Allianz PNB Life Insurance, Inc.

(Formerly: PNB Life Insurance, Inc.)

Financial Statements
As at and for the years ended December 31, 2023 and 2022

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Independent Auditor's Report

To the Stockholders and the Board of Directors of
Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)
9th Floor Allied Bank Center
6754 Ayala Avenue
Makati City

Report on the Audits of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of income for the years ended December 31, 2023 and 2022;
- the statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("PSA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 29 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 supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Imelda Dela Vega-Mangundaya
Partner
CPA Cert. No. 0090670
PTR No. 0024586, issued on January 12, 2024, Makati City
TIN 152-015-124
BIR A.N. 08-000745-047-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 1, 2024

Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)

Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
ASSETS			
Cash and cash equivalents	2	1,822,889,582	1,250,191,448
Financial assets for unit-linked contracts	3	96,645,882,430	77,121,915,674
Financial assets at fair value through profit or loss	4	237,933,008	250,528,507
Available-for-sale financial assets	4	11,143,901,514	11,747,826,127
Held-to-maturity investments	4	3,875,551,331	-
Loans and receivables	4	696,976,907	608,673,645
Insurance receivables	5	84,233,426	35,442,964
Prepayments and deposits	6	85,511,228	35,965,261
Property and equipment, net	7	149,400,892	185,376,332
Deferred tax assets, net	24	223,182,461	213,778,877
Other assets, net	8	434,640,502	473,483,464
TOTAL ASSETS		**115,400,103,281**	**91,923,182,299**
LIABILITIES			
Insurance contract liabilities	9	12,162,267,075	9,865,845,477
Due to reinsurer		98,518,684	52,672,159
Financial liabilities for unit-linked contracts	3	96,645,882,430	77,121,915,674
Premium deposit fund	11	190,634,536	176,378,281
Accounts payable, accrued expenses, and provisions	12	2,631,219,889	2,207,346,539
Pension liability, net	23	84,641,941	38,295,368
TOTAL LIABILITIES		**111,813,164,555**	**89,462,453,498**
EQUITY			
Capital stock	13	250,000,000	250,000,000
Additional paid-in capital		50,000,000	50,000,000
Contingency surplus	13	2,600,000,000	2,600,000,000
Reserve for fluctuation on available-for-sale financial assets	4	(381,267,677)	(1,199,185,470)
Remeasurement on aggregate reserves for life policies	9	55,104,244	309,143,725
Remeasurement on defined benefit plan	23	(31,427,239)	(12,619,864)
Retained earnings		1,044,529,398	463,390,410
TOTAL EQUITY		**3,586,938,726**	**2,460,728,801**
TOTAL LIABILITIES AND EQUITY		**115,400,103,281**	**91,923,182,299**

(The notes on pages 1 to 58 are integral part of these financial statements)

Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)

Statements of Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
PREMIUMS			
GROSS PREMIUMS ON INSURANCE CONTRACTS		5,266,972,010	3,128,725,688
REINSURERS' SHARE OF GROSS PREMIUMS ON INSURANCE CONTRACTS		(167,594,523)	(129,584,348)
NET INSURANCE PREMIUMS	14	**5,099,377,487**	**2,999,141,340**
OTHER INCOME			
Investment income	15	806,640,629	680,254,382
Referral fee income	3,16	938,546,419	734,769,835
Net fair value gain (loss) on financial assets at fair value through profit or loss	4	31,230,451	(11,305,985)
Gain on sale of available-for-sale financial assets, net	4	-	3,781,720
Miscellaneous (expense) income	17	(12,750,878)	(2,504,537)
Total other income		**1,763,666,621**	**1,404,995,415**
TOTAL PREMIUMS AND OTHER INCOME		**6,863,044,108**	**4,404,136,755**
BENEFITS, CLAIMS AND EXPENSES			
Gross life insurance contract benefits and claims	18	863,287,045	1,740,139,020
Reinsurers' share of life insurance contract benefits and claims	18	(61,258,063)	(20,832,798)
Gross change in insurance contract reserves	9	2,036,314,065	(473,710,666)
Gross change in incurred but not reported claims	9,18	24,709,699	(7,323,308)
NET INSURANCE BENEFITS AND CLAIMS		**2,863,052,746**	**1,238,272,248**
INSURANCE EXPENSES			
Commissions and agency-related compensation	19	1,405,627,009	1,521,797,114
Salaries, wages and employee benefits	22	192,295,541	320,855,776
Taxes and licenses	20	84,849,613	40,999,448
Medical fees		6,180,122	6,753,696
Interest expense	8,11	873,187	2,306,735
Total insurance expenses		**1,689,825,472**	**1,892,712,769**
OTHER EXPENSES			
General and administrative expenses	21	1,596,258,260	1,260,075,568
Foreign exchange loss, net		2,222,833	69,690,530
Total other expenses		**1,598,481,093**	**1,329,766,098**
TOTAL INSURANCE BENEFITS, CLAIMS AND OTHER EXPENSES		**6,151,359,311**	**4,460,751,115**
INCOME (LOSS) BEFORE INCOME TAX		**711,684,797**	**(56,614,360)**
PROVISION FOR INCOME TAX	24	130,545,809	66,509,493
NET INCOME (LOSS) FOR THE YEAR		**581,138,988**	**(123,123,853)**

(The notes on pages 1 to 58 are integral part of these financial statements)

Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)

Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
NET INCOME (LOSS) FOR THE YEAR		**581,138,988**	**(123,123,853)**
OTHER COMPREHENSIVE INCOME			
Item that will be reclassified subsequently to profit or loss			
Net unrealized gain (loss) on available-for-sale financial assets, net of tax	4	817,917,793	(2,006,753,752)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement (losses) gains on aggregate reserves, net of tax	9	(254,039,481)	1,732,765,684
Remeasurement (losses) gains on retirement plan, net of tax	23	(18,807,375)	17,517,636
Total other comprehensive loss for the year, net of tax		**545,070,937**	**(256,470,432)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**1,126,209,925**	**(379,594,285)**

(The notes on pages 1 to 58 are integral part of these financial statements)

Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Capital stock (Note 13)	Additional paid-In capital	Contingency Surplus (Note 13)	Reserve for fluctuation on available-for-sale financial assets (Note 4)	Remeasurement on insurance contract reserves (Note 9)	Remeasurement on defined benefit plan (Note 23)	Retained earnings	EQUITY
BALANCE AT JANUARY 1, 2022	**250,000,000**	**50,000,000**	**1,800,000,000**	**807,568,282**	**(1,423,621,959)**	**(30,137,500)**	**586,514,263**	**2,040,323,086**
TRANSACTION WITH OWNERS								
Additional capital contribution	-	-	800,000,000	-	-	-	-	800,000,000
COMPREHENSIVE (LOSS) INCOME								
Net loss for the year	-	-	-	-	-	-	(123,123,853)	(123,123,853)
Other comprehensive (loss) income for the year	-	-	-	(2,006,753,752)	1,732,765,684	17,517,636	-	(256,470,432)
Total comprehensive (loss) income for the year	-	-	-	(2,006,753,752)	1,732,765,684	17,517,636	(123,123,853)	(379,594,285)
BALANCE AT DECEMBER 31, 2022	**250,000,000**	**50,000,000**	**2,600,000,000**	**(1,199,185,470)**	**309,143,725**	**(12,619,864)**	**463,390,410**	**2,460,728,801**
COMPREHENSIVE INCOME (LOSS)								
Net income for the year	-	-	-	-	-	-	581,138,988	581,138,988
Other comprehensive income (loss) for the year	-	-	-	817,917,793	(254,039,481)	(18,807,375)	-	545,070,937
Total comprehensive income (loss) for the year	-	-	-	817,917,793	(254,039,481)	(18,807,375)	581,138,988	1,126,209,925
BALANCE AT DECEMBER 31, 2023	**250,000,000**	**50,000,000**	**2,600,000,000**	**(381,267,677)**	**55,104,244**	**(31,427,239)**	**1,044,529,398**	**3,586,938,726**

(The notes on pages 1 to 58 are integral part of these financial statements)

Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (Loss) before income tax		711,684,797	(56,614,360)
Adjustments for:			
Increase (Decrease) in insurance contract reserve, net of reinsurers' share	10	2,036,314,065	(473,710,666)
Depreciation and amortization	7,8,21	209,343,428	181,812,394
Unrealized foreign exchange loss	27	8,636,617	5,892,624
Net increase in restricted stock units	22	13,357,127	6,741,888
Gain on sale of available-for-sale financial assets	4	-	(3,781,720)
Net fair value (gain) loss on financial assets at fair value through profit or loss	4	(31,230,451)	11,305,985
Retirement benefits	22,23	21,270,073	21,883,809
Loss on disposal of fixed assets	17	56,632	601,241
Interest expense	8,11,12	4,767,336	6,467,439
Amortization of bond discount, net	4	34,614,237	29,158,101
Provision for (Reversal of) net incurred but not reported losses	9,18	24,709,699	(7,323,308)
Interest income	15	(840,103,119)	(706,669,531)
Dividend income	15	(1,151,747)	(2,742,952)
Operating loss (income) before changes in operating assets and liabilities		2,192,268,694	(986,979,056)
Changes in operating assets and liabilities			
(Increase) decrease in:			
Loans and receivables		(88,761,890)	7,138,369
Insurance receivables		(49,519,967)	23,975,071
Prepayments and deposits		(49,545,967)	3,217,599
Other assets		20,672,266	(3,789,530)
Increase (decrease) in:			
Accounts payable and accrued expenses		426,909,567	185,790,661
Insurance contract liabilities		(8,057,684)	481,664,517
Premium deposit fund		12,788,737	(65,852,347)
Due to reinsurer		45,846,525	26,947,075
Cash generated from (used in) operations		2,502,600,281	(327,887,641)
Interest income received	15	840,103,119	706,669,531
Dividends received		1,021,049	3,850,177
Income tax paid		(139,230,268)	(111,933,628)
Retirement contributions	23	-	(560,907)
Interest paid on leases	12	(3,894,149)	(4,160,704)
Net cash generated from operating activities		**3,200,600,032**	**265,976,828**

(forward)

Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

(forwarded)

	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale or maturities of available-for-sale financial assets	4	2,048,027,000	1,692,033,084
Sale of property and equipment	7	44,722	605,163
Purchases of:			
Available-for-sale financial assets	4	(658,721,457)	(2,691,894,378)
HTM Investments	4	(3,885,921,814)	-
Property and equipment	7	(25,070,313)	(37,664,181)
Software, net	8	(100,208,124)	(138,454,589)
Decrease (increase) in financial assets at fair value through profit or loss	4	43,797,279	(68,482,167)
Net cash used in investing activities		**(2,578,052,707)**	**(1,243,857,068)**
CASH FLOWS FROM FINANCING ACTIVITY			
Additional capital contribution	13	-	800,000,000
Payments of principal on leases	12	(45,348,553)	(39,439,286)
Net cash from financing activities		**(45,348,553)**	**760,560,714**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**577,198,772**	**(217,319,526)**
CASH	2		
At January 1		1,250,191,448	1,461,012,291
Effect of exchange rate changes on cash		(4,500,638)	6,498,683
December 31		**1,822,889,582**	**1,250,191,448**

(The notes on pages 1 to 58 are integral part of these financial statements)

Allianz PNB Life Insurance, Inc.
(Formerly: PNB Life Insurance, Inc.)

Notes to the financial statements
As at and for the years ended December 31, 2023 and 2022
(All amounts are shown in Philippine Peso, unless otherwise stated)

1. General information

Allianz PNB Life Insurance, Inc. (the "Company"), formerly PNB Life Insurance, Inc., was registered with Philippines Securities and Exchange Commission (SEC) on November 10, 1999 to carry on the business of life insurance. The Company is among the major life insurers in the Philippines, which began operations on August 1, 2001 following the receipt of the Certificate of Authority from the Insurance Commission (IC) of the Philippines on July 1, 2000.

On June 5, 2016, Allianz SE, the ultimate and immediate parent company of the Company, (referred to herein as "Parent Company") completed its acquisition of 51% of the Company resulting to a shareholder interest of 44% for Philippine National Bank (PNB). Allianz SE is a holding and reinsurance company of the Allianz Group, domiciled and incorporated in Munich, Germany while PNB is a universal bank incorporated and domiciled in the Philippines. The remaining 5% is owned by an individual shareholder. Under the agreements signed in December 2015, Allianz SE will have management control. On September 21, 2016, the SEC approved the amendment of the Company's article of incorporation to reflect the change in corporate name to "Allianz PNB Life Insurance, Inc."

The Company's principal place of business is 9th Floor, Allied Bank Center 6754 Ayala Avenue, Makati City, Philippines. It has 318 employees as at December 31, 2023 (2022 - 297 employees).

Authorization of the financial statements

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on March 1, 2024.

2. Cash and cash equivalents

The account at December 31 consists of:

	2023	2022
Petty cash fund	261,754	260,256
Cash in banks		
Peso-denominated	1,494,096,336	788,564,796
Dollar-denominated	328,531,492	461,366,396
	1,822,889,582	1,250,191,448

Cash includes petty cash fund and cash in banks. Cash in banks earns interest at the prevailing bank deposit rates. Interest income from cash in banks for the year ended December 31, 2023 amounted to P181,884 (2022 - P174,226) (Note 15).

Cash equivalent pertains to time deposits that are made for varying periods with maturity not exceeding three months from the dates of placement with no loss of interest depending on the immediate cash requirements of the Company. Certain cash equivalents with interest at the prevailing cash equivalents deposit rates that ranged from 3.88% to 4.5% in 2023 (2022 - 3.25% to 10.45%) were purchased and have matured in 2023. Interest income from cash equivalents for the year ended December 31, 2023 amounted to P3,498,009 (2022 - P8,216,159) (Note 15).

Cash and cash equivalents is classified as current as at December 31, 2023 and 2022.

3. Financial assets and liabilities for unit-linked contracts

On March 15, 2005 and June 17, 2005, the IC approved the Company's license to sell single-pay and regular-pay unit-linked insurance products, respectively. These are life insurance products that have policy benefits that are linked to investment funds. The payments received for these products, less charges for mortality and administration fees, are invested in segregated funds.

Global Treasures is Philippine Peso-denominated, single-pay, 7-year unit-linked life insurance plan that was launched on April 24, 2016 and matured on April 24, 2023. Total fund value paid out from the maturity of Global Treasures amounts to P460,722,407.

In 2022, the Company launched five additional open-ended funds. These are Peso-Hedged Global Real Assets Dividend-Paying Fund and Dollar Global Real Assets Dividend-Paying Fund, which were launched on January 4, 2022, Dollar Systematic Global Equity Dividend-Paying and Peso-Hedged Systematic Global Equity Dividend-Paying Fund, which were launched on September 1, 2022, and Peso-Hedged Income and Growth Dividend-Paying Fund, which were launched on October 28, 2022.

	Cash and cash equivalents	Investment securities carried at FVTPL	Accounts receivable	Accrued management fee	Seed capital (Note 4)	**Net assets**
At December 31, 2023						
Dollar Income and Growth Dividend Paying Fund	232,165,923	43,373,977,344	-	(12,722,792)	(983,655)	43,592,436,820
Peso-Hedged Global Real Assets Dividend Paying Fund	1,072,760,914	20,408,573,273	36,173,026	(7,719,635)	(724,586)	21,509,062,992
Peso-Hedged Asian Multi Income Plus Dividend Paying Fund	94,986,726	5,990,529,980	-	(2,989,522)	(721,579)	6,081,805,605
Dollar Global Real Assets Dividend Paying Fund	157,199,053	3,182,280,078	7,368,395	(1,216,024)	(799,662)	3,344,831,840
Peso-Hedged Global Sustainability Fund	71,638,065	2,747,283,047	2,367,290	(313,418)	(1,461,797)	2,819,513,187
Peso-Hedged Income and Growth Dividend Paying Fund	75,720,510	2,329,902,475	29,926,368	(295,747)	(1,033,510)	2,434,220,096
Peso Multi-Sector Equity Fund	84,236,999	2,161,677,499	2,285,803	(1,826,498)	(810,283)	2,245,563,520
Dollar Global Equity Plus Fund	1,903,904	2,207,811,749	-	(2,896,955)	(1,060,611)	2,205,758,087
Dollar Global Income Dividend Paying Fund	102,599,030	2,075,171,175	139,865	(413,334)	(990,432)	2,176,506,304
Peso Philippine Equity Fund	33,194,802	1,789,654,182	2,223,219	(4,229,778)	(2,725,268)	1,818,117,157
Dollar Flexi Asia Dividend Paying Bond Fund	7,328,251	1,277,218,531	-	(2,308,246)	(609,803)	1,281,628,733
Peso Optimized Dividend Equity Fund	28,754,291	1,132,792,118	492,542	(1,017,853)	(1,024,160)	1,159,996,938
Peso-Hedged Systematic Global Equity Dividend-Paying Fund	64,296,955	1,049,381,756	41,203,007	(74,300,418)	(1,042,331)	1,079,538,969
Peso Balanced Growth Fund	2,960,797	1,013,104,878	7,777,564	(5,932,208)	(2,823,647)	1,015,087,384
Dollar Systematic Global Equity Dividend-Paying Fund	45,889,397	854,363,897	246,715	(27,490,756)	(1,215,935)	871,793,318
Dollar Income and Growth Fund	12,427,268	675,834,060	-	(239,698)	(1,693,638)	686,327,992
Peso Fixed Income Fund	4,907,950	585,235,051	8,186,494	(1,290,618)	(2,672,820)	594,366,057
Peso Dynasty Equity Fund	20,226,629	507,875,247	2,591,919	(1,872,947)	(6,878,250)	521,942,598
Dollar Bond Fund	8,646,792	402,335,174	9,588,266	(1,877,424)	(2,464,824)	416,227,984
Fixed Index Unit-Linked Fund	10,226,195	334,434,792	7,748,625	(2,845,027)	(107,053,313)	242,511,272
Dollar Flexi Asia Bond Fund	1,418,280	198,741,971	-	(62,707)	(858,453)	199,239,091
Dollar Global Opportunistic Dividend Paying Bond Fund	6,787,297	185,494,241	-	(44,323)	(935,528)	191,301,687
Peso-Hedged Diversified Income Dividend Paying Fund	3,719,160	144,267,885	-	(1,802,918)	(807,318)	145,376,809
Peso Money Market Fund	12,763,793	1,104,934	29,333	(2,799)	(1,167,271)	12,727,990
	2,156,758,981	94,629,045,337	158,348,431	(155,711,645)	(142,558,674)	96,645,882,430

	Cash and cash equivalents	Investment securities carried at FVTPL	Accounts receivable	Accrued management fee	Seed capital (Note 4)	**Net assets**
At December 31, 2022						
Dollar Income and Growth Dividend Paying Fund	403,279,568	36,583,941,046	21,134,561	(6,444,747)	(925,757)	37,000,984,671
Peso-Hedged Global Real Assets Dividend Paying Fund	788,099,931	11,455,906,688	197,879,104	(89,536,504)	(734,964)	12,351,614,255
Peso-Hedged Asian Multi Income Plus Dividend Paying Fund	432,736,716	7,447,479,054	-	(72,975,008)	(792,145)	7,806,448,617
Peso Multi-Sector Equity Fund	115,196,229	2,173,390,563	25,480,025	(12,029,177)	(820,435)	2,301,217,205
Dollar Global Income Dividend Paying Fund	24,448,904	2,014,942,807	1,415,661	(871,482)	(993,888)	2,038,942,002
Dollar Global Equity Plus Fund	43,579,502	1,993,493,229	278,570	(2,514,946)	(820,032)	2,034,016,323
Peso-Hedged Global Sustainability Fund	109,055,321	1,901,237,859	2,531,835	(15,936,292)	(1,199,636)	1,995,689,087
Dollar Global Real Assets Dividend Paying Fund	80,343,926	1,826,344,117	6,294,897	(968,337)	(810,304)	1,911,204,299
Peso Philippine Equity Fund	49,454,445	1,864,027,946	2,659,890	(2,788,888)	(2,678,729)	1,910,674,664
Dollar Flexi Asia Dividend Paying Bond Fund	8,463,750	1,435,970,782	-	(1,155,860)	(618,872)	1,442,659,800
Peso Optimized Dividend Equity Fund	61,769,931	1,282,257,462	2,995,392	(5,380,936)	(1,017,371)	1,340,624,478
Peso Balanced Growth Fund	44,164,557	1,076,867,927	5,485,011	(1,139,349)	(2,687,185)	1,122,690,961
Dollar Income and Growth Fund	3,010,818	653,660,466	45,881	(704,115)	(1,467,743)	654,545,307
Peso Fixed Income Fund	27,280,304	580,211,846	7,078,944	(1,558,189)	(2,475,398)	610,537,507
Peso Dynasty Equity Fund	28,807,924	517,497,402	52,756	(419,444)	(7,158,670)	538,779,968
Dollar Bond Fund	17,736,805	447,580,391	9,230,029	(1,790,185)	(2,332,055)	470,424,985
Global Treasures Peso Fund	170,448	445,851,363	-	(802,015)	(99,137,591)	346,082,205
Peso-Hedged Systematic Global Equity Dividend-Paying Fund	10,796,502	245,222,557	-	(1,966,416)	(998,328)	253,054,315
Fixed Index Unit-Linked Fund	10,253,029	311,563,999	7,089,093	(1,536,887)	(83,074,228)	244,295,006
Dollar Flexi Asia Bond Fund	4,607,495	206,093,195	27,149	(96,449)	(830,029)	209,801,361
Dollar Global Opportunistic Dividend Paying Bond Fund	2,920,119	193,455,730	-	(106,581)	(953,471)	195,315,797
Dollar Systematic Global Equity Dividend-Paying Fund	10,266,564	165,413,444	2,215,093	(115,585)	(1,155,924)	176,623,592
Peso-Hedged Diversified Income Dividend Paying Fund	9,764,044	129,265,641	-	(1,120,883)	(796,061)	137,112,741
Peso Money Market Fund	14,490,282	1,058,315	10,500	(4,122)	(1,134,309)	14,420,666
Peso-Hedged Income and Growth Dividend Paying Fund	866,203	14,330,376	37,354	(114,976)	(963,095)	14,155,862
	2,301,563,317	74,967,064,205	291,941,745	(222,077,373)	(216,576,220)	77,121,915,674

The segregated funds represent the financial assets for unit-linked contracts which are recorded at fair value, with changes in fair value recognized in the income statement together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts. The related net assets to these segregated funds are presented as financial assets for unit-linked contracts in the statements of financial position. Financial liabilities for unit-linked contracts are set up equal to financial assets for unit-linked contracts, which serves as the Company's liability to unit-linked policyholders.

The Company's financial assets for unit-linked contracts are designated as FVTPL at initial recognition as they are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The Company's financial liabilities for unit-linked contracts are classified as FVTPL. Financial assets for unit-linked contracts have the same terms with its corresponding financial liability for unit-linked contracts (Note 27). The financial assets for unit-linked contracts are expected to be recovered following the maturity of the corresponding financial liability for unit-linked contracts.

The equity of each policyholder in the segregated fund is determined by assigning a number of units to each policyholder, corresponding to the net amount deposited in relation to the market value at the time of contribution. The value per unit may increase or decrease depending on the market value of the underlying assets of the corresponding segregated fund. The funds are valued regularly, and the net asset value per unit (NAVPU) is equal to the market value of the segregated fund divided by the number of outstanding units of the fund. Hence, the equity of each unit-linked insurance contract in the fund is equal to the total number of outstanding units of the policyholder multiplied by the NAVPU.

Collections received from unit-linked policies are separated to financial assets for unit-linked contracts from which the Company withdraws administrative and cost of insurance charges in accordance with the policy provisions of the unit-linked insurance contracts. Administrative charges are recognized as revenue under “Referral fee income” while cost of insurance charges are recognized as part of “Gross premiums on insurance contracts”. In 2023, total premium income and referral fee income from the unit-linked products amounted to P2,404,663,202 (2022 - P2,152,889,608) (Note 14) and P938,546,419 (2022 - P734,769,835) (Note 16).

(a) Cash and cash equivalents

	2023	2022
Cash in banks		
Peso-denominated	1,385,453,133	1,351,564,692
Dollar-denominated	567,727,476	581,793,562
Cash equivalents		
Peso-denominated	194,940,653	350,474,973
Dollar-denominated	8,637,719	17,730,090
	2,156,758,981	2,301,563,317

(b) Investment securities carried at FVTPL

	2023	2022
Quoted equity securities		
Peso-denominated	38,767,701,437	27,588,220,204
Dollar-denominated	54,030,893,046	45,073,314,816
Equity-linked notes		
Peso-denominated	-	445,851,363
Government debt securities		
Peso-denominated	1,428,115,680	831,885,584
Dollar-denominated	352,212,630	318,457,006
Private debt securities		
Peso-denominated	-	580,211,846
Dollar-denominated	50,122,544	129,123,386
	94,629,045,337	74,967,064,205

(c) Accounts receivable

	2023	2022
Accrued income	33,790,752	31,609,957
Other receivables	124,557,679	260,331,788
	158,348,431	291,941,745

Other receivables include subscription receivables and uncollected investment transactions as at year end.

(d) Accrued management fee

Management fees are calculated based on net asset value (NAV) as of latest pricing date. The management fees are deducted from the cash portion of the fund. In instances when the cash portion is depleted, and until the next coupon payment is received, management fees are accrued and are treated as payable in NAV valuation. When the next coupon payment is received and cash portion of the fund is replenished, accrued management fees are then deducted and paid to the Company.

(e) Seed capital

This pertains to the Company's investment in unit-linked funds which is lodged under Financial assets at fair value through profit or loss (Note 4). As at December 31, 2023, the Company owns 117,219,022 (2022 - 184,548,340) outstanding number of units with net asset value of P142,558,674 (2022 - P216,576,220).

Significant accounting judgment: Classification of financial assets and liabilities unit-linked contracts

Considering the Company's level of ownership and varying terms and conditions of each unit-linked investment fund, the classification of such as structured entities is subject to significant judgement. As a general rule, the management of relevant activities of an investment fund is delegated to the fund manager via asset management agreements. In contrast, influence from investors on the relevant activities of investment funds is usually either precluded by legal or regulatory provisions or not deemed substantial.

These investment funds are generally subject to stringent regulatory requirements from financial institutions. Comprehensive regulation of funds protects fund investors and also helps to limit investment risk. These mechanisms result in a legal set-up of funds, agreed and accepted as structured entities under PFRS 12.

Management has assessed that the financial assets for unit-linked contacts are classified as structured entities based on the requirements of PFRS 12. Management has also assessed that the Company does not have control over these investment funds based on an analysis of the guidance in PFRS 10. Furthermore, neither the Company nor the fund managers have the ability to influence the investment fund returns and the fund managers are only acting as a manager whose responsibilities are limited to those activities provided in the asset management agreements. The Company's maximum exposure to loss arising from its interests in unconsolidated structured entities is limited to the carrying amount of its seed capital. The Company's income from these unconsolidated structured entities pertains to the change in fair value of seed capital. As such, the Financial assets and liabilities for unit-linked contracts are presented as a separate line item in the financial statements of the Company.

4. Financial assets at fair value through profit or loss ("FVTPL"); Available-for-sale ("AFS") financial assets; Held-to-maturity ("HTM") investments and Loans and receivables

The Company classifies its financial assets into the following categories:

	2023	2022
Financial assets at FVTPL	237,933,008	250,528,507
AFS financial assets	11,143,901,514	11,747,826,127
HTM investments	3,875,551,331	-
Loans and receivables	696,976,907	608,673,645
	15,954,362,760	12,607,028,279

(a) Financial assets at FVTPL

The financial assets at FVTPL at December 31 consist of the following:

	Notes	2023	2022
Quoted equity securities		7,424,000	7,680,000
Investment in unit-linked funds	3		
Peso-denominated		130,946,133	106,530,553
Dollar-denominated		11,612,541	110,045,667
Derivative asset	22	87,950,334	26,272,287
		237,933,008	250,528,507

The following financial assets are designated as FVTPL at initial recognition:

- Quoted equity securities - the investments contain an embedded derivative that significantly modifies the cash flows; and
- Investment in unit-linked funds - they are managed, and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Company's derivative asset is in relation to its share-based obligation in the form of restricted stock units as of December 31, 2023 and 2022. These are classified as held for trading with changes in fair value recognized in the statements of income.

Quoted equity securities and derivative asset are denominated in Philippine Peso and Euro, respectively.

Details of net fair value gain (loss) on financial assets at FVTPL for the years ended December 31 are as follows:

	Note	2023	2022
Fair value gain (loss) on:			
Investment in unit-linked funds		28,215,771	(12,065,348)
Quoted equity securities		(256,000)	(435,200)
Derivative asset	22	3,270,680	2,015,165
Realized loss on sale of financial assets at FVTPL		-	(820,602)
		31,230,451	(11,305,985)

Dividend income from quoted equity securities for the year ended December 31, 2023 amounted to P1,151,747 (2022 - P2,742,952) (Note 15).

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows. The Company determines whether modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract, or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

As of December 31, 2023 and 2022, the Company has no embedded derivatives requiring bifurcation since the hybrid instruments have been designated as financial assets at FVTPL of which the characteristics and risks are closely related to the host contract.

(b) AFS financial assets

The AFS financial assets at December 31:

	2023	2022
Government debt securities		
Peso-denominated	8,480,801,459	8,427,260,971
Dollar-denominated	1,235,173,011	1,221,850,352
Private debt securities		
Peso-denominated	1,004,436,300	1,472,444,610
Dollar-denominated	308,490,744	548,270,194
Proprietary shares	115,000,000	78,000,000
	11,143,901,514	11,747,826,127

AFS debt securities of the Company carry coupon rates as follows:

	2023	2022
Government debt securities		
Peso-denominated	2.88% - 18.25%	0.00% - 18.25%
Dollar-denominated	2.88% - 10.63%	2.65% - 9.50%
Private debt securities		
Peso-denominated	4.20% - 6.49%	4.20% - 6.49%
Dollar-denominated	3.00% - 8.60%	3.00% - 8.60%

These investments are designated as AFS financial assets or do not qualify to be designated as financial assets at FVTPL, HTM investments or loans and receivables. These investments are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

Details of the movements of AFS financial assets at December 31 are as follows:

	2023	2022
At January 1	11,747,826,127	12,965,452,424
Additions	658,721,457	2,691,894,378
Maturities or disposals	(2,048,027,000)	(1,684,469,644)
Amortization of bond premium	(23,008,468)	(29,158,101)
Fair value change recycled to profit or loss	-	(3,781,720)
Fair value change in other comprehensive gain (loss)	823,467,793	(2,005,853,752)
Unrealized foreign exchange loss	(15,078,395)	(186,257,458)
At December 31	11,143,901,514	11,747,826,127

Proceeds from the maturities or disposals of AFS financial assets for the year ended December 31, 2023 amount to P2,048,027,000 (2022 - P1,692,033,084). No gain on sale of AFS securities for the year ended December 31, 2023 (2022 - P3,781,720).

Interest income from AFS debt securities amounted to P627,890,259 and P634,498,183 in 2023 and 2022, respectively (Note 15).

Details of the movements in the reserve for fluctuation on AFS financial assets at December 31 follow:

	2023	2022
At January 1	(1,199,185,470)	807,568,282
Unrealized fair value	823,467,793	(2,009,635,472)
Tax effect	(5,550,000)	(900,000)
Fair value gains realized through profit or loss	-	3,781,720
At December 31	(381,267,677)	(1,199,185,470)

The fair value change charged to other comprehensive income are considered as a non-cash movement in the statement of cash flows.

Under Section 209 of the Amended Insurance Code (Republic Act No. 10607), to the extent of 25% of the insurance company's minimum net worth requirement, the insurance company should invest in bonds and other debt securities approved by the IC as security for the benefit of the Company's policyholders and creditors.

As at December 31, 2023, government debt securities valued at P360,481,545 (2022 - P336,161,920), are deposited with the Bureau of the Treasury and earmarked as non-tradable in accordance with the provisions of the Amended Insurance Code. In December 2022, the Company has earmarked an additional P100,000,000, at face amount, of government debt securities to comply with the IC's mandatory requirement on minimum capital by 2022. These bonds were acquired on June 30, 2022 and will mature on June 23, 2032.

Significant accounting judgment: Impairment of AFS financial assets

The Company follows the guidance of PAS 39 to determine when an AFS financial asset is impaired. The assessment is based on whether the impairment is significant and prolonged. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the issuer, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Management believes, based on its assessment, that AFS financial assets are fully recoverable and not considered impaired as at December 31, 2023 and 2022. No allowance for impairment of AFS financial assets has been assessed and recognized for 2023 and 2022.

(c) HTM investments

The HTM investments at December 31 consist of the following:

	2023	2022
Government debt securities		
Peso-denominated	3,625,600,023	-
Dollar-denominated	249,951,308	-
	3,875,551,331	-

For these assets, the Company's management has the positive intention and ability to hold to maturity.

Details of the movements in HTM investments at December 31 are as follows:

	2023	2022
At January 1	-	
Additions	3,885,921,814	-
Amortization of bond premium	(11,605,769)	-
Foreign exchange adjustments	1,235,286	-
	3,875,551,331	-

In 2023, interest income from HTM investments amounted to P150,016,935 (2022 - nil).

(d) Loans and receivables

The account at December 31 consists of:

	Note	2023	2022
Policy loans		295,471,032	332,934,129
Accrued income		238,694,176	162,063,417
Advances to employees and agents		58,060,410	53,773,652
Receivable from related parties	25	52,754,626	-
Due from unit-linked funds		47,851,677	52,587,257
Other receivables		4,144,986	7,315,190
		696,976,907	608,673,645

Policy loans pertain to loans granted to policyholders. The loan is granted with the cash surrender value of the policyholder's insurance policy as collateral. Policy loans as at December 31 are carried at their unpaid balances plus accrued interest. The interest rates on peso and dollar policy loans for the year ended December 31, 2023 and 2022 are 10% and 8%, respectively. Interest income from policy loans for the year ended December 31, 2023 amounted to P23,901,795 (2022 - P34,662,862) (Note 15).

Accrued income as at December 31 consists mainly of accrued interest income on investments and policy loans.

Due from unit-linked funds pertain to the amount to be received by the Company from unit-linked funds as reimbursement for the settlement of withdrawals or surrenders made from unit-linked policies.

Receivable from related parties represent payments of employee benefits and travel and accommodation expenses which are reimbursable to related parties under common control (Note 25).

Other receivables consist of advances to policyholders.

The maturity profile of the Company's financial assets, based on contractual cash flows, as at December 31 is presented below:

	2023		2022	
	Within 12 months	Beyond 12 months	Within 12 months	Beyond 12 months
Financial assets at FVTPL				
Derivative assets	-	87,950,334	-	26,272,287
AFS financial assets				
Government debt securities	153,172,869	9,562,801,601	10,049,500	9,639,061,823
Private debt securities	375,237,756	937,689,288	135,536,559	1,885,178,245
HTM investments	-	3,875,551,331	-	-
Loans and receivables	696,976,907	-	608,673,645	-
	1,225,387,532	14,463,992,554	754,259,704	11,550,512,355

Investments in unit-linked funds (except those that are invested in structured products) classified under financial assets at FVTPL and equity instruments such as quoted equity securities (financial assets at FVTPL) and proprietary shares (AFS financial assets) have no contractual maturity, and therefore, these are generally considered to be current.

5. Insurance receivables

The account at December 31 consists of:

	2023	2022
Premiums due and uncollected	42,976,644	24,766,935
Reinsurance recoverable on paid losses	41,256,782	10,676,029
	84,233,426	35,442,964

Insurance receivables are recognized when due and are measured on initial recognition at the fair value of the consideration.

Premiums due and uncollected pertain to uncollected policyholder premiums within the grace period of 90 days.

Reinsurance recoverable on paid losses pertains to reinsured claims already settled by the Company but are not yet reimbursed by the reinsurers.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with adjustments recorded in the statement of income. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Insurance receivables are collectible within 12 months from reporting date.

6. Prepayments and deposits

The account at December 31 consists of:

	Note	2023	2022
Prepayments to suppliers and service providers		64,425,581	15,092,693
Rental and other deposits	12	18,902,368	18,870,907
Prepaid rent	12	2,183,279	2,001,661
		85,511,228	35,965,261

Included under “Rental and other deposit” is the bond requirement deposited for the appeal filed in the appellate court as of December 31, 2023 and 2022 amounting to P7,169,566 (Note 12).

Rental deposits are shown net of unearned interest income. The accretion of interest is reported in others under “Miscellaneous expense (income)” account (Note 17).

Prepayments to suppliers and service providers mainly include advance payment for employee’s health and medical insurance.

The Company’s prepayments and deposits, excluding rental and other deposits, which are considered as non-current, are expected to be realized within 12 months after the reporting date.

7. Property and equipment, net

The roll forward analysis of this account for the years ended December 31 follows:

2023	Note	Computer and office equipment	Leasehold improvements	Office premises	Furniture and fixtures	Transportation equipment	Construction in progress	Total
Cost								
January 1		179,810,342	163,909,229	203,696,056	20,157,671	38,567,890	-	606,141,188
Additions		3,313,584	8,877,187	28,955,209	4,030,347	3,101,635	5,747,560	54,025,522
Disposals		(643,786)	-	-	-	(1,930,571)	-	(2,574,357)
Transfers		-	5,747,560	-	-	-	(5,747,560)	-
		182,480,140	178,533,976	232,651,265	24,188,018	39,738,954	-	657,592,353
Accumulated depreciation and amortization								
January 1		142,014,783	135,759,318	99,654,007	19,511,222	23,825,526	-	420,764,856
Depreciation	21	20,346,796	18,044,079	45,490,208	808,365	5,210,160	-	89,899,608
Disposals		(542,435)	-	-	-	(1,930,568)	-	(2,473,003)
		161,819,144	153,803,397	145,144,215	20,319,587	27,105,118	-	508,191,461
Net book value		20,660,996	24,730,579	87,507,050	3,868,431	12,633,836	-	149,400,892

2022	Note	Computer and office equipment	Leasehold improvements	Office premises	Furniture and fixtures	Transportation Equipment	Construction in progress	Total
Cost								
January 1		148,360,251	162,660,071	187,037,932	20,106,825	39,844,843	960,090	558,970,012
Additions		31,750,198	-	16,658,124	50,846	5,574,069	289,068	54,322,305
Disposals		(300,107)	-	-	-	(6,851,022)	-	(7,151,129)
Transfers		-	1,249,158	-	-	-	(1,249,158)	-
		179,810,342	163,909,229	203,696,056	20,157,671	38,567,890	-	606,141,188
Accumulated depreciation and amortization								
January 1		124,341,213	114,035,703	58,221,149	18,517,338	23,827,432	-	338,942,835
Depreciation	21	17,855,430	21,723,615	41,432,858	993,884	5,760,959	-	87,766,746
Disposals		(181,860)	-	-	-	(5,762,865)	-	(5,944,725)
		142,014,783	135,759,318	99,654,007	19,511,222	23,825,526	-	420,764,856
Net book value		37,795,559	28,149,911	104,042,049	646,449	14,742,364	-	185,376,332

Construction in progress (CIP) represents an item of property and equipment under construction or undergoing commissioning or major rehabilitation. CIP is not depreciated until such time that the relevant assets are completed and are ready for intended use. Transfers from construction in progress in 2023 and 2022 pertain to completion of leasehold improvements under construction in the Company’s office space.

Additions to office premises in 2023 and 2022 pertains to lease agreements covering branch offices entered by the Company. The inception of new lease agreements resulted recognition of additions to office premises and lease liabilities amounting to P28,955,209 (2022 - P16,658,124). No corresponding cash outflow was made as a result of this transaction.

In 2023, the Company sold certain computer and office equipment and transportation equipment with a total proceeds of P44,722 (2022 - P605,163) which resulted to a loss on disposal of fixed assets amounting to P56,632 (2022 - loss of P601,241) and is presented under “Miscellaneous loss” (Note 17).

The Company computes its depreciation using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the property and equipment follow:

	Years
Computer and office equipment	2 - 5
Furniture and fixtures	5
Transportation equipment	5
Leasehold improvements	Shorter of 5 years or lease term
ROU assets	Shorter of the asset’s useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset’s useful life

8. Other assets, net

The account at December 31 consists of:

	2023	2022
Software and intangible assets under development, net	378,783,179	398,018,875
Agents’ provident fund	47,029,869	44,914,868
Deferred input VAT	4,486,101	10,726,213
Office supplies	3,477,362	3,636,713
Documentary stamp tax fund	742,530	466,760
Security fund	121,461	121,461
Creditable withholding tax	-	15,598,574
	434,640,502	473,483,464

The roll forward analysis of Software and intangible assets under development, net for the years ended December 31 follows:

	Note	Software	Intangible assets under development	Total
2023				
Cost				
January 1		503,019,893	126,067,561	629,087,454
Additions		16,381,122	83,827,002	100,208,124
Reclassification/transfers		136,617,447	(136,617,447)	-
		656,018,462	73,277,116	729,295,578
Accumulated amortization				
January 1		231,068,579	-	231,068,579
Amortization	21	119,443,820	-	119,443,820
		350,512,399	-	350,512,399
Net book value		305,506,063	73,277,116	378,783,179

	Note	Software	Intangible assets under development	Total
2022				
Cost				
January 1		313,769,854	181,323,775	495,093,629
Additions		17,624,238	120,830,351	138,454,589
Reclassification/transfers		171,625,801	(171,625,801)	-
Retirement		-	(4,460,764)	(4,460,764)
		503,019,893	126,067,561	629,087,454
Accumulated amortization				
January 1		137,022,931	-	137,022,931
Amortization	21	94,045,648	-	94,045,648
		231,068,579	-	231,068,579
Net book value		271,951,314	126,067,561	398,018,875

Software pertains to computer applications and system enhancements being used for the Company's overall operations. Amortization is computed using the straight-line method over their estimated useful lives, which do not exceed five years.

Intangible assets under development pertain to acquired computer and application software licenses that are yet to be completed as of reporting date. These projects are expected to be completed by the third quarter of 2022. Intangible assets under development are reclassified to software at such time that the relevant assets are completed and are ready for intended use.

Agents' provident fund pertains to the assets held by the Company in a fiduciary capacity on behalf of its agents. The Company retains 5% of the agents' commissions and bonuses with a limit of P80,000 a year. The Company contributes to the fund an amount equivalent of what is retained from the agent. The related liability with respect to the fund is presented under "Accounts payable, accrued expenses, and provisions" (Note 12). In 2023, interest income relating to the fund amounts to P1,065,000 (2022 - P199,145).

The security fund is maintained in compliance with Sections 365 and 367 of the Code. The amount of such fund is determined by and deposited with the IC to pay benefit claims against insolvent companies.

The Company's other assets, excluding software, agents' provident fund and security fund, which are considered as non-current, are expected to be realized within 12 months after the reporting date.

9. Insurance contract liabilities

Insurance contract liabilities refer to liabilities of the Company that are recognized due to the obligations arising from policy contracts issued by the Company. The account at December 31 consists of:

	2023	2022
Aggregate reserves for life policies	11,107,668,004	8,827,898,420
Payable to policyholders	441,824,481	432,930,147
Policyholders' dividends due and unpaid	360,473,036	352,303,426
Policy and contract claim payable	181,439,812	206,561,441
Provision for incurred but not reported (IBNR) claims	70,861,742	46,152,043
	12,162,267,075	9,865,845,477

(a) Aggregate reserves for life policies

Details of the aggregate reserves for life policies (including unearned charges for unit-linked policies) at December 31 follow:

	2023	2022
With fixed and guaranteed terms		
Fixed and guaranteed - nonparticipating	3,252,688,981	1,546,732,310
Partially fixed and guaranteed participating	7,408,714,815	6,932,688,647
Unit-linked (unearned cost of insurance)	446,264,208	348,477,463
Total aggregate reserves for life policies	11,107,668,004	8,827,898,420

The aggregate reserves for life policies at December 31 may be analyzed as follows:

	2023		2022	
	Gross insurance	Net of reinsurance	Gross insurance	Net of reinsurance
Aggregate reserves for:				
Ordinary life policies	10,584,365,016	10,584,365,016	8,433,622,356	8,433,622,356
Group life policies	77,038,780	77,038,780	45,798,601	45,798,601
Unit-linked policies	446,264,208	446,264,208	348,477,463	348,477,463
Total aggregate reserves for life policies	11,107,668,004	11,107,668,004	8,827,898,420	8,827,898,420

Details of the movements in aggregate reserves at December 31 are as follows:

	2023			2022		
	Gross insurance	Reinsurers' Share	Net	Gross insurance	Reinsurers' share	Net
At January 1	8,827,898,420	-	8,827,898,420	10,862,888,492	-	10,862,888,492
Premiums received	4,058,832,419	167,594,523	3,891,237,896	1,693,125,986	129,584,347	1,563,541,639
Liability released for payments of death, maturities and surrender benefits and claims	(2,404,098,485)	(167,594,523)	(2,236,503,962)	(4,089,819,440)	(129,584,347)	(3,960,235,093)
Exchange rate effect	(10,583,962)	-	(10,583,962)	171,486,278	-	171,486,278
Accretion of investment income	635,619,612	-	635,619,612	190,217,104	-	190,217,104
At December 31	11,107,668,004	-	11,107,668,004	8,827,898,420	-	8,827,898,420

The gross change in aggregate reserves recorded in the statements of income follows:

	2023	2022
Ordinary life	2,150,742,660	(2,133,832,395)
Group life insurance	31,240,179	16,777,519
Unit-linked	97,786,745	82,064,804
Interest rate change	(254,039,481)	1,732,765,684
Foreign exchange revaluation	10,583,962	(171,486,278)
At December 31	2,036,314,065	(473,710,666)

Details of the movements in the remeasurement on aggregate reserves at December 31 are as follows:

	2023	2022
At January 1	309,143,725	(1,423,621,959)
Effect of remeasurement (losses) gains on aggregate reserves, net	(254,039,481)	1,732,765,684
	55,104,244	309,143,725

The aggregate reserves are expected to be settled following the maturity profile of the insurance contract liabilities based on the estimated timing of net cash outflows (Note 27).

Critical accounting estimate: Aggregate reserves for life policies

Reserves for traditional life insurance policies are valued using gross premium valuation (GPV) method. GPV requires the use of best estimate assumptions which include discount rates, decrements such as mortality, lapse, expenses, non-guaranteed benefits and a margin for adverse deviations in respect of the risks that arise under the insurance policy. Sensitivity analysis relating to these key assumptions are further disclosed in Note 10.

(b) Payable to policyholders

Payable to policyholders pertain to endowment payments which are due at anniversary dates, as well as maturities and surrenders payable.

The payables to policyholders are expected to be settled following the maturity profile of the insurance contract liabilities based on the estimated timing of net cash flows (Note 27).

(c) Policyholders' dividends due and unpaid

A number of insurance contracts are participating and contain a Discretionary Participating Feature (DPF). This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, annual policy dividends that are credited at each policy anniversary, as long as the policy is in force. These annual policy dividends represent a portion of the theoretical investment and underwriting gains from the pool of contracts. Policy dividends are not guaranteed and may change based on the periodic experience review of the Company. Further, in accordance with regulatory requirements, dividends payable in the following year are prudently set up as a liability in the statement of financial position.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the annual cash dividends at the time the product is priced. The Company may exercise its discretion to revise the dividend scale in consideration of the emerging actual experience on each block of participating policies.

There is no statutory requirement as to the level of eligible surplus that may be attributed to participating policyholders. The amount distributed to individual policyholders is at the discretion of the Company, subject to the endorsement of the Chief Finance Officer and approval by the BOD.

Policyholder dividends pertain to actual dividends that have already been paid by the Company but not yet withdrawn by the policyholder. Unpaid dividends earn interest ranging from 1.00% to 2.50% in 2023 and 2022, which depends on the dividend accumulation rate declared by the Company and can be withdrawn in full at the policyholders' discretion. Interest expense on accumulated policyholders' dividends is recognized in the statements of income as it accrues every policy anniversary date and is calculated using the effective interest rate method. Accretion of interest on dividends due and unpaid amounts to P324,900,064 (2022 - P323,429,066) was recognized in Policyholder's dividends due and unpaid of insurance contract liabilities.

The policyholders' dividends due and unpaid are expected to be settled following the maturity profile of the insurance contract liabilities based on the estimated timing of net cash outflows (Note 27).

(d) Policy and contract claims payable and provision for IBNR

The movements during the year in policy and contract claims payable and provision for IBNR follows:

	Note	2023	2022
At January 1		252,713,484	227,110,728
Arising during the year	18	136,919,057	287,849,104
Provision for (reversal of) IBNR	18	24,709,699	(7,323,308)
Paid during the year	18	(162,040,686)	(254,923,040)
At December 31		252,301,554	252,713,484

For unpaid claims and benefits, a provision is made for the estimated cost of all claims and dividends reported but not settled at the reporting date using the information available at reporting date.

Provision is also made for the cost of IBNR claims until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later years.

The policy and contract claims payable and provision for IBNR are expected to be settled following the maturity profile of the insurance contract liabilities based on the estimated timing of net cash outflows (Note 27).

10. Insurance contract liabilities - terms and assumptions

10.1 Life insurance contract liabilities

For life insurance contracts with fixed and guaranteed terms (including partially fixed and guaranteed terms), the Company determines assumptions in relation to future deaths, investment returns and future expenses at inception of the contracts. These assumptions are used for calculating the liabilities during the life of the contract. These assumptions are in compliance with statutory requirements.

10.2 Valuation methodology

The IC issued Circular Letter No. 2016-66 "Valuation for Life Insurance Policy Reserves" on December 28, 2016 which provides the valuation standards for life insurance policy reserves. The IC also issued IC Circular No. 2016-69 on the same day to lay out the full implementation requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-Based Capital (RBC2) Framework. Implementation of these circulars was effective starting January 1, 2017.

The more significant provisions of the CL 2016-66 and 69 include the following, among others:

(i) Reserve for traditional life insurance policies to be valued, where appropriate, using Gross Premium Valuation (GPV) from Net Premium Valuation (NPV);
(ii) Risk free discount rate to be used for all cash flows to determine the liability of a traditional insurance policy;
(iii) Consideration of non-guaranteed benefits, expenses, mortality and lapse and/or persistency based on actual experience; and
(iv) Fixed Margin for Adverse Deviation (MfAD) to be used subject to a minimum of Interest: +/- 10% of discount rate; Expenses: 10% of best estimate expenses and Other Assumptions but not limited to mortality, lapse and conversion: +/-10% of best estimate assumption; and
(v) Use of a moving average of the 20-year government bond yield rate for the discounting of the insurance contract liability cash flows with duration of more than 20 years.

Reserves under the GPV method is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate. For this purpose, the expected future cash flows shall be determined using best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience. Best estimate assumptions include discount rates, decrements such as mortality, lapse, expenses, and non-guaranteed benefits. Under this new standard, reserves must include appropriate margins for adverse deviations in respect of the risks that arise under the insurance policy. The calculation of reserves must also be in accordance with the internationally accepted actuarial standards and must consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines (ASP).

For any traditional life insurance policy with a term of one year or less, the Company calculates its reserve using the unearned premium method. Where appropriate, the reserves for traditional life insurance policies with terms of more than one year is valued using the GPV method stated above. For this purpose, the expected future cash flows are determined using best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The aggregate reserve for life policies represents the accumulated total liability for policies inforce as of the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves calculated using actuarial methods and assumptions in accordance with statutory requirements and as approved by the IC are subject to the minimum liability adequacy test.

10.3 Key assumptions

Assumptions used for product pricing are different from the assumptions used in calculating aggregate reserves for life policies. Assumptions used for aggregate reserve 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 and the corresponding changes thereon are adjusted against insurance contract liabilities prospectively. Assumptions are also subject to the provisions of the Code and guidelines set by the Insurance Commission. The assumptions are reviewed and revised at each reporting date.

The key assumptions to which estimation of the aggregate reserves for life policies is particularly sensitive follows:

- *Mortality*

The mortality assumption is based on rates of mortality that are appropriate to the nature of the risks covered based on the Company's actual experience.

- *Lapses and/or persistency rates*

Lapse and/or persistency rates reflective of the Company's actual experience are taken as the best estimate lapse and/or persistency assumption, with regard to changing Company practices and market conditions.

- *Expenses*

The expense assumptions are based on the Company's experience derived from its latest expense study.

- *Discount rates*

Discount rates relate to the time value of money. Discount rate assumptions are based on current observed rates in the market adjusted for default risk. The valuation interest rate assumptions are consistent with risk free rates as provided by IC.

10.4 Margin for Adverse Deviation (MfAD)

In line with the requirements of IC CL 2016-66 and 69, the Company has also applied +/- 10% MfAD on the best estimates of the key assumptions mentioned above.

10.5 Sensitivity tests

The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on income and equity. The sensitivity rates used for reporting changes in key assumptions internally to Management is 10% for mortality, expense, lapse and/or persistency and morbidity and 100 bps for interest rate and these represent Management's assessment of the reasonably possible change in key assumptions.

The sensitivity in the key assumptions being monitored by the Company is presented as follows:

	Impact on income before income tax and equity Increase/(decrease)		
	Change in assumption	2023	2022
Mortality	+10%	(128,508,159)	(123,251,287)
	-10%	130,040,944	124,484,000
Interest rate	+100 bps	889,987,618	794,542,943
	-100 bps	(1,076,750,188)	(1,003,876,224)
Expense	+10%	(56,164,594)	(53,347,457)
	-10%	56,164,459	53,285,247
Lapse and/or persistency	+10%	(60,537,312)	(88,591,982)
	-10%	65,822,242	92,687,325
Morbidity	+10%	(11,172,106)	(5,854,069)

MfAD requirements under the IC are incorporated as part of the above key assumptions estimates.

10.6 Non-guaranteed benefits

The Company provides non-guaranteed benefits to its policyholders such as policyholder dividends which shall be determined with due regard to the Company's duty to treat its policyholders fairly and meet policyholders' reasonable expectations.

10.7 Reinsurance - assumptions and methods

The Company cedes insurance risk in the normal course of business. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsured claims already settled by the Company but are not yet reimbursed by the reinsurers are presented as part of "Insurance receivables" in the assets section of the statement of financial position.

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

11. Premium deposit fund

This account pertains to excess payments received by the Company from the policyholders against contractual premium due. The excess payment could be applied to any future unpaid premiums. The accumulated fund shall not exceed the total future premium payments under the policy. As at December 31, 2023 premium deposit fund amounted to P190,634,536 (2022 - P176,378,281).

The fund bears interest at rates ranging from 1.00% to 2.50% in 2023 and 2022. The interest expense is calculated using the effective interest rate method and is recognized as it accrues every policy anniversary date. Interest expense of the Company charged against statements of income for the year ended December 31, 2023 amounted to P1,938,187 (2022 - P2,505,880).

The premium deposit fund is classified as financial liabilities at amortized cost. The premium deposit fund is expected to be recovered following the maturity profile based on remaining contractual obligations (Note 27).

12. Accounts payable, accrued expenses, and provisions

The account at December 31 consists of:

	Notes	2023	2022
Accrued expenses	19, 20, 22	1,091,183,937	867,035,605
Accounts payable		751,589,888	753,055,097
Premium holding account		467,378,432	304,582,763
Lease liability		87,741,473	104,134,817
Taxes payable		62,746,178	21,379,660
Due to unit-linked fund		-	33,509,152
Others		170,579,981	123,649,445
		2,631,219,889	2,207,346,539

(a) Accrued expenses

Accrued expenses represent accruals for employee salaries and benefits and agents' commissions which are due to be settled within one year and the estimated amount vested for agents' provident fund.

Critical accounting estimate: Provisions and contingencies

In 2023 and 2022, the Company is involved in various legal proceedings. The Company has reasonably provided for probable costs that it may incur for the resolution of these claims. The estimate has been assessed in consultation with the Company's legal counsels and based upon an analysis of potential results. As at December 31, 2023 and 2022, the Company has deposited P7,169,566 (Note 6) to an appellate court in relation to its pending case. There were no other provisions for probable loss recognized in the financial statements.

Inclusion of details in addition to the current disclosure may prejudice the Company's position; thus, as allowed under PAS 37, Provisions, Contingent Liabilities, and Contingent Assets, only general disclosure is provided.

(b) Accounts payable

Accounts payable pertains to short-term outstanding payables to Social Security System, Pag-ibig and Philhealth which are due to be settled within one year. Stale checks for the period are also included in this account.

(c) Premium holding account

Premium holding account pertains to advance payment from unissued policies.

(d) Lease liability

The Company leases various office for its back office and operations. The Company also has several lease agreements covering the head office premises and branch offices for periods ranging from 1 to 5 years until February 2026. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. These lease contracts are renewable upon mutual agreement of the Company and the lessors.

The Company has recognized a lease liability which was measured at the present value of the remaining lease payments using an incremental borrowing rate at initial recognition. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The movement in the lease liability at December 31, 2023 is as follows:

	Notes	2023	2022
As at January 1		104,134,817	126,915,979
Principal and interest payments		(49,242,702)	(43,599,990)
Non-cash changes			
Additions during the year	7	28,955,209	16,658,124
Interest expense	21	3,894,149	4,160,704
As at December 31		87,741,473	104,134,817

Additions to lease liability is accounted for as a non-cash movement in the statement of cash flows. The total cash outflow for leases as at December 31, 2023 is P49,242,702 (2022 - P43,599,990).

The statement of income shows the following amounts relating to leases for the year ended December 31:

	2023	2022
Depreciation expenses	45,490,208	41,432,858
Interest expense (included in general and administrative expenses)	3,894,149	4,160,704
Expense relating to short-term leases (included in general and administrative expense)	16,485,094	18,446,789

The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Discount rate

The lease payments, including lease payments to be made under reasonably certain extension options, are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used.

Payments for leases of office space are discounted using the lessee's incremental borrowing rate. To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

The incremental borrowing rates applied to measure the lease liabilities as at December 31, 2023 and 2022 range from 0.98% to 5.90%.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture. The Company recognizes operating lease for short-term leases and leases of low-value assets as expense in profit or loss on a straight-line basis over the lease term.

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A restatement is made after the inception of the lease only if one of the following applies:

- there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised, or extension granted, unless the term of the renewal and extension was initially included in the lease term;
- there is a change in the determination of whether the fulfillment is dependent on a specified asset; or
- there is a substantial change to the asset.

Payments of refundable lease deposits are measured initially at fair value. After initial recognition, refundable lease deposits are subsequently measured at amortized cost using the effective interest rate. The difference between the carrying amount and the actual consideration given is treated as prepaid rent which is amortized using the straight-line method over the term of the lease.

(e) Due to unit-linked fund

Due to unit-linked fund pertains to the investment portion of premiums received from the policyholders that are yet to be invested in unit-linked funds.

(f) Taxes payable

Taxes payable pertains to all taxes that are payable by the Company to tax authority. These includes premium taxes (Note 20), withholding taxes and Value-added Tax (VAT).

Revenue, expenses, assets, and liabilities are recognized net of the amount of VAT except:
- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

(g) Others

Others pertains to unallocated payment of policyholders which can be withdrawn anytime.

The accounts payable, accrued expenses and provisions are expected to be settled using the undiscounted contractual maturities disclosed in Note 27. Taxes payable are expected to be settled within 1 year.

13. Capital stock; Contingency surplus; Retained earnings

(a) Capital stock

The account at December 31, 2023 and 2022 consists of:

	No. of Shares	Amount
Common shares - P10,000 par value		
Authorized	25,000	250,000,000
Issued and outstanding		
At beginning of the year	25,000	250,000,000
Issuances during the year	-	-
At end of the year	25,000	250,000,000

Capital stock is measured at par value for all shares issued. Capital contribution to the Company in excess of par value of the capital stock is recognized by the Company as Additional paid-in capital (APIC).

(b) Contingency surplus

Contingency surplus represents additional capital contribution to cover the Company's capital requirements. Such amount is presented as part of "Contingency surplus" in accordance with the guidelines of the IC. The amount can be withdrawn only upon the approval of IC.

In 2022, the Company received additional capital contribution from its shareholders amounting to P800,000,000 to further support and strengthen the Company's net worth and RBC2 ratio requirements as prescribed by the IC.

As at December 31, 2023 and 2022, the Company's contingency surplus amounts to P2,600,000,000.

(c) Retained earnings

Retained earnings represents the cumulative balance of earnings (losses) of the Company, dividend distribution, and impact of changes in accounting policy.

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the BOD.

14. Net insurance premiums

Details of the net insurance premiums based on product type for the years ended December 31 are as follows:

	Note	2023	2022
Gross premiums			
Ordinary life insurance		2,693,575,622	783,133,263
Group life insurance		168,733,186	192,702,817
Unit-linked	3	25,809,603,436	34,741,045,116
Total gross premiums on insurance contracts		28,671,912,244	35,716,881,196
Premiums allocated to unit-linked insurance investment funds	3	(23,404,940,234)	(32,588,155,508)
		5,266,972,010	3,128,725,688

The Company recognizes premium from life insurance contracts as revenue when payable by the policyholder. For new policies, revenue is first recognized on the effective date of the policy, provided that the single-pay premium or the first modal premium has been paid. Succeeding premiums are recorded as revenues on the date when the payments are due from policyholders. Cost of insurance charges pertain to portion of the collection received from unit-linked policies, in which these are recognized as revenue upon receiving the payment after separating the amount to be invested.

Reinsurers' share of gross premiums on insurance contracts for the years ended December 31 consists of:

	2023	2022
Reinsurers' share of gross premiums on insurance contracts		
Ordinary life insurance	167,594,523	129,001,266
Group life insurance	-	583,082
	167,594,523	129,584,348

15. Investment income

The sources of investment income for the years ended December 31 consist of:

	Notes	2023	2022
Interest income on:			
AFS financial assets	4	627,890,259	634,498,183
HTM investments	4	150,016,935	-
Policy loans	4	23,901,795	34,622,862
Cash equivalents	2	3,498,009	8,216,159
Cash in banks	2	181,884	174,226
Dividend income	4	1,151,747	2,742,952
		806,640,629	680,254,382

Interest income on financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS financial assets is recorded at the effective interest rate. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

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

16. Referral fee income

Referral fee income pertain to the Company's share in fund administrative charges earned from policyholders of unit-linked insurance policies for management of unit-linked funds. The Company used rates ranging from 0.00% to 1.90% in 2023 and 2022. These fees are recognized as revenue in the period in which the related services are rendered.

17. Miscellaneous (expense) income

Miscellaneous (expense) income for the years ended December 31 consists of:

	2023	2022
Investment management expenses	(12,901,354)	(2,889,208)
Loss on disposal of fixed assets	(56,632)	(601,241)
Reinstatement charges	147,949	912,374
Others	59,159	73,538
	(12,750,878)	(2,504,537)

Investment management expenses pertain to costs of advisory fees, subscription fees and Philippine Depository and Trust Corporation charges.

Reinstatement charges pertain to fees received by the Company to renew lapsed or terminated insurance policies.

Others consist of interest from advances to employees and agents and reversal of long outstanding suspense accounts.

18. Claims and policyholder benefits

The net insurance contract benefits and claims for the years ended December 31 consist of:

	2023	2022
Gross life insurance contract benefits and claims:		
Ordinary life insurance	633,348,087	1,439,727,495
Group life insurance	17,246,310	142,795,049
Unit-linked	212,692,648	157,616,476
	863,287,045	1,740,139,020
Reinsurers' share of gross life insurance contract benefits and claims on group life insurance	(61,258,063)	(20,832,798)
	802,028,982	1,719,306,222

These expenses consist of claims and insurance benefits incurred during the period, maturities and annuity payments, as well as changes in the valuation of insurance contract liabilities. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

The breakdown of the net insurance contract benefits and claims follows:

	Note	2023	2022
Policyholder benefits		645,754,256	1,407,891,695
Claims and other benefits	9	136,919,057	287,849,104
Dividends to policyholders		19,355,669	23,565,423
		802,028,982	1,719,306,222

For the year ended December 31, 2023, provision for IBNR amounts to P24,709,699 (2022 - reversal of P7,323,308) (Note 9).

The breakdown of the net insurance contract benefits and claims paid follow:

	Note	2023	2022
Policyholder benefits		362,223,836	1,323,784,359
Claims and other benefits	9	162,040,686	254,923,040
Dividends to policyholders		11,186,059	2,020,190
		535,450,581	1,580,727,589

Details of the net change in aggregate reserves are presented in Note 9.

19. Commissions and agency-related compensation

Details of the account for the years ended December 31 are as follows:

	2023	2022
Commissions and bonuses	938,350,478	889,987,954
Service fee	467,276,531	631,809,160
	1,405,627,009	1,521,797,114

Commissions and bonuses pertain to the commission expense incurred for approved and issued policy contracts provided by the agents and for which related premiums are recognized. Commission overrides are paid to managers based on the production made by the agents under them and bonuses are commissions granted to sales force after meeting certain criteria or conditions.

Service fees pertain to the fees incurred in exchange for referrals and amount paid to officers or non-officers of PNB and PNB Savings Bank in return of premiums written.

20. Taxes and licenses

Details of the account for the years ended December 31 are as follows:

	2023	2022
Premium tax	80,428,048	36,429,571
Documentary stamp tax	4,421,565	4,569,877
	84,849,613	40,999,448

Premium tax is a percentage tax pursuant to the Tax Code levied on premium income derived by the Company from selling life insurance contracts to its clients. The net amount of premium tax payable to the tax authority are included as part of accounts payable, accrued expenses and provisions in the statement of financial position (Note 12).

Documentary stamp tax pertains to stamp duties paid for all documents of issued policies.

21. General and administrative expenses

Details of the account for the years ended December 31 are as follows:

	Notes	2023	2022
Salaries, wages and employee benefits	22	518,419,799	343,434,387
Equipment maintenance		289,856,037	222,230,298
Depreciation and amortization	7,8	209,343,428	181,812,394
Meetings and marketing campaigns		143,609,816	177,049,716
Professional fees		72,111,431	67,849,430
Other taxes and licenses		43,813,091	48,442,511
Recruitment		41,091,858	12,594,272
Utilities		31,224,417	29,069,972
Travel		26,571,864	19,590,988
Communication		22,400,745	27,004,342
Entertainment, amusement and recreation		18,461,306	13,698,859
Rent	12	16,485,094	18,446,789
Printing and supplies		8,193,516	8,831,610
Interest expenses	12	3,894,149	4,160,704
Membership fees		1,859,115	1,952,703
Others		148,922,594	83,906,593
		1,596,258,260	1,260,075,568

Others pertain to regional charges, bank charges, company gifts, temporary help, and miscellaneous losses.

General and administrative expenses are recognized in the statements of income in the period these are incurred.

22. Salaries, wages and employee benefits

Details of the account for the years ended December 31 are as follows:

	Note	2023	2022
Salaries and wages		542,302,996	544,436,791
Employee assistance		24,626,970	11,179,539
Net pension expense	23	21,270,073	21,883,809
Life and health insurance		20,021,953	19,808,345
Staff meetings and activities		18,390,963	16,061,362
Social security costs		15,559,000	10,943,768
Net increase in restricted stock units		13,357,127	6,741,888
Staff subsidy		12,875,089	8,915,321
Other benefits		42,311,169	24,319,340
		710,715,340	664,290,163

Other benefits include sick leave conversion and employee rewards.

The total salaries, wages and employee benefits recorded as part of “Insurance expenses” and “General and administrative expenses” in the statements of income follows:

	Note	2023	2022
Insurance expenses		192,295,541	320,855,776
General and administrative expenses	21	518,419,799	343,434,387
Total salaries, wages and employee benefits		710,715,340	664,290,163

Restricted Stock Units (“RSUs”)

Allianz SE, the Company’s parent, has incentive compensation plan granting its qualified employees and employees of its subsidiaries worldwide share-based compensation under its Allianz Equity Incentive plan (the “Plan”). The Plan is granted in the form of RSUs and is part of a new variable compensation plan of the Allianz SE. RSUs are virtual stocks without dividend payments and a capped payout with vesting period of four years. The Plan obligates Allianz SE to pay in cash the average closing price of Allianz SE share on the last day of the vesting period and the prior nine trading days, or to convert one RSU into one Allianz SE share. The payout is capped at 300% share price above the grant price.

The RSUs under the Plan are subject to four years of vesting period and are accounted for as cash-settled plans. Upon death of beneficiaries, a change of notice control, or notice for operational reasons, the RSUs vest immediately and will be exercised by the Company.

Starting 2016, one of the Company’s employees has been covered by the Plan. Allianz SE directly bills the Company for the share of the employee in the fund, the related derivative, and the corresponding changes in fair value. The Company expenses the fair market value of the RSU, as determined on the grant date, ratably over the period during which the restrictions lapse. For 2023, compensation billed by Allianz SE to the Company in relation to the RSU under this Plan recorded under “General and administrative expense” account amounted to P13,357,127 (2022 - P6,741,888) (Note 21).

As of December 31, 2023, the Company accrues the fair value of the RSU at grant date as compensation expense over the vesting period under the “Accrued expenses” account of “Accounts payable, accrued expenses, and provisions” in the Company’s statement of financial position amounted to P60,842,601 (2022 - P43,941,086) (Note 12).

Reconciliation of outstanding grants as of December 31 follows:

	2023	2022
January 1	2,618	1,789
Granted	4,162	829
December 31	6,780	2,618

The RSUs under the Plan are valued based on the fair value after subtracting the net present value of expected future dividend payments until maturity as well as the fair value of the cap from the prevailing share price as of valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date. The table below lists the inputs to the model used for the years ended December 31:

	2023	2022
Share price	€ 219.06	€ 200.99
Dividend yield	5.3%	5.8%
Expected volatility	20.20%	21.20%
Risk-free interest rate	3.30%	0.30%

The expected volatility reflects the assumption that the implied volatility applied to RSU under the Plan is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU were incorporated into the measurement of fair value.

Derivative asset in relation to the RSU

In 2016, the Company and Allianz SE entered into an arrangement whereby the Company shall collect from or pay to the latter depending on the fair value of the assets underlying the hedging arrangement.

At any inception of a new RSU under the Plan, the Company agrees to buy from Allianz SE and the latter agrees to sell to the Company the same number of rights under this arrangement (“Rights”). The purchase price corresponds to the fair value of the Rights at the grant date. As a matter of principle, the fair value of the Rights is at all times identical to the fair value of RSU under the Plan. The number of Rights is continuously adjusted to reflect exercises, forfeitures, cancellations, and transfers of RSU within the Allianz group.

Allianz SE directly bills the Company for the fair value of the Rights. As of each reporting date as determined by Allianz SE, the net receivable or liability position between the Company and Allianz SE shall be settled in cash in terms of Euros.

The fair value of the Rights recognized under “Derivative asset” account for the year ended amounted to P87,950,334 (2022 - P26,272,287) (Note 4). The increase in fair value recorded under “Net fair value (loss) gain on financial assets at FVTPL” for the year ended amounted to P3,270,680 (2022 - P2,015,165) (Note 4).

The fair value of the Rights, as determined by Allianz SE, is based on best estimate for the value of a hedge right. The fair value of Rights is considered to be Level 2.

23. Employee benefits

The Company has a non-contributory defined benefit pension plan, covering substantially all of its employees, which requires contribution to be made to an administered fund. The Company’s qualified retirement fund is administered by the PNB. The liability recognized in the statement of financial position in respect of defined benefit pension plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

The following tables summarize the components of net benefit expense recognized in the statements of comprehensive income and the amounts recognized in the statements of financial position.

(a) Net pension expense

	Note	2023	2022
Current service cost		18,562,590	19,883,475
Net interest cost		2,707,483	2,000,334
Net pension expense	22	21,270,073	21,883,809

Service costs comprising of current service costs, past service costs, and gains or losses on non-routine settlements. Past service costs are recognized when a plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest cost on the net defined benefit liability or asset is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

These amounts are recognized as expense or income in profit or loss.

(b) Remeasurement adjustments

	2023	2022
Actuarial loss (gain) on defined benefit obligation	22,289,112	(24,751,064)
Actuarial loss on plan assets	2,787,388	1,394,216
Remeasurement losses (gains) for the year	25,076,500	(23,356,848)
Deferred income tax effect	(6,269,125)	5,839,212
Remeasurement losses (gains), net of tax	18,807,375	(17,517,636)

Remeasurements are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

(c) Net pension liability

	2023	2022
Present value of defined benefit obligation	151,418,318	107,968,822
Fair value of plan assets	(66,776,377)	(69,673,454)
Net pension liability	84,641,941	38,295,368

Changes in the present value of defined benefit obligation follow:

	2023	2022
Defined benefit obligation, beginning of year	107,968,822	108,038,603
Current service cost	18,562,590	19,883,475
Interest cost	7,633,396	5,358,715
Benefits paid	(5,035,602)	(560,907)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	21,761,888	(29,605,031)
Actuarial changes arising from experience adjustments	527,224	4,853,967
Defined benefit obligation, end of year	151,418,318	107,968,822

Non-vested benefits for the year ended December 31, 2023 amounts to P151,418,318 (2022 - P107,968,822).

Changes in the fair value of plan assets follow:

	2023	2022
Fair value of plan assets, beginning of year	69,673,454	67,709,289
Contribution	-	560,907
Interest income	4,925,913	3,358,381
Benefits paid	(5,035,602)	(560,907)
Actuarial loss on plan asset	(2,787,388)	(1,394,216)
Fair value of plan assets, end of year	66,776,377	69,673,454

Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

The Company does not expect contributions to the retirement benefit plan for the year ended December 31, 2023 and 2022.

The principal assumptions used in determining pension obligation for the Company's plan are shown below.

	2023	2022
Discount rate	6.07%	7.07%
Rate of salary increases	5.50%	5.00%

Mortality table and disability table used in the valuation in 2023 and 2022 are the 1994 Group Annuity Table and the 1952 Disability Table, respectively. Employee turnover was assumed, based on the result of the most recent experience study with margins for fluctuations, as follows:

- For employees with less than 1 year of service: 10.00%
- For employees with 1 or more years of service:

Age	Rate (%)
20	10.00%
30	7.50%
40	5.00%
50	2.50%
60	100%

The Company applies asset-liability matching techniques to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. The Company has established a formal Asset-Liability Management Study conducted by the Company's actuary every three years to capture changes in the demographic profile changes of the employees and changes in the economic environment affecting the amounts of maturing obligations and rates of returns of available investment instruments. In the study, expected benefit payments are projected and classified into short-term, medium term or long-term liabilities. Investment instruments that would match the liabilities are identified. The investment mixes that would yield the maximum returns at certain risk levels are identified using Markowitz Portfolio Theory (MPT) or the Mean Variance Framework.

The following is the distribution of the Company's plan assets stated at fair value as of December 31:

	2023	2022
Cash	1,548,108	18,184,332
Fixed-income securities	64,948,009	51,265,608
Accrued interest	208,467	170,181
Other assets	245,167	142,376
Total assets	66,949,751	69,762,497
Liabilities	173,374	89,043
Net assets	66,776,377	69,673,454

Pension plan assets of the retirement plan include investments in PNB's unit investment trust funds for the year ended December 31, 2023 amounting to P12.55 million (2022 - P9.63 million). For 2023, unrealized loss coming from these investments amounted to P0.04 million (2022 - P0.03 million).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions are held constant:

	Impact on defined benefit obligation		
2023	Change in assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 0.50%	(7,998,428)	8,661,963
Salary increase rate	+/- 0.25%	3,888,949	(3,759,348)
Turnover rate	+/- 10.00%	6,399,090	(6,399,090)

	Impact on defined benefit obligation		
2022	Change in assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 0.50%	(5,704,321)	6,155,531
Salary increase rate	+/- 0.25%	2,808,158	(2,718,488)
Turnover rate	+/- 10.00%	3,906,759	(3,906,759)

The maturity analysis of the undiscounted benefit payments as of December 31 based on normal retirements (retirement age of 60) is as follows:

	Percentage to pension obligation	
	2023	2022
Date of retirement		
Payable in the next 5 years	5%	5%
Payable in the next 6 - 10 years	17%	14%
Payable beyond 10 years	78%	81%

The average duration of the defined benefit obligation as of December 31, 2023 is 17 years (2022 - 14 years).

Risks typically associated with defined benefit plans are biometric risks such as longevity, disability, and death as well as economic risks such as interest rates, inflation and compensation increases. New plans are primarily based on contributions and may include, in some cases, guarantees such as the preservation of contributions or minimum interest rates.

24. Income tax

Provision for income tax for the years ended December 31 follows:

	2023	2022
Current		
Final tax	111,454,294	110,562,010
Minimum corporate income tax - Current year	19,395,194	5,384,728
Minimum corporate income tax - Prior year	8,380,780	(4,013,110)
Deferred	(8,684,459)	(45,424,135)
	130,545,809	66,509,493

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 substantively enacted as at the reporting date. The Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company has no uncertain tax position at reporting date.

Details of net deferred income tax recognized at December are as follows:

	2023	2022
Tax effects of:		
Accrued expenses	224,142,786	210,863,828
Unrealized foreign exchange loss	1,652,221	4,482,593
Net pension liability	10,475,746	4,206,621
Unamortized excess contribution	7,383,960	2,362,547
Net increase in restricted stock units	724,433	1,685,472
Deferred tax assets	244,379,146	223,601,061
Tax effects of:		
Lease liability	(4,862,348)	(498,393)
Unrealized gain on derivative asset	(1,964,337)	(503,791)
Unrealized fair value changes in fluctuation of AFS	(14,370,000)	(8,820,000)
Deferred tax liabilities	(21,196,685)	(9,822,184)
Deferred tax assets, net	223,182,461	213,778,877

Details of the movements in net deferred income tax assets at December 31 follow:

	2023	2022
At January 1	213,778,877	175,093,954
Amounts recognized in statement of income	8,684,459	45,424,135
Amounts recognized in other comprehensive income	719,125	(6,739,212)
At December 31	223,182,461	213,778,877

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

	2023	2022
Net operating losses carry over	883,606,677	1,003,754,767
Minimum corporate income tax	29,619,493	22,218,595

Details of the Company's NOLCO at December 31 are as follows:

Year of Payment	Year of Expiry	2023	2022
2022	2025	406,273,338	406,273,338
2021	2026	399,595,479	399,595,479
2020	2025	197,885,950	197,885,950
2019	2022	-	663,486,222
		1,003,754,767	1,667,240,989
Expired NOLCO		(120,148,090)	(663,486,222)
		883,606,677	1,003,754,767

In 2023, the Company is in a taxable income position. Therefore, no NOLCO was incurred.

Details of the Company's MCIT at December 31 are as follows:

Year of Payment	Year of Expiry	2023	2022
2023	2026	19,395,195	-
2022	2025	5,384,728	5,384,728
2021	2024	4,839,570	4,839,570
2020	2023	11,994,297	11,994,297
2019	2022	-	8,933,588
		41,613,790	31,152,183
Expired MCIT		(11,994,297)	(8,933,588)
		29,619,493	22,218,595

Deferred tax assets are periodically reviewed for realization and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings, and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

Significant accounting judgment: Recognition of deferred tax assets

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

Gross deferred tax assets recognized for the year ended December 31, 2023 and 2022 are considered to be fully recoverable. As at December 31, 2023 and 2022, the Company has unrecognized deferred tax assets as management assessed that there are no sufficient taxable profit against which the deferred tax asset can be applied. The unrecognized deferred tax assets comprised both NOLCO and MCIT.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2023	2022
Statutory income tax rate	25.00	25.00
Add (Deduct) tax effects of:		
Interest income subjected to final tax	(8.74)	55.60
Income exempt from tax	(0.03)	1.21
Temporary deductible differences for which no deferred tax asset is recognized	0.10	(9.51)
Nondeductible expenses	2.02	(188.92)
Effective income tax rate	18.35	(116.62)

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

The CREATE bill which seeks to lower corporate income tax rates and to rationalize fiscal incentives had been approved by the House of Representatives on September 13, 2019 and by the Senate on the third and final reading on November 26, 2020. The bill was approved by the Bicameral Conference Committee on February 4, 2021 and signed into law by the President of the Philippines on March 26, 2021. Under the CREATE bill, effective July 1, 2020, the more significant changes are as follows:

- Reduction of corporate income tax (CIT) rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated);
- Reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT; and,
- MCIT rate shall also be amended to 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023.

25. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form. No provision for impairment has been made for amounts owed by related parties since collection is deemed to be reasonably certain.

Significant transactions with related parties follow:

As at and for the year ended December 31, 2023:

	Transactions	Outstanding balances	Terms and conditions
Parent Company			
Allianz SE			
Net increase in RSU, including fair value adjustments (Note 22)	29,535,840	60,842,601	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Net increase in derivative asset in relation to RSU, including fair value adjustment (Note 22)	61,678,045	87,950,334	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Consultancy fee	22,609,496	4,882,839	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Software Maintenance	4,791,594	-	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Staff Training	1,815,051	2,155,848	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Significant investor			
PNB			
Savings and current accounts	68,366,537	-	- Interest-bearing at 0.10% - Unsecured and unguaranteed
Time deposits (Note 2)	12,000,000	-	- Interest-bearing at 3.00% - Unsecured and unguaranteed
Retirement fund	5,035,602	66,776,377	- Refer to Note 23
Referral fees	271,867,179	72,792,786	- 15-day; non-interest bearing - Unsecured and unguaranteed - Settled in cash at gross
Rent expense	1,908,095	-	- Due and demandable, settled in cash at gross - Unsecured and unguaranteed

	Transactions	Outstanding balances	Terms and conditions
Premiums collected	30,047,080	-	- Due and demandable, settled in cash at gross - Noninterest-bearing - Unsecured and unguaranteed
Claims	2,053,693	7,161,087	- Due and demandable, settled in cash at gross - Noninterest-bearing - Unsecured and unguaranteed
Entities under common control			
Allianz Investment Management Singapore (AIMS)			
Investment management fees	13,865,352	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Technology SE			
EDP-Software	20,046,733	5,825,194	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Software maintenance	46,902,718	17,382,742	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Software license fee	1,721,178	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Technology Singapore			
Software maintenance	6,728,673	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Software license fee	78,807,886	7,633,706	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Asia Pacific			
Consultancy Fee	43,506,519	28,833,046	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
IDS Gmbh			
Software maintenance	443,187	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Malaysia Berhad PLC			
Software maintenance	658,736	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
AWP Services (Thailand) Co. Ltd.			
Medical fees	4,563,770	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Reinsurance Asia Pacific (ARAP)			
Reinsurance	39,192,691	-	- 90-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
AWP Health & Life S.A.			
Reinsurance	26,376,686	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Other related parties			
PNB Holdings Corporation			
Rent expense	41,763,193	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
PNB Savings			
Premiums collected	64,377,407	-	- Due and demandable, settled in cash at gross - Noninterest-bearing - Unsecured and unguaranteed
Philippine Airlines, Inc.			
Premiums collected	33,371,056	-	- Due and demandable, settled in cash at gross - Noninterest-bearing - Unsecured and unguaranteed
Key management compensation			
Salaries and other short-term benefits	130,928,442	-	Refer to Note 22 for RSU, salaries and other short-term benefits, relocation benefits, and retirement cost.
RSUs	29,535,840	60,842,601	
Retirement cost	6,474,626	-	

As at and for the year ended December 31, 2022:

	Transactions	Outstanding balances	Terms and conditions
Parent Company			
Allianz SE			
Additional capital contribution (Note 13)	408,000,000	-	- Represents additional capital contribution - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Net increase in RSU, including fair value adjustments (Note 22)	6,741,888	43,941,086	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Net increase in derivative asset in relation to RSU, including fair value adjustment (Note 22)	7,647,552	26,272,287	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Consultancy fee	9,825,847	6,706,804	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Software Maintenance	4,757,324	-	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Staff Training	743,506	-	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
SW License Fee	28,195	-	- Non-interest-bearing - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Significant investor			
PNB			
Additional capital contribution (Note 13)	392,000,000	-	- Represents additional capital contribution - Unsecured and unguaranteed - Due and demandable, settled in cash at gross
Savings and current accounts	391,748,162	391,748,162	- Interest-bearing at 0.10% - Unsecured and unguaranteed
Time deposits (Note 2)	14,000,000	-	- Interest-bearing at 3.00% - Unsecured and unguaranteed
Retirement fund	560,907	69,673,454	- Refer to Note 23
Referral fees	610,065,779	29,273,905	- 15-day; non-interest bearing - Unsecured and unguaranteed - Settled in cash at gross
Rent expense	1,846,099	-	- Due and demandable, settled in cash at gross - Unsecured and unguaranteed
Premiums collected	7,653,891	-	- Due and demandable, settled in cash at gross - Noninterest-bearing - Unsecured and unguaranteed
Claims	3,842,767	22,523,192	- Due and demandable, settled in cash at gross - Noninterest-bearing - Unsecured and unguaranteed
Entities under common control			
Allianz Investment Management Singapore (AIMS)			
Investment management fees	9,212,870	2,900,000	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Technology SE			
EDP-Software	23,452,458	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Software maintenance	11,941,503	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Software license fee	4,935,227	211,821	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Technology Singapore			
EDP-Software	48,689,237	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Software License Fee	13,212,246	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross

	Transactions	Outstanding balances	Terms and conditions
Allianz Asia Pacific			
Consultancy Fee	62,236,177	51,734,534	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
IDS Gmbh			
Software maintenance	482,683	482,683	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Malaysia Berhad PLC			
Software maintenance	602,153	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
AWP Services (Thailand) Co. Ltd.			
Medical fees	4,337,349	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Worldwide Care SA			
Health Insurance Fee	645,665	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Reinsurance Asia Pacific (ARAP)			
Reinsurance	30,349,692	28,366,145	- 90-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
AWP Health & Life S.A.			
Reinsurance	18,463,739	6,216,751	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Allianz Global Life DAC			
Reinsurance	7,336,017	-	- 90-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Other related parties			
PNB Holdings Corporation			
Rent expense	39,630,662	-	- 30-day; non-interest-bearing - Unsecured and unguaranteed - Settled in cash at gross
Philippine Airlines, Inc.			
Premiums collected	14,118,947	-	- Due and demandable, settled in cash at gross - Noninterest-bearing - Unsecured and unguaranteed
Key management compensation			
Salaries and other short-term benefits	126,028,303	-	Refer to Note 22 for RSU, salaries and other short-term benefits, relocation benefits, and retirement cost.
RSUs	6,741,888	43,941,086	
Relocation benefits	925,227	-	
Retirement cost	6,563,457	-	

Other related parties pertain to entities under control of the significant investor.

26. Significant accounting judgments and estimates

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

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

(a) Judgments

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

- Impairment of AFS financial assets (Note 4)
- Classification of financial assets and liabilities for unit-linked contracts (Note 3)
- Recognition of deferred tax assets (Note 24)

(b) Estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

- Aggregate reserves for life policies (Note 9)
- Provisions and contingencies (Note 12)

27. Capital management and management of insurance and financial risks

Although life insurance companies are in the business of taking risks, the Company limits its risk exposure only to measurable and quantifiable risks. The main objective of the Company's risk management policies is to ensure that the Company remains financially viable and capable in paying its liabilities. There are many risks associated in the life insurance business such as insurance risks, investment risks, and other business risks. These risks are managed separately to ensure that the Company is not exposed to risks that are unnecessary or risks with no commensurate expected benefits or returns.

(a) Governance framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the overall company and individual business unit levels. The risk management committee performs procedures to identify various risks. The result of the procedures is reported to the BOD and necessary actions are taken to mitigate the risks identified.

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

(b) Regulatory framework

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

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

(c) Regulatory capital

The Company manages its capital in accordance with the mandates of the IC being its regulator. Under the requirements of the IC and the Insurance Code, the Company should meet the minimum levels set for the following capital requirements: Minimum Statutory Net Worth and Paid-up Capital, and RBC. The Company regularly monitors its compliance with these capital requirements. Further, government bonds amounting to at least 25% of the Minimum Paid-up Capital are free from liens and encumbrances, and deposited under the IC, in accordance with Section 203 of the Code (Note 4).

Fixed capitalization requirements

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

Net worth	Compliance date
250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued IC CL No. 2015-02-A which supersedes IC CL No. 22-2008 was issued to ensure compliance with the minimum capitalization and net worth requirements set in Sections 194, 197, 200 and 289 of Republic Act No. 10607.

As of December 31, 2023, the Company's statutory net worth amounted to P2,902,148,208 (2022 - 1,784,408,048).

RBC requirement

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

The RBC ratio shall be calculated as total available capital divided by the RBC requirement. Total available capital shall include the company's paid-up capital, contributed and contingency surplus, unassigned surplus, and other items specified by regulation. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC. The RBC requirement is the amount of required capital computed by taking into consideration the following major risks enumerated by IC guidelines; asset default risk, insurance pricing risk, interest rate risk and general business risk.

The final amount of RBC ratio can be determined only after the accounts of the Company have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same Code.

Consolidated compliance framework - IMC 10-2006 integrates the compliance standards for the fixed capitalization and risk-based capital framework.

Risk Based Capital 2

On December 28, 2016, IC CL No. 2016-68 was issued to supersede IC CL No. 2015-30. This circular provides solvency requirements based on accepted solvency frameworks, requires insurance companies to at all times hold the RBC requirement determined in accordance with the rules and guidelines set forth by the circular plus any additional supervisory adjustments that may be required by the IC, and requires the satisfaction of the minimum statutory ratio. The circular is fully implemented since January 1, 2017.

	2023	2022
Available capital	2,896,990,281	1,769,317,770
RBC requirement	323,093,191	324,968,807
RBC Ratio	897%	544%

(ii) Financial reporting framework

On December 28, 2016, IC Circular No. 2015-29 was superseded by Circular No. 2016-65 which includes the economic valuation of asset and liabilities based on internationally accepted accounting, actuarial, and insurance core principles which requires quarterly and annual reporting of net worth to the IC. The circular is fully implemented starting January 1, 2017.

(d) Insurance risk

Nature of risk

The risk under any one insurance contract is the possibility that the insured event occurs. This event may be death, disability, accidental injury, hospitalization, or contraction of critical illness. By the very nature of an insurance contract, this risk is random and unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing, the principal risk that the Company faces under its insurance contracts is that future claims on death, accident, disability, and critical illness exceed the future premiums and the carrying amount of the insurance liabilities. This could occur if the frequency and magnitude of claims is greater than the assumptions used in calculating the Company's liabilities.

Occurrence of insured events is random, and the actual number of claims will vary from year to year from the mortality assumptions (and assumptions for other covered risks) made during product pricing. However, the law of large numbers is expected to be applicable as the pool of risk increases in volume and aggregate claims becomes more predictable.

In general, experience shows that the larger the portfolio of similar insurance contracts, the smaller is the relative variability compared to the expectations. Insurance risks generally vary by gender and age of the insured as these factors correlate greatly with the incidence rates of the insured events. Because of this, a more diverse demographic profile of insured lives may be more desirable since a more diverse risk profile reduces variability.

To minimize insurance risks, the Company strictly adheres to prudent underwriting standards in assessing insurance applications. These underwriting standards include a schedule of medical and non-medical requirements for specific range of ages and sum assured. Some policyholders are charged with additional premium in the form of flat or multiple extra premiums due to extra risks resulting from the applicant's occupation, health, and lifestyle. Applications for insurance may be denied or postponed for certain substandard cases. To guard against anti-selection, insurance applications that do not establish insurable interest are rejected. Statements of assets and liabilities may also be required from the applicant to justify the sum assured applied for, and his ability to pay the premium.

Frequency of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle resulting in earlier or more claims than expected. In the Philippines, higher-than-expected claims also arise from typhoons, landslides, and other geologic events.

For contracts with discretionary participating feature, a portion of the insurance risk is effectively shared with the policy owner, as policy dividends may be reduced due to adverse claims and investment experience.

For unit-linked insurance policies where the cost of insurance charges is not guaranteed, insurance risk is borne mostly by the policyholders. The Company has the right to alter the related charges based on its mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

The Company manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are pooled into a sufficiently large portfolio. Medical selection is also included in the underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company has a retention limit of P2.5 million on any individual standard risk. The Company reinsures the excess of the insured benefit over P2.5 million for standard risks (from a medical point of view) under an automatic reinsurance arrangement.

The tables below present the concentration of individually insured benefits across different bands of insured ages as measured by the face amount (before reinsurance) and net amount at risk or NAAR (after reinsurance).

2023						
			Before reinsurance		After reinsurance	
Age bands (in years)	Policy count	Face amount	NAAR	Concentration (%)	NAAR	Concentration (%)
0-15	30,646	36,198,059,576	26,931,147,004	10	15,974,896,391	10
16-25	26,042	35,941,387,262	27,225,655,323	11	17,277,616,798	11
26-35	40,596	57,599,018,729	44,508,210,791	17	28,358,860,858	18
36-45	43,947	72,608,668,965	54,758,437,656	21	33,873,446,100	21
46-55	42,535	76,537,096,635	53,307,002,111	21	32,612,876,626	20
56-65	32,725	65,224,360,232	38,795,612,845	15	24,946,359,245	16
66-75	7,353	18,822,998,074	11,004,172,087	5	6,986,810,444	4
76 and above	2	2,000,000	1,987,933	0	1,987,933	0
	223,846	362,933,589,473	256,532,225,750	100	160,032,854,395	100

2022						
			Before reinsurance		After reinsurance	
Age bands (in years)	Policy Count	Face amount	NAAR	Concentration (%)	NAAR	Concentration (%)
0-15	28,983	33,522,227,090	25,748,829,316	11	7,488,760,018	12
16-25	23,700	33,079,171,851	26,038,850,662	11	6,926,073,666	11
26-35	35,510	52,737,168,332	41,993,393,217	18	10,566,383,830	17
36-45	38,837	64,180,454,373	49,632,893,225	22	11,461,205,277	19
46-55	37,253	66,093,348,258	47,313,328,053	20	11,640,488,903	19
56-65	27,443	53,310,821,961	33,398,954,752	14	10,766,962,590	17
66-75	6,027	15,344,878,832	9,391,438,103	4	3,093,542,641	5
76 and above	3	3,000,000	2,982,222	0	1,005,732	0
	197,756	318,271,070,697	233,520,669,550	100	61,944,422,657	100

These tables include whole life, endowment, anticipated endowment, and term insurance contracts; thus, the insured risk is a mixture of death and continued survival. NAAR is the net amount at risk, which is the difference between the face amount and the policy reserve. It is the net amount that would be payable upon death less liability released. The risk is spread over the younger through middle-aged bands.

Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behavior.

The Company uses appropriate tables of standard mortality for pricing and valuation of liabilities. An investigation into the actual mortality experience of the Company is carried out annually, but the experience is not yet considered statistically significant.

The Company maintains persistency statistics to monitor actual lapse experience against pricing assumptions and performance standards. Statutory reserves are calculated using decrements such as mortality, lapse, expenses, non-guaranteed benefits and a margin for adverse deviations. This results in a more conservative liability as gains on surrender are not anticipated in the valuation method.

(e) Investment risk

The investment risk represents the risks associated with changing interest rates. Whenever interest rates increase, market values of AFS financial assets decrease while interest income on new investments increases. As interest rates decline, market values of AFS financial assets increase while interest income on new investments decreases.

Financial assets at FVTPL and AFS financial assets are subject to declines in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest. When permitted by regulatory authorities and when deemed necessary to protect insurance assets, including invested assets, from adverse movements of foreign currency exchange rates, interest rates and equity prices, the Company may also enter into derivative transactions as end users.

To minimize these risks, the Company monitors the projected asset and liability cash flows to make sure that an acceptable level of matching exists. In purchasing fixed income instruments, the Company selects bonds with tenors that narrow the gap between asset and liability cash flows of the Company. Investment risks are reduced when assets and liability cash flows are adequately matched.

VUL policyholders bear the risks and rewards of investment fund performance, including interest risks under the contractual arrangement.

Fair value of financial instruments

The following tables summarize the carrying amount and fair values of the financial assets, financial liabilities and non-financial assets, analyzed based on inputs to fair value:

	2023				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets at FVTPL					
Quoted equity securities	7,424,000	7,424,000	-	-	7,424,000
Derivative asset	87,950,334	-	87,950,334	-	87,950,334
Investment in unit-linked funds	142,558,674	142,558,674	-	-	142,558,674
Financial assets for unit-linked contracts	96,645,882,430	96,645,882,430	-	-	96,645,882,430
AFS financial assets					
Government debt securities	9,715,974,470	9,715,974,470	-	-	9,715,974,470
Private debt securities	1,312,927,044	1,312,927,044	-	-	1,312,927,044
Equity securities	115,000,000	115,000,000	-	-	115,000,000
Total financial assets carried at fair value	108,027,716,952	107,939,766,618	87,950,334	-	108,027,716,952
Financial liabilities for unit-linked contracts	96,645,882,430	96,645,882,430	-	-	96,645,882,430
Financial assets for which fair values are disclosed					
HTM investments - government securities	3,875,551,331	3,875,551,331	-	-	3,875,551,331
	15,257,385,853	15,169,435,519	87,950,334	-	15,257,385,853

	2022				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets at FVTPL					
Quoted equity securities	7,680,000	7,680,000	-	-	7,680,000
Derivative asset	26,272,287	-	26,272,287	-	26,272,287
Investment in unit-linked funds	216,576,220	117,438,629	99,137,591	-	216,576,220
Financial assets for unit-linked contracts	77,121,915,674	76,775,833,469	346,082,205	-	77,121,915,674
AFS financial assets					
Government debt securities	9,649,111,323	9,649,111,323	-	-	9,649,111,323
Private debt securities	2,020,714,804	1,773,860,167	246,854,637	-	2,020,714,804
Equity securities	78,000,000	78,000,000	-	-	78,000,000
Total financial assets carried at fair value	89,120,270,308	88,401,923,588	718,346,720	-	89,120,270,308
Financial liabilities for unit-linked contracts	77,121,915,674	76,775,833,469	346,082,205	-	77,121,915,674
Financial assets for which fair values are disclosed					
HTM investments - government securities	-	-	-	-	-
	11,998,354,634	11,626,090,119	372,264,515		11,998,354,634

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. In 2022, investment in unit-linked funds and financial assets for unit-linked contracts with a fair value of P99,137,591 and P346,082,205 were transferred out of Level 3 into Level 2 fair value due to the availability of observable inputs closer to maturity date. In 2023, there were no transfers between levels in the fair value hierarchy.

Fair values of financial instruments are estimated as follows:

(i) AFS financial assets and HTM investments

The fair values of AFS financial assets and HTM investments that are actively traded in organized financial markets is determined by reference to quoted market within bid-ask prices, at the close of business reporting date or the last reporting date (Level 1). If the market prices are not readily available, such as in private debt securities, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology at the current market yield (Level 2).

(ii) Financial assets at FVTPL and financial assets and liabilities for unit-linked contracts

The fair values of equity and debt securities under Level 1 of the fair value hierarchy are determined by reference to quoted market bid prices, at the close of business reporting date, or the last reporting date.

The fair values of equity-linked note under Level 2 of the fair value hierarchy are determined by running simulations on underlying indices that are directly observable to project the possible payouts of the instruments. The value of financial liabilities for unit-linked contracts follows those of the underlying assets.

The fair values of equity-linked notes under Level 3 of the fair value hierarchy are determined by running simulations on the underlying indices to project the possible payouts of the instruments. The value of financial liabilities for unit-linked contracts follows those of the underlying assets.

(iii) Derivative asset

The fair value of derivative is the best estimate for the present value of an Allianz equity incentive plan hedge based on standard mathematical models and market data as of the valuation date (Level 2).

(iv) Other financial assets (at amortized cost)

The carrying values of other financial assets and liabilities including cash and cash equivalents, short term investments and loans and receivables reasonably approximate their fair values due to their short-term nature.

Sensitivity

The structured VUL (Level 2) can be decomposed into underlying fixed income security, foreign exchange movements from Cross Currency Swap (CCS) and the value of the underlying option. The fair value of structured note has been computed by the Issuer using present value calculations and option pricing models, as applicable. Management performs reasonableness assessment of the Issuer's calculated value of the structured VUL. The inputs used in the reasonableness assessment are summarized in the table below:

Structured note	Significant observable Inputs
Dollar denominated	US Dollar/Philippine Peso Spot Rate INGUSGCE Index

As at December 31, 2022, the management assessed that the underlying option's time value is close to zero as the maturity date of the structured note is less than one year, and as such, the intrinsic value of the underlying option has been used as reference.

Roll-forward analyses for the balances of Global Treasures are as follows:

	Note	2023	2022
Beginning		346,082,205	382,615,747
Purchases		-	-
Maturities		(460,722,407)	-
Revaluation*		114,640,202	(36,533,542)
	3	-	346,082,205

**Revaluation is reflected only as increase (decrease) in the asset and liability of the Company. No impact in profit or loss or other comprehensive income.*

(f) Financial risk

The Company is exposed to financial risk through its financial assets, and financial liabilities. In particular, the key financial risk that the Company is exposed to 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.

(g) Credit risk

Credit risk represents the loss that would be recognized if counterparties to investment transactions are unable or unwilling to fulfill their payment obligations. The credit risk arising from investment transactions is not significant as most of the Company's investments are in government securities, which are by definition risk-free. In addition, availability and trading of private debt securities are very limited. At present, the Company has exposure on private debt securities. All purchases, especially private debt securities, goes through a stringent process of credit review and must be approved by the Company's Investment Committee and are subject to approval of the IC. Credit valuations and review are performed on a regular basis. The Company does not have any credit risk concentrations other than to the Philippine National Government due to its government bond investments. Aggregate exposure to all non-investment grade and unrated counterparties is at a maximum of 12% of total investment assets.

The Company has no substantial credit risk for policy loans since the loan amount is covered by the cash surrender value of the life insurance policy.

The Company issues unit-linked insurance policies. In the unit-linked business, the policyholder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets except for certain capital guaranteed products wherein the total fund value is expected to be lower than the guaranteed pay-outs to the policyholders. As at December 31, 2022, the Company's capital guaranteed products are still performing above the guaranteed amounts. As at December 31, 2023, all of the remaining capital guaranteed products have already matured.

As of December 31, 2023 and 2022, the carrying values of the Company's financial instruments represent maximum exposure to credit risk at reporting date.

The tables below provide information regarding the exposure of the Company by classifying assets according to credit ratings of the counterparties.

	Neither past due nor impaired			
2023	Investment grade	Non-investment grade satisfactory	Past due or impaired	Total
Financial assets				
Cash and cash equivalents*	1,822,627,828	-	-	1,822,627,828
Insurance receivables	-	84,233,426	-	84,233,426
AFS financial assets				
Government debt securities	9,715,974,470	-	-	9,715,974,470
Private debt securities	1,312,927,044	-	-	1,312,927,044
Financial assets at FVTPL				
Derivative asset	87,950,334	-	-	87,950,334
HTM investments	3,875,551,331	-	-	3,875,551,331
Loans and receivables				
Policy loans	-	295,471,032	-	295,471,032
Accrued income	238,694,176	-	-	238,694,176
Due from unit-linked fund	47,851,677	-	-	47,851,677
Advances from employees and agents	-	58,060,410	-	58,060,410
Other receivables	-	4,144,986	-	4,144,986
Rental and other deposits	-	18,902,368	-	18,902,368
Total financial assets	17,101,576,860	460,812,222	-	17,562,389,082

**Excluding petty cash fund.*

	Neither past due nor impaired			
2022	Investment grade	Non-investment grade satisfactory	Past due or impaired	Total
Financial assets				
Cash and cash equivalents*	1,249,931,192	-	-	1,249,931,192
Insurance receivables	-	35,442,964	-	35,442,964
AFS financial assets				
Government debt securities	9,649,111,323	-	-	9,649,111,323
Private debt securities	2,020,714,804	-	-	2,020,714,804
Financial assets at FVTPL				
Derivative asset	26,272,287	-	-	26,272,287
HTM investments	-	-	-	-
Loans and receivables				
Policy loans	-	332,934,129	-	332,934,129
Accrued income	162,063,417	-	-	162,063,417
Due from unit-linked fund	52,587,257	-	-	52,587,257
Advances from employees and agents	-	53,773,652	-	53,773,652
Other receivables	-	7,315,190	-	7,315,190
Rental and other deposits	-	18,870,907	-	18,870,907
Total financial assets	13,160,680,280	448,336,842	-	13,609,017,122

**Excluding petty cash fund.*

The Company applies a credit rating concept based on the borrowers' and counterparties' overall credit worthiness, as follows:

1. Accrediting the financial institutions, brokers/dealers, intermediaries, and advisors with which the Company will do business. This accreditation is reviewed regularly.
2. Diversifying the portfolio so that risk exposure and concentration is minimized, and consequent potential losses could be managed. The Company limits exposure per issuer, per group of companies and per industry type.
3. Investing mainly on issues guaranteed by the Republic of the Philippines, or corporate papers issued by blue-chip companies with investment grade credit ratings.
4. Securing required approval by the Insurance Commission on investments other than sovereign issues as admitted assets / reserve investments of the Company.

In general, investment grade rating is given to counterparties who possess strong to very strong capacity to meet their obligations while non-investment grade rating is given to counterparties who posses above average capacity to meet their obligations.

All equity securities and financial assets for unit-linked contracts are classified as investment grade and there are no impaired securities. Hence, no impairment losses were recognized for the years ended December 31, 2023 and 2022.

(h) Liquidity risk

Major sources of liquidity for the Company's operational activities are insurance premiums received, investment income, and proceeds generated from the maturity or sale of investments. These funds are mainly used to pay life policy benefits, surrenders and cancellations, acquisition costs, and operating costs. Large part of premiums before payments of claims or policy benefits are required, generating solid cash flows from the insurance operations. This allows investment in funds in the interim to create investment income. The insurance operations also carry a high proportion of liquid investments, which can be converted into cash to pay for claims. Generally, investments in fixed-income securities are sequenced to mature when funds are expected to be needed.

The overall liquidity depends on capital market developments, interest rate levels, and the Company's ability to realize the market value of its investment portfolio to meet insurance claims and policyholder benefits. Liquidity needs are also influenced by trends in actual mortality rates compared to the assumptions underlying life insurance reserves. Market returns, crediting rates, and the behavior of the life insurance clients - for example, regarding the level of surrenders and withdrawals - can also have impacts. The Company, therefore, cannot predict the requirements of funding with absolute certainty since the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate, based on statistical techniques and past experience.

The tables below summarize the maturity profile of financial liabilities of the Company using undiscounted contractual maturities based on remaining contractual obligations, or for the insurance contract liabilities, based on the estimated timing of net cash outflows.

2023	Up to a year*	1 to 3 years	3 to 5 years	Over 5 years	Total undiscounted liabilities	Present value of liabilities
Insurance contract liabilities	1,134,358,675	1,652,771,873	2,359,401,860	18,762,098,255	23,908,630,663	12,162,267,075
Due to reinsurer	98,518,684	-	-	-	98,518,684	98,518,684
Premium deposit fund	190,634,536	-	-	-	190,634,536	190,634,536
Accounts payable and accrued expenses	2,480,732,328	-	-	-	2,480,732,328	2,480,732,328
Lease liability	47,925,558	48,649,815	-	-	96,575,373	87,741,473
Financial liabilities for unit-linked contracts	96,645,882,430	-	-	-	96,645,882,430	96,645,882,430
Total financial liabilities	100,598,052,211	1,701,421,688	2,359,401,860	18,762,098,255	123,420,974,014	111,665,776,526

***Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.**

2022	Up to a year*	1 to 3 years	3 to 5 years	Over 5 years	Total undiscounted liabilities	Present value of liabilities
Insurance contract liabilities	1,813,705,105	912,969,656	2,020,738,461	17,211,613,604	21,959,026,826	9,865,845,477
Due to reinsurer	52,672,159	-	-	-	52,672,159	52,672,159
Premium deposit fund	176,378,281	-	-	-	176,378,281	176,378,281
Accounts payable and accrued expenses	2,081,832,062	-	-	-	2,081,832,062	2,081,832,062
Lease liability	43,549,402	97,831,624	-	-	141,381,026	104,134,817
Financial liabilities for unit-linked contracts	77,121,915,674	-	-	-	77,121,915,674	77,121,915,674
Total financial liabilities	81,290,052,683	1,010,801,280	2,020,738,461	17,211,613,604	101,533,206,028	89,402,778,470

Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.

The Company manages liquidity risk through liquidity risk assessment and asset/liability management processes, where it reconciles liquidity sources (e.g., cash from premiums and investments) and liquidity needs (e.g., payments due to insurance claims and expenses) under its best-estimate plan as well as under hypothetical adverse scenarios. In its investment strategy, the Company also place particular focus on the quality of investments and ensure a sufficient portion of liquid assets in our portfolios.

The Company identifies the following events that might lead to liquidity shortages:

- Catastrophe claims
- Mass lapse
- Credit counterparty defaults that leads to default of expected cash inflows
- Strategic and reputational events
- Various operational events, including delayed payment by reinsurance counterparties
- Large penalties payable

The measures and limits below serve to address the above-mentioned sources of liquidity risk:

	Limit
Minimum working capital level	Higher of P100million or weekly funding requirement
Maximum liquidity intensity ratio (after stress) = Liquidity needs/Liquidity sources To further mitigate liquidity risk in extreme event	80% of total invested assets

The Investment team monitors the required minimum liquid asset allocation on a monthly basis. In case of breaches, the Investment department shall propose and execute action plan to ensure compliance.

The Risk team monitors the liquidity intensity ratio for the base case and for adverse scenarios, based on the Allianz Standard for Liquidity Risk Management, on a quarterly basis.

Target limit of allocation in liquid assets (cash and cash equivalents including repos) has a leeway of +/-10% for both PHP and USD. This is in line with the set Strategic Asset Allocation (SAA) of the Company.

(i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rate (currency risk), market interest rate (interest rate risk), and market price (equity price risk).

In the unit-linked business, the policyholder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the Company has no material market risk (currency risk, interest rate risk and other price risk) on unit-linked financial assets except for certain capital guaranteed products wherein the total fund value is expected to be lower than the guaranteed pay-outs to the policyholders. As at December 31, 2022, the Company's capital guaranteed products are still performing above the guaranteed amounts. As at December 31, 2023, all of the remaining capital guaranteed products have already matured.

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

- Market risk policy on the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Asset allocation and portfolio limit structure to ensure that assets back specific policyholders' liabilities and those assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

- Diversification benchmarks by type of instrument, as they are exposed to guaranteed bonuses, cash and annuity options when interest rates falls.

(j) Currency risk

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

Assets and liabilities are denominated both in PHP and USD. The assets are sufficient to match the corresponding liabilities except when an intentional currency mismatch is suitable during times of rapidly depreciating currency. The surplus of the Company is invested in Philippine Peso.

The following tables show the details of the Company's significant foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents.

	2023		2022	
	US$	PHP	US$	PHP
Financial assets				
Cash and cash equivalents	5,933,384	328,531,492	8,274,888	461,366,396
Investment in unit-linked funds	209,726	11,612,541	1,973,559	110,045,667
AFS financial assets	27,879,064	1,543,663,755	31,745,347	1,770,120,546
HTM investments	4,514,201	249,951,308	-	-
Accrued income	568,038	31,452,276	550,851	30,712,695
Policy loans, including due and uncollected premiums	394,089	21,820,696	762,655	42,521,865
	39,498,502	2,187,032,068	43,307,300	2,414,767,169

	2023		2022	
	US$	PHP	US$	PHP
Financial liabilities				
Aggregate reserves on life policies	25,499,192	1,411,890,243	28,258,206	1,575,536,257
Premium deposit fund	285,605	15,813,931	281,232	15,680,098
	25,784,797	1,427,704,174	28,539,438	1,591,216,355
	13,713,705	759,327,894	14,767,862	823,550,813

The foreign exchange rate used in 2023 was P55.37 to US$1 (2022 - P55.76 to US$1).

Unrealized foreign exchange loss recognized in the statements of income under Foreign exchange loss, net in 2023 amounted to P8,636,617 (2022 - loss of P5,892,624).

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

Period	Currency	Changes in Variable	Impact on profit after tax
2023	US$	0.25%	1,597,180
		(0.25%)	3,390,466
2022	US$	0.25%	1,658,817
		(0.25%)	(1,658,817)

The Company determined the reasonably possible change in foreign exchange rates by using management's assessment of shift in Bankers Association of the Philippines (BAP) closing rates as at December 29, 2023.

(k) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments in government bonds and private debt securities classified as AFS financial assets are particularly exposed to fair value interest rate risk. The Company is not exposed to significant cash flow interest rate risk considering the nature and the terms of its significant financial assets and liabilities which carries fixed interest rates and/or measured at amortized cost.

The Company's investment policy requires it to buy and hold AFS financial assets, unless the need to sell arises, and to reduce the duration gap between financial assets and financial liabilities to minimize interest rate risk. Securities are also marked-to-market monthly to reflect and account for both unrealized gains and losses.

The following table shows the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

		Maturity				
2023	Range of Interest rate	Up to a year*	1-3 years	3-5 years	Over 5 years	Total
AFS financial assets						
Government debt securities						
Peso-denominated	2.88%-18.25%	-	439,427,607	945,566,613	7,095,807,239	8,480,801,459
Dollar-denominated	2.88%-10.63%	153,172,869	-	239,879,617	842,120,525	1,235,173,011
Private debt securities						
Peso-denominated	4.20%-6.49%	252,691,543	728,906,275	-	22,838,482	1,004,436,300
Dollar-denominated	3.00%-8.60%	122,546,213	60,335,028	-	125,609,503	308,490,744
Total AFS financial assets		528,410,625	1,228,668,910	1,185,446,230	8,086,375,749	11,028,901,514

**Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.*

		Maturity				
2022	Range of Interest rate	Up to a year*	1-3 years	3-5 years	Over 5 years	Total
AFS financial assets						
Government debt securities						
Peso-denominated	0.00%-18.25%	1,319,536,471	353,758,774	176,036,100	6,577,929,626	8,427,260,971
Dollar-denominated	2.65%-9.50%	-	162,230,574	-	1,059,619,777	1,221,850,352
Private debt securities						
Peso-denominated	4.20%-6.49%	396,789,371	971,945,195	82,362,411	21,347,634	1,472,444,610
Dollar-denominated	3.00%-8.60%	242,819,827	123,113,062	63,491,006	118,846,299	548,270,194
Total AFS financial assets		1,959,145,669	1,611,047,605	321,889,517	7,777,743,336	11,669,826,127

**Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.*

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity (that reflects adjustments on the fair value of fixed rate AFS financial assets).

2023	Change in variables	Impact on equity
Peso	+0.25%	(146,911,394)
US Dollar	+0.25%	(30,659,160)
Peso	-0.25%	150,368,748
US Dollar	-0.25%	31,776,532

2022	Change in variables	Impact on equity
Peso	+0.25%	(130,079,313)
US Dollar	+0.25%	(31,801,258)
Peso	-0.25%	143,258,030
US Dollar	-0.25%	32,966,865

The Company determined the reasonably possible change in fair value interest rate risk by using management's assessment of the reasonable shift of the Company's sustainable portfolio yields.

(l) Equity price risk

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

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Company's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The Company has certain direct minority investments in publicly traded companies. These investments are classified as financial assets at FVTPL. The Company also has investments in proprietary shares classified as AFS financial assets.

The fair value of listed equity securities classified as financial assets at FVTPL as at December 31, 2023 amounted to P7,424,000 (2022 - P7,680,000) (Note 4). The fair value of proprietary shares classified as AFS financial assets as at December 31, 2023 amounted to P115,000,000 (2022 - P78,000,000) (Note 4).

The analysis below is performed for reasonably possible movements in the PSE index with all other variables held constant, showing the impact on equity and profit or loss after tax (that reflects changes in fair value of financial assets at FVTPL). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

2023	Change in variables	Impact on equity/profit or loss after tax
PSEi	0.77%	58,079
PSEi	-0.77%	(58,079)

2022	Change in variables	Impact on equity/profit or loss after tax
PSEi	5.08%	226,699
PSEi	-5.08%	(226,699)

The impact to equity and profit or loss after tax is arrived at using the reasonably possible change of PSEi closing rate as at December 29, 2023 and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

Based on the exposure to equity price risks of proprietary shares classified as AFS financial assets at December 31, 2023 and 2022, if prices had been 10% higher or lower, equity for the year ended December 31, 2023 and 2022, would have increased or decreased by P8,625,000 (2022 - P7,800,000). The shift in prices has been determined using management's assessment of a material fluctuation in fair value of proprietary shares.

(m) Deferral of PFRS 9, Financial instruments

The amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts, issued in September 2016, allow entities that issue insurance contracts within the scope of PFRS 4 to defer the implementation of PFRS 9 until January 1, 2021 under certain circumstances.

In November 2018, the IASB Board voted to propose a one-year deferral of the effective date for PFRS 17 to 2022. As a consequence of the PFRS 17 deferral, the Board also agreed to revise the fixed expiry date of the temporary exemption from PFRS 9 in PFRS 4 to allow entities to continue applying the temporary exemption from PFRS 9 until January 1, 2023.

The IC, through its CL No. 2018-69, has deferred the implementation of PFRS 17 for life insurance and non-life insurance industry to January 1, 2023. On May 18, 2020, the IC, through its CL No. 2020-62, has further deferred the implementation of PFRS 17 for life insurance and non-life insurance industry to January 1, 2025 or two (2) years after its effective date as decided by the IASB (i.e., January 1, 2023).

The Company meets the eligibility requirements set out in 'Applying IFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)'; and has elected to defer the application of PFRS 9 until the Company adopts PFRS 17.

In order to qualify for the temporary exemption, an entity has to prove that its activities are predominantly connected to insurance as of December 31, 2015. Under the amended PFRS 4, this condition is met if the insurer carries significant liabilities arising from contracts within the scope of PFRS 4.

Significant insurance-related liabilities are given, among others, if the percentage of the total carrying amount of liabilities connected with insurance relative to the total carrying amount of all liabilities is greater than 90%. A reassessment at a subsequent annual reporting date is required if, and only if, there was a change in the entity's activities during the annual period that ended on that date.

As of December 31, 2015, the Company's total carrying amount of liabilities connected with insurance amounted to P21,048,319,666 which represented 98.12% of its total liabilities of P21,452,621,009.

The Company did not subsequently reassess its eligibility for the temporary exemption from PFRS 9 as there was no change in the Company's activities from December 31, 2015 to December 31, 2023 and 2022.

The following table provides an overview of the fair values as at December 31, 2023 and 2022, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

	Financial assets that meet the SPPI criteria		All other financial assets	
December 31, 2023	Fair value	Fair value change during the reporting period	Fair value	Fair value change during the reporting period
Cash and cash equivalents	1,822,627,828	-	-	-
Financial assets for unit-linked contracts	-	-	96,645,882,430	-
Financial assets at fair value through profit or loss	-	-	237,933,008	(63,545,831)
Available-for-sale financial assets	10,653,084,949	(185,508,532)	490,816,565	(418,416,080)
Loans and receivables	401,505,875	-	-	-
Held-to-maturity investments	3,875,551,331	-	-	-
Rental and other deposits	18,902,368	-	-	-
	16,771,672,351	(185,508,532)	97,374,632,003	(481,961,911)

	Financial assets that meet the SPPI criteria		All other financial assets	
December 31, 2022	Fair value	Fair value change during the reporting period	Fair value	Fair value change during the reporting period
Cash and cash equivalents	1,249,931,192	-	-	-
Financial assets for unit-linked contracts	-	-	77,121,915,674	-
Financial assets at fair value through profit or loss	-	-	250,528,507	136,726,256
Available-for-sale financial assets	10,838,593,481	(1,005,656,285)	909,232,646	(211,970,013)
Loans and receivables	275,739,516	-	-	-
Held-to-maturity investments	-	-	-	-
Rental and other deposits	18,870,907	-	-	-
	12,383,135,096	(1,005,656,285)	78,281,676,827	(75,243,757)

The financial assets for unit-linked contracts are exclusively held on behalf and for the benefit of unit-linked policyholders. To ensure consistency with the corresponding accounting treatment for the unit-linked contracts, these investments are designated at fair value through profit or loss under current accounting rules. This treatment is going to be maintained under the future PFRS 9 regime accordingly.

The following tables provide information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion at December 31, 2023 and 2022. It includes the carrying amounts applying PAS 39 (in the case of financial assets measured at amortized cost before adjusting for any impairment allowances):

	Neither past due nor impaired			
December 31, 2023	Investment grade	Non-investment grade	Past due or Impaired	Total
Cash and cash equivalents	1,822,627,828	-	-	1,822,627,828
Available-for-sale financial assets	10,653,084,949	-	-	10,653,084,949
Loans and receivables	349,509,212	51,996,663	-	401,505,875
Held-to-maturity investments	3,875,551,331		-	3,875,551,331
Rental and other deposits	-	18,902,368	-	18,902,368
	16,700,773,320	70,899,031	-	16,771,672,351

	Neither past due nor impaired			
December 31, 2022	Investment grade	Non-investment grade	Past due or Impaired	Total
Cash and cash equivalents	1,249,931,192	-	-	1,249,931,192
Available-for-sale financial assets	10,838,593,481	-	-	10,838,593,481
Loans and receivables	215,837,069	59,902,447	-	275,739,516
Held-to-maturity investments	-	-	-	-
Rental and other deposits	-	18,870,907	-	18,870,907
	12,304,361,742	78,773,354	-	12,383,135,096

The fair values of financial assets included in the tables above that are non-investment grade, and thus do not have low credit risk as of December 31, 2023 and 2022, approximately equal the respective carrying amounts.

28. Summary of other potentially material accounting policies

28.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The financial statements of the Company have been prepared on a historical cost basis, except for AFS financial assets, financial assets at FVTPL, financial assets and liabilities for unit-linked contracts, derivative financial instruments and retirement plan assets used in calculating pension liability which have all been measured at fair value. The financial statements are presented in Philippine Peso (“Peso” or “PHP”), which is the Company’s functional currency.

The Company’s statements of financial position is not presented using a current and non-current classification. The property and equipment, net and software and intangible assets under development, net are generally considered to be non-current.

28.2 Changes in accounting policies and disclosures

(a) New standards and interpretations adopted by the Company

The following relevant amended standards have been adopted by the Company effective January 1, 2023:

- Amendments to PAS 1, *‘Presentation of Financial Statements’*

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to PAS 8, *‘Accounting Policies, Changes in Accounting Estimates and Errors’*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, *'Income Taxes*

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments did not have a material impact on the financial statements of the Company.

(b) New standards not yet effective and not early adopted by the Company

The following relevant new accounting standards and interpretations are not mandatory for the December 31, 2023 reporting period and has not been early adopted by the Company:

- IFRS 17, 'Insurance Contracts' (effective January 1, 2023). PFRS 17, 'Insurance contracts'. IFRS 17 was issued in May 2017 as replacement for IFRS 4, 'Insurance Contracts'. In addition, the IASB issued further amendments to IFRS 17 in June 2020 and December 2021. The December 2021 amendment permits the Company to present comparative information about financial assets as if the classification and measurement requirements of IFRS 9 'Financial Instruments' (IFRS 9) had been applied to that financial asset in the comparative period (the "Classification overlay").

  IFRS 17 is effective for annual reporting periods commencing on or after January 1, 2023. The adoption of IFRS 17 will result in significant changes to the accounting for insurance contracts issued and reinsurance contracts held by the Company. In the Philippines, in view of the impact of the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-62 dated May 18, 2020 to further defer the implementation of PFRS 17 for life and non-life insurance industries to January 1, 2025.

  PFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance. The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. The fulfillment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting, and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognize as it provides services over the coverage period. The variable fee approach is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts. The premium allocation approach is a simplified approach an entity may choose to use for short duration contracts or when certain criteria are met.

  Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To build groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts.

PFRS 17 contains an accounting policy option to recognize changes in financial parameters either in profit or loss or in other comprehensive income. This so-called "OCI option" can be exercised at the level of individual portfolios. Under this option, loss reserves are discounted for profit or loss with locked-in interest rates from the respective accident years, and the discounting effect needs to be recognized as interest accretion in the investment result until reserves expire.

In general, direct participating business, where the rules on profit sharing are defined by legal or contractual rights, will be eligible for the variable fee approach. Indirect participating business, where the payments to the policyholder depend on the investment performance but there are no fixed rules on how the performance is passed on to the policyholders, as well as non-participating business, will be accounted for under general measurement model. The Company will continue to have unit-linked insurance contracts, which are contracts with significant insurance risk, and will be accounted for under the variable fee approach.

As at December 31, 2023, the Allianz Group has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from January 1, 2023. These standards have brought significant changes to the accounting for insurance contracts and financial instruments.

The decision of Allianz Group in respect to the accounting policy choice for the transition approach involved the consideration of multiple criteria, such as availability of reliable and objective information, operational complexity, or the reasonableness of the split between earned and unearned profits. The Allianz Group applied modifications under the modified retrospective approach only to the extent that it did not have reasonable and supportable information available to apply IFRS 17 retrospectively. Under the fair value approach, the Allianz Group replaces entity-specific assumptions when determining the fair value of a group of contracts with objective assumptions that an average market participant would use for pricing the liability. For this, the Allianz Group has determined the exit price either based on a real-world projection of the present value of future profits of the group of contracts or using an internal rate of return methodology based on distributable earnings.

- PFRS 9, *'Financial instruments'* (effective January 1, 2018). PFRS 9 deals with the classification, measurement and impairment of financial instruments, as well as hedge accounting.

  PFRS 9 fully replaces PAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward-looking impairment model for debt instruments and provides new rules for hedge accounting.

  It can be assumed that the main impact from PFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through income as well as the new impairment model. Interdependencies with PFRS 17 will need to be considered to assess the ultimate combined impact of both standards.

  Although PFRS 9 has an effective date for accounting periods beginning on or after January 1, 2018, the Company has elected to avail of the optional relief provided in *'Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)'* given the strong interrelation between the measurement of direct participating insurance contracts and the underlying assets held until IFRS 17 becomes effective. The basis for Company's eligibility for electing to defer the application of PFRS 9 and associated required disclosures are set out in more detail in Note 27.

The Company is on track with its overall transition and implementation plans to fully adopt PFRS 17 and 9 effective January 1, 2025. However, management deemed it impracticable to reasonably determine and quantify the financial impact at this stage, in light of the remaining phases of transition and implementation plans which are in progress at reporting date.

- Amendments to PAS 1, ‘Presentation of Financial Statements’ (effective 1 January 2024). The amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the ‘settlement’ of a liability.

The adoption of above amendments or standards, except for PFRS 17 and PFRS 9, is not expected to have a material impact on the financial statements of the Company.

There are no other standards, amendments or interpretations that are effective beginning on or after January 1, 2023 that are considered relevant and have material impact to the Company.

28.3 Insurance product classification

As a general guideline, the Company defines significant insurance risk, if an insured event could cause the Company to pay significant additional benefits, where additional benefits refer to amounts that exceed those that would be payable if no insured event occurred. An additional benefit is considered to be significant if it is at least 10% more than what would be payable if the policy was surrendered. Insurance contracts also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index or price or rates, a credit rating or credit index or another variable. Investment contracts mainly transfer financial risk but may also transfer insignificant insurance risk.

The options and guarantees within the insurance contracts issued by the Company are treated as derivative financial instruments which are closely related to the host insurance and therefore not bifurcated subsequently. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payment on the contract to units of internal investment funds meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract.

Based on Company’s guidelines, all products in its portfolio meet the definition of insurance contracts, including unit-linked products, which contain features that make use of funds specifically segregated for the benefit of unit-linked policyholders.

28.4 Financial instruments

28.4.1 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Company’s statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

The Company does not have enforceable master netting arrangement or similar arrangement that meet the requirements for offsetting in line with PAS 32.

28.4.2 Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

AFS financial assets carried at fair value

In the case of equity investments classified as AFS financial assets, 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 statement of income, is removed from other comprehensive income and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "Investment income" in the statement of income. If, in 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 statement of income, the impairment loss is reversed through the statement of income.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate or the effective interest rate computed at initial recognition. The carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account. HTM investments and loans and receivables, together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all the collaterals have been realized. The amount of the loss shall be recognized in the statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the Company, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence exists for an individually assessed financial asset, whether significant or not, the financial assets is included in a group of financial assets with similar characteristics such as customer type, payment history, pass due status and term, and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being revaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continuous to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the statement of income. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

28.5 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets, mainly property and equipment, software and intangible assets under development, may be impaired. When an indicator of impairment exists or when an impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the property and equipment (or cash-generating unit). An impairment loss is charged against operations in the year in which it arises.

For non-financial assets, 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 statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as an adjustment to the revaluation increment. After such a reversal, the depreciation and amortization 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.

28.6 Liability adequacy test

Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling, and policy administration expenses are used. Any deficiency is immediately charged against the statement of income initially by establishing a provision for losses arising from the liability adequacy tests. The adequacy of the liability on insurance contracts is tested based on the pricing assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of a new set of revised best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities. The liability adequacy test is addressed by the gross premium valuation performed by the Company for the aggregate reserves for life policies.

28.7 Provisions and contingencies

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefit is probable.

28.8 Comparatives

Some comparative amounts have been restated to conform to current year presentation.

29. Supplementary tax information under Revenue Regulations No. 15-2010

The Company reported and paid the following taxes in 2023:

(i) Premium tax

The Company is primarily engaged in the business of life insurance and paid the amount of P80,428,048 (Note 20) as percentage tax pursuant to the Tax Code and based on the amount reflected in the premiums on insurance contracts.

(ii) VAT

As of December 31, 2023, the Company recognized taxable sales from management fee revenue and other income in the amount P935,943,125 and output tax in the amount of P112,313,175. Output VAT payable as at December 31, 2023 amounts to P28,710,252 which is presented in taxes payable under “Accounts payable, accrued expenses, and provisions” account.

Details of input VAT in 2023 follows:

	Amounts
Beginning balance	8,604,809
Add: Current year’s domestic purchases/payments for:	
Services	12,530,191
Goods other than capital goods	283,019
Capital goods not subject to amortization	4,482,236
Capital goods subject to amortization	-
Input VAT applied against output VAT	25,900,255
Total input VAT	25,900,255

(iii) Custom duties and tariff

The Company does not have transactions subject to customs duties and tariff fees.

(iv) Documentary Stamp Tax (DST)

The DST paid/accrued on the following transactions are as follows:

	Base	DST
Life insurance policies (based on face amount)	228,402,137,996	4,383,300
Policy loans	23,287,633	174,657
	228,425,425,629	4,557,957

DST above includes remittances of DST that were paid on behalf of the counterparty.

(v) Other taxes and licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees.

Details consist of the following:

	Amounts
Mayor's permit	22,930,670
Penalties including interest and surcharge	16,571,645
BIR annual registration	13,000
CTC	10,500
Others (IC Fees, Notarial Fees, PTR, etc.)	4,287,276
Total	43,813,091

The above other taxes and licenses are presented in taxes and licenses under "General and administrative expenses" account.

(vi) Withholding taxes

The amount of withholding taxes paid and accrued for the year amounted to:

	Paid	Accrued	Total
Tax on compensation and benefits	110,729,081	6,221,253	116,950,334
Creditable withholding taxes	96,091,652	10,731,160	106,822,812
Fringe benefit taxes	2,481,717	1,225,844	3,707,561
Final withholding taxes	2,792,129	72,000	2,864,129
Withholding VAT	703,332	-	703,332
Total	212,797,911	18,250,257	231,048,168

Accrued withholding taxes are included in taxes payable under "Accounts payable, accrued expenses, and provisions" account.

(vii) Tax assessment

Taxable year 2020, 2021 and 2022 are open tax years as at December 31, 2023. The Company has received a Letter of Authority (LOA) for taxable year 2019 on June 6, 2023. The 2019 tax assessment was finalized and paid on October 31, 2023.

The Company has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside BIR as at December 31, 2023.