appropriation of negative policy reserves	–	–	**233,992,223**	**(233,992,223)**	–	–	–	–
As at December 31, 2022	**₱930,000,000**	**₱50,635,817**	**₱17,801,773,758**	**₱3,688,221,591**	**(₱1,593,009,997)**	**₱72,895,933**	**(₱5,574,662,750)**	**₱15,375,854,352**
As at January 1, 2021	₱930,000,000	₱50,635,817	₱16,156,945,196	₱4,004,876,535	(₱9,582,223,844)	(₱31,308,660)	₱6,943,993,385	₱18,472,918,429
Net income	–	–	2,826,547,476	–	–	–	–	2,826,547,476
Other comprehensive income (loss)	–	–	–	–	2,630,414,579	70,037,831	(4,903,000,804)	(2,202,548,394)
Total comprehensive income (loss)	–	–	2,826,547,476	–	2,630,414,579	70,037,831	(4,903,000,804)	623,999,082
Dividends declared (Note 16)	–	–	(1,660,000,000)	–	–	–	–	(1,660,000,000)
Appropriation of negative policy reserves	–	–	82,662,721	(82,662,721)	–	–	–	–
As at December 31, 2021	₱930,000,000	₱50,635,817	₱17,406,155,393	₱3,922,213,814	(₱6,951,809,265)	₱38,729,171	₱2,040,992,581	₱17,436,917,511

See accompanying Notes to Parent Company Financial Statements.

THE MANUFACTURERS LIFE INSURANCE CO. (PHILS.), INC.
(A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Company of Canada)

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,388,902,743**	₱3,828,580,128
Adjustments for:		
Provision for impairment loss on investment in subsidiary (Note 8)	**115,760,397**	563,636,306
Change in IBNR provision (Note 12)	**(67,159,977)**	470,782,783
Depreciation and amortization (Note 21)	**448,600,704**	446,627,141
Retirement costs (Note 24)	**50,315,246**	68,054,583
Provision for impairment loss on:		
Loans and receivables (Note 5)	**151,441,221**	24,906,871
Other assets (Note 11)	**468,041**	42,698,833
Interest expense on lease liabilities (Note 23)	**7,602,968**	40,546,670
Fair value loss on financial assets at fair value through profit or loss (Note 5)	**6,514,898**	511,592
Interest on premium deposit fund	**7,653,245**	65,988
Interest income (Note 18)	**(2,700,839,404)**	(2,443,236,216)
Change in legal policy reserves (Note 12)	**1,970,158,878**	(1,933,537,094)
Unrealized foreign currency exchange losses (gains) - net	**40,289,965**	(86,589,589)
Dividend income (Note 18)	**(31,138,466)**	(28,035,907)
Gains on sale of available-for-sale financial assets	**(28,939,450)**	(16,524,458)
Gain on lease modification (Note 23)	**–**	–
Operating income before changes in operating assets and liabilities	**1,359,631,010**	978,487,631
Decrease (increase) in:		
Reinsurance assets	**60,083,352**	120,761,225
Financial assets at fair value through profit or loss	**(703,531,550)**	(5,407,078,203)
Loans and receivables	**(156,166,784)**	(332,119,299)
Other assets	**199,961,475**	(130,839,302)
Insurance receivables	**(15,129,746)**	(11,811,489)
Increase (decrease) in:		
Insurance contract liabilities - unit-linked	**707,149,051**	5,405,903,826
Accounts payable and accrued expenses	**(385,800,920)**	312,879,808
Due to related parties	**644,380,882**	129,349,025
Insurance payables	**274,624,973**	100,151,334
Policy and contract claims payable (Note 12)	**(45,436,287)**	93,710,453
Premium deposit fund	**(1,777,722)**	1,289,855
Policyholders' dividends	**(75,404,955)**	(56,911,785)
Cash generated from operations	**1,862,582,779**	1,203,773,079
Income taxes paid (including creditable withholding taxes)	**(611,393,551)**	(1,043,361,098)
Contributions to retirement fund (Note 24)	**(41,043,473)**	(47,387,777)
Interest paid	**(7,653,245)**	(40,612,658)
Net cash provided by operating activities	**1,202,492,510**	72,411,546

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sales and/or maturities of available-for-sale financial assets (Note 5)	**₱1,695,009,141**	₱3,245,461,276
Property and equipment	**5,453,378**	8,464,188
Acquisitions of:		
Available-for-sale financial assets (Note 5)	**(3,925,529,709)**	(5,034,325,562)
Software costs and other intangible assets (Note 10)	**(184,072,684)**	(129,504,831)
Property and equipment (Note 9)	**(88,013,259)**	(97,757,260)
Interest received	**2,724,617,514**	2,470,718,507
Return of capital from subsidiaries (Note 8)	**–**	60,000,000
Dividends received	**30,666,857**	27,516,619
Additional investment in insurance investment fund - seed money	**(8,196,000)**	(11,723,400)
Net cash provided by investing activities	**249,935,239**	538,849,537
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 16)	**(975,500,000)**	(1,660,000,000)
Payments of principal portion of lease liabilities (Note 23)	**(137,060,335)**	(98,130,742)
Net cash used in financing activities	**(1,112,560,335)**	(1,758,130,742)
EFFECT OF FOREIGN CURRENCY RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(24,467,770)**	22,030,637
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**315,399,644**	(1,124,839,022)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,177,119,101**	3,301,958,123
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,492,518,745**	₱2,177,119,101

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information**

The Manufacturers Life Insurance Co. (Phils.), Inc. (the Parent Company or Manulife Philippines) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 8, 1998. Manulife Philippines' products include life insurance, accident and other insurance products that are permitted to be sold by a life insurance company in the Philippines.

Manulife Philippines was a wholly owned subsidiary of the Philippine Branch of The Manufacturers Life Insurance Company of Canada (the Philippine Branch) until February 21, 2012.

In 2011, the Manulife Group of Insurance Companies undertook a global corporate reorganization. Pursuant to this, on September 27, 2011, the Board of Directors (BOD) of Manulife Philippines approved and ratified a resolution increasing its authorized capital stock from ₱1.00 billion, divided into 10.00 million common shares with a par value of ₱100 per share, to ₱2.00 billion, divided into 10.00 million common Class A shares with a par value of ₱100 per share, and 1.00 million common Class B shares with a par value of ₱1,000 per share. On the same date, the BOD and shareholders further approved and ratified the subscription of its principal stockholder, The Manufacturers Life Insurance Company of Canada (MLIC) for the new Common Class B shares with aggregate par value of ₱930.00 million. The Common Class B shares of ₱930.00 million will be issued by Manulife Philippines to MLIC by way of a tax-free transfer of the following:

a. The 5,000,000 common Class A shares held by the Philippine Branch in exchange for 500,000 Manulife Philippines' common Class B shares with aggregate par value of ₱500.00 million;

b. Financial assets of the Philippine Branch consisting of government securities with fair value of ₱430.64 million, including accrued interest of ₱3.08 million, in exchange for 430,000 Manulife Philippines' common Class B shares with aggregate par value of ₱430.00 million.

On February 16, 2012, the SEC confirmed MLIC's subscription of ₱930.00 million common Class B shares of Manulife Philippines and the redemption of ₱500.00 million common Class A shares of Manulife Philippines.

On February 22, 2012, Manulife Philippines completed the above transaction and became a direct wholly owned subsidiary of MLIC.

On February 24, 2012, the BOD subsequently amended its authorized capital stock to reduce it from ₱2.00 billion, divided into 10.00 million common Class A shares with a par value of ₱100 per share, and 1.00 million common Class B shares with a par value of ₱1,000 per share, to 1.00 million common shares with a par value of ₱1,000 per share. The SEC approved the decrease in authorized capital stock on April 2, 2013 (see Note 16).

On July 2, 2012, MLIC, pursuant to the same global corporate reorganization, transferred the 930,000 Manulife Philippines common Class B shares to Manulife Century Holdings (Netherlands) B.V. ("MCHN") for additional shares issued by MCHN.

Manulife Philippines received the Certificate Authorizing Registration (CAR) from the BIR on June 23, 2022. As of report date, Manulife Philippines has already issued the stock certificates to its parent company, MCHN.

As of December 31, 2022 and 2021, the Parent Company's subsidiaries are engaged in the following businesses:

Entity	Effective Percentage of ownership	Principal Place of Business and Country of Incorporation	Line of Business
Manulife China Bank Life Assurance Corporation (MCBLAC)	60%	Philippines	Life insurance
Manulife Financial Plans, Inc. (MFPI)	100%	Philippines	Pre-need
Manulife Investment Management and Trust Corporation (MIMTC)	100%	Philippines	Asset management

On February 1, 2017, MIMTC was incorporated and registered with the SEC to engage in the business of trust, other fiduciary business and investment management activities. MIMTC was granted by the Bangko Sentral ng Pilipinas (BSP) the Certificate of Authority on June 5, 2017 and received the official notification to operate and perform trust and other fiduciary business services on June 13, 2017. On September 14, 2017, MIMTC officially commenced its operations.

On April 28, 2021, the Securities and Exchange Commission approved the amendment of the Trust Corporation's legal name from Manulife Asset Management and Trust Corporation to Manulife Investment Management and Trust Corporation. The amendment was approved by majority vote of the Board of Directors (BOD) and by the stockholders on February 13, 2020.

The ultimate parent of Manulife Philippines is Manulife Financial Corporation, a company incorporated in Canada.

The registered office address of the Parent Company, which is also its principal place of business, is 10th Floor, NEX Tower, 6786 Ayala Avenue, Makati City.

The accompanying Parent Company financial statements were approved and authorized for issue by the BOD on March 31, 2023.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying Parent Company financial statements have been prepared using the historical cost basis, except for financial instruments at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value.

The Parent Company financial statements are presented in Philippine Peso (₱), which is also the Parent Company’s functional currency.

The accompanying financial statements are the Parent Company's separate financial statements. The Parent Company did not present consolidated financial statements having met the criteria set out in PFRS 10, *Consolidated Financial Statements* and PIC Q&A No. 2006-02, *Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements.* Manulife Financial Corporation, the Parent Company's ultimate parent, is a publicly traded life insurance company and prepares consolidated financial statements in accordance with IFRS. MFC's consolidated financial statements, which include the financial statements of the Parent Company, can be obtained from Manulife Financial Corporation Annual Report, which is available in www.manulife.com.

Statement of Compliance
The Parent Company financial statements, which are prepared for submission to the SEC and the Bureau of Internal Revenue (BIR), have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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 that became effective in 2022. The Parent 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 Parent 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*

Deferral of the Adoption of PFRS 9, *Financial Instruments*

The Parent Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts.* The temporary exemption permits the Parent Company to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2025.

The assessment on whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date after March 31, 2015 and before April 1, 2016. Applying the requirements, the Parent Company performed the predominance assessment using the statement of financial position as of December 31, 2015. The Parent Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As of December 31, 2015, the Parent Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 98% of the total carrying amount of all its liabilities. Since December 31, 2015, there has been no change in the activities of the Parent Company that requires reassessment of the use of the temporary exemption.

Fair value disclosures
The table below presents an analysis of the fair value of classes of financial assets of the Parent Company as of December 31, 2022 and 2021, as well as the corresponding changes in fair value for the years then ended. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All other financial assets (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

	2022			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Financial assets at FVPL*				
Debt securities held in insurance investment funds (IIFs)				
Government bonds	**₱–**	**₱–**	**₱12,882,909,911**	**(₱449,956,834)**
Corporate bonds	–	–	**703,401,613**	**(103,946,862)**
UITFs	–	–	**10,469,008,881**	**(1,213,641,036)**
Equity securities held in IIFs				
Common stock	–	–	**33,215,896,031**	**(1,830,111,540)**
Other equity securities	–	–	**1,539,526,758**	**(368,483,908)**
AFS financial assets				
Quoted debt securities:				
Government bonds	**33,059,644,550**	**(7,429,774,814)**	–	–
Corporate bonds	**1,644,741,535**	**(75,166,997)**	–	–
Unit Investment Trust Funds (UITFs)	–	–	**851,528,231**	**(1,108,374)**

(Forward)

	2022			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Quoted equity securities:				
Common shares	**₱–**	**₱–**	**₱1,468,201,907**	**(₱109,605,146)**
Club shares	**–**	**–**	**6,750,000**	**–**
Loans and receivables				
Corporate loan	**4,830,250,000**	–	–	–
Policy loans	**3,251,012,872**	–	–	–
Due from related parties	**1,698,929,001**	–	–	–
Receivable from agents - net	**271,711,968**	–	–	–
Security deposits	**143,539,755**	–	–	–
Management fee receivable	**110,142,327**	–	–	–
Due from officers and employees	**9,662,038**	–	–	–
Mortgage loans	**898,477**	–	–	–
Other receivables	**197,100,195**	–	–	–
	₱45,217,632,718	**(₱7,504,941,811)**	**₱61,137,223,332**	**(₱4,076,853,700)**

**The fair value changes on financial assets at FVPL that are attributable to the unit-linked holders are recognized as part of "Due to unit-linked holders" (see Note 12). The fair value changes attributable to the seed capital is recognized in the Parent Company statements of income as "Fair value gain (loss) on financial assets at FVPL".*

	2021			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Financial assets at FVPL*				
Debt securities held in insurance investment funds (IIFs)				
Government bonds	₱–	₱–	₱13,162,746,155	(₱286,578,945)
Corporate bonds	–	–	9,991,971,425	226,240,666
UITFs	–	–	1,242,872,676	6,256,656
Equity securities held in IIFs				
Common stock	–	–	31,576,444,442	998,067,140
Other equity securities	–	–	2,191,592,261	406,305,718
AFS financial assets				
Quoted debt securities:				
Government bonds	38,806,642,771	(4,868,856,526)	–	–
Corporate bonds	1,719,908,531	(15,653,657)	–	–
Unit Investment Trust Funds (UITFs)	–	–	171,007,665	(6,997,713)
Quoted equity securities:				
Common shares	–	–	1,644,587,340	(11,492,908)
Club shares	–	–	6,750,000	–
Loans and receivables				
Corporate loan	4,830,250,000	–	–	–
Policy loans	3,444,891,213	–	–	–
Due from related parties	1,481,874,800	–	–	–
Receivable from agents - net	267,024,828	–	–	–
Security deposits	164,641,035	–	–	–
Management fee receivable	103,342,290	–	–	–
Due from officers and employees	45,994,943	–	–	–
Mortgage loans	898,477	–	–	–
Other receivables	170,071,525	–	–	–
	₱51,035,540,413	(₱4,884,510,183)	₱59,987,971,964	₱1,331,800,614

**The fair value changes on financial assets at FVPL that are attributable to the unit-linked holders are recognized as part of "Due to unit-linked holders" (see Note 12). The fair value changes attributable to the seed capital is recognized in the Parent Company statements of income as "Fair value gain (loss) on financial assets at FVPL".*

Credit risk disclosures
The following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	2022			
		Credit Rating		
	Total	**BBB**	**BB/B**	**Unrated**
AFS debt financial assets				
Government bonds	**₱33,059,644,550**	**₱33,059,644,550**	**₱–**	**₱–**
Corporate bonds	**1,644,741,535**	**1,644,741,535**	**–**	**–**
Loans and receivables				
Corporate loan	**4,830,250,000**	**–**	**–**	**4,830,250,000**
Policy loans	**3,389,651,301**	**–**	**–**	**3,389,651,301**
Due from related parties	**1,698,929,001**	**–**	**–**	**1,698,929,001**
Receivable from agents - gross	**333,937,161**	**–**	**–**	**333,937,161**
Security deposits	**143,539,755**	**–**	**–**	**143,539,755**
Management fee receivable	**110,142,327**	**–**	**–**	**110,142,327**
Due from officers and employees	**9,662,038**	**–**	**–**	**9,662,038**
Mortgage loans	**898,477**	**–**	**–**	**898,477**
Other receivables	**197,100,195**	**–**	**–**	**197,100,195**
	₱45,418,496,340	**₱34,704,386,085**	**₱–**	**₱10,714,110,255**

	2021			
		Credit Rating		
	Total	BBB	BB/B	Unrated
AFS debt financial assets				
Government bonds	₱38,806,642,771	₱38,806,642,771	₱–	₱–
Corporate bonds	1,719,908,531	1,719,908,531	–	–
Loans and receivables				
Corporate loan	4,830,250,000	–	–	4,830,250,000
Policy loans	3,444,891,213	–	–	3,444,891,213
Due from related parties	1,481,874,800	–	–	1,481,874,800
Receivable from agents - gross	316,447,229	–	–	316,447,229
Security deposits	164,641,035	–	–	164,641,035
Management fee receivable	103,342,290	–	–	103,342,290
Due from officers and employees	45,994,943	–	–	45,994,943
Mortgage loans	898,477	–	–	898,477
Other receivables	170,071,525	–	–	170,071,525
	₱51,084,962,814	₱40,526,551,302	₱–	₱10,558,411,512

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Parent Company intends to adopt these pronouncements when they become effective. Adoption of these pronouncements is not expected to have any significant impact on the financial statements of the Parent Company unless otherwise indicated.

Effective beginning on or after January 1, 2023

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

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Early application is permitted. The Parent Company is currently assessing the impact of adopting PFRS 17.

  As of report date, the Company has not yet adopted PFRS 17. The Company will be ready come the timeline prescribed by the Insurance Commission.

Deferred Effectivity

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

<u>Product Classification</u>
Insurance contracts are defined as those contracts under which the Parent Company (the insurer) accepts 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 policyholder.

As a general guideline, the Parent Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable. Investment contracts mainly transfer significant financial risk but can also transfer insignificant insurance risk.

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

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

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF or when the host insurance contract and/or investment contract with DPF itself is measured at FVPL. The options and guarantees within the insurance contracts issued by the Parent Company are treated as derivative financial instruments which are clearly and closely related to the host insurance and therefore not bifurcated subsequently. As such, the Parent Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of insurance investment funds (IIFs) meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract.

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 (3) months or less from the date of placement and that are subject to an insignificant risk of change in value.

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

Insurance receivables are derecognized when the derecognition criteria for financial assets have been met.

Financial Instruments

Date of recognition
The Parent Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition
Financial instruments are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments classified as at FVPL. Any difference noted between the fair value and the transaction price on initial recognition is treated as expense or income, unless it qualifies for recognition as some type of asset or liability at the time of the transaction.

The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, AFS financial assets, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

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

Financial assets and financial liabilities may be designated at FVPL when the following criteria are met:

(a) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities recognizing gains or losses on them on a different basis;

(b) The assets or liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(c) The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear with little or no analysis that it would not be separately recorded.

Subsequent to initial recognition, these instruments are re-measured at fair value. Fair value gains and losses are recognized in the Parent Company statement of income under the ‘Fair value gains or losses on financial assets at FVPL’ account. Interest earned on debt instruments is reported as interest income under “Investment income” account.

The Parent Company's financial assets at FVPL consist of debt and equity securities of the IIFs.

The Parent Company's quoted debt and equity securities under the IIFs set up by the Parent Company underlying the unit-linked insurance contracts are designated as at FVPL in accordance with the investment strategy and valuation provisions of the unit-linked policy contracts. Likewise, this is consistent with the valuation basis of the reserve for variable units held by policyholders.

As of December 31, 2022 and 2021, the Parent Company has no financial liabilities classified as at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, nor designated as AFS or at FVPL. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the Parent Company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of December 31, 2022 and 2021, the Parent Company's loans and receivables represent cash and cash equivalents, insurance receivables, accrued income, policy loans, mortgage loans, corporate loans, receivable from agents, due from related parties, accounts receivable, security deposits, due from officers and employees and other receivables.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated in this category or do not qualify to be classified as loans and receivables, HTM investments or financial assets at FVPL. After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of the restatement on foreign currency-denominated AFS debt securities, is recognized in the Parent Company statement of income. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in the Parent Company statement of income as investment income when the right of the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets, including the impact of foreign exchange differences on AFS equity securities, are reported in other comprehensive income. The losses arising from impairment of such investments are recognized as provision for impairment losses in the Parent Company statement of income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to the Parent Company statement of income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

The Parent Company's AFS financial assets consist of peso and dollar-denominated government and corporate debt securities, and quoted equity securities.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the Parent Company statement of income. Other financial liabilities include the Parent Company's insurance payables, accounts payable and accrued expenses, premium deposit fund, policyholders' dividends, due to related parties and other liabilities.

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 Parent Company.

If the Parent 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. 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.

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

Impairment of Financial Assets
The Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the Parent Company statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Other income' account.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type and past due status.

AFS Financial assets carried at fair value
In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the Parent Company statement of income) is removed from other comprehensive income and recognized in the Parent Company statement of income. Impairment losses on equity instruments are not reversed through the Parent Company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

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

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

Objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

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 Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Parent Company has transferred its rights 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.

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

Financial liability
A financial liability is derecognized when the obligation under the liability expired, 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 Parent Company statement of income.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

<u>Policy Loans</u>
Policy loans, included in loans and receivables, are carried at their unpaid balances plus accrued interest and are secured by the cash surrender values and dividends on which the loans are made. Policy loans are accounted for based on the accounting policy for loans and receivables.

Reinsurance Assets
The Parent Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

The Parent Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance assets are impaired, the Parent Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in its statement of income. The Parent Company gathers the objective evidence that the reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets.

In modified coinsurance (quota share) treaties, the Parent Company records as reinsurance premiums the reinsurer’s proportionate share in benefits reinsured for the covered policies. Reinsurance allowances due from the reinsurers, on the other hand, are recorded under “Other income” (see Note 19).

Investments in Subsidiaries
Investment in subsidiaries is accounted for using the cost method in the Parent Company financial statements. A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

The investment in subsidiary is carried in the Parent Company statement of financial position at cost less any impairment in value. The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

Whenever there's a change in the ownership interest of a subsidiary due to sale, any difference between the carrying amount of the subsidiary and the proceeds from disposal is recognized in the Parent Company statement of income.

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 to the Parent Company statement of 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 are computed on a straight-line method over the estimated useful lives (EUL) of the properties as follows:

	Years
Electronic Data Processing (EDP) equipment	3
Leasehold improvements	5
Transportation equipment	5
Furniture and fixtures	5

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

The assets' 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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Parent Company statement of income in the year the item is derecognized.

Software Costs and Other Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The Parent Company has no intangible assets with indefinite lives.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Parent Company statement of income in the expense category consistent with the function of the intangible asset.

The Parent Company's intangible assets pertain to software development costs and other intangible asset. Other intangible assets pertain to the costs of assumed policies arising from Assumption Reinsurance Agreement. Amortization is computed on a straight-line method over the EUL of the intangible assets as follows:

	Years
Software development costs	5
Other intangible assets	20

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Parent Company statement of income when the asset is derecognized.

Creditable withholding tax
Creditable withholding tax pertains to the indirect tax paid by the Parent Company that is withheld by suppliers, service providers and clients of the Parent Company for purchase of goods or services. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Parent Company.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Pension Plan
The Parent Company maintains a defined contribution (DC) plan that covers all regular full-time employees. Under its DC plan, the Parent Company pays fixed contributions based on the employees' monthly salaries. The Parent Company, however, is covered by Republic Act (RA) No. 7641, The Philippine Retirement Law, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Accordingly, the Parent Company accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Parent Company determines the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in the Parent Company statement of income.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the Parent Company statement of income. The Parent Company recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

<u>Impairment of Nonfinancial Assets</u>
The carrying values of non-financial assets (i.e., property and equipment, right-of-use assets, intangible assets and investments in subsidiaries) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the Parent Company statement of income.

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

Insurance Contract Liabilities

Life Insurance contract liabilities

Life insurance contact liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a stringent prospective actuarial valuation method where the assumptions used depend on the Parent Company's current experience. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission.

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience. The initial assumptions can be retained if the Parent Company deems the current assumptions to still be reflective of its experience. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities.

Movements in legal policy reserves attributable to changes in discount rate are recorded under "Remeasurement loss on legal policy reserves" in other comprehensive income and the changes in policies and assumptions are recorded under "Gross change in legal policy reserves" in the Parent Company statement of income.

Life insurance contracts with fixed and guaranteed terms

Premiums are recognized as revenue when they become due from the policyholders, which for single premium business is the date on which the policy becomes effective. Benefits are recorded as an expense when they are incurred and are accrued as a liability.

An increase in liability for contractual benefits that are expected to be incurred in the future is recorded under "Gross change in legal policy reserves" in the Parent Company statement of income when the premiums are recognized. The liability is determined as the sum of the present value of future benefits and expenses, less the present value of the future gross premiums arising from the policy contract discounted at the appropriate risk-free discount rate. The expected future cash flows is determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The liability is based on actuarial assumptions such as mortality and morbidity, maintenance expenses, and lapse and/or persistency rates that are established at the time the contract is issued. A margin for adverse deviation (MfAD) is also included in the assumptions. For group life insurance and accident and health insurance, reserves are computed by calculating the unearned portion of the written premiums for the year.

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

Unit-linked insurance contracts

The Parent Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payments to IIFs set-up by the Parent Company with consideration received from the policyholders. As allowed by PFRS 4, the Parent Company chose not to unbundle the investment portion of its unit-linked products. Premiums received (including premium load and bid-offer spread) from the issuance of unit-linked insurance contracts are recognized as premium revenue. Consideration received from policyholders that are transferred to the segregated funds is recognized as part of "Gross change in legal policy reserves" in the Parent Company statement of income.

The Parent Company withdraws the cost of insurance and administrative charges from the consideration received from the policyholders in accordance with the provisions of the unit-linked insurance contracts. After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies, and are withdrawable anytime.

The investment returns on the IIFs belong to policyholders and the Parent Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders have the same corresponding change in the reserve for unit-linked liabilities. Such changes have offsetting effect on the Parent Company's results of operations and are therefore not separately presented in the Parent Company statement of income. Management fee income earned by the Parent Company for managing the IIFs and the monthly load and cost of insurance charges are included in other income.

IIFs primarily include investments in debt securities, equities, short-term investments and cash and cash equivalents. The methodology applied to determine the fair value of the investments held in these funds is consistent with that applied to investments held by general fund. Reserve for unit-linked liabilities is measured based on the value of the IIFs attributable to the policyholders.

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

Policy and contract claims payable
Policy and contract claims payable includes the sum of the individual amounts that are due and have already been approved for payment but have not actually been paid as of the end of the reporting period. This also includes accrual of reported claims that are not yet approved for payment. This is recognized when due and measured on initial recognition at fair value. Subsequent to initial recognition, this is measured at amortized cost using the effective interest rate method.

<u>Discretionary Participation Feature</u>
A discretionary participation feature (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 Parent Company and are within the constraints of the terms and conditions of the contract. The supplementary discretionary returns which were not withdrawn by the policyholders from the Parent Company accumulated over time and are recognized as part of "Policyholders' dividends" account in the Parent Company statement of financial position. Policyholders' dividends are carried at amortized cost.

<u>Insurance Payables</u>
Insurance payables result from the reinsurance agreement entered into by the Parent Company for ceding out its insurance business. The Parent Company initially recognizes the liability at transaction price. After initial measurement, insurance payables are subsequently measured at amortized cost using the effective interest rate method.

Leases

Parent Company as lessee

The Parent Company assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

ROU assets

The Parent Company recognizes ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at costs, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the EUL of the assets of five (5) years.

Lease liabilities

At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on lease liabilities') 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 or a change in the lease payments.

Short-term leases and leases of low-value assets

The Parent Company applies the short-term lease recognition exemption to its short-term leases of office spaces 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 based on a threshold determined by the Parent Company's management. Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Appropriated surplus - Negative reserves

For any traditional life insurance policy, where the calculation based on GPV results in a negative reserve, the Parent Company appropriates from retained earnings an amount equal to the negative reserves calculated on a per policy basis as required by IC CL No. 2016-66.

Retained earnings
Retained Earnings represent accumulated net income of the Parent Company, net of dividends declared.

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 Parent Company expects to be entitled in exchange for those services.

The Parent Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized for contracts within the scope of PFRS 15:

Service and management fee income
The Parent Company's service arrangements are generally satisfied over time, with revenue recognized over the period in which the related services are performed.

Other income
Income from other sources is recognized when earned.

Revenues outside the scope of PFRS 15
Insurance premiums
Gross recurring premiums from life insurance contracts are recognized when due. For single premium business, revenue is recognized on the date from which the policy becomes effective. For regular premium contracts, receivables are recorded at the date when payments are due.

Processing fee
The Parent Company's service arrangements are generally satisfied over time, with revenue measured and collected from customers within a short term, as services are rendered.

Fees and commission income
Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These charges, comprising of cost of insurance and monthly load, are recognized as revenue over the period in which the related services are performed.

Reinsurance allowance
Reinsurance allowance are recognized in the Parent Company statement of income when the related ceded policy-related expenses such as commissions and other underwriting expenses are incurred.

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

Investment income also includes dividends, which are recognized when the Parent Company's right to receive the payment is established.

Benefits and Claims Recognition

Benefits and claims

Life insurance benefit 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 claims are accrued as liabilities.

For unpaid benefits, a provision is made for the estimated cost of all claims and dividends notified but not settled at the reporting date, net of reinsurance recoveries, using the information available at the time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on the Parent Company's experience and historical data. These actual claims are those reported during the first quarter immediately following the reporting date, whether paid or unpaid, but wherein the date of loss occurred on or before the reporting date.

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 administrative costs directly attributable to the claims function.

Dividend to policyholders

Dividend expense attributable to dividend entitlement of certain participating insurance policies is recognized as it accrues every policy anniversary date. Policyholders dividends can be paid in cash, buy paid up additions or can be left with the Parent Company. Policyholder dividends which are not withdrawn from the Parent Company earn interest, which is included in the Parent Company statement of income as "Dividend to policyholders".

Expense Recognition

Expenses are recognized in the Parent Company statement of income when incurred. These are recognized in the Parent Company statement of income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the Parent Company statement of financial position as an asset.

General and administrative expenses are costs attributable to administrative and other business activities of the Parent Company.

Commission Expenses

Commission expenses are charged against operations when incurred.

Foreign Currency-denominated Exchange Transactions and Translations

Transactions in foreign currencies are initially recorded at the functional currency spot rate prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising from monetary items are taken to the Parent Company statement of income.

Nonmonetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in the Parent Company statement of income or OCI are also recognized in the Parent Company statement of income or OCI, respectively).

Income Tax

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 the amount are those that are enacted or substantially enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences 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, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 income tax relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Parent 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 Parent Company expects some or all of a 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 Parent Company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense

Contingencies

Contingent liabilities are not recognized in the Parent Company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the Parent Company financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

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

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3. **Significant Accounting Judgments, Estimates and Assumptions**

The Parent Company makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. 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 Parent Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the Parent Company financial statements.

Product classification
The Parent Company has determined that the traditional and unit-linked insurance policies (that link the payments on the contract to units of IIFs) have significant insurance risk and, therefore meet the definition of an insurance contract and should be accounted for as such. The options and guarantees within the insurance contracts issued by the Parent Company are treated as derivative financial instruments which are clearly and closely related to the host insurance and therefore not bifurcated. As such, the Parent Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Determining the lease term of contracts with renewal and termination options – Parent Company as lessee
The Parent Company has lease contracts that include renewal and termination options. The Parent Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements, location and importance of the office and parking spaces to its operations that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

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

Claims liability arising from insurance contracts
The estimation of the ultimate liability arising from claims made under life insurance contracts is the Parent 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 Parent 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 Parent Company is exposed to risk. The Parent Company bases these estimates on the mortality and morbidity that are appropriate to the nature of the risks covered based on the Parent Company's actual experience. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in turn is monitored against current and future premiums.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

In accordance with the provision of the Code, 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 in the adjustments to the liability. The interest rates used to discount future liabilities are based on the published rates by the Insurance Commission, which are in turn are based on the PHP BVAL Reference Rates and International Yield Curve (IYC), for peso- and US dollar (USD)-denominated policies, respectively.

The carrying value of the legal policy reserves amounted to ₱88.53 billion and ₱93.00 billion as of December 31, 2022 and 2021, respectively (see Note 12).

Impairment of nonfinancial assets
The Parent Company assesses the impairment of its nonfinancial assets (i.e., other assets, property and equipment, intangible assets and investments in subsidiaries) whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The factors that the Parent 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 assets; and
- significant negative industry or economic trends.

The Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher between the asset's fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2022 and 2021, the carrying values of non-financial assets follow:

	2022	2021
Investments in subsidiaries (Note 8)	**₱1,339,286,607**	₱1,455,047,004
Property and equipment (Note 9)	**362,859,403**	482,243,828
Software costs and other intangible assets (Note 10)	**706,416,505**	651,850,662
Right-of-use assets (Note 23)	**166,377,430**	230,488,091
Other assets (Note 11)	**252,362,109**	418,151,575

In 2022, the Parent Company recognized an impairment loss on its investment in a subsidiary and in other assets amounting to ₱115.76 million and ₱0.56 million, respectively. Details of the assumptions used in calculating the recoverable amount are disclosed in Note 8 for the impairment of investment in a subsidiary and in Note 11 for the details of the impairment in other assets.

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

The Parent Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, the length of the Parent Company's relationship with the debtors, the debtor's payment behavior, legal opinion on recoverability in case of legal disputes and known market factors. The Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

In addition to specific allowance against individually significant loans and receivables, the Parent Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted. This collective allowance takes into consideration any deterioration in the loans and receivables.

As of December 31, 2022 and 2021, the carrying value of loans and receivables amounted to ₱10.51 billion after deducting allowance for impairment losses amounting to ₱200.86 million and ₱49.42 million, respectively (see Note 5).

Impairment of AFS equity investments
The Parent Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity investments.

In addition, the Parent Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

As of December 31, 2022 and 2021, the carrying value of AFS equity investments amounted to ₱1.47 billion and ₱1.65 billion, respectively (see Note 5).

Estimated useful lives of property and equipment, ROU assets, and intangible assets
The Parent Company reviews annually the estimated useful lives of property and equipment, ROU assets, and intangible assets based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment, ROU assets and intangible assets would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2022, the carrying values of property and equipment, intangible assets and ROU assets amounted to ₱362.86 million, ₱706.42 million and ₱166.38 million, respectively. As of December 31, 2021, the carrying values of property and equipment, intangible assets and ROU assets amounted to ₱482.24 million, ₱651.85 million and ₱230.49 million, respectively (see Notes 9, 10 and 23).

Recognition of pension liability
The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The Parent Company recognized net pension asset (liability) amounting to ₱27.29 million and (₱8.99 million) as of December 31, 2022 and 2021, respectively (see Note 24).

In determining the appropriate discount rate, the Parent Company considers the interest rates of Philippine government bonds that are denominated in the currency in which the benefits will be paid and extrapolated as needed along the yield curve to correspond with the expected term of the defined

benefit obligation.
The salary increase rates are based on expected future inflation rates, historical annual merit, market and promotional increases.

The mortality rate represents the proportion of current plan members who might die prior to retirement and hence be entitled to death benefits instead of retirement benefits. This is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements.

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

Recognition of deferred tax assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit 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 profits together with future tax planning strategies. The recognized and unrecognized deferred tax assets are disclosed in Note 25.

Contingencies
The Parent Company is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 15).

Leases - Estimating the incremental borrowing rate
The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Parent 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 Parent 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 Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the credit spread for a stand-alone credit rating).

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱975,284**	₱1,021,040
Cash in banks	**1,755,088,392**	1,953,697,422
Short-term deposits	**736,455,069**	222,400,639
	₱2,492,518,745	₱2,177,119,101

Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Parent Company and earn interest at the prevailing short-term deposit rates. The range of interest rates is from 0.45% to 5.75% and from 0.125% to 0.45% in 2022 and 2021, respectively.

Interest earned on cash and cash equivalents amounted to ₱10.80 million and ₱7.01 million in 2022 and 2021, respectively (see Note 18).

5. Financial Assets

The Parent Company's financial assets are summarized as follows:

	2022	2021
Financial assets at FVPL (Note 6)	**₱60,796,475,914**	₱60,091,263,262
AFS financial assets	**37,030,866,223**	42,348,896,307
Loans and receivables	**10,513,246,633**	10,508,989,111
	₱108,340,588,770	₱112,949,148,680

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

a) *Financial assets at FVPL*

Financial assets at FVPL pertain to the net assets of the variable unit-linked (VUL) funds backing the VUL policies issued by the Parent Company. The net assets amounted to ₱60.80 billion and ₱60.09 billion as of December 31, 2022 and 2021, respectively (see Note 6).

The net fair value loss on financial assets at FVPL included in the Parent Company statements of income amounted to ₱6.51 million loss and ₱0.51 million loss in 2022 and 2021, respectively.

b) *AFS financial assets*

	2022	2021
Quoted debt securities:		
Government bonds	**₱33,059,644,550**	₱38,806,642,771
Corporate bonds	**1,644,741,535**	1,719,908,531
UITFs	**851,528,231**	171,007,665
Quoted equity securities:		
Common shares	**1,468,201,907**	1,644,587,340
Club shares	**6,750,000**	6,750,000
	₱37,030,866,223	₱42,348,896,307

The rollforward analysis of AFS financial assets follows:

	2022	2021
Balance at beginning of year	**₱42,348,896,307**	₱45,451,252,758
Additions	**3,925,529,709**	5,034,325,562
Disposals/maturities	**(1,695,009,141)**	(3,245,461,276)
Net premium amortization	**(64,359,305)**	(69,303,343)
Fair value gains recognized in other comprehensive income	**(7,586,715,881)**	(4,886,476,346)
Foreign currency exchange adjustments	**102,524,534**	64,558,952
Balance at end of year	**₱37,030,866,223**	₱42,348,896,307

The movement in unrealized fair value gains (losses) of AFS financial assets follows:

	2022	2021
Balance at beginning of year	**₱2,040,992,581**	₱6,943,993,385
Change in fair value of AFS financial assets	**(7,586,715,881)**	(4,886,476,346)
Realized gains transferred to the statements of income	**(28,939,450)**	(16,524,458)
Net change during the year	**(7,615,655,331)**	(4,903,000,804)
Balance at end of year	**(₱5,574,662,750)**	₱2,040,992,581

Annual interest rates of AFS government and corporate bonds range as follows:

	2022		2021	
	From	**To**	From	To
Government bonds	**2.63%**	**18.25%**	2.63%	18.25%
Corporate bonds	**3.92%**	**6.08%**	3.92%	6.08%

Interest earned from AFS debt securities amounted to ₱2.15 billion and ₱2.04 billion in 2022 and 2021, respectively, while dividend income from AFS equity securities amounted to ₱31.14 million and ₱28.04 million in 2022 and 2021, respectively (see Note 18).

AFS government securities with total face value of ₱325.00 million and ₱225.00 million as of December 31, 2022 and 2021, respectively, and aggregate market value of ₱312.08 million and ₱286.05 million as of December 31, 2022 and 2021, respectively, are deposited with the Insurance Commission pursuant to the provisions of the Code as security for the benefit of policyholders and creditors of the Parent Company.

c) *Loans and Receivables*

This account consists of:

	2022	2021
Corporate loan (Note 27)	**₱4,830,250,000**	₱4,830,250,000
Policy loans	**3,389,651,301**	3,444,891,213
Due from related parties (Note 27)	**1,698,929,001**	1,481,874,800
Receivable from agents (Note 26)	**333,937,161**	316,447,229
Security deposits	**143,539,755**	164,641,035
Management fee receivable (Note 6)	**110,142,327**	103,342,290
Due from officers and employees	**9,662,038**	45,994,943
Mortgage loans	**898,477**	898,477
Other receivables	**197,100,195**	170,071,525
	10,714,110,255	10,558,411,512
Allowance for impairment losses	**(200,863,622)**	(49,422,401)
	₱10,513,246,633	₱10,508,989,111

On November 20, 2020, the Parent Company entered into a loan agreement with Manulife Financial Asia Limited that provides for a fixed interest rate of 2.09%. The corporate loan amounting to ₱4.83 billion will mature on November 20, 2021. In November 2021, the Parent Company approved the renewal of the loan and extended its maturity to November 20, 2024 with an interest based on the closing rate of the 3-year Philippine Government bond plus a spread of 100bps.

Policy loans pertain to loans issued to policyholders. A policy loan is secured by the cash surrender value of the policy. Interest rates charged range from 7% to 8% in both 2022 and 2021.

Due from related parties pertain to the reinsurance agreements, cash advances for payment of operating expenses, and charges for accounting and administrative services.

Receivable from agents pertain to amounts due from agents arising from car loans with tenors of five (5) years and interest of 8% per annum and non-interest bearing short-term borrowings chargeable against agents' commissions.

Security deposits are refundable at the end of the lease term.

Management fee receivables represent the uncollected portion of the management income on IIFs.

Due from officers and employees consist of various loans provided to officers and employees with varying terms and interest rates. Due from officers and employees are settled through payroll deductions.

Mortgage loans to employees earn interest ranging from 5% to 10% per annum and with maturity of 1 to 20 years.

Interest earned from loans and receivable amounted to ₱539.70 million and ₱396.74 million in 2022 and 2021, respectively (see Note 18).

The rollforward analysis of allowance for impairment losses based on the Parent Company's specific assessment of the individual balances of receivable from agents follows:

	2022	2021
At beginning of year	**₱49,422,401**	₱24,515,530
Provisions (Note 21)	**151,441,221**	24,906,871
At end of year	**₱200,863,622**	₱49,422,401

6. **Insurance Investment Funds (IIFs)**

The Parent Company issues unit-linked insurance contracts where the payments to policyholders are linked to investment funds set up by the Parent Company. The Parent Company classified IIFs as Financial Assets at Fair Value Thru Profit and Loss (FVPL).

As of December 31, 2022, the Parent Company has thirty three (33) IIFs namely: Affluence Peso Bond Fund (Peso Fund), Affluence Peso Stable Fund (Stable Fund), Affluence Equity Fund (Equity Fund), Affluence Dollar Bond Fund (Dollar Fund), Peso Secure Fund, Peso Diversified Value Fund, Peso Growth Fund, US Dollar Secure Fund, Peso Balanced Fund, Dynamic Allocation Fund, Peso Target Income Fund, Peso Target Distribution Fund, Asia Pacific Bond Fund, Asean Growth Fund, Peso Cash Fund, Global Target Income Fund, Wealth Optimizer 2026 Fund, Wealth Optimizer 2031 Fund, Wealth Optimizer 2036 Fund, Peso Powerhouse, Emperor Fund, Asia Pacific Property Income Fund (PHP), Asia Pacific Property Income Fund (USD), US Growth Fund (PHP), US Growth Fund (USD), Global Preferred Securities Income Fund (PHP), Global Preferred Securities Income Fund (USD), Tiger Growth Fund (PHP), Tiger Growth Fund (USD), Global Health Fund (PHP), Global Health Fund (USD), Global Multi-Asset Income Fund (PHP), and Global Multi-Asset Income Fund (USD).

The IIFs are set up using a fund-in-fund approach. Under this structure, the IIFs purchase units of a pool of assets, which are referred to as Underlying Funds (UFs). The UFs consist of Peso Bond Pool, Peso Money Market Pool, Peso Equity Pool, Dollar Bond Pool, Dynamic Asset Allocation Equity Pool, Asia Bond Pool, Asean Growth Peso Pool, Peso Cash Pool, Peso Powerhouse Pool, Global Target Income Pool, Emperor Pool, Asia Pacific Property Income (PHP) Pool, Asia Pacific Property Income Fund (USD), US Growth Fund (PHP), US Growth Fund (USD), Global Preferred Securities Income Fund (PHP), Global Preferred Securities Income Fund (USD), Tiger Growth Fund (PHP), Tiger Growth Fund (USD), Global Health Fund (PHP), Global Health Fund (USD), Global Multi-Asset Income Fund (PHP) and Global Multi-Asset Income Fund (USD).

The Parent Company and Hongkong and Shanghai Banking Corporation (HSBC) entered into a non-fiduciary fund administration agreement whereby HSBC shall act as the Administrator of the UFs. The Administrator is limited to performing administrative services and does not have any discretion or control with respect to the management or disposition of the UFs. The administration fee of HSBC is charged directly against the UFs.

On September 12, 2017, the Parent Company and MIMTC entered into an investment management agreement whereby MIMTC shall act as the investment manager of the UFs. Management fees charged by MIMTC are billed on a monthly basis and are payable within 30 days from receipt of billing statement. The management fees paid to MIMTC is recognized as ‘Investment expenses’ under ‘General and administrative expenses’ in the statements of income.

The details of the IIFs are as follows:

	December 31, 2022			
	Net assets	**Due to unit-linked holders** (Note 12)	**Seed capital**	**Total**
Peso Fund	**₱683,550,038**	**₱681,559,496**	**₱1,990,542**	**₱683,550,038**
Stable Fund	**648,505,120**	**646,565,136**	**1,939,984**	**648,505,120**
Equity Fund	**1,044,971,842**	**1,043,316,312**	**1,655,530**	**1,044,971,842**
Dollar Fund	**403,070,962**	**401,074,934**	**1,996,028**	**403,070,962**
Peso Secure Fund	**5,138,820,791**	**5,136,857,432**	**1,963,359**	**5,138,820,791**
Peso Diversified Value Fund	**4,582,352,838**	**4,580,423,252**	**1,929,586**	**4,582,352,838**
Peso Growth Fund	**19,108,085,988**	**19,106,410,073**	**1,675,915**	**19,108,085,988**
US Dollar Secure Fund	**1,178,508,629**	**1,176,538,939**	**1,969,690**	**1,178,508,629**
Peso Balanced Fund	**246,468,023**	**244,664,253**	**1,803,770**	**246,468,023**
Dynamic Allocation Fund	**5,120,046,698**	**5,118,257,617**	**1,789,081**	**5,120,046,698**
Peso Target Income Fund	**159,231,331**	**157,693,730**	**1,537,601**	**159,231,331**
Peso Target Distribution Fund	**1,435,847,917**	**1,434,341,564**	**1,506,353**	**1,435,847,917**
Asia Pacific Bond Fund	**632,422,259**	**630,314,947**	**2,107,312**	**632,422,259**
Asean Growth Fund	**2,872,301,969**	**2,869,726,978**	**2,574,991**	**2,872,301,969**
Peso Cash Fund	**57,920,952**	**56,388,262**	**1,532,690**	**57,920,952**
Global Target Income Fund	**4,313,370,789**	**4,311,377,468**	**1,993,321**	**4,313,370,789**
Wealth Optimizer 2026 Fund	**479,393,153**	**477,575,446**	**1,817,707**	**479,393,153**
Wealth Optimizer 2031 Fund	**198,740,747**	**196,995,494**	**1,745,253**	**198,740,747**
Wealth Optimizer 2036 Fund	**236,739,446**	**235,015,763**	**1,723,683**	**236,739,446**
Peso Powerhouse	**6,837,003,204**	**6,835,320,798**	**1,682,406**	**6,837,003,204**
Emperor Fund	**1,641,042,605**	**1,639,338,556**	**1,704,049**	**1,641,042,605**
Asia Pacific Property Income Fund (PHP)	**1,453,447,393**	**1,451,654,973**	**1,792,420**	**1,453,447,393**
Asia Pacific Property Income Fund (USD)	**743,949,758**	**742,273,180**	**1,676,578**	**743,949,758**
US Growth Fund (PHP)	**612,874,837**	**610,997,902**	**1,876,935**	**612,874,837**
US Growth Fund (USD)	**173,856,367**	**172,092,920**	**1,763,447**	**173,856,367**
Global Preferred Securities Income Fund (PHP)	**236,697,406**	**234,823,193**	**1,874,213**	**236,697,406**
Global Preferred Securities Income Fund (USD)	**163,055,469**	**161,276,957**	**1,778,512**	**163,055,469**
Tiger Growth Fund (PHP)	**191,680,611**	**190,359,599**	**1,321,012**	**191,680,611**
Tiger Growth Fund (USD)	**27,462,698**	**26,213,940**	**1,248,758**	**27,462,698**
Global Health Fund (PHP)	**97,798,898**	**95,631,873**	**2,167,025**	**97,798,898**
Global Health Fund (USD)	**12,035,742**	**9,747,533**	**2,288,209**	**12,035,742**
Global Multi-Asset Income Fund (PHP)	**53,531,097**	**51,504,165**	**2,026,932**	**53,531,097**
Global Multi-Asset Income Fund (USD)	**11,690,337**	**9,565,420**	**2,124,917**	**11,690,337**
	₱60,796,475,914	**₱60,735,898,105**	**₱60,577,809**	**₱60,796,475,914**

	December 31, 2021			
	Net assets	Due to unit-linked holders (Note 12)	Seed capital	Total
Peso Fund	₱753,012,049	₱750,941,255	₱2,070,794	₱753,012,049
Stable Fund	705,708,477	703,691,352	2,017,125	705,708,477
Equity Fund	1,155,466,111	1,153,723,490	1,742,621	1,155,466,111
Dollar Fund	454,880,714	452,737,604	2,143,110	454,880,714
Peso Secure Fund	5,086,815,201	5,084,767,567	2,047,634	5,086,815,201
Peso Diversified Value Fund	4,587,912,094	4,585,900,783	2,011,311	4,587,912,094
Peso Growth Fund	18,266,896,419	18,265,127,905	1,768,514	18,266,896,419
US Dollar Secure Fund	1,385,544,125	1,383,424,074	2,120,051	1,385,544,125
Peso Balanced Fund	277,915,158	276,016,446	1,898,712	277,915,158
Dynamic Allocation Fund	5,325,083,659	5,323,196,084	1,887,575	5,325,083,659
Peso Target Income Fund	177,447,999	175,786,849	1,661,150	177,447,999
Peso Target Distribution Fund	1,650,162,597	1,648,531,724	1,630,873	1,650,162,597
Asia Pacific Bond Fund	691,492,384	689,346,267	2,146,117	691,492,384
Asean Growth Fund	3,046,766,636	3,044,267,805	2,498,831	3,046,766,636
Peso Cash Fund	68,823,202	67,306,991	1,516,211	68,823,202
Global Target Income Fund	4,922,840,609	4,920,575,285	2,265,324	4,922,840,609
Wealth Optimizer 2026 Fund	479,132,586	477,220,116	1,912,470	479,132,586
Wealth Optimizer 2031 Fund	189,099,302	187,259,375	1,839,927	189,099,302
Wealth Optimizer 2036 Fund	223,926,515	222,108,091	1,818,424	223,926,515
Peso Powerhouse	6,132,801,287	6,131,009,890	1,791,397	6,132,801,287
Emperor Fund	1,289,894,364	1,288,082,997	1,811,367	1,289,894,364
Asia Pacific Property Income Fund (PHP)	809,092,020	807,235,292	1,856,728	809,092,020
Asia Pacific Property Income Fund (USD)	1,533,780,592	1,531,799,343	1,981,249	1,533,780,592
US Growth Fund (PHP)	357,255,578	354,894,240	2,361,338	357,255,578
US Growth Fund (USD)	77,184,817	74,974,943	2,209,874	77,184,817
Global Preferred Securities Income Fund (PHP)	213,536,116	211,409,946	2,126,170	213,536,116
Global Preferred Securities Income Fund (USD)	82,661,683	80,630,093	2,031,590	82,661,683
Tiger Growth Fund (PHP)	118,870,084	117,179,042	1,691,042	118,870,084
Tiger Growth Fund (USD)	27,260,884	25,655,520	1,605,364	27,260,884
	₱60,091,263,262	₱60,034,800,369	₱56,462,893	₱60,091,263,262

	December 31, 2022													
	Peso Bond Pool	Peso Money Market Pool	Peso Equity Pool	USD Bond Pool	Dynamic Asset Allocation Equity Pool	Peso Cash Pool	Asia Bond Pool	Asean Growth Pool	Global Target Income Pool	Peso Powerhouse Pool	Emperor Pool	Asia Pacific Property Income (PHP) Pool	Accrued Management Fees	Total
Peso Fund	**₱684,431,281**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱881,243)**	**₱683,550,038**
Stable Fund	**373,076,795**	**130,075,323**	**146,326,628**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(973,626)**	**648,505,120**
Equity Fund	**–**	**–**	**1,046,766,990**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,795,148)**	**1,044,971,842**
Dollar Fund	**–**	**–**	**–**	**403,679,990**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(609,028)**	**403,070,962**
Peso Secure Fund	**5,146,511,429**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,690,638)**	**5,138,820,791**
Peso Diversified Value Fund	**2,650,484,360**	**920,631,031**	**1,019,061,131**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,823,684)**	**4,582,352,838**
Peso Growth Fund	**–**	**–**	**19,144,713,597**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36,627,609)**	**19,108,085,988**
US Dollar Secure Fund	**–**	**–**	**–**	**1,180,539,446**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,030,817)**	**1,178,508,629**
Peso Balanced Fund	**88,360,769**	**–**	**–**	**–**	**158,530,409**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(423,155)**	**246,468,023**
Dynamic Allocation Fund	**1,835,561,029**	**–**	**–**	**–**	**3,294,326,775**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,841,106)**	**5,120,046,698**
Peso Target Income Fund	**78,289,392**	**36,019,576**	**–**	**–**	**45,195,072**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(272,709)**	**159,231,331**
Peso Target Distribution Fund	**706,104,749**	**324,869,342**	**–**	**–**	**407,635,240**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,761,414)**	**1,435,847,917**
Asia Pacific Bond Fund	**–**	**–**	**–**	**–**	**–**	**–**	**633,509,443**	**–**	**–**	**–**	**–**	**–**	**(1,087,184)**	**632,422,259**
Asean Growth Fund	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,877,855,784**	**–**	**–**	**–**	**–**	**(5,553,815)**	**2,872,301,969**
Peso Cash Fund	**–**	**–**	**–**	**–**	**–**	**57,929,265**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,313)**	**57,920,952**
Global Target Income Fund	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,321,813,503**	**–**	**–**	**–**	**(8,442,714)**	**4,313,370,789**
Wealth Optimizer 2026 Fund	**220,767,310**	**13,868,335**	**245,676,425**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(918,917)**	**479,393,153**
Wealth Optimizer 2031 Fund	**48,414,469**	**1,252,514**	**149,454,264**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(380,500)**	**198,740,747**
Wealth Optimizer 2036 Fund	**19,654,149**	**233,017**	**217,305,685**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(453,405)**	**236,739,446**
Peso Powerhouse	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,848,602,417**	**–**	**–**	**(11,599,213)**	**6,837,003,204**
Emperor Fund	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,643,820,493**	**–**	**(2,777,888)**	**1,641,042,605**
Asia Pacific Property Income Fund (PHP)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,454,853,108**	**(1,405,715)**	**1,453,447,393**
	₱11,851,655,732	**₱1,426,949,138**	**₱21,969,304,720**	**₱1,584,219,436**	**₱3,905,687,496**	**₱57,929,265**	**₱633,509,443**	**₱2,877,855,784**	**₱4,321,813,503**	**₱6,848,602,417**	**₱1,643,820,493**	**₱1,454,853,108**	**(₱104,357,841)**	**₱58,471,842,694**

	December 31, 2022												
	Asia Pacific Property Income (USD) Pool	US Growth Fund (PHP)	US Growth Fund (USD)	Global Preferred Securities Income Fund (PHP)	Global Preferred Securities Income Fund (USD)	Tiger Growth Fund (PHP)	Tiger Growth Fund (USD)	Global Health Fund (PHP)	Global Health Fund (USD)	Global Multi-Asset Income Fund (PHP)	Global Multi-Asset Income Fund (USD)	Accrued Management Fees	Total
Asia Pacific Property Income Fund (USD)	**₱746,704,187**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱2,754,429)**	**₱743,949,758**
US Growth Fund (PHP)	**–**	**614,077,713**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,202,876)**	**612,874,837**
US Growth Fund (USD)	**–**	**–**	**174,197,932**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(341,565)**	**173,856,367**
Global Preferred Securities Income Fund (PHP)	**–**	**–**	**–**	**237,155,620**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(458,214)**	**236,697,406**
Global Preferred Securities Income Fund (USD)	**–**	**–**	**–**	**–**	**163,372,082**	**–**	**–**	**–**	**–**	**–**	**–**	**(316,613)**	**163,055,469**
Tiger Growth Fund (PHP)	**–**	**–**	**–**	**–**	**–**	**192,039,303**	**–**	**–**	**–**	**–**	**–**	**(358,692)**	**191,680,611**
Tiger Growth Fund (USD)	**–**	**–**	**–**	**–**	**–**	**–**	**27,514,832**	**–**	**–**	**–**	**–**	**(52,134)**	**27,462,698**
Global Health Fund (PHP)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**97,979,224**	**–**	**–**	**–**	**(180,326)**	**97,798,898**
Global Health Fund (USD)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,058,257**	**–**	**–**	**(22,515)**	**12,035,742**
Global Multi-Asset Income Fund (PHP)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53,612,478**	**–**	**(81,381)**	**53,531,097**
Global Multi-Asset Income Fund (USD)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,706,078**	**(15,741)**	**11,690,337**
	₱746,704,187	**₱614,077,713**	**₱174,197,932**	**₱237,155,620**	**₱163,372,082**	**₱192,039,303**	**₱27,514,832**	**₱97,979,224**	**₱12,058,257**	**₱53,612,478**	**₱11,706,078**	**(₱5,784,486)**	**₱2,324,633,220**

The breakdown of net assets of the IIFs is as follows:

	December 31, 2021													
	Peso Bond Pool	Peso Money Market Pool	Peso Equity Pool	USD Bond Pool	Dynamic Asset Allocation Equity Pool	Peso Cash Pool	Asia Bond Pool	Asean Growth Pool	Global Target Income Pool	Peso Powerhouse Pool	Emperor Pool	Asia Pacific Property Income (PHP) Pool	Accrued Management Fees	Total
Peso Fund	₱753,986,286	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	(₱974,237)	₱753,012,049
Stable Fund	408,212,882	138,789,299	159,768,835	–	–	–	–	–	–	–	–	–	(1,062,539)	705,708,477
Equity Fund	–	–	1,157,463,546	–	–	–	–	–	–	–	–	–	(1,997,435)	1,155,466,111
Dollar Fund	–	–	–	455,563,610	–	–	–	–	–	–	–	–	(682,896)	454,880,714
Peso Secure Fund	5,094,433,784	–	–	–	–	–	–	–	–	–	–	–	(7,618,583)	5,086,815,201
Peso Diversified Value Fund	2,660,025,664	903,735,662	1,032,020,700	–	–	–	–	–	–	–	–	–	(7,869,932)	4,587,912,094
Peso Growth Fund	–	–	18,295,383,673	–	–	–	–	–	–	–	–	–	(28,487,254)	18,266,896,419
US Dollar Secure Fund	–	–	–	1,387,928,331	–	–	–	–	–	–	–	–	(2,384,206)	1,385,544,125
Peso Balanced Fund	101,109,957	–	–	–	177,284,738	–	–	–	–	–	–	–	(479,537)	277,915,158
Dynamic Allocation Fund	1,938,944,654	–	–	–	3,396,445,904	–	–	–	–	–	–	–	(10,306,899)	5,325,083,659
Peso Target Income Fund	80,318,364	30,107,371	–	–	67,417,762	–	–	–	–	–	–	–	(395,498)	177,447,999
Peso Target Distribution Fund	747,053,124	280,037,186	–	–	627,092,900	–	–	–	–	–	–	–	(4,020,613)	1,650,162,597
Asia Pacific Bond Fund	–	–	–	–	–	–	692,680,949	–	–	–	–	–	(1,188,565)	691,492,384
Asean Growth Fund	–	–	–	–	–	–	–	3,052,549,164	–	–	–	–	(5,782,528)	3,046,766,636
Peso Cash Fund	–	–	–	–	–	68,833,489	–	–	–	–	–	–	(10,287)	68,823,202
Global Target Income Fund	–	–	–	–	–	–	–	–	4,932,239,788	–	–	–	(9,399,179)	4,922,840,609
Wealth Optimizer 2026 Fund	197,232,041	8,273,580	274,764,050	–	–	–	–	–	–	–	–	–	(1,137,085)	479,132,586
Wealth Optimizer 2031 Fund	38,600,106	860,793	150,084,399	–	–	–	–	–	–	–	–	–	(445,996)	189,099,302
Wealth Optimizer 2036 Fund	17,198,710	205,591	207,052,464	–	–	–	–	–	–	–	–	–	(530,250)	223,926,515
Peso Powerhouse	–	–	–	–	–	–	–	–	–	6,143,284,004	–	–	(10,482,717)	6,132,801,287
Emperor Fund	–	–	–	–	–	–	–	–	–	–	1,292,092,958	–	(2,198,594)	1,289,894,364
Asia Pacific Property Income Fund (PHP)	–	–	–	–	–	–	–	–	–	–	–	810,585,869	(1,493,849)	809,092,020
	₱12,037,115,572	₱1,362,009,482	₱21,276,537,667	₱1,843,491,941	₱4,268,241,304	₱68,833,489	₱692,680,949	₱3,052,549,164	₱4,932,239,788	₱6,143,284,004	₱1,292,092,958	₱810,585,869	(₱98,948,679)	₱57,680,713,508

	December 31, 2021								
	Asia Pacific Property Income (USD) Pool	US Growth Fund (PHP)	US Growth Fund (USD)	Global Preferred Securities Income Fund (PHP)	Global Preferred Securities Income Fund (USD)	Tiger Growth Fund (PHP)	Tiger Growth Fund (USD)	Accrued Management Fees	Total
Asia Pacific Property Income Fund (USD)	₱1,536,644,567	₱–	₱–	₱–	₱–	₱–	₱–	(₱2,863,975)	₱1,533,780,592
US Growth Fund (PHP)	–	357,900,592	–	–	–	–	–	(645,014)	357,255,578
US Growth Fund (USD)	–	–	77,308,724	–	–	–	–	(123,907)	77,184,817
Global Preferred Securities Income Fund (PHP)	–	–	–	213,872,365	–	–	–	(336,249)	213,536,116
Global Preferred Securities Income Fund (USD)	–	–	–	–	82,816,176	–	–	(154,493)	82,661,683
Tiger Growth Fund (PHP)	–	–	–	–	–	119,088,998	–	(218,914)	118,870,084
Tiger Growth Fund (USD)	–	–	–	–	–	–	27,311,943	(51,059)	27,260,884
	₱1,536,644,567	₱357,900,592	₱77,308,724	₱213,872,365	₱82,816,176	₱119,088,998	₱27,311,943	(₱4,393,611)	₱2,410,549,754

The breakdown of net assets of the IIFs follows:

	2022	2021
Debt securities		
Government bonds	**₱12,882,909,911**	₱13,162,746,155
UITFs	**10,469,008,881**	9,991,971,425
Corporate bonds	**703,401,613**	1,242,872,676
Equity securities		
Common shares	**33,215,896,031**	31,576,444,442
Other equity securities	**1,539,526,758**	2,191,592,261
Cash and cash equivalents		
Cash in banks	**1,499,598,997**	1,488,922,375
Short-term deposits	**541,196,025**	41,188,375
Accounts receivable	**94,219,313**	739,792,421
Accrued income	**121,502,575**	104,494,806
Accounts payable	**(160,641,863)**	(345,419,384)
Accrued management fees (Note 5)	**(110,142,327)**	(103,342,290)
	₱60,796,475,914	₱60,091,263,262

7. Accrued Income

This account consists of:

	2022	2021
Accrued interests:		
AFS debt financial assets		
Government bonds	**₱359,883,318**	₱338,341,638
Corporate bonds	**14,257,069**	14,257,069
Corporate loan	**41,063,646**	23,152,998
Cash and cash equivalents	**1,141,302**	12,436
	416,345,335	375,764,141
Accrued dividends:		
AFS equity securities	**4,494,565**	4,022,956
	₱420,839,900	₱379,787,097

8. Investments in Subsidiaries

This account consists of:

	2022	2021
Investments in:		
MFPI		
Cost		
Balance at January 1 and December 31	**₱2,050,000,000**	₱2,050,000,000

(Forward)

	2022	2021
Allowance for impairment losses		
Balance at January 1	**(₱1,471,836,869)**	(₱908,200,563)
Provision of impairment loss	**(115,760,397)**	(563,636,306)
Balance at December 31	**(1,587,597,266)**	(1,471,836,869)
Net carrying amount	**462,402,734**	578,163,131
MIMTC		
Balance at January 1 and December 31	**300,000,000**	300,000,000
MCBLAC		
Balance at January 1	**576,883,873**	636,883,873
Return of capital on January 7, 2021	–	(60,000,000)
Balance at December 31	**576,883,873**	576,883,873
	₱1,339,286,607	₱1,455,047,004

As mentioned in Note 2, investments in subsidiaries are reviewed for impairment when circumstances indicate that the carrying amount is impaired. In 2022 and 2021, investment in MFPI was assessed and provided with an impairment loss due to circumstances that indicated that the recoverable amount of the asset may be lower than the carrying amount. Additional impairment loss on the investment in MFP amounting to ₱115.76 million and ₱563.64 million was recognized by the Parent Company in 2022 and 2021, respectively.

The recoverable amount of the investment in MFPI has been based on its value-in-use (VIU) and fair value less costs to sell (FVLCS) as of December 31, 2022 and 2021, respectively. VIU is calculated using cash flow projections from financial budgets covering the entire life of the entity, which last until the maturity of the existing policies while FVLCS is calculated using the adjusted net asset method which requires restating all of the assets and liabilities of the Parent Company from their historical cost basis to fair value, including those not reflected in the Parent Company statement of financial position.

Key assumptions used in VIU calculation as of December 31, 2022

- Premium rates, Dividends rates, Cash values and Commission rates were extracted from Policy Database files from One Client Administration System (CAS). The forecast assumes that no new policies shall be issued. Premiums will come from the renewal premiums of MFPI’s existing business where inputs are based on CAS and projections based on the company’s Axis model.
- Surrenders ratios, Lapse ratios and Expense assumptions – These are management’s best estimate based on the most recent experience studies from the Actuarial Department.
- Pre-tax discount rate – Discount rate represents the current market assessment of the risks of the subsidiary, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance. The discount rate is based on the investment’s hurdle rate of 14.4%. The derived hurdle rate is based on last year's audit exercise hurdle rate of 12.3% and applying increase of risk-free rates with duration similar to MFP's liabilities in the books.

Key assumptions used in VIU calculation as of December 31, 2021

- Premium rates, Dividends rates, Cash values and Commission rates were extracted from Policy Database files from One Client Administration System (CAS). The forecast assumes that no new policies shall be issued. Premiums will come from the renewal premiums of MFPI’s existing business where inputs are based on CAS and projections based on the company’s Axis model.
- Surrenders ratios, Lapse ratios and Expense assumptions – These are management’s best estimate based on the most recent experience studies from the Actuarial Department

- Pre-tax discount rate – Discount rate represents the current market assessment of the risks of the subsidiary, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance. The discount rate is based on the investment's hurdle rate of 12.3%. The derived hurdle rate is based on last year's audit exercise hurdle rate of 10.5% and applying increase of risk-free rates with duration similar to MFP's liabilities in the books.

9. Property and Equipment

The rollforward analysis of this account follows:

	2022				
	EDP Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Furniture and Fixtures**	**Total**
Cost					
At January 1	**₱726,727,882**	**₱1,130,873,220**	**₱143,768,407**	**₱274,577,873**	**₱2,275,947,382**
Additions	**43,367,180**	**24,444,348**	**12,087,857**	**8,113,874**	**88,013,259**
Disposals	**(4,648,925)**	**–**	**(2,624,893)**	**(267,540)**	**(7,541,358)**
At end of year	**765,446,137**	**1,155,317,568**	**153,231,371**	**282,424,207**	**2,356,419,283**
Accumulated depreciation and amortization					
At beginning of year	**598,815,810**	**884,855,137**	**100,381,998**	**209,650,609**	**1,793,703,554**
Depreciation and amortization (Note 21)	**61,314,814**	**105,123,190**	**16,746,318**	**18,759,984**	**201,944,306**
Disposals	**(1,175,751)**	**–**	**(774,000)**	**(138,229)**	**(2,087,980)**
At end of year	**658,954,873**	**989,978,327**	**116,354,316**	**228,272,364**	**1,993,559,880**
Net Book Value	**₱106,491,264**	**₱165,339,241**	**₱36,877,055**	**₱54,151,843**	**₱362,859,403**

	2021				
	EDP Equipment	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Total
Cost					
At January 1	₱674,884,931	₱1,120,974,041	₱143,619,394	₱269,086,612	₱2,208,564,978
Additions	51,842,951	9,899,179	29,616,715	6,398,415	97,757,260
Disposals	–	–	(29,467,702)	(907,154)	(30,374,856)
At end of year	726,727,882	1,130,873,220	143,768,407	274,577,873	2,275,947,382
Accumulated depreciation and amortization					
At beginning of year	535,928,415	775,768,959	104,100,825	191,168,484	1,606,966,683
Depreciation and amortization (Note 21)	62,887,395	109,086,178	18,191,841	18,482,125	208,647,539
Disposals	–	–	(21,910,668)	–	(21,910,668)
At end of year	598,815,810	884,855,137	100,381,998	209,650,609	1,793,703,554
Net Book Value	₱127,912,072	₱246,018,083	₱43,386,409	₱64,927,264	₱482,243,828

As of December 31, 2022 and 2021, there were no fully depreciated property and equipment that are in use.

10. Software Costs and Other Intangible Assets

The rollforward analysis of this account follows:

	2022		
	Software development costs	**Other intangible assets**	**Total**
Cost			
At beginning of year	**₱759,282,243**	**₱149,416,000**	**₱908,698,243**
Additions	**184,072,684**	**–**	**184,072,684**
At end of year	**943,354,927**	**149,416,000**	**1,092,770,927**
Accumulated amortization			
At beginning of year	**114,902,381**	**141,945,200**	**256,847,581**
Amortization for the year (Note 21)	**122,036,041**	**7,470,800**	**129,506,841**
At end of year	**236,938,422**	**149,416,000**	**386,354,422**
Net book value	**₱706,416,505**	**₱–**	**₱706,416,505**

	2021		
	Software development costs	Other intangible assets	Total
Cost			
At beginning of year	₱629,777,412	₱149,416,000	₱779,193,412
Additions	129,504,831	–	129,504,831
At end of year	759,282,243	149,416,000	908,698,243
Accumulated amortization			
At beginning of year	35,886,949	134,474,400	170,361,349
Amortization for the year (Note 21)	79,015,432	7,470,800	86,486,232
At end of year	114,902,381	141,945,200	256,847,581
Net book value	₱644,379,862	₱7,470,800	₱651,850,662

The other intangible assets arose in 2003 from the Assumption Reinsurance Agreement (ARA) with FCM Holdings, Inc. (formerly CMG Life Insurance Company).

11. Other Assets

This account consists of:

	2022	2021
Prepaid commissions	**₱126,666,842**	₱143,818,510
Creditable Withholding Taxes	**123,679,262**	42,698,833
Prepayments	**37,800,944**	266,951,130
Others	**7,381,935**	7,381,935
	295,528,983	460,850,408
Allowance for impairment losses	**(43,166,874)**	(42,698,833)
	₱252,362,109	₱418,151,575

Prepaid commissions pertain to upfront overriding commissions which are amortized to commissions and other direct expense in the Parent Company statements of income over the claw back period of twelve months.

Prepayments include advanced salaries and local business taxes.

Allowance for impairment was provided on certain other assets that are not expected to be fully realizable as of balance sheet date. Rollforward analysis follow:

	2022	2021
At beginning of year	**₱42,698,833**	₱–
Provision during the year (Note 21)	**468,041**	42,698,833
At end of year	**₱43,166,874**	₱42,698,833

12. **Insurance Contract Liabilities**

This account consists of:

	2022	2021
Legal policy reserves	**₱88,530,820,572**	₱93,004,629,650
Policy and contract claims payable	**914,690,462**	954,075,432
IBNR	**766,842,850**	834,002,827
	₱90,212,353,884	₱94,792,707,909

Legal policy reserves may be analyzed as follows:

	2022			2021		
	Legal Policy Reserves	**Reinsurers' Share of Liabilities**	**Net of reinsurance**	Legal Policy Reserves	Reinsurers' Share of Liabilities	Net of reinsurance
Unit-linked						
Due to unit-linked holders (Note 6)	**₱60,735,898,105**	**₱–**	**₱60,735,898,105**	₱60,034,800,369	₱–	₱60,034,800,369
Ordinary life	**26,433,926,196**	**17,395,348**	**26,416,530,848**	32,348,914,791	18,770,471	32,330,144,320
Group life	**1,229,384,182**	**–**	**1,229,384,182**	422,422,512	–	422,422,512
Accident and health	**165,264,026**	**16,256,589**	**149,007,437**	229,798,439	12,535,990	217,262,449
Total	**₱88,564,472,509**	**₱33,651,937**	**₱88,530,820,572**	₱93,035,936,111	₱31,306,461	₱93,004,629,650

	2022	2021
Gross		
Insurance contracts with discretionary participation features	**₱24,232,826,506**	₱29,930,558,711
Insurance contracts without discretionary participation features	**64,331,646,003**	63,105,377,400
	88,564,472,509	93,035,936,111
Recoverable from reinsurers		
Insurance contracts with discretionary participation features	**13,616,871**	15,041,180
Insurance contracts without discretionary participation features	**20,035,066**	16,265,281
	33,651,937	31,306,461
Net		
Insurance contracts with discretionary participation features	**24,219,209,635**	29,915,517,531
Insurance contracts without discretionary participation features	**64,311,610,937**	63,089,112,119
	₱88,530,820,572	₱93,004,629,650

The movements during the year in legal policy reserves are as follows:

	2022			2021		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	**₱93,035,936,111**	**₱31,306,461**	**₱93,004,629,650**	₱93,972,226,919	₱20,151,816	₱93,952,075,103
Due to change in discount rates	**(7,145,065,691)**	**–**	**(7,145,065,691)**	(4,419,812,185)	–	(4,419,812,185)
Due to change in policies and assumptions	**1,972,504,353**	**2,345,476**	**1,970,158,877**	(1,922,382,449)	11,154,645	(1,933,537,094)
Due to change in segregated funds	**701,097,736**	**–**	**701,097,736**	5,405,903,826	–	5,405,903,826
At December 31	**₱88,564,472,509**	**₱33,651,937**	**₱88,530,820,572**	₱93,035,936,111	₱31,306,461	₱93,004,629,650

The movements in the legal policy reserves due to change in discount rates are recorded under "Remeasurement loss on policy reserves", net of tax. The rollforward analyses of this account follow:

	2022	2021
At January 1	**₱6,951,809,265**	₱9,582,223,844
Arising during the year, net of tax	**(5,358,799,268)**	(2,630,414,579)
At December 31	**₱1,593,009,997**	₱6,951,809,265

The movements during the year in policy and contract claims payable, IBNR and other contract insurance liabilities are as follows:

	2022	2021
At beginning of year	**₱1,788,078,259**	₱1,223,585,023
Additions during the year (Note 20)	**4,018,265,398**	4,760,441,809
Paid during the year	**(4,124,810,345)**	(4,195,948,573)
At end of year	**₱1,681,533,312**	₱1,788,078,259

Other insurance contract liabilities consist mainly of policy-related disbursements such as policy surrenders and maturities.

13. 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, the Parent 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.

Terms

Life insurance contracts offered by the Parent Company mainly include whole life, term insurance, endowments and unit-linked products.

Whole life and term insurance are conventional products where lump sum benefits are payable on death, provided death occurs 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 premium, 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.

Key Assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance and investment contracts. Assumptions used are based on past experience, current internal data and conditions and external market indices and benchmarking, which reflect current observable market prices and other published information. 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. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are also subject to the provisions of the Code and guidelines set by the Insurance Commission.

The key assumptions to which the estimation of liabilities is particularly sensitive follows:

- *Mortality and morbidity*
  The mortality and morbidity assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered based on the Parent Company's actual experience.

  In 2022 and 2021, the mortality assumption is based on the Parent Company's 2021 Mortality Study, which covers actual death claims experience for policies issued from January 1, 2006 to December 31, 2020.

  In 2022 and 2021, the morbidity assumptions are based on the 2019 Morbidity study, which covers actual living claims experience of Manulife Philippines based on exposure from January 1, 2012 to December 31, 2018. The morbidity assumptions are consistent with the IC approved rates used in product pricing.

- *Discount rates*
  Discount rates relate to the time value of money. The risk-free discount rate shall be the equivalent zero-coupon spot yield of the yield curve with matching duration for durations less than or equal to 20 years. The valuation interest rate assumptions are consistent with risk free rates as provided by the IC. Discount rates used as of December 31, 2022 and 2021 follow:

	2022	2021
Peso	**BVAL PHP Reference Yield Curve** **5.55% - 7.64%**	BVAL PHP Reference Yield Curve 2.03% - 5.34%
Dollar	**International Yield Curve** **4.56% - 5.52%**	International Yield Curve 0.74% - 3.43%

The assumptions are reviewed and revised at each reporting date. A decrease in discount rate would result in remeasurement loss on life insurance reserves.

- *Expenses*
  The expense assumptions are based on the Parent Company's results of the 2021 Expense Study.

- *Lapses and/or persistency rates*
  Lapse and/or persistency rates reflective of the Company's actual experience with due regard to changes in the Company's lapse and reinstatement practices and market conditions, are taken as the best estimate lapse and/or persistency assumption. Lapse assumptions used for traditional and its rider products were based on the Company's 2021 Lapse experience study while premium-paying riders attached to unit-linked (UL) products are based on the 2022 Unit-linked rider lapse study. Lapse and Partial Withdrawal of UL products were based on 2021 Unit-Linked Lapse and Redemption Study, which covers actual experience during the period January 1, 2010 to December 31, 2020. Premium persistency assumptions used for regular-pay variable life policies are based on the 2022 UL Premium Persistency Study.

The estimation of liabilities include margin for adverse deviations (MfADs) of +/-10% of the best estimate assumptions as prescribed by IC Circular Letter No. 2016-66.

Reinsurance - Assumptions and Methods
The Parent 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 Parent Company statements of financial position as reinsurance assets.

The Parent Company has also entered into a Quota Share Reinsurance Agreement with Munich RE (the Reinsurer) in January 2016 whereby the Parent Company will cede to the reinsurer proportionate share of premiums reinsured as stipulated in the agreement.

The proportionate share of the Reinsurer in the benefits reinsured are recorded by the Parent Company as "Reinsurers' share of gross premiums earned on insurance contracts" in the Parent Company statements of income. Reinsurance allowance due from the Reinsurer are recorded as "Other income" in the Parent Company statements of income (see Note 19).

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

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

As of December 31, 2022 and 2021, the balance of reinsurance assets amounted to ₱65.75 million and ₱125.83 million, respectively.

14. **Accounts Payable and Accrued Expenses**

This account consists of:

	2022	2021
Accounts and other payables	**₱1,138,693,077**	₱1,449,489,450
Remittances not yet allocated	**737,142,207**	588,422,831
Accrued expenses	**361,827,609**	481,556,660
Taxes payable	**158,303,231**	251,723,479
Provident fund (Note 24)	**53,808,606**	85,737,745
Commissions payable	**56,450,136**	66,211,027
Secure account liability	**16,468,779**	16,468,779
Others	**226,949,391**	195,833,986
	₱2,749,643,036	₱3,135,443,957

Accounts and other payables include payable to suppliers arising from purchases of various office supplies, equipment and other capital expenditures and advanced or excess premium collections. These are normally settled within one year.

Remittances not yet allocated pertain to premium collections from policyholders that are still unapplied to their corresponding accounts.

Accrued expenses include accruals for agency-related expenses, utilities and bonus. These are normally settled within one year.

Taxes payable includes fringe benefit taxes, premium taxes, value-added taxes, withholding taxes and documentary stamp taxes with varying due dates. These are normally settled within one year.

The payable in respect of the provident fund consists of unpaid contributions to the provident fund of its agents (see Note 24).

Commissions payable pertains to sales force commissions which are noninterest-bearing and payable every month.

Others include payables related to unclaimed checks and insurance policies for which underwriting have not yet been completed.

15. **Contingencies**

The Parent Company is contingently liable with respect to various lawsuits, assessments and other claims, which are being contested by the Parent Company and its legal counsels. The information usually required by PAS 37, is not disclosed on the ground that it may prejudice the outcome of these lawsuits, assessments and claims.

The Parent Company is subject to litigations including claims for punitive damages, in the normal course of its business. The Parent 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.

16. Equity

Capital stock
As of December 31, 2022 and 2021, capital stock of the Parent Company consists of the following:

	Number of shares	Amount
Authorized capital stock - par value ₱1,000	1,000,000	₱1,000,000,000
Issued capital stock - par value	930,000	930,000,000
Additional paid-in capital	–	50,635,817
		₱980,635,817

Dividends declared
On November 04, 2022, the Parent Company declared cash dividend amounting to ₱0.98 billion in favor of the Parent Company's beneficial owner, Manulife Century Holdings (Netherlands) B.V. The dividends were paid on December 16, 2022.

On November 19, 2021, the Parent Company declared cash dividend amounting to ₱1.66 billion in favor of the Parent Company's beneficial owner, Manulife Century Holdings (Netherlands) B.V. The dividends were paid on December 10, 2021.

17. Net Insurance Premiums Earned

The details of net insurance premiums earned follow:

	2022	2021
Gross premiums earned on insurance contracts		
Unit-linked	**₱10,922,110,929**	₱12,281,120,632
Ordinary life insurance	**3,886,945,890**	4,237,277,400
Group life insurance	**2,058,585,736**	958,247,747
Accident and health	**766,909,538**	785,919,577
	17,634,552,093	18,262,565,356
Reinsurers' share of gross premiums earned on insurance contracts:		
Unit-linked	**779,490,402**	559,331,986
Ordinary life insurance	**(15,629,663)**	142,145,318
Accident and health	**(56,367,659)**	34,173,688
Group life insurance	**297,703**	16,341,826
	707,790,783	751,992,818
Net insurance premiums earned	**₱16,926,761,310**	₱17,510,572,538

18. Investment Income

This account consists of:

	2022	2021
Interest income on:		
AFS financial assets (Note 5)	**₱2,150,341,176**	₱2,039,494,187
Loans and receivables (Note 5)	**539,699,555**	396,735,738
Cash and cash equivalents (Note 4)	**10,798,673**	7,006,291
	2,700,839,404	2,443,236,216
Dividend income (Note 5)	**31,138,466**	28,035,907
	₱2,731,977,870	₱2,471,272,123

Interest income pertains to the interest earned on government and corporate bonds, policy loans, mortgage loans, car loans to agents, cash in banks and time deposits.

19. Other Income

This account consists of:

	2022	2021
Revenue from contracts with customers:		
Management fee income	**₱1,198,524,368**	₱1,149,573,851
Service fee income (Note 27)	**135,137,995**	109,894,335
Others	**155,548,698**	121,324,630
	₱1,489,211,061	₱1,380,792,816
Revenue outside the scope of PFRS 15:		
Cost of insurance	**₱1,333,663,411**	₱1,229,713,707
Processing fee	**358,416,221**	366,141,728
Monthly load	**346,292,671**	16,123,915
Reinsurance allowance (Note 13)	**222,504,532**	448,739,892
	2,260,876,835	2,060,719,242
	₱3,750,087,896	₱3,441,512,058

Management fee income refers to the income from management and administration of assets by the Parent Company charged to the unit-linked funds.

Service fee income pertains to the charges to MCBLAC, MFPI and MIMTC for the administrative and other services provided by the Parent Company.

Others include premium holiday charges and other management charges.

Cost of insurance are charges to policyholders used to provide for the mortality component of unit-linked products.

Processing fee pertains to the policy charges used to cover administrative expenses.

Monthly load pertains to an upfront charge to policy owners to cover maintenance expenses. This is only available to the regular pay unit linked products.

Reinsurance allowance are allowances given by reinsurers to cover upfront charges of back-end unit-linked products ceded (see Note 13).

20. Benefits and Claims

Gross benefits and claims incurred on insurance contracts during the year consist of:

	2022	2021
Death and hospitalization benefits	**₱1,998,242,461**	₱2,922,317,937
Surrenders	**1,246,612,196**	1,121,674,416
Maturities	**773,410,741**	716,449,456
	₱4,018,265,398	₱4,760,441,809

Gross insurance contract benefits and claims incurred on insurance contracts are further analyzed as follows:

	2022	2021
Ordinary life insurance	**₱2,323,819,303**	₱2,174,752,584
Group life insurance	**1,115,937,072**	1,759,163,630
Unit-linked	**571,231,471**	818,479,776
Accident and health	**7,277,552**	8,045,819
	₱4,018,265,398	₱4,760,441,809

Reinsurers' share of benefits and claims incurred on insurance contracts during the year consist of:

	2022	2021
Ordinary life insurance	**₱49,710,298**	₱53,705,328
Unit-linked	**(39,294,186)**	10,336,989
Group life insurance	**2,015,419**	3,333,611
Accident and health	**735,600**	–
	₱13,167,131	₱67,375,928

Gross change in legal policy reserves, net of reinsurers' share, follows:

	2022	2021
Life insurance contract liabilities:		
Unit-linked	**₱9,773,173,954**	₱10,412,225,757
Ordinary life insurance	**1,245,385,896**	(1,973,896,889)
Group life insurance	**806,961,670**	41,445,482
Accident and health	**(68,255,013)**	(1,085,687)
Total change in life insurance contracts liabilities	**₱11,757,266,507**	₱8,478,688,663

21. General and Administrative Expenses and Insurance and other taxes

a) General and Administrative Expenses

This account consists of:

	2022	2021
Employee expenses	**₱1,186,518,182**	₱1,131,417,349
Service fees	**724,090,909**	215,480,634
Depreciation and amortization (Notes 9, 10 and 23)	**448,600,704**	446,627,141
Investment expenses	**305,991,770**	297,648,005
Provision for impairment losses on:		
Loans and receivables (Note 5)	**151,441,221**	24,906,871
Other assets (Note 11)	**468,041**	42,698,833
Advertising expenses	**126,134,486**	85,234,359
Agency-related expenses	**113,032,179**	156,802,025
Utilities	**80,455,645**	86,193,557
Bank charges	**73,197,258**	72,768,646
Rent (Note 23)	**63,403,129**	26,825,534
Communications	**59,544,968**	99,303,050
Retirement cost (Note 24)	**50,315,246**	68,054,583
Repairs and maintenance	**49,992,276**	42,420,083
Transportation and travel	**33,760,272**	17,462,565
Administration support	**31,280,444**	326,882,081
Marketing support	**27,540,785**	37,197,726
Supplies	**15,182,499**	36,579,196
Professional fees	**9,877,759**	16,923,977
Entertainment, amusement and recreation (EAR)	**308,319**	2,411,056
Miscellaneous	**279,348,374**	95,491,351
	₱3,830,484,466	₱3,329,328,622

b) Insurance and other taxes

This account consists of:

	2022	2021
National taxes (Note 30)		
Percentage taxes	**₱150,032,600**	₱137,931,583
Insurance Commission license	**1,362,812**	726,788
Annual registration	**26,000**	27,500
Local taxes (Note 30)		
Mayor's permit	**29,190,200**	27,072,602
Community tax certificate	**10,500**	10,500
Barangay clearance	**2,400**	3,000
Documentary stamp tax (Note 30)	**25,070,013**	10,468,267
Other licenses and fees (Note 30)	**654,778**	2,153,802
	206,349,303	178,394,042
Input vat allocable to exempt sales	**63,273,444**	94,049,090
	₱269,622,747	₱272,443,132

22. Commissions and Other Direct Expenses

This account consists of:

	2022	2021
Commissions on first year premiums	**₱679,444,101**	₱753,865,636
Bonuses	**523,062,072**	598,535,903
Commissions on renewal premiums	**271,837,780**	296,041,562
Single premium commissions	**35,864,703**	57,857,852
Other direct expenses	**169,516,097**	139,483,931
	₱1,679,724,753	₱1,845,784,884

Other direct expenses include other directly attributable costs in generating new business or renewal of insurance contracts such as leader's allowances.

23. Leases

The Parent Company has various lease agreements for its head and branch offices. The lease agreements are for a period of 1 to 5 years with escalation rates on some of these leases ranging between 5% and 10%. Most leases contain renewal options. As of December 31, 2022 and 2021, the Parent Company has no contingent rent payable.

As of December 31, 2022 and 2021, the carrying amount of the right-of-use assets follow:

	2022	2021
Cost		
At January 1	**₱572,299,232**	₱643,804,847
Additions	**72,207,595**	34,327,845
Modification	**(31,128,147)**	(56,481,589)
Expiration	**(39,559,165)**	(49,351,871)
At end of year	**573,819,515**	572,299,232
Accumulated depreciation and amortization		
At beginning of year	**341,811,141**	253,492,831
Amortization (Note 21)	**117,149,557**	151,493,370
Modification	**(11,959,448)**	(13,823,189)
Expiration	**(39,559,165)**	(49,351,871)
At end of year	**407,442,085**	341,811,141
Net Book Value	**₱166,377,430**	₱230,488,091

As of December 31, 2022 and 2021, the rollforward of lease liabilities follows:

	2022	2021
Balance at beginning of year	**₱285,113,739**	₱391,575,036
Additions	**72,207,595**	34,327,845
Accretion of interest	**7,602,968**	40,546,670
Payments	**(137,060,335)**	(138,677,412)
Modification	**(19,168,699)**	(42,658,400)
Balance at end of year	**₱208,695,268**	₱285,113,739

The following are the amounts recognized in the statements of income:

	2022	2021
Amortization expense of ROU assets	**₱117,149,557**	₱151,493,370
Interest expense on lease liabilities	**7,602,968**	40,546,670
Expenses relating to short-term leases and low-value assets (Note 21)	**63,403,129**	26,825,534
	₱188,155,654	₱218,865,574

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022 and 2021:

	2022	2021
Within 1 year	**153,592,195**	170,372,137
More than 1 year to 2 years	**53,774,801**	129,416,619
More than 2 years to 3 years	**20,550,577**	28,621,028
More than 3 years to 4 years	**6,981,974**	694,575
More than 5 years	**3,020,435**	–

24. **Retirement Costs and Provident Fund**

Retirement Plan

As discussed in Note 2, the Parent Company maintains a formal defined contribution (DC) plan which under PIC Q&A 2013-03 should be accounted for as a defined benefit plan.

Republic Act (RA) No. 7641, requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than what is provided under the law. The law does not require funding of the minimum benefits guaranteed under the law.

The Parent Company established a formal defined contribution retirement plan for its regular employees. The plan does not require that employees contribute and is of the defined contribution type. It provides a benefit at normal retirement equal to one hundred percent (100%) of the Member's Account Balance (Company contributions ranging from 5% to 10% of Plan Salary plus employee optional contributions plus credited earnings depending on the tenure of eligible employees). The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan. If the value of the Member's Company Account is less than the retirement benefits to which the Member is entitled under RA No. 7641, any forfeited Company contributions and earnings remaining in the retirement fund shall be used to satisfy the difference. Should such forfeited amounts be insufficient for the purpose, the Parent Company shall pay the amount of any remaining shortfall directly to the Member.

The assets of the DC plan are held separately from those of the Parent Company in a fund under the management of a trustee bank.

The latest actuarial valuation study of the Parent Company's minimum retirement obligation under RA No. 7641 was made as of December 31, 2022.

The following table compares the present value of the Parent Company's DB obligation and the projected DC obligation as of December 31, 2022 and 2021.

	2022	2021
DB obligation[1]	**₱289,973,826**	₱312,045,151
DC obligation[2]	**245,041,806**	242,146,917
Excess of DB over DC obligation	**₱44,932,020**	₱69,898,234

1. *Determined on an employee by employee basis as the present value of the projected benefits at retirement attributable to Parent Company contributions to the DC plan, then prorated by accrued service over total service.*
2. *Determined on an employee by employee basis as the present value of the projected benefits based on the minimum guaranteed benefits under RA 7641.*

In 2022 and 2021, contributions made by the Parent Company amounted to ₱41.04 million and ₱47.39 million, respectively, while retirement expense amounted to ₱50.32 million and ₱68.05 million, respectively.

In 2022 and 2021, certain employees of the Parent Company were transferred to an affiliate with various effective dates in 2022 and 2021. Consequently, the Parent Company transferred the defined benefit obligation and plan assets pertaining to the pension of the transferred employees. The difference between the transferred defined benefit obligation and plan assets was recognized as a reduction to 'Retirement cost' under 'General and administrative expenses'.

The following tables summarize the components of the net benefit expense recognized in the statements of income and amounts recognized in the statements of financial position for the plan:

Net benefits expense follows:

	2022	2021
Current service cost	**₱50,939,512**	₱67,040,439
Net interest income	**(620,616)**	3,215,673
Gain on transferred retirement obligation	**(3,650)**	(2,201,529)
	₱50,315,246	₱68,054,583

Remeasurement effects recognized in OCI follow:

	2022	2021
Actuarial gains	**₱73,420,857**	₱122,867,623
Loss on return on plan assets	**(27,865,175)**	(26,502,070)
	₱45,555,682	₱96,365,553

The movements in the remeasurement gains on defined benefit obligation recognized in OCI are as follow:

	2022	2021
At January 1	**₱51,638,895**	(₱44,726,657)
Remeasurement gains on obligation	**73,420,857**	122,867,623
Remeasurement losses on plan assets	**(27,865,175)**	(26,502,071)
At December 31, gross of tax	**97,194,577**	51,638,895
Income tax effect	**₱24,298,644**	₱12,909,724

The amounts recognized in the Parent Company statements of financial position follow:

	2022	2021
Present value of DB obligation	**₱289,973,826**	₱312,045,151
Fair value of plan assets	**(317,266,107)**	(303,053,523)
Net pension (asset) liability	**(₱27,292,281)**	₱8,991,628

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

	2022	2021
At January 1	**₱312,045,151**	₱371,267,775
Current service cost	**50,939,512**	67,040,439
Interest cost on benefit obligation	**15,427,044**	14,649,989
Benefits paid	**(14,684,545)**	(13,220,399)
Actuarial gains arising from:		
Changes in financial assumptions	**(45,894,864)**	(68,979,073)
Experience adjustments	**(27,525,993)**	(53,888,550)
Transferred obligation	**(332,479)**	(4,825,030)
At December 31	**₱289,973,826**	₱312,045,151

Changes in the fair value of the plan assets follow:

	2022	2021
At January 1	**₱303,053,523**	₱286,577,401
Interest income included in net interest cost	**16,047,660**	11,434,316
Remeasurement losses	**(27,865,175)**	(26,502,070)
Actual contributions	**41,043,473**	47,387,777
Benefits paid	**(14,684,545)**	(13,220,400)
Transferred plan asset	**(328,829)**	(2,623,501)
At December 31	**₱317,266,107**	₱303,053,523
Actual loss on plan assets	**(₱11,817,515)**	(₱15,067,754)

The principal assumptions used in determining the defined benefit obligation for the Parent Company are as follows:

	2022	2021
Discount rate		
At January 1	**5.08%**	3.82%
At December 31	**7.23%**	5.08%
Annual rate of increase in compensation projection	**6.00%**	6.00%

The sensitivity analysis below showing estimated increase (decrease) in the retirement benefit obligation has been determined based on reasonably possible changes of each relevant significant assumption as at December 31, 2022 and 2021, assuming all other assumptions were held constant.

	Change in basis points	**2022**	2021
Discount rate	+100	**(₱11,824,511)**	(₱22,053,907)
	-100	**18,272,307**	26,981,930
Salary increase rate	+100	**18,892,267**	27,161,105
	-100	**(12,458,088)**	(22,555,547)

The retirement fund is co-owned by the Parent Company and its subsidiaries, MCBLAC and MIMTC, which is in the form of a trust administered by a trustee bank. The carrying values of the plan assets as of December 31, 2022 and 2021, which approximates their fair values, are as follows:

	2022	2021
Cash	**₱–**	₱6,157
Investments in government debt securities	**446,642,598**	502,873,089
Accrued income receivable	**8,184,491**	8,116,513
Others	**69,583,309**	–
Total assets	**524,410,398**	510,995,759
Liabilities	**126,074**	40,054,122
Net plan assets	**₱524,284,324**	₱470,941,637

As of December 31, 2022 and 2021, the plan assets allocated to the Parent Company amounted to ₱317.27 million and ₱303.05 million, respectively.

The Parent Company's expects to contribute ₱41.13 million to the retirement plan in 2023.

Shown below is the maturity profile of the undiscounted benefit payments:

	2022	2021
Less than one year	**₱31,788,874**	₱16,725,702
One to less than five years	**120,515,120**	110,807,243
Five to less than ten years	**317,260,542**	294,733,259
Ten to less than fifteen years	**498,098,640**	457,802,730
Fifteen to less than twenty years	**471,811,328**	467,282,131
Twenty years and above	**786,694,902**	813,823,782

Provident Fund

The Parent Company also provides its agents with a contributory savings program ranging from 5% to 15% of agents' earnings which enrollment begins upon completion of the 36th month from contract effective date. In addition, the Parent Company contributes equivalent to 5% of agents' earnings up to maximum of ₱25,000 and ₱50,000 per year for insurance advisors and agency leaders, respectively.

As of December 31, 2022 and 2021, the Parent Company has a liability related to the provident fund for its agents amounting to ₱53.81 million and ₱85.74 million, respectively (see Note 14). The provident fund is administered and managed by a foreign bank under an investment agreement.

25. **Income Taxes**

The provision for income tax consists of:

	2022	2021
Current:		
MCIT	**₱33,102,568**	₱-
RCIT	**-**	707,583,697
Final taxes on interest income	**429,145,569**	409,885,205
Deferred	**(210,471,536)**	(115,436,250)
	₱251,776,601	₱1,002,032,652

As of December 31, 2022 and 2021, components of net deferred tax assets and liabilities are as follows:

	2022	2021
Deferred tax assets:		
Affecting profit or loss		
Provision for IBNR	**₱191,710,712**	₱208,500,707
Provision for policyholder's dividends	**89,718,396**	88,473,235
Accrued expenses	**103,349,636**	86,740,351
Lease liabilities	**52,173,817**	71,278,435
Net unrealized foreign exchange loss	**50,398,506**	24,289,924
Allowance for doubtful accounts	**61,007,624**	23,030,308
Pension liability	**17,475,574**	15,157,631
Advance rent	**9,842,969**	9,842,969
NOLCO	**107,060,987**	–
MCIT	**33,102,568**	–
	715,840,789	527,313,560
Affecting other comprehensive income		
Remeasurement loss on legal policy reserves	**531,003,332**	2,317,269,755
	1,246,844,121	2,844,583,315
Deferred tax liabilities:		
Affecting profit or loss		
ROU assets	**41,594,358**	57,622,023
Prepaid commission	**31,666,711**	35,954,628
Unrealized fair value gain on financial assets at FVPL	**359,554**	1,988,278
	73,620,623	95,564,929
Affecting other comprehensive income		
Remeasurement gain on pension plan	**24,298,644**	12,909,724
	97,919,267	108,474,653
	₱1,148,924,854	₱2,736,108,662

As of December 31, 2022 and 2021, the Parent Company did not recognize the deferred tax assets on allowance for impairment loss on investment in MFPI amounting to ₱1.59 billion and ₱1.47 billion, respectively, since management believes that the benefits will not be realized.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Parent Company will reassess the unrecognized deferred tax assets on the above deductible temporary differences and will recognize previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income would allow the deferred tax asset to be recovered.

The reconciliation of income tax expense computed based on the pre-tax income at the statutory tax rate to the provision for income tax in the Parent Company statements of income follows:

	2022	2021
Income before income tax	**₱1,388,902,743**	₱3,828,580,128
Income tax expense at statutory income tax rate	**347,225,686**	957,145,032
Additions to (reductions in) income tax expense resulting from:		
Nondeductible investment loss	**38,537,637**	153,434,075
Nondeductible expenses	–	52,586,460
Amortization of intangible assets	**1,867,700**	1,867,700
Gain on sale of investments exempt from tax	**(840,584)**	336,344
Interest income - net of final tax	**(127,229,221)**	(119,065,750)
CREATE impact in current year's expense	–	(37,262,232)
Intercorporate dividends	**(7,784,617)**	(7,008,977)
Provision for income tax	**₱251,776,601**	₱1,002,032,652

26. **Risk Management Policies**

Governance Framework

The Parent Company has established a risk management function with clear terms of reference and with the responsibility for developing group wide policies on insurance, investment and financial risks. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

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

Insurance Risk

The risk under insurance contract 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 Parent Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of 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 business of the Parent Company comprises life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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

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

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

- Actuarial models based on past experience and statistical techniques aid in pricing decisions and monitoring claims patterns;
- Guidelines are issued for concluding insurance contracts and assuming insurance risks;
- Proactive claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims;
- Reinsurance is used to limit the Parent Company's exposure to large claims by placing risk with reinsurers providing high security; and
- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well-diversified in terms of type and amount of risk, industry and geography.

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

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

	2022	2021
Whole life insurance		
Gross	**₱53,177,935,236**	₱56,228,466,718
Net	**48,011,427,471**	50,769,065,052
Term policies		
Gross	**16,858,704,343**	18,593,993,221
Net	**10,812,666,788**	12,279,109,743
Endowment		
Gross	**14,830,425,280**	15,109,571,199
Net	**16,261,422,711**	16,840,961,144
Variable unit-linked policies		
Gross	**243,254,362,356**	231,834,110,889
Net	**206,754,436,650**	192,721,346,729
Accident and health		
Gross	**4,835,551,512**	5,969,874,570
Net	**4,886,896,267**	6,020,572,859
Group insurance		
Gross	**457,953,860,656**	448,768,797,147
Net	**457,953,860,656**	448,768,797,147
Total		
Gross	**₱790,910,839,383**	₱776,504,813,744
Net	**744,680,710,543**	727,399,852,674

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

- Mortality risk - risk of loss arising due to policyholder's death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder's health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The Parent 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 Parent Company's retention limit on any single life is: (a) ₱3.00 million or $75,000 in the order of basic individual life, accelerated and standalone dread disease benefit, female benefits which include accelerated major disease benefit, accidental death benefit, accidental death and dismemberment, Maccimax benefit; (b) 20% of the amount of the female accelerated dread disease ceded for female cancer benefit and female surgical benefit; or (c) ₱3.00 million or $75,000 of basic group life and group accidental death and dismemberment.

The Parent Company is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. While reinsurance arrangements do not relieve the Parent Company from its direct obligations to its insured, an efficient and effective reinsurance program substantially limits the Parent Company's exposure to potentially significant losses.

The table below sets out the Parent Company's concentration of insurance risk based on the type of life insurance product:

	2022		2021	
Type	**Number of Policies**	**Amount of Insurance**	Number of Policies	Amount of Insurance
Whole Life	**78,864**	**₱53,177,935,236**	83,347	₱56,228,466,718
Term	**6,775**	**16,858,704,343**	7,712	18,593,993,221
Endowment	**29,698**	**14,830,425,280**	30,865	15,109,571,199
Variable unit-linked	**336,746**	**243,254,362,356**	328,827	231,834,110,889
Accident and health	**4,102**	**4,835,551,512**	3,204	5,969,874,570
Group life	**2,011**	**457,953,860,656**	1,802	448,768,797,147
	458,196	**₱790,910,839,383**	455,757	₱776,504,813,744

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 contract holders' 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 contract holder behavior. On the assumption that the contract holder can make decisions rationally, overall insurance risk can be assumed to be aggravated by such behavior.

Where a derivative is a part of an insurance contract (i.e., embedded derivative), it is treated as an insurance contract and valued as part of the host contract. The valuation of these embedded derivatives are based on the expected future market conditions at maturity arising from variation in interest rates, foreign currency rates and price of equities.

Sensitivities

The following analysis is performed for a reasonably possible movement in key assumptions with all other assumptions held constant, on the Parent Company statements of income and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleaned from these results. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. Options and guarantees are the main reason for the asymmetry of the sensitivities where the guarantee impacts to different extents under the different scenarios.

	December 31, 2022				
	Change in assumptions	**Increase (decrease) in gross liabilities**	**Increase (decrease) in net liabilities**	**Increase (decrease) in profit before tax**	**Increase (decrease) in equity***
			(In Thousands)		
Mortality	**+10%**	**₱301,771**	**₱301,771**	**(₱301,771)**	**(₱301,771)**
Valuation interest rate	**+1%**	**(3,760,806)**	**(3,760,806)**	**3,760,806**	**3,760,806**
	-1%	**4,654,433**	**4,654,433**	**(4,654,433)**	**(4,654,433)**

	December 31, 2021				
	Change in assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax	Increase (decrease) in equity*
			(In Thousands)		
Mortality	+10%	₱283,292	₱294,176	(₱294,176)	(₱294,176)
Valuation interest rate	+1%	(4,851,920)	(5,225,177)	5,225,177	5,225,177
	-1%	6,235,010	6,683,085	(6,683,085)	(6,683,085)

**Impact on equity reflects adjustments for tax, when applicable.*

The carrying values of insurance contract liabilities as of December 31, 2022 and 2021 amounted to ₱90.21 billion and ₱94.79 billion, respectively (see Note 12).

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments.

In addition, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. The investment of those future premium receipts may be at a yield below than what is required to meet future policy liabilities.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Parent Company adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer, industry and/or country concentrations. The Parent Company also adopts a strategy to produce cash flows required to meet maturing insurance liabilities. The Parent Company invests in debt securities which 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 and interest rates, the Parent Company may also enter into derivative transactions as end user.

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

Financial Risk

The Parent 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.

Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Parent Company primarily faces due to the nature of its investments and liabilities is the interest rate risk.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Parent 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 Parent 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; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; and monitoring compliance with credit risk policy and review of credit risk policy for refinance and changing environment.

The Parent Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it transacts significant volumes of transactions. Such arrangements do not generally result in offset of assets and liabilities since transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The situation may substantially change within a short period following the reporting date because the exposure is affected by transactions subject to the arrangement.

The Parent Company issues unit-linked investment policies where the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Parent Company has no material credit risk on unit linked financial assets. Loans to policyholders are granted against the surrender value of policies.

The table below shows the maximum exposure of the Parent Company to credit risk for the components of the Parent Company statements of financial position. The maximum exposure is shown net of impairment losses, but before the effect of mitigation through the use of master netting or collateral agreements.

	December 31, 2022		
	Non-Linked	**Unit-linked**	**Total**
Financial assets at FVPL			
Debt securities			
Government bonds	**₱–**	**₱12,882,909,911**	**₱12,882,909,911**
UITFs	–	**10,469,008,881**	**10,469,008,881**
Corporate bonds	–	**703,401,613**	**703,401,613**
Equity securities			
Common shares	–	**33,215,896,031**	**33,215,896,031**
Other equity securities	–	**1,539,526,758**	**1,539,526,758**
Cash and cash equivalents			
Cash in banks	–	**1,499,598,997**	**1,499,598,997**
Short-term deposits	–	**541,196,025**	**541,196,025**
Accounts receivable	–	**94,219,313**	**94,219,313**
Accrued income	–	**121,502,575**	**121,502,575**

(Forward)

	December 31, 2022		
	Non-Linked	**Unit-linked**	**Total**
AFS financial assets			
Debt securities			
Government bonds	**₱33,059,644,550**	**₱–**	**₱33,059,644,550**
Corporate bonds	**1,644,741,535**	–	**1,644,741,535**
UITFs	**851,528,231**	–	**851,528,231**
Equity securities			
Common shares	**1,468,201,907**	–	**1,468,201,907**
Club shares	**6,750,000**	–	**6,750,000**
Cash and cash equivalents			
Cash in banks	**1,755,088,392**	–	**1,755,088,392**
Short-term deposits in banks	**736,455,069**	–	**736,455,069**
Insurance receivables	**148,850,685**	–	**148,850,685**
Loans and receivables			
Corporate loan	**4,830,250,000**	–	**4,830,250,000**
Policy loans - net	**3,251,012,872**	–	**3,251,012,872**
Due from related parties	**1,698,929,001**	–	**1,698,929,001**
Receivable from agents - net	**271,711,968**	–	**271,711,968**
Security deposits	**143,539,755**	–	**143,539,755**
Management fee receivable	**110,142,327**	–	**110,142,327**
Due from officers and employees	**9,662,038**	–	**9,662,038**
Mortgage loans	**898,477**	–	**898,477**
Other receivables	**197,100,195**	–	**197,100,195**
Accrued income			
Accrued interests			
AFS debt financial assets	**374,140,387**	–	**374,140,387**
Corporate loan	**41,063,646**	–	**41,063,646**
Cash and cash equivalents	**1,141,302**	–	**1,141,302**
Accrued dividends			
AFS equity securities	**4,494,565**	–	**4,494,565**
Total financial assets	**₱50,605,346,902**	**₱61,067,260,104**	**₱111,672,607,006**

	December 31, 2021		
	Non-Linked	Unit-linked	Total
Financial assets at FVPL			
Debt securities			
Government bonds	₱–	₱13,162,746,155	₱13,162,746,155
UITFs	–	9,991,971,425	9,991,971,425
Corporate bonds	–	1,242,872,676	1,242,872,676
Equity securities			
Common shares	–	31,576,444,442	31,576,444,442
Other equity securities	–	2,191,592,261	2,191,592,261
Cash and cash equivalents			
Cash in banks	–	1,488,922,375	1,488,922,375
Short-term deposits	–	41,188,375	41,188,375
Accounts receivable	–	739,792,421	739,792,421
Accrued income	–	104,494,806	104,494,806
AFS financial assets			
Debt securities			
Government bonds	38,806,642,771	–	38,806,642,771
Corporate bonds	1,719,908,531	–	1,719,908,531
UITFs	171,007,665	–	171,007,665
Equity securities			

(Forward)

	December 31, 2021		
	Non-Linked	Unit-linked	Total
Common shares	₱1,644,587,340	₱–	₱1,644,587,340
Club shares	6,750,000	–	6,750,000
Cash and cash equivalents			
Cash in banks	1,953,697,422	–	1,953,697,422
Short-term deposits in banks	222,400,639	–	222,400,639
Insurance receivables	133,720,939	–	133,720,939
Loans and receivables			
Corporate loan	4,830,250,000	–	4,830,250,000
Policy loans	3,444,891,213	–	3,444,891,213
Due from related parties	1,481,874,800	–	1,481,874,800
Receivable from agents - net	267,024,828	–	267,024,828
Security deposits	164,641,035	–	164,641,035
Management fee receivable	103,342,290	–	103,342,290
Due from officers and employees	45,994,943	–	45,994,943
Mortgage loans	898,477	–	898,477
Other receivables	170,071,525	–	170,071,525
Accrued income			
Accrued interests			
AFS debt financial assets	352,598,707	–	352,598,707
Corporate loan	23,152,998	–	23,152,998
Cash and cash equivalents	12,436	–	12,436
Accrued dividends			
AFS equity securities	4,022,956	–	4,022,956
Total financial assets	₱55,547,491,515	₱60,540,024,936	₱116,087,516,451

The following table provides information regarding the credit risk exposure of the Parent Company by classifying financial assets according to credit ratings of the counterparties:

	December 31, 2022				
	Neither Past Due nor Impaired				
	Investment Grade	**Non-investment Grade Satisfactory**	**Not rated**	**Past due or impaired**	**Total**
Financial assets at FVPL					
Debt securities					
Government bonds	**₱12,882,909,911**	**₱–**	**₱–**	**₱–**	**₱12,882,909,911**
UITFs	–	–	**10,469,008,881**	–	**10,469,008,881**
Corporate bonds	**703,401,613**	–	–	–	**703,401,613**
Equity securities					
Common shares	–	–	**33,215,896,031**	–	**33,215,896,031**
Other equity securities	–	–	**1,539,526,758**	–	**1,539,526,758**
Cash and cash equivalents					
Cash in banks	**1,499,598,997**	–	–	–	**1,499,598,997**
Short-term deposits	**541,196,025**	–	–	–	**541,196,025**
Accounts receivable	–	–	**94,219,313**	–	**94,219,313**
Accrued income	**121,502,575**	–	–	–	**121,502,575**
AFS financial assets					
Debt securities					
Government bonds	**33,059,644,550**	–	–	–	**33,059,644,550**
Corporate bonds	**1,644,741,535**	–	–	–	**1,644,741,535**
UITFs	–	–	**851,528,231**	–	**851,528,231**
Equity securities		–			
Common shares	–	–	**1,468,201,907**	–	**1,468,201,907**
Club shares	–	–	**6,750,000**	–	**6,750,000**
Cash and cash equivalents					
Cash in banks	**1,755,088,392**	–	–	–	**1,755,088,392**
Short-term deposits in banks	**736,455,069**	–	–	–	**736,455,069**

(Forward)

	December 31, 2022				
	Neither Past Due nor Impaired				
	Investment Grade	Non-investment Grade Satisfactory	Not rated	Past due or impaired	Total
Insurance receivables	**₱–**	**₱148,850,685**	**₱–**	**₱–**	**₱148,850,685**
Loans and receivables					
Corporate loan	–	–	**4,830,250,000**	–	**4,830,250,000**
Policy loans - net	–	–	**3,251,012,872**	–	**3,251,012,872**
Due from related parties	–	–	**1,698,929,001**	–	**1,698,929,001**
Receivable from agents - net	–	–	–	**271,711,968**	**271,711,968**
Security deposits	–	–	**143,539,755**	–	**143,539,755**
Management fee receivable	–	–	**110,142,327**	–	**110,142,327**
Due from officers and employees	–	–	**9,662,038**	–	**9,662,038**
Mortgage loans	–	–	**898,477**	–	**898,477**
Other receivables	–	–	**197,100,195**	–	**197,100,195**
Accrued income					
Accrued interests					
AFS debt financial assets	**374,140,387**	–	–	–	**374,140,387**
Cash and cash equivalents	**1,141,302**	–	–	–	**1,141,302**
Corporate loan	–	–	**41,063,646**	–	**41,063,646**
Accrued dividends					
AFS equity securities	–	–	**4,494,565**	–	**4,494,565**
Total financial assets	**₱53,319,820,356**	**₱148,850,685**	**₱57,932,223,997**	**₱271,711,968**	**₱111,672,607,006**

	December 31, 2021				
	Neither Past Due nor Impaired				
	Investment Grade	Non-investment Grade Satisfactory	Not rated	Past due or impaired	Total
Financial assets at FVPL					
Debt securities					
Government bonds	₱13,162,746,155	₱–	₱–	₱–	₱13,162,746,155
UITFs	–	–	9,991,971,425	–	9,991,971,425
Corporate bonds	1,242,872,676	–	–	–	1,242,872,676
Equity securities					
Common shares	–	–	31,576,444,442	–	31,576,444,442
Other equity securities	–	–	2,191,592,261	–	2,191,592,261
Cash and cash equivalents					
Cash in banks	1,488,922,375	–	–	–	1,488,922,375
Short-term deposits	41,188,375	–	–	–	41,188,375
Accounts receivable	–	–	739,792,421	–	739,792,421
Accrued income	104,494,806	–	–	–	104,494,806
AFS financial assets					
Debt securities					
Government bonds	38,806,642,771	–	–	–	38,806,642,771
Corporate bonds	1,719,908,531	–	–	–	1,719,908,531
UITFs	–	–	171,007,665	–	171,007,665
Equity securities		–			
Common shares	–	–	1,644,587,340	–	1,644,587,340
Club shares	–	–	6,750,000	–	6,750,000
Cash and cash equivalents					
Cash in banks	1,953,697,422	–	–	–	1,953,697,422
Short-term deposits in banks	222,400,639	–	–	–	222,400,639
Insurance receivables	₱–	₱133,720,939	₱–	₱–	₱133,720,939
Loans and receivables					
Corporate loan	–	–	4,830,250,000	–	4,830,250,000
Policy loans	–	–	3,444,891,213	–	3,444,891,213
Due from related parties	–	–	1,481,874,800	–	1,481,874,800
Receivable from agents - net	–	–	–	267,024,828	267,024,828
Security deposits	–	–	164,641,035	–	164,641,035
Management fee receivable	–	–	103,342,290	–	103,342,290
Due from officers and employees	–	–	45,994,943	–	45,994,943
Mortgage loans	–	–	898,477	–	898,477
Other receivables	–	–	170,071,525	–	170,071,525
Accrued income					
Accrued interests					
AFS debt financial assets	352,598,707	–	–	–	352,598,707
Cash and cash equivalents	12,436	–	–	–	12,436

(Forward)

	December 31, 2021				
	Neither Past Due nor Impaired				
	Investment Grade	Non-investment Grade Satisfactory	Not rated	Past due or impaired	Total
Corporate loan	₱–	₱–	₱23,152,998	₱–	₱23,152,998
Accrued dividends					
AFS equity securities	–	–	4,022,956	–	4,022,956
Total financial assets	₱59,095,484,893	₱133,720,939	₱56,591,285,791	₱267,024,828	₱116,087,516,451

The credit quality of the financial assets was determined as follows:

a. *Cash and cash equivalents*
Cash and cash equivalents are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b. *Investment securities*
In respect of investment securities, which include AFS debt and equity securities and financial assets at FVPL, the Parent Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer.

The Parent Company uses Standard and Poor's credit ratings as basis to determine whether a security is investment grade or non-investment grade. In the financial market, securities with credit rating of at least BBB are considered as investment grade securities while securities with credit rating lower than BBB are considered as non-investment grade. Investment grade financial assets are assets which have strong capacity to meet the Parent Company's financial commitments and are unsusceptible to adverse effects of changes in economic conditions. These investments include peso and dollar-denominated government securities. Non-investment grade financial assets are assets that are likely to be impaired in adverse economic conditions.

All of the Parent Company's securities are lodged in the Registry of Scripless Securities (RoSS) to mitigate misplacement of physical inventory of assets.

a. *Loans and receivables*
The Parent Company sets a maximum amount and limits that may be advanced to or placed with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed on the expiry of which the policy is either paid up or terminated.

Those accounts that are classified as not rated include UITFs, quoted equity securities, policy loans, due from related parties, due from officers and employees, receivable from agents, accounts receivable held in IIFs, mortgage loans and other receivables for which the Parent Company has not yet established a credit rating system.

As of December 31, 2022 and 2021, bulk of the Parent Company's FVPL and AFS financial assets pertain to Philippine government bonds (see Note 5).

The Parent Company did not have other significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2022 and 2021.

The table below shows the analysis of age of financial assets that are past-due but are not impaired:

December 31, 2022

	Age Analysis of Financial Assets Past-Due but not Impaired					
	Less than 30 days	**31 to 90 days**	**More than 90 days**	**Total Past-Due but not Impaired**	**Past-Due and Impaired**	**Total**
Loans and receivables						
Receivables from agents	**₱173,777,686**	**₱8,807,816**	**₱102,774,476**	**₱271,711,968**	**₱62,225,193**	**₱333,937,161**

December 31, 2021

	Age Analysis of Financial Assets Past-Due but not Impaired					
	Less than 30 days	31 to 90 days	More than 90 days	Total Past-Due but not Impaired	Past-Due and Impaired	Total
Loans and receivables						
Receivables from agents	₱114,791,365	₱12,860,651	₱139,372,812	₱267,024,828	₱49,422,401	₱316,447,229

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 Parent Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Parent Company manages liquidity through its liquidity risk policy, which determines what constitutes liquidity risk for the Parent Company:

- Specify minimum proportion of funds to meet emergency calls
- Setting up contingency funding plans; specifies the sources of funding and the events that would trigger the plan and concentrates on funding sources
- Reporting of liquidity risk exposures and breaches to the monitoring authority
- Monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The Parent Company uses all its outstanding financial assets to manage liquidity risks.

The table below analyzes financial assets and financial liabilities of the Parent Company into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

	December 31, 2022						
	Up to a year	1-3 years	3-5 years	Over 5 years	No Term	Variable Unit-Linked	Total
Financial assets at FVPL							
Debt securities							
Government bonds	₱–	₱–	₱–	₱–	₱–	₱12,882,909,911	₱12,882,909,911
UITFs	–	–	–	–	–	10,469,008,881	10,469,008,881
Corporate bonds	–	–	–	–	–	703,401,613	703,401,613
Equity securities							
Common shares	–	–	–	–	–	33,215,896,031	33,215,896,031
Other equity securities	–	–	–	–	–	1,539,526,758	1,539,526,758
Cash and cash equivalents							
Cash in banks	–	–	–	–	–	1,499,598,997	1,499,598,997
Short-term deposits	–	–	–	–	–	541,196,025	541,196,025
Accounts receivable	–	–	–	–	–	94,219,313	94,219,313
Accrued income	–	–	–	–	–	121,502,575	121,502,575
AFS financial assets							
Debt securities							
Government bonds	2,236,191,781	6,013,568,837	4,966,644,530	56,715,583,868	–	–	69,931,989,016
Corporate bonds	2,122,144,942	5,186,361,759	4,834,620,620	55,255,380,664	–	–	67,398,507,985
UITFs	–	–	–	–	851,528,231	–	851,528,231
Equity securities							
Common shares	–	–	–	–	1,468,201,907	–	1,468,201,907
Club shares	–	–	–	–	6,750,000	–	6,750,000
Cash and cash equivalents							
Cash in banks	1,755,088,392	–	–	–	–	–	1,755,088,392
Short-term deposits in banks	739,560,800	–	–	–	–	–	739,560,800
Insurance receivables	148,850,685	–	–	–	–	–	148,850,685
Loans and receivables							
Corporate loan	360,558,842	5,190,808,842	–	–	–	–	5,551,367,683
Policy loans	3,521,661,381	–	–	–	–	–	3,521,661,381
Due from related parties	1,698,929,001	–	–	–	–	–	1,698,929,001
Receivable from agents - net	271,711,968	–	–	–	–	–	271,711,968
Security deposits	143,539,755	–	–	–	–	–	143,539,755
Management fee receivable	110,142,327	–	–	–	–	–	110,142,327
Due from officers and employees	9,662,038	–	–	–	–	–	9,662,038
Mortgage loans	898,477	–	–	–	–	–	898,477
Other receivables	197,100,194	–	–	–	–	–	197,100,194
Accrued income							
Accrued interests							
AFS debt financial assets	374,140,387	–	–	–	–	–	374,140,387
Corporate loan	41,063,646	–	–	–	–	–	41,063,646
Cash and cash equivalents	1,141,302	–	–	–	–	–	1,141,302
Accrued dividends							
AFS equity securities	4,494,565	–	–	–	–	–	4,494,565
Total financial assets	13,736,880,483	16,390,739,438	9,801,265,150	111,970,964,532	2,326,480,138	61,067,260,104	215,293,589,844
Other financial liabilities							
Held in IIFs							
Accounts payable	–	–	–	–	–	160,641,863	160,641,863
Accrued management fees	–	–	–	–	–	110,142,327	110,142,327
Policy and contract claims payable	914,690,462	–	–	–	–	–	914,690,462
Policyholders' dividends	3,297,390,886	–	–	–	–	–	3,297,390,886
Insurance payables	1,479,123,159	–	–	–	–	–	1,479,123,159
Premium deposit fund	26,058,377	–	–	–	–	–	26,058,377
Accounts payable and accrued expenses*							
Accounts and other payables	1,138,693,077	–	–	–	–	–	1,138,693,077
Remittances not yet allocated	737,142,207	–	–	–	–	–	737,142,207
Accrued expenses	361,827,609	–	–	–	–	–	361,827,609
Provident fund	53,808,606	–	–	–	–	–	53,808,606
Commissions payable	56,450,136	–	–	–	–	–	56,450,136
Secure account liability	16,468,779	–	–	–	–	–	16,468,779
Others	226,949,392	–	–	–	–	–	226,949,392
Due to related parties	2,122,943,719	–	–	–	–	–	2,122,943,719
Total financial liabilities	10,431,546,409	–	–	–	–	270,784,190	10,702,330,599
Net excess liquidity	₱3,305,334,074	₱16,390,739,438	₱9,801,265,150	₱111,970,964,532	₱2,326,480,138	₱60,796,475,914	₱204,591,259,245

**Amount excluding statutory liability.*

	December 31, 2021						
	Up to a year	1-3 years	3-5 years	Over 5 years	No Term	Variable Unit-Linked	Total
Financial assets at FVPL							
Debt securities							
Government bonds	₱–	₱–	₱–	₱–	₱–	₱13,162,746,155	₱13,162,746,155
UITFs	–	–	–	–	–	9,991,971,425	9,991,971,425
Corporate bonds	–	–	–	–	–	1,242,872,676	1,242,872,676
Equity securities							
Common shares	–	–	–	–	–	31,576,444,442	31,576,444,442
Other equity securities	–	–	–	–	–	2,191,592,261	2,191,592,261
Cash and cash equivalents							
Cash in banks	–	–	–	–	–	1,488,922,375	1,488,922,375
Short-term deposits	–	–	–	–	–	41,188,375	41,188,375
Accounts receivable	–	–	–	–	–	739,792,421	739,792,421
Accrued income	–	–	–	–	–	104,494,806	104,494,806
AFS financial assets							
Debt securities							
Government bonds	2,401,312,800	4,129,425,601	5,303,363,396	56,284,622,656	–	–	68,118,724,453
Corporate bonds	87,898,460	1,056,236,020	513,787,052	318,668,742	–	–	1,976,590,274
UITFs	–	–	–	–	171,007,665	–	171,007,665
Equity securities							
Common shares	–	–	–	–	1,644,587,340	–	1,644,587,340
Club shares	–	–	–	–	6,750,000	–	6,750,000
Cash and cash equivalents							
Cash in banks	1,953,697,422	–	–	–	–	–	1,953,697,422
Short-term deposits in banks	222,491,013	–	–	–	–	–	222,491,013
Insurance receivables	133,720,939	–	–	–	–	–	133,720,939
Loans and receivables							
Corporate loan	231,148,088	5,292,546,175	–	–	–	–	5,523,694,263
Policy loans	3,709,748,129	–	–	–	–	–	3,709,748,129
Due from related parties	1,481,874,800	–	–	–	–	–	1,481,874,800
Receivable from agents - net	267,024,828	–	–	–	–	–	267,024,828
Security deposits	164,641,035	–	–	–	–	–	164,641,035
Management fee receivable	103,342,290	–	–	–	–	–	103,342,290
Due from officers and employees	45,994,943	–	–	–	–	–	45,994,943
Mortgage loans	898,477	–	–	–	–	–	898,477
Other receivables	170,071,525	–	–	–	–	–	170,071,525
Accrued income							
Accrued interests							
AFS debt financial assets	352,598,707	–	–	–	–	–	352,598,707
Corporate loan	23,152,998	–	–	–	–	–	23,152,998
Cash and cash equivalents	12,436	–	–	–	–	–	12,436
Accrued dividends							
AFS equity securities	4,022,956	–	–	–	–	–	4,022,956
Total financial assets	11,353,651,846	10,478,207,796	5,817,150,448	56,603,291,398	1,822,345,005	60,540,024,936	146,614,671,429
Other financial liabilities							
Held in IIFs							
Accounts payable	–	–	–	–	–	345,419,384	345,419,384
Accrued management fees	–	–	–	–	–	103,342,290	103,342,290
Policy and contract claims payable	954,075,432	–	–	–	–	–	954,075,432
Policyholders' dividends	3,372,795,841	–	–	–	–	–	3,372,795,841
Insurance payables	1,204,498,186	–	–	–	–	–	1,204,498,186
Premium deposit fund	27,836,099	–	–	–	–	–	27,836,099
Accounts payable and accrued expenses*							
Accounts and other payables	1,449,489,450	–	–	–	–	–	1,449,489,450
Remittances not yet allocated	588,422,831	–	–	–	–	–	588,422,831
Accrued expenses	481,556,660	–	–	–	–	–	481,556,660
Provident fund	85,737,745	–	–	–	–	–	85,737,745
Commissions payable	66,211,027	–	–	–	–	–	66,211,027
Secure account liability	16,468,779	–	–	–	–	–	16,468,779
Others	195,833,986	–	–	–	–	–	195,833,986
Due to related parties	1,360,216,108	–	–	–	–	–	1,360,216,108
Total financial liabilities	9,803,142,144	–	–	–	–	448,761,674	10,251,903,818
Net excess liquidity	₱1,550,509,702	₱10,478,207,796	₱5,817,150,448	₱56,603,291,398	₱1,822,345,005	₱60,091,263,262	₱136,362,767,611

**Amount excluding statutory liability.*

As of December 31, 2022 and 2021, the debt securities held in IIFs have maturities beyond 5 years.

It is unusual for the Parent Company 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 experiences.

AFS debt and equity securities are expected to be held indefinitely and would be realized based on the funding requirement of the Parent Company. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Market Risk
Market risk is the risk of change in the fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (fair value 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 Parent Company manages market risk by minimizing the duration gap of its assets and liabilities, by ensuring that its liabilities are correctly matched to assets and by setting exposure limits.

The Parent Company structures the levels of market risk it accepts through a group market risk policy that determines what constitutes market risk for the Parent Company; 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.

The Parent Company's principal transactions with insurance and investment policyholders comprise of unit-linked contracts in which the unit prices (i.e., obligation to the policyholders) are based on fair values of investments and other assets within the portfolio. Therefore, there is no foreign currency, equity and interest rate risk for these contracts. However, the Parent Company's exposure to such contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of assets held in the linked funds, on which investment management fees are based. Within this category of contracts, there are insurance contracts with minimum guaranteed death benefits that expose the Parent Company to the risk of decline in the value of underlying investments as a result of change in interest rates.

- *Currency Risk*
  The Parent Company holds foreign currency denominated assets and liabilities, thus, fluctuations on the foreign exchange rates can affect the financial position and cash flows of the Parent Company. Exposure to currency risk arises mainly when financial assets and liabilities are denominated in a currency other than the Parent Company's functional currency or will be denominated in such a currency in the planned course of business.

  The Parent Company invests in dollar bonds to meet its dollar obligations from its dollar insurance products. The following table shows the details of the Parent Company's currency exposure in original currency (US$) and Philippine Peso equivalent (PHP) as of December 31, 2022 and 2021:

	2022		2021	
	US$	**PHP**	US$	PHP
Assets				
Cash and cash equivalents	**$10,064,922**	**₱561,169,718**	$22,001,701	₱1,122,064,762
AFS financial assets	**23,179,552**	**1,292,375,925**	26,585,776	1,355,848,001
Loans and receivables	**3,288,890**	**183,372,081**	5,734,337	292,445,476
	36,533,364	**2,036,917,724**	54,321,814	2,770,358,239

(Forward)

	2022		2021	
	US$	**PHP**	US$	PHP
Liabilities				
Insurance contract liabilities	**$850,255**	**₱47,405,993**	$1,781,391	₱90,849,144
Insurance payable	**1,112,860**	**62,047,500**	1,038,645	52,969,872
	1,963,115	**109,453,493**	2,820,036	143,819,016
Net exposure	**$34,570,249**	**₱1,927,464,231**	$51,501,778	₱2,626,539,223

Foreign currency risk is monitored and analyzed systematically. The Parent Company's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Parent Company believes in ensuring that its foreign currency is at all times within limits prescribed for companies who are engaged in the same type of businesses.

The exchange rate used to restate the Parent Company's dollar-denominated assets and liabilities is ₱55.76 and ₱50.99 to $1 as of December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all variables held constant, of the Parent Company's income before tax.

	2022	
	Change in Variable	**Impact on Income before Tax Increase (decrease)**
USD	**+3.70%**	**₱71,316,177**
	-3.70%	**(71,316,177)**

	2021	
	Change in Variable	Impact on Income before Tax Increase (decrease)
USD	+3.30%	₱97,181,951
	-3.30%	(97,181,951)

The sensitivity analysis has been determined assuming that the change in foreign currency exchange rate has occurred at the reporting date and has been applied to the Parent Company's exposure to currency risk for financial instruments in existence at that date, and all other variables, interest rates in particular, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent the effects on the Parent Company's income before tax measured in US dollars using the closing foreign exchange rate at the reporting date.

- *Fair Value Interest Rate Risk*
  Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company's fixed-rate investments and receivables in particular are exposed to such risk.

The Parent Company manages fair value interest rate risk by minimizing the duration gap of its assets and liabilities.

The following table shows the information relating to the Parent Company's fixed rate financial instruments presented by maturity profile.

	December 31, 2022					
Fixed Rate Instruments	**Interest Rates**	**<1 year**	**>1 - 2 years**	**>2 - 5 years**	**Over 5 years**	**Total**
Financial assets						
AFS financial assets						
Debt securities						
Government bonds	**2.63% - 18.25%**	**₱–**	**₱–**	**₱1,492,476,037**	**₱31,567,168,513**	**₱33,059,644,550**
Corporate bonds	**3.92% - 6.08%**	**525,135,885**	**392,618,000**	**571,151,137**	**155,836,512**	**1,644,741,534**
Loans and receivables						
Corporate loan	**7.46%**	**–**	**4,830,250,000**	**–**	**–**	**4,830,250,000**
Policy loans	**7.00% - 8.00%**	**3,389,651,301**	**–**	**–**	**–**	**3,389,651,301**
Mortgage loans	**5.00% - 10.00%**	**–**	**–**	**898,477**	**–**	**898,477**
Cash and cash equivalents						
Cash in banks	**0.125%**	**1,755,088,392**	**–**	**–**	**–**	**1,755,088,392**
Short-term deposits	**0.45% to 5.75%**	**736,455,069**	**–**	**–**	**–**	**736,455,069**
		₱6,406,330,647	**₱5,222,868,000**	**₱2,064,525,651**	**₱31,723,005,025**	**₱45,416,729,323**

	December 31, 2021					
Fixed Rate Instruments	Interest Rates	<1 year	>1 - 2 years	>2 - 5 years	Over 5 years	Total
Financial assets						
AFS financial assets						
Debt securities						
Government bonds	2.63% - 18.25%	₱330,590,700	₱–	₱1,320,873,831	₱37,155,178,240	₱38,806,642,771
Corporate bonds	3.92% - 6.08%	–	542,635,613	868,702,408	308,570,510	1,719,908,531
Loans and receivables						
Corporate loan	4.31%	–	4,830,250,000	–	–	4,830,250,000
Policy loans	7.00% - 8.00%	3,444,891,213	–	–	–	3,444,891,213
Mortgage loans	5.00% - 10.00%	–	–	898,477	–	898,477
Cash and cash equivalents						
Cash in banks	0.125% - 0.45%	1,953,697,422	–	–	–	1,953,697,422
Short-term deposits	0.35% - 0.45%	222,400,639	–	–	–	222,400,639
		₱5,951,579,974	₱5,372,885,613	₱2,190,474,716	₱37,463,748,750	₱50,978,689,053

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company's other comprehensive income through the impact of changes in interest rates on AFS financial assets:

		Impact on OCI	
Currency	**Change in basis points**	**2022**	2021
Philippine Peso	+100	**(₱1,882,138,411)**	(₱2,533,372,476)
US Dollar	+100	**(57,191,256)**	(73,190,326)
Philippine Peso	-100	**1,882,138,411**	2,533,372,476
US Dollar	-100	**57,191,256**	73,190,326

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the reporting date and has been applied to the exposure to interest rate risk for interest bearing financial instruments in existence at that date. The increase or decrease in basis points represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

- *Equity price risk*
  The Parent 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, AFS equity financial assets.

  Such financial assets 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 Parent Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each country, sector and market.

  The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on other comprehensive income (that reflects changes in fair value of AFS financial assets).

	2022	
Market index	**Change in yield rate**	**Impact on other comprehensive income**
PSE index	**+6%**	**₱88,497,114**
PSE index	**-6%**	**(88,497,114)**

	2021	
Market index	Change in yield rate	Impact on other comprehensive income
PSE index	+6%	₱102,630,207
PSE index	-6%	(102,630,207)

Financial Instruments - Fair Value Measurement

Due to the short-term nature of cash and cash equivalents, insurance receivables, corporate loan, policy loans, accounts receivables held in IIFs, due from related parties, other receivables, accrued income, insurance payables, due to related parties, accounts payable and accrued expenses, their carrying values reasonably approximate their fair values at year-end.

The fair values of financial instruments under financial assets at FVPL and AFS financial assets that are traded in organized financial markets are determined by reference to quoted prices, at the close of business on the reporting date.

The fair values of mortgage loans, due from officers and employees, receivable from agents and security deposits are based on the discounted value of future cash flows using market rates for similar types of instruments unless the maturity is within one year, in which case the carrying amounts are assumed to approximate fair values.

The carrying amounts of policyholders' dividends and premium deposit fund approximate fair values considering that these are due and demandable.

The following table shows the analysis of financial assets recorded at fair value and financial assets for which fair value is required to be disclosed by level of the fair value hierarchy:

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets at FVPL				
Held in IIFs:				
Debt securities				
Government bonds	**₱12,882,909,911**	**₱–**	**₱–**	**₱12,882,909,911**
UITFs	**10,469,008,881**	–	–	**10,469,008,881**
Corporate bonds	**703,401,613**	–	–	**703,401,613**
Equity securities - at market				
Common shares	**33,215,896,031**	–	–	**33,215,896,031**
Other equity securities	**1,539,526,758**	–	–	**1,539,526,758**
Accounts receivable	–	–	**94,219,313**	**94,219,313**
AFS financial assets				
Debt securities				
Government bonds	**33,059,644,550**	–	–	**33,059,644,550**
Corporate bonds	**1,644,741,535**	–	–	**1,644,741,535**
UITFs	–	**851,528,231**	–	**851,528,231**
Quoted equity securities				
Common shares	**1,468,201,907**	–	–	**1,468,201,907**
Club shares	–	**6,750,000**	–	**6,750,000**
Loans and receivables				
Receivable from agents - net	–	–	**271,711,968**	**271,711,968**
Security deposits	–	–	**143,539,755**	**143,539,755**
Management fee receivable	–	–	**110,142,327**	**110,142,327**
Due from officers and employees	–	–	**9,662,038**	**9,662,038**
Mortgage loans	–	–	**898,477**	**898,477**
Total	**₱94,983,331,186**	**₱858,278,231**	**₱630,173,878**	**₱96,471,783,295**

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial Assets at FVPL				
Held in IIFs:				
Debt securities				
Government bonds	₱13,162,746,155	₱–	₱–	₱13,162,746,155
UITFs	9,991,971,425	–	–	9,991,971,425
Corporate bonds	1,242,872,676	–	–	1,242,872,676
Equity securities - at market				
Common shares	31,576,444,442	–	–	31,576,444,442
Other equity securities	2,191,592,261	–	–	2,191,592,261
Accounts receivable	–	–	739,792,421	739,792,421
AFS financial assets				
Debt securities				
Government bonds	38,806,642,771	–	–	38,806,642,771
Corporate bonds	1,719,908,531	–	–	1,719,908,531
UITFs	–	171,007,665	–	171,007,665
Quoted equity securities				
Common shares	1,644,587,340	–	–	1,644,587,340
Club shares	–	6,750,000	–	6,750,000
Loans and receivables				
Receivable from agents - net	–	–	267,024,828	267,024,828
Security deposits	–	–	164,641,035	164,641,035
Management fee receivable	–	–	103,342,290	103,342,290
Due from officers and employees	–	–	45,994,943	45,994,943
Mortgage loans	–	–	898,477	898,477
Total	₱100,336,765,601	₱177,757,665	₱1,321,693,994	₱101,836,217,260

There were no changes in the valuation technique used by the Parent Company. In 2022 and 2021, there have been no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

27. Related Party Transactions

The Parent Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control (referred to as affiliates). Related parties may be individuals or corporate entities.

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Parent Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2022 and 2021. This assessment is undertaken at each financial year through a review of the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties include the following:

December 31, 2022

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding balance
Ultimate Parent	Manulife Financial Corporation	Due from Related Parties	Actual time charges and/or cost of its officers and employees for the marketing support and branding awareness campaign.	**₱18,979,288**	**₱18,979,288**
			Pre-operating expenses and advance charges of an entity under common control receivable from the Ultimate Parent	**(16,736,885)**	**29,322,577**
		Due to Related Parties	Cost for the data management services provided by the ultimate parent.	**3,032,901**	**20,591,315**
			Actual time charges and/or cost of its officers and employees for the marketing support and branding awareness campaign.	**(5,893,841)**	**(5,893,841)**
Subsidiaries	Manulife Financial Plans, Inc.	Due from Related Parties	Actual premium payment for life coverage embedded in pre-need plans.	**4,216,248**	**16,491,334**
		Due from Related Parties	Funds borrowed by the subsidiary, non-interest bearing, net of collections and deposits.	**-**	**-**
			Allocated costs to the subsidiary for management, accounting and other administrative services rendered plus 5% mark up and various fund transfer throughout the year, net of settlements	**54,526,729**	**58,444,621**
	Manulife Chinabank Life Assurance Corporation	Due from Related Parties	99% of inforce business assumed by the Parent Company and 1% retained by the subsidiary.	**126,662,787**	**1,069,206,810**
			Assumed unit-linked management fee from subsidiary.	**(10,384,865)**	**270,993,814**

(Forward)

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding balance
			Allocated costs to the subsidiary for management, accounting and other administrative services rendered plus 5% mark-up, net of settlements	**₱66,305,750**	**₱184,404,102**
		Reserve for legal policy reserves	No term	**(308,673,054)**	**4,772,285,502**
	Manulife Asset Management and Trust Corporation	Due to Related Parties	Management fees	**(26,948,945)**	**18,466,851**
			Pre operating expenses and advance charges	**(31,977,038)**	**(30,058,542)**
		Due from Related Parties	Service fees	**(16,358,004)**	–
Under Common Control	Manulife International Limited	Due to Related Parties	Payment of reinsurance payable which consist of premium, recoverable and administrative charges.	**(6,665,394)**	**29,957,001**
	Manulife Data Services, Inc.	Due to Related Parties	Non-interest bearing cash advances.	**868,704**	**28,709,436**
			Cost for the data management services provided by the affiliate.	**(13,696,941)**	**4,885,353**
	Manulife IT Delivery Center Asia, Inc.	Due from Related Parties	Advance pension contribution and other charges	**(46,147,745)**	**(16,660,105)**
	Manulife Financial Asia Limited	Corporate loan	Intercompany loan	–	**4,830,250,000**
		Due to Related Parties	Actual time charges and/or cost of its officers and employees for the marketing support and branding awareness campaign	**759,770,271**	**1,972,048,252**

December 31, 2021

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding balance
Ultimate Parent	Manulife Financial Corporation	Due from Related Parties	Actual time charges and/or cost of its officers and employees for the marketing support and branding awareness campaign.	(₱920,654)	₱–
			Pre-operating expenses and advance charges of an entity under common control receivable from the Ultimate Parent	37,182,559	46,059,462
		Due to Related Parties	Cost for the data management services provided by the ultimate parent.	2,374,003	17,558,414
			Actual time charges and/or cost of its officers and employees for the marketing support and branding awareness campaign.	(1,332)	–

(Forward)

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding balance
Subsidiaries	Manulife Financial Plans, Inc.	Due from Related Parties	Actual premium payment for life coverage embedded in pre-need plans.	(₱422,235)	₱12,275,086
		Due from Related Parties	Funds borrowed by the subsidiary, non-interest bearing, net of collections and deposits.	7,044,814	31,755,662
			Allocated costs to the subsidiary for management, accounting and other administrative services rendered plus 5% mark up and various fund transfer throughout the year, net of settlements	4,372,899	3,917,892
	Manulife Chinabank Life Assurance Corporation	Due from Related Parties	99% of inforce business assumed by the Parent Company and 1% retained by the subsidiary.	21,438,802	942,544,023
			Assumed unit-linked management fee from subsidiary.	181,511,192	281,378,679

(Forward)

			Allocated costs to the subsidiary for management, accounting and other administrative services rendered plus 5% mark-up, net of settlements	77,836,408	118,098,352
		Reserve for legal policy reserves	No term	(395,129,625)	5,080,958,556
	Manulife Asset Management and Trust Corporation	Due to Related Parties	Management fees	24,391,914	45,415,796
			Pre operating expenses and advance charges	(9,149,870)	1,918,496
		Due from Related Parties	Service fees	14,685,637	16,358,004
Under Common Control	Manulife International Limited	Due to Related Parties	Payment of reinsurance payable which consist of premium, recoverable and administrative charges.	(28,241,190)	36,622,395
	Manulife Data Services, Inc.	Due to Related Parties	Non-interest bearing cash advances.	1,812,318	27,840,732
			Cost for the data management services provided by the affiliate.	(7,722,327)	18,582,294
	Manulife IT Delivery Center Asia, Inc.	Due from Related Parties	Advance pension contribution and other charges	(8,048,027)	29,487,640
	Manulife Financial Asia Limited	Corporate loan	Intercompany loan	–	4,830,250,000
		Due to Related Parties	Actual time charges and/or cost of its officers and employees for the marketing support and branding awareness campaign	145,885,509	1,212,277,981

Remuneration of Key Management Personnel
The Parent Company's key management personnel include all management committee officers. The summary of compensation of key management personnel follows:

	2022	2021
Salaries and other short-term employee benefits	**₱442,488,216**	₱409,409,594
Post-employment and other long-term benefits	**19,556,483**	19,304,725
Others	**3,363,915**	2,814,405
	₱465,408,614	₱431,528,724

28. **Regulatory Requirements**

Capital Management Framework
The Parent 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 Risk-Based Capital (RBC) Requirement Model.

The Parent Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

The Parent Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Parent Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the realistic financial position and revenue account of each business unit, are reported to the Parent Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework
A substantial portion of the Parent Company's long-term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints.

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

The operations of the Parent Company are subject to the regulatory requirements of the Insurance Commission. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g. fixed capitalization requirements and 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.

Fixed Capitalization Requirements

On January 13, 2015, the IC issued Circular Letter (CL) No. 02-2015 which provides clarifications on the minimum capitalization requirements under Sections 194, 197, 200 and 289 of the Amended Code. It also supersedes DO No. 15-2012, DO No. 27-2006, CL No. 22-2008 and CL No. 26-2008. According to the CL, the minimum networth requirement would be ₱250.00 million by December 31, 2013. The minimum networth shall be unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	**Compliance Date**
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As of December 31, 2022 and December 31, 2021, the required minimum statutory net worth for the Parent Company is ₱1.30 billion and ₱900.00 million, respectively. The Parent Company has complied with the minimum paid-up capital requirement as of December 31, 2022 and 2021.

Solvency Requirement
Under the revised Insurance Code (RA 10607), a life insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and accepted only after due consultation with the insurance industry association.

The amounts of estimated non-admitted assets, as defined in the Code, are as follows:

	2022 (Estimated)	2021 (Actual)
Loans and receivables	**₱271,166,898**	₱339,276,367
Property and equipment	**245,370,258**	354,331,756
Intangible asset	–	7,470,799
Other assets	**1,455,901,743**	1,522,982,211
	₱1,972,438,899	₱2,224,061,133

The Excess Solvency shall be the excess of the value of its admitted assets (as defined under the same Code), over the amount of its liabilities and the required minimum capital/net worth.

If an insurance company fails to meet the minimum required capital, the Insurance Commission is authorized to suspend or revoke all certificates of authority granted to such company, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the Insurance Commission.

The final amount of the net worth as of December 31, 2022 can be determined only after the accounts of the Parent Company have been examined by the Insurance Commission, specifically as to admitted and non-admitted assets as defined under the Code.

The following table shows the total equity available for Minimum Capital as of December 31:

	2022 (Estimated)	2021 (Actual)
Total admitted assets	**₱113,189,300,124**	₱117,231,072,277
Total liabilities	**99,962,101,905**	104,273,431,762
Net worth	**13,227,198,219**	12,957,640,515
Required Minimum Capital / Net Worth	**1,300,000,000**	900,000,000
	₱11,927,198,219	₱12,057,640,515

Unimpaired Capital Requirement
On August 7, 2008, the Insurance Commission issued IMC 22-2008 providing that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the net worth or equity is at least equal to the actual paid-up capital. The Parent Company has complied with the unimpaired capital requirement.

Risk-Based Capital (RBC) Requirements
Pursuant to Section 194 of the Amended Insurance Code (R.A 10607), the Insurance Commission conducted a review of the current Risk Based Capital (RBC) Framework contained in Insurance Memorandum Circular Numbered 6-2006 and 7-2006 both dated October 5, 2006. On June 10, 2015, the Insurance Commission issued Circular Letter No. 2015-30 requiring all life and non-life insurance companies to participate in parallel runs for the RBCQ15 (Quantitative Impact Study).

In 2016, IC issued Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

IC Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-Based Capital (RBC2) Framework*, provides that the level of sufficiency for the RBC2 Framework shall be at 95% level in 2017, 97.50% in 2018 and 99.50% in 2019 onwards.

The following table shows how the RBC ratio was determined as of December 31, 2022 and 2021:

	2022 (Estimated)	2021 (Actual)
Total Available Capital (TAC)	**₱18,265,403,505**	₱19,365,407,669
RBC requirement	**2,906,905,459**	3,344,782,839
RBC ratio	**628%**	579%

RBC2 Ratio is computed by dividing TAC with Required Capital. RBC TAC is computed by deducting non-admitted assets from PFRS Equity, plus sum of Excess capital from subsidiaries and 50% of PV dividends less IT equipment and Investment in subsidiaries. While Required Capital requirement of an insurance company is the capital that is required to be held appropriately to the risks an insurance company is exposed to. The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test as required by Circular 2016-68.

The final RBC ratio as of December 31, 2022 can only be determined after the accounts of the Parent Company have been examined by IC.

Dividend Declaration
Under Section 201 of the Amended Code, no insurance company shall declare and distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired : (a) the entire paid-up capital stock, (b) the solvency requirements, (c) in the case of life insurance corporations, the legal reserve fund, and (d) a sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes. If the Commissioner finds that any such corporation has declared or distributed any such dividend in violation of this section, he may order such corporation to cease and desist from doing business until the amount of such dividend or the portion thereof in excess of the amount allowed under this section has been restored to said corporation.

29. Current and Non-current Classification

As of December 31, 2022 and 2021, the Parent Company's classification of its accounts is as follows:

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Cash and cash equivalents	**₱2,492,518,745**	**₱–**	**₱2,492,518,745**	₱2,177,119,101	₱–	₱2,177,119,101
Insurance receivables	**148,850,685**	**–**	**148,850,685**	133,720,939	–	133,720,939
Financial assets						
Financial assets at fair value through profit or loss	**60,796,475,914**	**–**	**60,796,475,914**	60,091,263,262	–	60,091,263,262
Available-for-sale financial assets	**525,135,885**	**36,505,730,338**	**37,030,866,223**	330,590,700	42,018,305,607	42,348,896,307
Loans and receivables	**10,513,246,633**	**–**	**10,513,246,633**	10,508,989,111	–	10,508,989,111
Accrued income	**420,839,900**	**–**	**420,839,900**	379,787,097	–	379,787,097
Reinsurance assets	**65,745,392**	**–**	**65,745,392**	125,828,744	–	125,828,744
Investments in subsidiaries	**–**	**1,339,286,607**	**1,339,286,607**	–	1,455,047,004	1,455,047,004
Property and equipment	**–**	**362,859,403**	**362,859,403**	–	482,243,828	482,243,828
Right-of-use assets	**4,506,219**	**161,871,211**	**166,377,430**	–	230,488,091	230,488,091
Software costs and other intangible assets	**–**	**706,416,505**	**706,416,505**	–	651,850,662	651,850,662
Pension Assets	**–**	**27,292,281**	**27,292,281**	–	–	–
Deferred tax assets	**–**	**1,148,924,854**	**1,148,924,854**	–	2,736,108,662	2,736,108,662
Other assets	**171,849,721**	**80,512,388**	**252,362,109**	418,151,575	–	418,151,575
Total assets	**₱75,139,169,094**	**₱40,332,893,587**	**₱115,472,062,681**	₱74,165,450,529	₱47,574,043,854	₱121,739,494,383
Liabilities						
Insurance contract liabilities	**₱63,903,973,047**	**₱26,308,380,837**	**₱90,212,353,884**	₱62,660,453,125	₱32,132,254,784	₱94,792,707,909
Policyholders' dividends	**3,297,390,886**	**–**	**3,297,390,886**	3,372,795,841	–	3,372,795,841
Insurance payables	**1,479,123,159**	**–**	**1,479,123,159**	1,204,498,186	–	1,204,498,186
Premium deposit fund	**26,058,376**	**–**	**26,058,376**	27,836,099	–	27,836,099
Accounts payable and accrued expenses	**2,749,643,037**	**–**	**2,749,643,037**	3,135,443,957	–	3,135,443,957
Due to related parties	**2,122,943,719**	**–**	**2,122,943,719**	1,360,216,108	–	1,360,216,108
Income tax payable	**–**	**–**	**–**	114,973,405	–	114,973,405
Lease liabilities	**4,098,472**	**204,596,796**	**208,695,268**	12,957,657	272,156,082	285,113,739
Pension liability	**–**	**–**	**–**	–	8,991,628	8,991,628
Total Liabilities	**₱73,583,230,696**	**₱26,512,977,633**	**₱100,096,208,329**	₱71,889,174,378	₱32,413,402,494	₱104,302,576,872

30. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder is information on taxes and license fees paid or accrued in 2022.

Value Added Tax (VAT)
The Parent 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 ₱150.03 million in 2022 as percentage tax based on the amount reflected in the premiums on insurance contracts.

Revenue Memorandum Circular (RMC) No. 30-08, as amended by RMC 59-08, provides that management fees, rental income, or 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.

Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns for 2022.

	Net Sales/ Receipts	Output VAT
Taxable sales:		
Sale of services	₱1,260,742,528	₱151,289,103

Taxes and Licenses

	Amount Paid
Included in 'Insurance and other taxes' in the Parent Company statement of income:	
Documentary Stamp Tax (life insurance premiums/coverage, certificates, promissory notes, lease agreements, policy loans, other documents)	₱25,070,013
Local taxes	
Mayor's permit	29,190,200
Community tax certificate	10,500
Barangay clearance	2,400
	29,203,100
National taxes	
Percentage taxes	150,032,600
Insurance Commission license	1,362,812
BIR annual registration	26,000
	151,421,412
Other licenses and fees	654,778
Total	₱206,349,303

Withholding Taxes

The Parent Company remitted the following withholding taxes for the tax period January to December 2022:

	Amount Remitted	Amount Outstanding
Expanded withholding tax	₱205,593,742	₱15,359,273
Withholding tax on wages	219,840,156	13,678,153
Fringe benefits tax	32,831,326	2,472,542
Final withholding tax	168,770,752	97,550,000
	₱627,035,976	₱ 129,059,968

Assessments and Litigations

The Parent Company received on March 13, 2023 a Final Assessment Notice covering taxable year 2018.