METROPOLITAN INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS
December 31, 2022 and 2021

With Independent Auditors' Report

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Metropolitan Insurance Company, Inc.
3/F Athenaeum Bldg., 160 L.P. Leviste St.
Salcedo Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Metropolitan Insurance Company, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on the Supplementary Information Required Under Revenue Regulation No. 15-2010 and Revenue Regulation No. 34-2020 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 32 to the basic 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. The supplementary information has been subjected to the auditing procedures applied in our audit 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.

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN
Partner
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covering the audit of 2021 to 2025 financial statements
SEC Accreditation No. 147917-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 429-267-284
BIR Accreditation No. 08-001987-150-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 9563847
Issued January 3, 2023 at Makati City

October 9, 2023
Makati City, Metro Manila

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
Metropolitan Insurance Company, Inc.
3/F Athenaeum Bldg., 160 L.P. Leviste St.
Salcedo Village, Makati City

We have audited the accompanying financial statements of Metropolitan Insurance Company, Inc. (the Company) as at and for the year ended December 31, 2022, on which we have rendered our report dated October 9, 2023.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R.G. MANABAT & CO.

Florizza C. Simangan

FLORIZZA C. SIMANGAN
Partner
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October 9, 2023
Makati City, Metro Manila

METROPOLITAN INSURANCE COMPANY, INC.
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2022**	2021
ASSETS			
Cash and cash equivalents	*4, 27*	**P1,129,276,633**	P726,768,079
Insurance receivables – net	*5, 27, 29*	**35,249,799**	34,324,965
Financial assets:	*6, 27, 29, 30*		
Available-for-sale financial assets		**13,294,655**	6,539,944
Held-to-maturity investments		**227,304,522**	230,177,318
Loans and receivables		**76,973,435**	4,662,675
Investment at fair value through profit or loss		**103,338**	-
Investment in associate	*7, 27, 29, 30*	**9,533,881**	-
Reinsurance assets	*8, 27*	**20,272,140**	9,868,172
Deferred acquisition costs	*9, 27*	**13,721,548**	9,903,120
Property and equipment – net	*10, 27*	**14,914,274**	13,687,868
Right-of-use asset – net	*24*	**11,851,246**	-
Other assets	*11, 27*	**17,896,028**	75,696,813
		P1,570,391,499	P1,111,628,954
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	*12, 27*	**P69,692,682**	P43,155,982
Insurance payable	*13, 27, 29, 30*	**8,734,038**	10,179,747
Commissions payable	*27, 29, 30*	**8,375,617**	5,131,279
Deferred reinsurance commissions	*9, 27*	**2,699,559**	2,359,588
Pension liability	*15, 27*	**740,722**	1,069,696
Lease liability	*24,27*	**12,431,206**	-
Deposit for future subscription	*23, 27*	**400,000,000**	-
Deferred tax liability – net	*22, 27*	**6,785,124**	4,836,077
Other payables	*14, 27*	**5,227,672**	8,229,356
Total Liabilities		**514,686,620**	74,961,725
Equity			
Capital stock	23	**1,110,482,753**	1,110,482,753
Contributed surplus	23	**20,603,655**	20,603,655
Revaluation reserve on:			
Available-for-sale financial assets	6	**9,727,782**	4,661,748
Property and equipment	10	**5,269,584**	4,188,834
Remeasurement gains on defined benefit plan	15	**2,281,191**	1,429,767
Deficit	23	**(92,660,086)**	(104,699,528)
Total Equity		**1,055,704,879**	1,036,667,229
		P1,570,391,499	P1,111,628,954

See Notes to the Financial Statements.

METROPOLITAN INSURANCE COMPANY, INC.
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2022**	2021
Gross earned premiums on insurance contracts		**P83,117,204**	P67,996,655
Reinsurers' share of gross earned premiums		**(21,630,173)**	(12,897,081)
NET EARNED INSURANCE PREMIUMS	*16*	**61,487,031**	55,099,574
Investment income	*19*	**50,510,854**	13,624,161
Commission income	*9*	**4,048,101**	2,039,670
Other income	*17*	**184,436**	3,080,377
OTHER REVENUE		**54,743,391**	18,744,208
TOTAL REVENUE		**116,230,422**	73,843,782
Gross insurance contract benefits and claims paid	*12, 18*	**8,461,021**	12,272,221
Reinsurers' share of gross insurance contract benefits and claims paid	*12*	**(759,697)**	(3,797,821)
Gross change in insurance contract liabilities	*18*	**12,653,061**	1,497,048
Reinsurers' share of gross change in insurance contract liabilities	*18*	**(9,532,251)**	1,368,314
NET INSURANCE BENEFITS AND CLAIMS		**10,822,134**	11,339,762
Operating expenses	*20*	**56,895,271**	39,410,561
Commissions expense	*9*	**24,195,583**	15,726,203
Other underwriting expense	*21*	**10,972,210**	12,344,681
OTHER EXPENSES		**92,063,064**	67,481,445
TOTAL BENEFITS, CLAIMS, AND OTHER EXPENSES		**102,885,198**	78,821,207
INCOME (LOSS) BEFORE INCOME TAX		**13,345,224**	(4,977,425)
Current income tax		**1,405,663**	3,142,379
Deferred income tax		**(99,881)**	876,042
PROVISION FOR INCOME TAX	*22*	**1,305,782**	4,018,421
NET INCOME (LOSS)		**12,039,442**	(8,995,846)
OTHER COMPREHENSIVE INCOME			
Item that will be reclassified to profit or loss in subsequent periods			
Net changes in the revaluation reserves on available-for-sale financial assets - net of tax	*6*	**5,066,034**	1,732,096
Item that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit plan	*15*	**851,424**	(174,409)
Revaluation reserve on property and equipment	*10*	**1,080,750**	22,268,010
Total other comprehensive income		**6,998,208**	23,825,697
TOTAL COMPREHENSIVE INCOME		**P19,037,650**	P14,829,851

See Notes to the Financial Statements.

METROPOLITAN INSURANCE COMPANY, INC.
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	**Capital Stock** (Note 23)	**Contributed Surplus** (Note 23)	**Revaluation Reserve on Available-for-Sale Financial Assets** (Note 6)	**Revaluation Reserve on Property and Equipment** (Note 10)	**Remeasurement Gains on Defined Benefit Plan** (Note 15)	**Deficit** (Note 23)	**Total**
Balance at January 1, 2022		**P1,110,482,753**	**P20,603,655**	**P4,661,748**	**P4,188,834**	**P1,429,767**	**(P104,699,528)**	**P1,036,667,229**
Net income during the year		**-**	**-**	**-**	**-**	**-**	**12,039,440**	**12,039,440**
Other comprehensive income	*6, 10, 15*	**-**	**-**	**5,066,034**	**1,080,750**	**851,424**	**-**	**6,998,208**
Total comprehensive income for the year		**-**	**-**	**5,066,034**	**1,080,750**	**851,424**	**12,039,440**	**19,037,648**
Balance at December 31, 2022		**P1,110,482,753**	**P20,603,655**	**P9,727,782**	**P5,269,584**	**P2,281,191**	**(P92,660,088)**	**P1,055,704,877**
Balance at January 1, 2021		P672,000,000	P20,603,655	P2,929,652	P50,947,224	P1,604,176	(P164,730,082)	P583,354,625
Net loss during the year		-	-	-	-	-	(8,995,846)	(8,995,846)
Other comprehensive income (loss)	*6, 10, 15*	-	-	1,732,096	22,268,010	(174,409)	-	23,825,697
Total comprehensive income for the year		-	-	1,732,096	22,268,010	(174,409)	(8,995,846)	14,829,851
Transfer to retained earnings	*10*	-	-	-	(69,026,400)	-	69,026,400	-
Issuance of shares during the year		438,482,753	-	-	-	-	-	438,482,753
Balance at December 31, 2021		P1,110,482,753	P20,603,655	P4,661,748	P4,188,834	P1,429,767	(P104,699,528)	P1,036,667,229

See Notes to the Financial Statements.

METROPOLITAN INSURANCE COMPANY, INC.
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**P13,345,224**	(P4,977,425)
Adjustments for:			
Commission expense	*9*	**24,195,583**	15,726,203
Impairment loss	*20*	**19,197,741**	5,331,243
Change in unearned premium provision		**13,011,922**	5,704,586
Depreciation	*10, 20, 24*	**4,554,956**	2,540,594
Amortization expense	*11*	**1,437,648**	552,942
Interest expense	*20, 24*	**1,096,434**	-
Pension expense	*15, 20*	**522,450**	609,355
Foreign exchange gain		**(180,436)**	(86,144)
Commission income	*9*	**(4,048,101)**	(2,039,670)
Interest income	*19*	**(50,510,854)**	(13,624,161)
Loss on sale of property and equipment	*10*	**-**	18,210,080
Reversal of provision for impairment loss	*5*	**-**	(5,857,570)
Operating income before working capital changes		**22,622,567**	22,090,033
Changes in:			
Investment at fair value through profit or loss		**(103,338)**	-
Insurance receivables		**(20,122,575)**	(19,815,551)
Loans and receivables		**(76,265,712)**	50,295,229
Reinsurance assets		**(9,532,251)**	1,368,314
Deferred acquisition costs		**(28,014,011)**	(21,216,201)
Other assets		**55,699,645**	(53,288,151)
Insurance contract liabilities		**12,653,062**	1,497,048
Insurance payables		**(1,445,709)**	277,860
Other payables		**(3,001,684)**	407,546
Commissions payable		**3,244,338**	3,620,532
Deferred reinsurance commissions		**4,388,072**	3,462,273
Net cash used in operations		**(39,877,596)**	(11,301,068)
Income tax paid	*22*	**(742,171)**	(2,724,832)
Retirement benefits paid	*15*	**-**	(1,930,980)
Net cash used in operating activities		**(40,619,767)**	(15,956,880)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Held-to-maturity investments	*6*	**(125,321,586)**	(102,518,044)
Investment in associate	*7*	**(9,533,881)**	-
Property and equipment	*10*	**(52,722)**	(412,702)
Intangible asset	*11*	**-**	(582,961)
Lease payment	*24*	**(4,826,018)**	-
Maturities of held-to-maturity investments	*6*	**126,800,000**	100,099,252
Interest received		**55,860,188**	8,377,310
Proceeds from sale of property and equipment	*10*	**21,904**	48,726,400
Net cash provided by investing activities		**42,947,885**	53,689,255

Forward

		Years Ended December 31	
	Note	**2022**	2021
CASH FLOWS FROM A FINANCING ACTIVITY			
Receipt (return) of deposit for future subscription	*23*	**P400,000,000**	(P81,594,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**402,328,118**	(43,861,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**726,768,079**	770,543,560
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**180,436**	86,144
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4, 27*	**P1,129,276,633**	P726,768,079

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Metropolitan Insurance Company, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 7, 1999. The Company is primarily engage in the business of nonlife insurance, indemnifying others against loss, damage, or liability from unknown or contingent events and to act as agent to other insurance or surety companies, or any of its branches, including life insurance. It includes lines such as health, accident, fire and allied lines, motor vehicle, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with, and incident to aforementioned lines.

The Company is a wholly-owned subsidiary of Streetcorner Ecommerce Limited (SEL). The company's ultimate parent is Silvrr Technology Co., Ltd, a holdings company. It is an unlisted company that is incorporated and registered in Cayman Islands.

On March 2, 2022, the Insurance Commission (IC) renewed the license of the Company as a nonlife domestic insurance company and valid until December 31, 2024.

The registered office address of the Company is 3/F Athenaeum Bldg.,160 L.P. Leviste St., Salcedo Village, Makati City.

2. Basis of Preparation

Statement of Compliance

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

These financial statements were authorized for issue by the Company's Board of Directors (BOD) on October 9, 2023.

Basis of Measurement
The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement Bases
Available-for-sale (AFS) financial assets	Fair value unless not measured reliably
Investment at fair value through profit or loss (FVPL)	Fair value
Land and office condominiums (under Property and equipment)	Fair value
Retirement liability	Present value of the defined benefit obligation (DBO)
Lease liabilities	Present value of the lease payments not yet paid discounted using the Company's incremental borrowing rate

Functional and Presentation Currency
The financial statements are presented in Philippine Peso, the Company's functional currency, and all values represent absolute amounts except when otherwise indicated.

Presentation of Financial Statements
The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in Note 27.

3. Significant Accounting Estimates and Judgments

The preparation of the financial statements in accordance with PFRSs requires the Company to make estimates and judgments 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 any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

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

a. *Classifying Financial Instruments*
   The Company exercises judgment in classifying a financial instrument, or its components, on initial recognition either as a financial asset, financial liability or an equity in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

b. *Determination of Fair Value of Financial Instruments*
The Company classifies financial assets by evaluating, among others, whether a financial asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, whether the market from which the price quotes were obtained can be considered deep enough to qualify as an "active" market, and whether those prices represent actual and regularly occurring market transactions on an arms' length basis.

Where the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Company uses judgment to select from variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

As at December 31, 2022 and 2021, the Company's financial assets measured at fair value amounted to P13.29 million and P6.54 million, respectively (see Note 6).

c. *Impairment of AFS Financial Assets*
The Company treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

In 2022 and 2021, the Company did not recognize any impairment on its AFS equity investments.

d. *Ability to Continue as a Going Concern*
The financial statements have been prepared on the assumption that the Company will continue as a going concern. Management rendered its judgment in assuming that the financial and operational support of SEL would be sufficient to allow the Company to pay its obligation as they fall due and will enable the Company to recover its deficit in the foreseeable future.

In view of the Corona Virus Disease (COVID) - 19 pandemic, the management assessed that there could be potential financial impacts in terms of generating underwriting income, however such was not material to exacerbate the Company's ability to continue as a going concern. Further. management believes that the Company's business will grow as evidenced by the increase in net earned insurance premiums generated in 2022 as compared to previous year despite the pandemic. This indicates that the consequences of the outbreak have not led to a material deterioration in operating results and financial position after the reporting date, that is so severe that the going concern basis of preparation is no longer considered appropriate. Therefore, the financial statements as at and for the year ended December 31, 2022 continue to be prepared on the going concern basis.

e. Determination of Significant Influence

The Company has a significant influence over the operations of OWN Bank, The Rural Bank of Cavite City, Inc. (OWN Bank) even though it holds less than 20% of the voting rights of OWN Bank. The Company owns approximately 9.84% of the common shares of OWN Bank. The Company determined that it has the significant influence over the financial and operating policy decisions of OWN Bank since the Company has representations in the BOD of OWN Bank. Accordingly, the investments are accounted for as investment in an associate using the cost method.

Estimates and Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Claims Liability Arising from Insurance Contracts

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of the Incurred But Not Reported (IBNR) Losses claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Nonlife insurance claims provisions are not discounted for the time value of money.

The main assumption underlying the estimation of the claims provision is that the Company’s past claims development experience can be used to project future claims development, and hence, ultimate claim costs. Historical claims development is mainly analyzed by accident years as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as, internal factors such as portfolio mix, policy conditions and claims handling procedures), in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account the uncertainties involved.

The carrying values of claims reported and IBNR amounted to P18.46 million and P5.81 million as at December 31, 2022 and 2021, respectively (see Note 12).

b. Liability Adequacy Test

At each reporting period, management performs liability adequacy test to determine if there is a need to set aside expected claims and expenses which could arise during the unexpired coverage period of the policies after the reporting date which is over and above the reserve for unearned premiums less. The Company calculated the best estimate of future claims and expenses for each line of business using actuarial valuation techniques. Expected future claims include policy maintenance and claims handling expenses.

As at December 31, 2022 and 2021, the carrying amount of the reserve for unearned premium, net of deferred acquisition cost, amounting to P37.51 million and P27.44 million, respectively, are adequate in light of the latest current estimates and taking into the provision of PFRS 4, *Insurance Contracts* (see Notes 9 and 12).

c. *Impairment of Insurance Receivable*
The Company reviews its insurance receivables at each reporting date to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, payment behavior, and known market factors. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a regular basis.

Insurance receivables net of allowance for doubtful accounts amounted to P35.25 million and P34.32 million as at December 31, 2022 and 2021, respectively. The Company recognized provision for impairment losses on receivables amounting to P19.20 million and P3.58 million in 2022 and 2021, respectively (see Note 5).

d. *Valuation of Land and Office Condominium Units at Fair Value*
The Company's land and office condominium units are carried at fair value, which has been determined based on market data approach. In determining the fair value, the Company's external appraiser used generally accepted methodologies. There have been no significant changes on the valuation methodology used by the external appraiser. The valuation methodology and significant inputs used in the valuation are detailed in Note 10.

The carrying value of properties carried at fair value amounted to P14.35 million and P12.91 million as at December 31, 2022 and 2021, respectively (see Note 10).

e. *Pension and Other Employee Benefits*
The determination of DB obligation relating to minimum guarantee and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, mortality rates and future salary increase rate. Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at the statement of financial position date.

As at December 31, 2022 and 2021, the Company has pension liability amounting to P0.74 million and P1.07 million, respectively (see Note 15).

f. *Estimating Useful Lives of Property and Equipment*
The Company estimates useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives, and depreciation methods are reviewed periodically to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

As at December 31, 2022 and 2021, the carrying amounts of property and equipment amounted to P14.91 million and P13.69 million, respectively (see Note 10).

g. *Realizability of Deferred Tax Assets*
Deferred tax assets are recognized for all temporary future tax benefits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed to determine the amount of deferred tax assets that can be recognized. 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 deferred tax assets will be realized.

As at December 31, 2022 and 2021, unrecognized deferred tax assets amounted to P19.78 million and P22.80 million, respectively (see Note 22).

h. *Contingencies*
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that the results of operations could be materially affected by changes in the estimates.

i. *Leases*
The Company uses its incremental borrowing rate as the discount rate in measuring its lease liability. The Company considers incremental borrowing rate which reflects the underlying interest rate for the currency in which the lease is denominated. The incremental borrowing rate used is the sum of the reference rate and a credit spread for senior unsecured debt of 5 years.

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

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

An assessment is made at each reporting date of whether there is any indication of impairment of an asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against current operations in the year in which it arises.

The carrying amount of investment in associate is disclosed in Note 7.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2022**	2021
Cash in banks	*29, 30*	**P1,129,244,874**	P726,618,720
Cash on hand		**31,759**	46,020
Short-term placements	*29, 30*	**-**	103,339
	27	**P1,129,276,633**	P726,768,079

Cash in banks and short-term placements were not subjected to any restrictions. Short-term placements pertain to time deposits denominated in Philippine peso and U.S. dollar with various financial institutions and with maturities ranging from overnight to thirty days and interest ranging from 0.1% to 3.0% and 0.1% to 0.5% per annum in 2022 and 2021, respectively.

Interest income from cash in bank and short-term placements recognized in profit or loss which is presented under "Investment income" amounted to P2.03 million and P3.54 million in 2022 and 2021, respectively (see Note 19).

The Company directly wrote off Cash in banks amounting to nil and P1.04 million in 2022 and 2021, respectively.

5. Insurance Receivables

This account consists of:

	Note	**2022**	2021
Premium receivable	*29, 30*	**P33,967,178**	P22,342,641
Funds held by ceding companies	*29, 30*	**12,372,039**	7,525,247
Due from ceding companies	*29, 30*	**9,680,621**	5,890,151
Reinsurance recoverable on paid losses	*29, 30*	**5,459,598**	5,598,822
		61,479,436	41,356,861
Less: Allowance for doubtful accounts		**26,229,637**	7,031,896
	27, 29	**P35,249,799**	P34,324,965

The Company utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risk reinsured.

The rollforward analysis of the allowance for doubtful account is as follows:

	Note	Premiums Receivable	Reinsurance Recoverable on Paid Losses	Due from Ceding Company	Funds Held by Ceding Company	Total
Balance at January 1, 2021		P2,197,634	P71,975	P511,529	P6,527,525	P9,308,663
Provision		2,101,326	1,055,592	423,885	-	3,580,803
Reversal		-	-	-	(5,857,570)	(5,857,570)
December 31, 2021		P4,298,960	P1,127,567	P935,414	P669,955	P7,031,896
Balance at January 1, 2022		P4,298,960	P1,127,567	P935,414	P669,955	P7,031,896
Provision	20	15,122,595	34,208	4,040,938	-	19,197,741
December 31, 2022		**P19,421,555**	**P1,161,775**	**P4,976,352**	**P669,955**	**P26,229,637**

6. Financial Assets

This account consists of:

	Note	2022	2021
Held-to-maturity (HTM) Investments		**P227,304,522**	P230,177,318
Loans and receivables		**76,973,435**	4,662,675
AFS financial assets		**13,294,655**	6,539,944
Investment at FVPL		**103,338**	-
	27, 29, 30	**P317,675,950**	P241,379,937

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

a) HTM Investments

The Company's HTM investments consist of investments in government securities amounting to P227.30 million and P230.18 million as at December 31, 2022 and 2021, respectively.

The carrying value of HTM Investments has been determined as follows:

	Note	2022	2021
Balance at the beginning of the year		**P230,177,318**	P227,487,734
Additions		**125,321,586**	102,518,044
Maturities		**(126,800,000)**	(100,099,252)
Amortization		**(1,394,382)**	270,792
Balance at the end of the year	*27, 29, 30*	**P227,304,522**	P230,177,318

The interest income earned from HTM investments amounted to P1.68 million and P9.36 million in 2022 and 2021, respectively (see Note 19).

b) Loans and Receivables

	Note	**2022**	2021
Advances to shareholders of associate	*7, 11*	**P48,653,682**	P -
Advances to associate	*7, 25*	**27,400,000**	-
Accrued interest receivable		**656,036**	4,610,988
Employee salary advances		**263,717**	51,687
	27, 29, 30	**P76,973,435**	P4,662,675

The advances to associate and to shareholders of associate amounting to P27.4 million and 48.65 million as at December 31, 2022, respectively. The full amount of P48.65 million advances to shareholders of associate and P23.40 million out of the advances to associates pertains to the payments made by the Company to acquire shares of OWN Bank to the previous shareholders and unsubscribed shares, respectively. The remaining P4.00 million under advances to associate were made by the Company for the use of the associate in its operation (see Note 7).

In 2022 and 2021, no impairment losses have been recognized for loans and receivables.

c) AFS Financial Assets

	Note	**2022**	2021
Golf and club shares		**P13,100,000**	P6,250,000
Quoted securities - at fair value common shares		**69,300**	164,588
		13,169,300	6,414,588
Unquoted securities - at cost common shares		**125,355**	125,356
	27, 29, 30	**P13,294,655**	P6,539,944

The fair value of AFS financial assets has been determined as follows:

	Note	**2022**	2021
Balance at the beginning of the year		**P6,539,944**	P4,509,496
Unrealized fair value gain		**6,754,711**	2,030,448
Balance at the end of the year	*27, 29, 30*	**P13,294,655**	P6,539,944

The rollforward analysis of the reserves on AFS financial assets is as follow:

	2022	2021
Balance at the beginning of the year	**P4,661,748**	P2,929,652
Changes in fair value gain during the year, net of tax	**5,066,034**	1,732,096
Balance at the end of the year	**P9,727,782**	P4,661,748

d) Investment at FVPL

	Note	2022	2021
Balance at the beginning of the year		**P -**	P -
Additions		**103,338**	-
Balance at the end of the year	*27, 29, 30*	**P103,338**	P -

7. Investment in Associate

As at December 31, 2022 and 2021, this account consists of investments in associate carried at cost as follows:

	Note	2022	2021
Balance at the beginning of the year		**P -**	P -
Additions		**9,533,881**	-
Balance at the end of the year	*27, 29, 30*	**P9,533,881**	P -

The summarize financial information of the associate as at and for the years ended December 31 is as follows:

	2022	2021
Total Assets	**P153,426,455**	P107,929,970
Total Liabilities	**107,505,897**	63,151,066
Net Assets	**45,920,558**	44,778,904
Net Income	**1,141,654**	1,257,092

OWN Bank is an associate of the Company having 9.84% of ownership as of December 31, 2022. OWN Bank is a rural bank located in Cavite City, Philippines. The bank's products and services are traditional deposits, offers various types of loans and is engaged in all aspects of rural banking, financing and real estate. OWN Bank is registered and incorporated in Cavite City, Philippines.

On June 30, 2021, the Company entered into a Purchase Agreement with OWN Bank to set up an escrow fund to purchase 366,000 shares amounting to P58.19 million. During the year, the Company was able to purchase 365,998 shares.

The 60,000 shares or P9.53 million of OWN Bank’s common shares were acquired from previous owners representing 9.84% of all subscribed and paid shares. While the 305,998 shares amounting to P48.65 million or 50.16% represent the common shares from OWN Bank’s previous owners and shall be issued to the Company upon approval by the SEC of the amendments to by-laws (see Note 6).

Further, the Company acquired additional 234,000 shares for P23.40 million from the Bank’s unsubscribed shares to maintain the 60% ownership on December 23, 2022 subject to the approval of the amendments to by-laws (see Note 6).

As at December 31, 2022, OWN Bank’s application on the amendments of by-laws is still pending and subsequently approved on February 28, 2023.

8. Reinsurance Assets

This account consists of:

	Note	**2022**	2021
Deferred reinsurance premiums	*12*	**P10,400,877**	P9,529,160
Reinsurance recoverable on unpaid losses	*12*	**12,263,390**	2,731,139
		22,664,267	12,260,299
Less: Allowance for doubtful accounts		**2,392,127**	2,392,127
	27	**P20,272,140**	P9,868,172

In 2022 and 2021, no additional allowance for doubtful accounts were recognized.

9. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The details of deferred acquisition costs and deferred reinsurance commissions follow:

	Note	**2022**	2021
Deferred Acquisition Costs			
Balance at the beginning of the year		**P9,903,120**	P4,413,122
Cost deferred during the year		**28,014,011**	21,216,201
Amortization during the year		**(24,195,583)**	(15,726,203)
Balance at the end of the year	*27*	**P13,721,548**	P9,903,120

	Note	**2022**	2021
Deferred Reinsurance Commissions			
Balance at the beginning of the year		**P2,359,588**	P936,985
Income deferred during the year		**4,388,072**	3,462,273
Amortization during the year		**(4,048,101)**	(2,039,670)
Balance at the end of the year	*27*	**P2,699,559**	P2,359,588

10. Property and Equipment

This account consists of property and equipment measured as follows:

	Note	**2022**	2021
At appraised value		**P14,351,000**	P12,910,000
At cost		**563,274**	777,868
Balance at end of year	*27*	**P14,914,274**	P13,687,868

The rollforward analysis of property and equipment accounted for under the cost model is as follows:

Furniture, Fixtures and Office Equipment - At Cost	*Note*	**2022**	2021
Cost			
Balance at the beginning of the year		**P1,403,995**	P991,293
Additions		**52,722**	412,702
Disposal		**(41,500)**	-
Balance at end of year		**1,415,217**	1,403,995
Accumulated Depreciation			
Balance at the beginning of the year		**626,127**	385,001
Additions		**245,412**	241,126
Disposal		**(19,596)**	-
Balance at end of year		**851,943**	626,127
Net Book Value as at December 31		**P563,274**	P777,868

One unit (1) of laptop with carrying amount of P0.02 million were disposed and sold during the year with proceeds amounting to P0.02 million. The equipment was sold at carrying amount resulting to nil gain/loss.

The rollforward analysis of property and equipment accounted for under the revaluation model is as follows:

2022	*Note*	**Land**	**Office Condominium**	**Total**
At Appraised Value				
Balance at the beginning of the year		**P4,990,000**	**P7,920,000**	**P12,910,000**
Revaluation		**523,000**	**918,000**	**1,441,000**
Balance at end of year		**5,513,000**	**8,838,000**	**14,351,000**
Accumulated Depreciation				
Balance at the beginning of the year		**-**	**-**	**-**
Depreciation	*20*	**-**	**379,178**	**379,178**
Reversal		**-**	**(379,178)**	**(379,178)**
Balance at end of year		**-**	**-**	**-**
Net Book Value as of December 31, 2022		**P5,513,000**	**P8,838,000**	**P14,351,000**

2021	*Note*	Land	Office Condominium	Total
At Appraised Value				
Balance at the beginning of the year		P6,504,000	P80,174,870	P86,678,870
Disposals		-	(73,450,550)	(73,450,550)
Revaluation		(1,514,000)	1,195,680	(318,320)
Balance at end of year		4,990,000	7,920,000	12,910,000
Accumulated Depreciation				
Balance at the beginning of the year		-	5,201,961	5,201,961
Depreciation	*20*	-	2,299,468	2,299,468
Disposals		-	(6,514,070)	(6,514,070)
Revaluation		-	(987,359)	(987,359)
Balance at end of year		-	-	-
Net Book Value as of December 31, 2021		P4,990,000	P7,920,000	P12,910,000

Accumulated depreciation on the appraisal increases on office condominium subsequently reversed through equity due to revaluation amounted to P0.38 million and P5.20 million in 2022 and 2021, respectively.

Property and equipment with carrying values of nil and P66.94 million were disposed and sold with proceeds amounting to nil and P48.73 million, resulting in a net loss of nil and P18.21 million in 2022 and 2021, respectively, which is presented under "Other income" (see Note 17).

Had the office condominiums been carried at cost less accumulated depreciation, the amounts would have been as follows:

	2022	2021
Cost	**P3,570,155**	P3,570,155
Less accumulated depreciation	**1,614,445**	1,235,267
Net carrying amount	**P1,955,710**	P2,334,888

Below is the rollforward of the revaluation reserve on property and equipment:

	2022	2021
Beginning	**P4,188,834**	P50,947,224
Revaluation	**1,080,750**	22,268,010
Transferred to retained earnings	**-**	(69,026,400)
Revaluation Reserve on Property and Equipment, End (after tax)	**P5,269,584**	P4,188,834

The fair values of the office condominium units, considered as Level 3, were determined using the market data approach. This means that the valuation performed by the appraiser is based on sales, listings, and other market data of comparable properties registered within the vicinity of subject property. The technique requires reducing reasonably comparative sales and listings to a common denominator in order to conform to the subject property. The comparison among the subject property and the comparable units was premised on the factors of location, size and shape of the lot, highest and best use, and the time element. The fair values of the properties and equipment are based on the valuations performed by an independent professionally qualified appraiser, E-Value Phils., Inc.

The Company's latest appraisal report was made on January 25, 2023 and February 16, 2023 for the year ended December 31, 2022.

Description of the valuation techniques used and key inputs to valuation on properties and equipment follow:

	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2022	2021
Office Condominium Carried at Fair Value				
Keppel Building, Cebu Business Park, Cebu City	Market data approach	Price per square meter	**80,526 to 112,101 (97,000)**	67,876 to 103,152 (86,700)
Land carried at fair value representing deemed cost Brgy. Merville Paranaque City	Market data approach	Price per square meter	**12,150 to 12,750 (12,400)**	8,550 to 12,050 (12,010)

There were no transfers to or out of Level 3 hierarchy in respect of the above office condominium units as at December 31, 2022 and 2021. Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value.

11. Other Assets

This account consists of:

	Note	2022	2021
Creditable Withholding Taxes (CWT)		**P16,862,776**	P17,184,341
Security and deposit fund	*29,30*	**-**	56,821,284
Intangible assets		**-**	1,437,648
Others		**1,033,252**	253,540
Balance at the end of the year	*27*	**P17,896,028**	P75,696,813

CWTs pertain to taxes withheld at source by its customers and are creditable against the income tax liability of the Company.

In 2021, the security and deposit fund pertains to the deposit in escrow account in accordance with the Company's acquisition plan of a rural bank. The escrow was released in 2022 as payment for the OWN Bank shares (see Notes 6, 7, and 31).

Intangible asset was in connection to the software purchased from the previous year. The asset was written off during the year as the company opted to pursue subscription method.

The gross carrying amounts and accumulated amortization of the intangible asset in 2022 and 2021 are shown below:

Intangible Asset	**2022**	2021
Cost	**P1,990,590**	P1,990,590
Accumulated amortization	**(1,990,590)**	(552,942)
	P -	P1,437,648

Reconciliation of the carrying amount of the intangible asset at the beginning and end of each year is shown below:

Intangible Asset	***Note***	**2022**	2021
Balance at January 1 net of accumulated amortization		**P1,437,648**	P1,407,629
Additions		**-**	582,961
Amortization expense for the year	*20*	**(1,437,648)**	(552,942)
		P -	P1,437,648

Others include other deposit fund and prepayment.

The Company recognized impairment losses on other assets amounting to nil and P0.71 million in 2022 and 2021, respectively.

12. Insurance Contract Liabilities

Insurance contract liabilities analyzed as follows:

		2022		
	Note	**Insurance Contract Liabilities** (Note 12)	**Reinsurers' Share of Liabilities** (Note 8)	**Net**
Provision for claims reported and loss adjustment expenses	*29, 30*	**P15,338,487**	**P10,895,185**	**P4,443,302**
Provision for IBNR		**3,125,784**	**1,368,205**	**1,757,579**
Total claims reported and IBNR	*29*	**18,464,271**	**12,263,390**	**6,200,881**
Provision for unearned premiums		**51,228,411**	**10,400,877**	**40,827,534**
Total Insurance Contract Liabilities	*27*	**P69,692,682**	**P22,664,267**	**P47,028,415**

	Note	2021 Insurance Contract Liabilities (Note 12)	Reinsurers' Share of Liabilities (Note 8)	Net
Provision for claims reported and loss adjustment expenses	*29, 30*	P3,566,960	P1,373,803	P2,193,157
Provision for IBNR		2,244,250	1,357,336	886,914
Total claims reported and IBNR	*29*	5,811,210	2,731,139	3,080,071
Provision for unearned premiums		37,344,772	9,529,160	27,815,612
Total Insurance Contract Liabilities	*27*	P43,155,982	P12,260,299	P30,895,683

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

	Note	**2022** **Insurance Contract Liabilities**	**Reinsurers' Share of Liabilities** (Note 8)	**Net**
Balance at the beginning of the year		**P5,811,210**	**P2,731,139**	**P3,080,071**
Claims incurred during the year		**20,232,548**	**10,281,079**	**9,951,469**
Claims paid during the year, net of salvage and subrogation	*18*	**(8,461,021)**	**(759,697)**	**(7,701,324)**
Increase in IBNR	*18*	**881,534**	**10,869**	**870,665**
Balance at the end of the year	*29*	**P18,464,271**	**P12,263,390**	**P6,200,881**

	Note	2021 Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
Balance at the beginning of the year		P4,314,162	P4,099,453	P214,709
Claims incurred during the year		12,136,049	1,072,171	11,063,878
Claims paid during the year, net of salvage and subrogation	*18*	(12,272,221)	(3,797,821)	(8,474,400)
Increase in IBNR	*18*	1,633,220	1,357,336	275,884
Balance at the end of the year	*29*	P5,811,210	P2,731,139	P3,080,071

Provision for unearned premiums may analyzed as follows:

		2022		
	Note	**Insurance Contract Liabilities**	**Reinsurers' Share of Liabilities** (Note 8)	**Net**
Balance at the beginning of the year		**P37,344,772**	**P9,529,160**	**P27,815,612**
New policies written during the year	*16*	**97,000,843**	**22,501,890**	**74,498,953**
Premiums earned during the year	*16*	**(83,117,204)**	**(21,630,173)**	**(61,487,031)**
Balance at the end of the year		**P51,228,411**	**P10,400,877**	**P40,827,534**

		2021		
	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
Balance at the beginning of the year		P26,574,116	P4,463,090	P22,111,026
New policies written during the year	*16*	78,767,311	17,963,151	60,804,160
Premiums earned during the year	*16*	(67,996,655)	(12,897,081)	(55,099,574)
Balance at the end of the year		P37,344,772	P9,529,160	P27,815,612

13. Insurance Payable

The rollforward analysis of insurance payable is as follows:

	Note	**2022**	2021
Balance at the beginning of the year		**P10,179,747**	P9,901,887
Arising during the year		**22,501,890**	16,002,227
Settlements		**(23,947,599)**	(15,724,367)
Balance at the end of the year	*27, 29, 30*	**P8,734,038**	P10,179,747

14. Other Payables

This account consists of:

	Note	**2022**	2021
Taxes payable		**P392,194**	P4,354,229
Others	*29, 30*	**4,835,478**	3,875,127
	27	**P5,227,672**	P8,229,356

Taxes payable consist of documentary stamps, business tax, fire service tax, premium tax, and withholding tax. These are subsequently remitted within one month after the reporting date.

Others pertain to the obligation of the Company for various expenses shouldered by the officers. These obligations do not bear interest.

15. Employee Benefits

The Company has an unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

Below is the rollforward analysis of the Company's DBO.

	Note	2022	2021
Balance at the beginning of the year		**P1,069,696**	P2,216,912
Included in Profit or Loss			
Interest cost		**52,567**	63,648
Current service cost		**469,883**	545,707
	20	**522,450**	609,355
Included in Other Comprehensive Income (Loss)			
Changes in demographic assumptions		**(473,018)**	25,498
Changes in financial assumptions		**(387,455)**	258,096
Experience adjustments		**9,049**	(109,185)
		(851,424)	174,409
Others			
Benefits paid		**-**	(1,930,980)
Balance at the end of the year	*27*	**P740,722**	P1,069,696

The lower DBO was driven by the retirement of eight (8) employees with benefits paid amounting to P1.93 million in 2021.

As at December 31, 2022 and 2021, the Company's pension liability is equal to the present value of defined benefit obligation as it has no plan assets.

The rollforward of remeasurement gains on defined benefit plan is as follows:

	2022	2021
Balance at the beginning of the year	**P1,429,767**	P1,604,176
Actuarial gain (loss) on DBO	**851,424**	(174,409)
Balance at end of year	**P2,281,191**	P1,429,767

The principal assumptions used in determining pensions for the Company's plan are shown below:

	2022	2021
Discount rate	**6.72%**	4.91%
Rate of salary increase	**5.00%**	5.00%
Mortality rate	**PICM 2009 - 2014 Age Last Birthday, Sex Distinct**	PICM 2009 - 2014 Age Last Birthday, Sex Distinct
Disability rate	**1952 Disability Study of the Society of Actuaries**	1952 Disability Study of the Society of Actuaries

Sensitivity Analysis
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 were held constant:

	2022		2021	
Position	**Change in variables**	**Increase (Decrease)**	Change in variables	Increase (Decrease)
Discount rate	**+50bps**	**(P794,202)**	+50bps	(P1,127,613)
	-50bps	**786,795**	-50bps	1,116,916
Salary increase rate	**+50bps**	**781,462**	+50bps	1,128,530
	-50bps	**(774,054)**	-50bps	(1,117,833)

There were no changes in the methodology and assumptions used in determining the above sensitivity analysis.

Maturity Profile
Shown below is the maturity analysis of the undiscounted benefits payments as at end of the reporting date for 2022 and 2021:

2022	
Within one year to five years	**P38,051**
More than five years to nine years	**-**
More than 10 years to 14 years	**115,002**
More than 15 years	**873,814**

2021	
Within one year to five years	P -
More than five years to nine years	19,712
More than 10 years to 14 years	29,844
More than 15 years	2,017,479

The Company does not expect to contribute to its retirement plan in 2023.

16. Net Earned Insurance Premiums

Gross earned premiums on insurance contracts and reinsurers' share of gross earned premiums on insurance contracts consist of the following:

	Note	**2022**	2021
Insurance contract premiums revenue:			
Direct insurance		**P46,984,386**	P39,479,108
Assumed reinsurance		**50,016,457**	39,288,203
Total insurance contract premiums revenue	*12*	**97,000,843**	78,767,311
Gross change in unearned premium provision		**(13,883,639)**	(10,770,656)
Total gross premiums on insurance contracts	*12*	**83,117,204**	67,996,655
Reinsurers' share of insurance contract premiums revenue:			
Direct insurance		**14,889,625**	13,728,275
Assumed reinsurance		**7,612,265**	4,234,876
Total reinsurers' share of insurance contract premiums revenue	*12*	**22,501,890**	17,963,151
Reinsurers' share of gross change in unearned premium provision		**(871,717)**	(5,066,070)
Total reinsurers' share of gross earned premiums on insurance	*12*	**21,630,173**	12,897,081
Net earned insurance premiums		**P61,487,031**	P55,099,574

17. Other Income

This account consists of:

	Note	**2022**	2021
Foreign exchange gain		**P180,436**	P -
Miscellaneous		**4,000**	15,432,887
Reversal of impairment loss on insurance receivable		**-**	5,857,570
Loss on sale of property and equipment	*10*	**-**	(18,210,080)
		P184,436	P3,080,377

Miscellaneous income amounted to P4,000 and P15.43 million in 2022 and 2021, respectively, which includes recharged expenses to other parties and service fees from the agreement with Allied Bankers Insurance Corporation for the technical and data processing services.

18. Net Insurance Benefits and Claim

This account consists of:

	Note	2022	2021
Insurance contract benefits and claims paid:			
Direct insurance		**P6,005,484**	P1,741,201
Assumed reinsurance		**2,455,537**	10,531,020
Total insurance contract benefits and claims paid	*12*	**P8,461,021**	P12,272,221

As at December 31, 2022 and 2021, the reinsurers' share of direct gross insurance contract benefits and claims paid amounted to P0.76 million and P3.80 million, respectively (see Note 12).

Details of the gross change in insurance contract liabilities are as follows:

	Note	2022	2021
Insurance contract benefits and claims paid:			
Direct insurance		**P6,005,484**	P1,741,201
Assumed reinsurance		**2,455,537**	10,531,020
Total insurance contract benefits and claims paid	*12*	**P8,461,021**	P12,272,221

	Note	2022	2021
Change in insurance contract liabilities:			
Direct insurance		**P11,771,527**	(P136,172)
Change in provision for IBNR	*12*	**881,534**	1,633,220
Total gross change in insurance contract liabilities		**P12,653,061**	P1,497,048

Details of the reinsurers' share of gross change in insurance contract liabilities are as follows:

	Note	2022	2021
Reinsurers' shares of gross change in direct outstanding claims provisions:			
Reinsurers' shares of change in insurance contract liabilities		**(P9,521,382)**	P10,978
Change in provision for IBNR	*12*	**(10,869)**	1,357,336
Total reinsurers' share of gross change in insurance contract liabilities		**(P9,532,251)**	P1,368,314

19. Investment Income

This account consists of:

	Note	**2022**	2021
Interest income on:			
Loan	*25*	**P46,800,000**	P -
Cash	*4*	**2,029,962**	62,597
HTM investments	*6*	**1,680,892**	9,358,760
Short-term placements	*4*	**-**	3,480,489
Miscellaneous income		**-**	722,315
		P50,510,854	P13,624,161

Interest income on loans pertains to the interest earned from the Loan Agreement with Streetcorner Ecommerce Limited. The loan is payable within one (1) year from the date of release of the amount advanced, with the principal amounting to P520.00 million at an interest of 9% per annum. The principal and interest are fully collected as at year end.

20. Operating Expenses

This account consists of:

	Note	**2022**	2021
Impairment loss	*4, 5, 11*	**P19,197,741**	P5,331,243
Salaries and wages		**10,712,504**	11,073,280
Depreciation	*10, 24*	**4,554,956**	2,540,594
Professional fees		**2,789,737**	3,137,730
Referral incentives		**1,950,510**	-
Amortization of intangible asset	*11*	**1,437,648**	552,942
Penalty fees		**1,434,550**	-
Interest expense	*24*	**1,096,434**	-
Taxes and licenses		**1,123,346**	6,257,152
Employee benefits		**1,542,086**	588,950
Communication		**945,415**	990,646
Light and water		**933,549**	901,793
Transportation and travel		**907,402**	623,702
Agency fees		**904,988**	-
Stationery and supplies		**841,366**	412,279
Social security and other contributions		**836,213**	697,642
Bureau and association fees		**737,086**	1,469,699
Pension expense	*15*	**522,450**	609,355
Wages and allowances - temporary		**458,025**	-
Entertainment, amusement, and recreation		**442,096**	137,480
Rent		**237,134**	253,106
Repairs and maintenance		**101,652**	157,859
Medical expenses		**28,038**	353,196
Collection fees		**26,911**	-
Miscellaneous		**3,133,434**	3,321,913
		P56,895,271	P39,410,561

Salaries and wages consist of the compensation and benefits paid to the Company's employees for the services rendered.

Taxes and licenses consist of business taxes, BIR annual registration and other related expenses incurred by the Company.

Professional fees consist of the payments made to various consultants and other expenses associated with legal and contractual services provided to the Company.

Miscellaneous consists mainly of other administrative expenses incurred by the Company.

21. Other Underwriting Expenses

Other underwriting expenses amounted to P10.97 million and P12.34 million in 2022 and 2021, respectively. This account includes miscellaneous and administration charges from the assumed businesses.

22. Income Tax

The provision for income tax consists of:

	2022	2021
Final taxes	**P742,171**	P2,724,832
Minimum Corporate Income Tax (MCIT)	**663,492**	417,547
Current	**1,405,663**	3,142,379
Deferred	**(99,881)**	876,042
	P1,305,782	P4,018,421

The reconciliation of the income tax expense computed at statutory tax rate to the income tax shown in the profit or loss is as follows:

	2022	2021
Income (loss) before income tax	**P13,345,224**	(P4,977,425)
At statutory tax rate (25%)	**P3,336,306**	(P1,244,356)
Change in unrecognized DTA excluding unrecognized net operating loss carry over (NOLCO)	**5,593,540**	(1,401,019)
Final tax	**742,171**	-
Expired NOLCO	**1,182,860**	-
Change in unrecognized NOLCO	**(8,621,381)**	(6,453,350)
Income subjected to final tax	**(927,714)**	(3,406,040)
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act	**-**	12,808,973
Nondeductible expense	**-**	5,554,925
Non-taxable income	**-**	(1,840,712)
	P1,305,782	P4,018,421

Deferred tax assets have not been recognized because it was not probable that future taxable profit will be available against which the Company can utilize the benefits from. The unrecognized deferred tax assets as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Tax Base	**Deferred Tax Assets**	Tax Base	Deferred Tax Assets
NOLCO	**P42,592,213**	**P10,648,053**	P77,077,736	P19,269,434
Pension liability - net of remeasurement gain on defined benefit plan	**3,566,007**	**891,502**	3,043,558	760,890
Allowance for doubtful accounts	**28,621,764**	**7,155,441**	9,424,023	2,356,006
MCIT	**1,081,039**	**1,081,039**	417,547	417,547
	P75,861,023	**P19,776,035**	P89,962,864	P22,803,877

Below is the movement of the recognized deferred tax assets and deferred tax liability recognized as at December 31, 2022 and 2021.

	2022			
	Beginning Balance	**Amount Charged to Profit or Loss**	**Amount Recognized in Other Comprehensive Income**	**Ending Balance**
Right-of-use	**P -**	**P1,077,386**	**P -**	**P1,077,386**
Lease liability	**-**	**(932,396)**	**-**	**(932,396)**
Foreign exchange gain	**-**	**(45,109)**	**-**	**(45,109)**
Deferred acquisition costs net of deferred reinsurance commission	**(1,885,883)**	**-**	**-**	**(1,885,883)**
Revaluation reserve on revalued Property, Plant and Equipment (PPE) - net	**(1,396,278)**	**-**	**(360,250)**	**(1,756,528)**
Revaluation reserve for quoted unlisted AFS	**(1,553,916)**	**-**	**(1,688,678)**	**(3,242,594)**
Deferred tax liabilities - net	**(P4,836,077)**	**P99,881**	**(P2,048,928)**	**(P6,785,124)**

	2021			
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
IBNR	P33,000	(P33,000)	P -	P -
Deferred acquisition costs net of deferred reinsurance commission	(1,042,841)	(843,042)	-	(1,885,883)
Revaluation reserve on revalued PPE - net	(23,983,070)	-	22,586,792	(1,396,278)
Revaluation reserve for quoted unlisted AFS	(1,255,566)	-	(298,350)	(1,553,916)
Deferred tax liabilities - net	(P26,248,477)	(P876,042)	P22,288,442	(P4,836,077)

The Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of R.A. No. 11494, Bayanihan to Recover as One Act, which provides that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The said RR also defined taxable years 2020 and 2021 to include those corporations with fiscal years ending on or before June 30, 2021 and June 30, 2022, respectively.

The details of the Company's NOLCO covered by RR No. 25-2020 is as follows:

Year Incurred	NOLCO	Expired	Balance	Expiry Year
2021	P3,744,735	P -	P3,744,735	2026
2020	38,847,478	-	38,847,478	2025
	P42,592,213	P -	P42,592,213	

The details of the Company's NOLCO not covered by RR No. 25-2020 are as follows:

Year Incurred	NOLCO	Utilized	Expired	Balance	Expiry Year
2019	P34,485,523	(P29,754,085)	(P4,731,438)	P -	2022

The details of the Company's excess MCIT over Regular Corporate Income Tax (RCIT) available for offsetting against future current tax liabilities are as follows:

Year Incurred	MCIT	Expired	Balance	Expiry Year
2022	P663,492	P -	P663,492	2025
2021	417,547	-	417,547	2024
	P1,081,039	P -	P1,081,039	

Further, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President on March 26, 2021. Below are the salient features of the Act that are relevant to the Company.

a) RCIT rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.00 million and with total assets not exceeding P100.00 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
   The measure is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. After which, the implementing rules and regulation will be issued by the tax authority.

On April 08, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

1. BIR Revenue Regulations (RR) No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;

2. BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;

3. BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and

4. BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997.

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law.

23. Equity

The details of this account are as follows:

	2022	2021
Authorized		
Par value per share	**P1**	P1
Number of shares	**1,110,482,753**	1,110,482,753
Issued and Outstanding		
Number of shares	**1,110,482,753**	1,110,482,753
Capital stock	**P1,110,482,753**	P1,110,482,753
Contributed surplus	**20,603,655**	20,603,655
	P1,131,086,408	P1,131,086,408

Reconciliation of the issued and outstanding number of shares at the beginning and end of each year is shown below:

	2022	2021
Balance at the beginning of the year	**1,110,482,753**	672,000,000
Issuance during the year	**-**	438,482,753
Balance at the end of the year	**1,110,482,753**	1,110,482,753

As at December 31, 2022 and 2021 the Company has a deficit of P92.66 million and P104.70 million, respectively.

On December 20, 2019, the BOD approved the increase in authorized capital from P672.00 million to P1.11 billion. The P438.48 million worth of shares will be subject for subscription agreement with SEL. The application for the increase in capital was filed and approved by SEC on February 16, 2021.

In 2020, SEL and the Company entered into another subscription agreement wherein SEL agreed to invest up to the total amount of P200.00 million in the Company in exchange of shares to expand its business operations in the Philippines. The Company received the first tranche of the subscription amounting to P81.59 million on December 26, 2020. The application on the increase in capital stock has not been filed with the regulators. However, on January 15, 2021, SEL and the Company entered into a mutual agreement to terminate the subscription the aforementioned subscription agreement of P200.00 million. The Company returned the P81.59 million received on January 15, 2021.

Deposit for Future Subscription

On December 23, 2022, the Company received P400.00 million as deposit for future subscription from SEL to comply with the minimum net worth requirements capital from SEL. The increase was filed with the IC on January 24, 2023 which was endorsed to SEC on April 19, 2023. The approval of the increase in capital is yet to be approved by SEC as of date. This was presented as liability rather than equity in the Company's statement of financial position as at December 31, 2022 since some of the above considerations are not yet complied with as at the end of the reporting period (See Notes 25 and 27).

As at December 31, 2022, the Company has an authorized capital stock of P1.11 billion.

24. Leases

Lease under PFRS 16

In September 2021, the Company entered into a lease contract with Mr. Jose Periquet, Jr. for their office space in The Athenaeum Building located at L.P.Leviste Street, Makati City. The lease term, which commenced on September 9, 2021, is for a period of five years with a further option to renew subject to mutual agreement. The contract is also subject to a 5.00% escalation effective on the third year of the lease term.

The following assets do not meet the definition of investment property.

Right-of-Use Asset

	Note	**2022**	2021
Balance at January 1		**P -**	P -
Additions		**16,160,790**	-
Depreciation	*20*	**(4,309,544)**	-
		P11,851,246	P -

Lease Liabilities

	Note	**2022**	2021
Balance at January1		**P -**	P -
Additions		**16,160,790**	-
Interest	*20*	**1,096,434**	-
Payments	*25*	**(4,826,018)**	-
		P12,431,206	P -

	2022	2021
Maturity Analysis - Contractual Undiscounted Cash Flows		
Less than one (1) year	**P3,049,372**	P -
One to five (5) years	**9,381,834**	-
Total Undiscounted Lease Liabilities at December 31, 2022	**12,431,206**	-
Lease Liabilities included in the Statement of Financial Position	**12,431,206**	-
Current	**3,049,372**	-
Non-current	**9,381,834**	-

Amounts Recognized in Profit and Loss

	2022	2021
Leased under PFRS 16		
Depreciation of right-of-use assets	**P4,309,544**	P -
Interest expense related to Lease Liabilities	**1,096,434**	-

Amount Recognized in the Statement of Cash Flow

	2022	2021
Total Cash Outflow for Leases	**P4,826,018**	P -

Renewal Option

The renewal option of this lease is exercisable by the Company by notice to the lessor not later than 180 days prior to the expiration of the initial lease term. The terms and conditions of the renewal shall be subject to mutual agreement of the parties. The lease does not include contingent rentals and restrictions.

25. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel or members.

The Company has the following significant related party balances and transactions as at December 31, 2022 and 2021:

Category/Transaction	Note	Year	Amount of the Transaction	Outstanding Balances Due from a Related Party	Outstanding Balances Due to Related Party	Terms
Key management remuneration		**2022**	**P2,375,109**	**P -**	**P -**	**-**
		2021	2,452,972	-	-	-
Advances to key officers		**2022**	**126,179**	**-**	**-**	Unsecured, not impaired;
		2021	(50,543,142)	-	-	noninterest-bearing;
						collectible on demand
Advances to associate	*6*	**2022**	**27,400,000**	**27,400,000**	**-**	Unsecured, not impaired;
		2021	-	-	-	noninterest-bearing;
Leases expenditure	*24*	**2022**	**4,826,018**	**-**	**-**	collectible on demand
		2021	-	-	-	
Interest income on loans	*19*	**2022**	**46,800,000**	**-**	**-**	
		2021	-	-	-	
Deposit for future subscription	*23, 27*	**2022**	**400,000,000**	**-**	**-**	**-**
		2021	(81,594,000)	-	-	-
Total		**2022**		**P27,400,000**	**P -**	
Total		2021		P -	P -	

Key management personnel of the Company include all personnel having position of vice president and up. The transaction with key management personnel includes salaries and other employee benefits.

Interest income on loans includes income of the Company from the Loan Agreement with Streetcorner Ecommerce Limited.

The related party transactions are normally settled in cash except for deposit for future subscription.

26. Contingencies

The Company is contingently liable for various claims arising in the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcomes of which are not presently determinable. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse impact on the Company's financial position and results of operations.

Disclosure of additional details beyond the present disclosures usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's position and negotiation with counterparties.

Thus, as allowed by PAS 37, only general disclosures were provided.

27. Maturity Profile of Assets and Liabilities

The following table presents all assets and liabilities as at December 31, 2022 and 2021 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).

		2022			2021		
	Note	**Within One Year**	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Assets							
Cash and cash equivalents	*4*	**P1,129,276,633**	**P -**	**P1,129,276,633**	P726,768,079	P -	P726,768,079
Insurance receivables – net	*5*	**38,461,760**	**(3,211,961)**	**35,249,799**	36,040,291	(1,715,326)	34,324,965
Financial assets:							
Available-for-sale financial assets	*6, 29, 30*	**-**	**13,294,655**	**13,294,655**	-	6,539,944	6,539,944
Held-to-maturity investments	*6, 29, 30*	**97,698,615**	**129,605,907**	**227,304,522**	-	230,177,318	230,177,318
Loans and receivables	*6, 29, 30*	**76,973,435**	**-**	**76,973,435**	4,662,675	-	4,662,675
Investment at FVPL	*6, 29, 30*	**103,338**	**-**	**103,338**	-	-	-
Investment in associate	*7*	**-**	**9,533,881**	**9,533,881**	-	-	-
Reinsurance assets	*8*	**20,272,140**	**-**	**20,272,140**	-	9,868,172	9,868,172
Deferred acquisition costs	*9*	**13,721,548**	**-**	**13,721,548**	-	9,903,120	9,903,120
Property and equipment – net	*10*	**-**	**14,914,274**	**14,914,274**	-	13,687,868	13,687,868
Right-of-use (net)		**-**	**11,851,246**	**11,851,246**	-	-	-
Other assets	*11*	**17,896,028**	**-**	**17,896,028**	253,540	75,443,273	75,696,813
		P1,394,403,497	**P175,988,002**	**P1,570,391,499**	P767,724,585	P343,904,369	P1,111,628,954
Liabilities							
Insurance contract liabilities	*12*	**P69,692,682**	**P -**	**P69,692,682**	P -	P43,155,982	P43,155,982
Insurance payables	*13, 29, 30*	**8,734,038**	**-**	**8,734,038**	-	10,179,747	10,179,747
Commissions payable	*29, 30*	**8,375,617**	**-**	**8,375,617**	5,131,279	-	5,131,279
Deferred reinsurance commissions	*9*	**2,699,559**	**-**	**2,699,559**	2,359,588	-	2,359,588
Pension liability	*15*	**-**	**740,722**	**740,722**	-	1,069,696	1,069,696
Lease liability		**3,049,372**	**9,381,834**	**12,431,206**	-	-	-
Deposit for future subscription	*23, 25*	**400,000,000**	**-**	**400,000,000**	-	-	-
Deferred tax liability – net	*22*	**-**	**6,785,124**	**6,785,124**	-	4,836,077	4,836,077
Other payables	*14*	**5,227,672**	**-**	**5,227,672**	8,229,356	-	8,229,356
		P497,778,940	**P16,907,680**	**P514,686,620**	P15,720,223	P59,241,502	P74,961,725

28. Significant Accounting Policies

The accounting policies applicable and adopted in the preparation of the financial statements are consistent with those of the previous financial year, except for the adoption of amendments to standards as discussed below.

<u>Adoption of Amendments to Standards</u>
The Company has adopted the following amendments to standards starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16, *Leases*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, however, only two (2) amended standards are applicable to the Company which are:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

Amendments to Standards Not Yet Effective
A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following new and amendments to standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

To be Adopted on January 1, 2023

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2 Making Materiality Judgements). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

To be Adopted on January 1, 2024

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

To be Adopted on January 1, 2025

- PFRS 17, *Insurance Contracts* replaces the interim standard, PFRS 4, *Insurance Contracts*. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

  b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

  c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 *Financial Instruments* will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

  The Company is currently performing detailed assessment on the impact of the adoption of the new standard in its financial statements.

- PFRS 9 (2014) *Financial Instruments* replaces PAS 39, *Financial Instruments* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The Company availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4 below as the Company has not previously applied any version of PFRS 9 and its activities are predominantly connected with insurance.

Product Classification

Insurance Contracts

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable.

Investment Contracts

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

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

Gross Premium on Insurance Contracts

Gross premium on insurance contracts comprise the total premiums for the whole coverage period provided in the insurance contracts entered during the accounting period and are recognized on the inception date of the policy. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Commission Expense and Deferred Acquisition Costs

Commissions are recognized as expense over the period of the contracts using the 24^{th} method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as “Deferred acquisition costs” in the statement of financial position. The net changes in deferred acquisition costs at the end of each reporting period is recognized as “Commission expense” account in profit or loss.

Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

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

Deferred acquisition costs are derecognized when the related contracts are settled or disposed of.

<u>Reinsurance</u>
The Company cedes insurance risk in the normal course of business. Ceded insurance arrangements do not relieve the Company from its obligation to the policyholders. Premiums payable for reinsurance contracts are recognized as a contra-income account upon recognition of related premiums which are presented under “Reinsurers’ share of gross earned premiums” account in profit or loss.

The related reinsurance premium ceded that pertains to the unexpired periods at end of the reporting period are accounted for as reinsurance premiums reserve shown as part of “Reinsurance assets” account in the statement of financial position. The net changes in reinsurance premiums reserve between each end of reporting period are recognized using the 24th method and are presented as part of “Reinsurers’ share of gross earned premiums” account in profit or loss.

Reinsurance assets represents balances due from reinsurance companies for its share on the unpaid losses incurred by the Company. Recoverable amounts are estimated in the manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of “Insurance receivable - net” in the statement of financial position.

The benefits unpaid recoverable to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance recoverable on unpaid losses classified under “Reinsurance assets” account in the statement of financial position. Reinsurance recoverable on unpaid losses are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

When the Company enters into reinsurance agreements for ceding out its insurance business, the Company recognizes the amount payable to reinsurer under “Insurance payable” account in the statement of financial position for the reinsurer’s share in premium.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the assumed business. For the assumed insurance risk, the Company recognizes its share in premium and portion of the reinsurance premium withheld by ceding companies as due from ceding companies and funds held by ceding companies, respectively, presented under “Insurance receivables” in the statement of financial position.

Gains and losses on buying reinsurance, if any, are recognized in profit or loss immediately at the date of purchase and are not amortized.

Premiums and claims are presented on a gross basis for ceded reinsurance. Reinsurance premiums are presented as “Reinsurers’ share of gross earned premiums”. The reinsurers’ share in claims paid by the Company and unpaid including IBNR claims are presented as “Reinsurer’s share of gross insurance contract benefits and claims paid” and “Reinsurer’s share of gross change in insurance contract liabilities”, respectively, in profit or loss.

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

Impairment of Reinsurance Assets
The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognize that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using specific assessment. The Company identifies individually which accounts should be provided with impairment loss.

Commission Income and Deferred Reinsurance Commissions
Commissions earned from reinsurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as “Deferred reinsurance commissions” in the statement of financial position. The net changes in deferred reinsurance commissions between each end of reporting period are recognized as “Commission income” in the profit or loss.

<u>Insurance Contract Liabilities</u>
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provision for Unearned Premiums
The portion of written premiums, gross of commissions’ payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as provision for unearned premiums. Premiums from short- duration insurance contracts are recognized as revenue over the contract period using the 24th method. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for Claims Reported and IBNR Losses
Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to “Gross change in insurance contract liabilities” in profit or loss.

Liability Adequacy Test
At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of insurance contract liabilities, net of the related deferred acquisition cost. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses.

The Company's insurance contract liabilities are composed of premium liabilities and claims liabilities. Premium liabilities are calculated as the higher of provision for unearned premiums and the unexpired risk reserve. Unexpired risk reserve (URR) is an estimate of future claims and expenses, at a designated level of confidence, in respect of the risk during the unexpired period after the valuation date of the policies written prior to that date including maintenance and claims handling expense. If the unexpired risk reserve is higher than the provision for unearned premiums, the excess is set up as an additional insurance reserves on top of provision for unearned premiums. The estimation of URR is made for each class of business line.

While claims liabilities are composed of provision for claims reported and IBNR. The related significant accounting policies are disclosed in the preceding section of the notes to the financial statements.

Financial Assets
Date of Recognition
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The purchase or sale of a non-derivative financial asset that will be delivered within the timeframe generally established by regulation or convention in the market concerned, except for equity securities, are recognized on the date on which the instrument is actually transferred (the settlement date).

Initial Recognition
On initial recognition, a financial asset or financial liability is measured at fair value plus directly attributable transaction costs, unless the instrument is classified at FVPL. Normally, the fair value on initial recognition is the transaction price - i.e., the fair value of the consideration given (in case of an asset) or received (in case of a liability) for the financial instrument.

Classification and Subsequent Measurement
The Company classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, loans and receivables, and AFS financial assets. The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period. As at December 31, 2022 and 2021, the Company did not have any financial liabilities at fair value and financial instruments at fair value, respectively.

Financial instruments issued by the Company are classified as a financial liability or equity in accordance with the substance of the contractual arrangement. Any interest, dividends, and realized and unrealized gains and losses from financial instruments or component considered as a financial liability are recognized in profit or loss for the period. On the other hand, distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to retained earnings.

As at December 31, 2022 and 2021, the Company did not issue any financial instruments classified as equity.

A more detailed description of the financial assets held by the Company is as follows:

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL, AFS financial assets or HTM investments.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees that are integral part of the effective interest rate (EIR). Loans and receivables that are perpetual and that have either a fixed or a market-based variable rate of interest are measured at cost.

Any interest earned on loans and receivables is recognized in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Company's financial assets categorized as loans and receivables consist of cash and cash equivalents, insurance receivables and loans, security and deposit fund presented under "Other assets" and receivables.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less while, short-term placements have maturities of more than three months to less than a year. Cash and cash equivalents and short-term placements are subject to an insignificant risk of changes in value.

HTM
HTM investments are non-derivative financial assets with fixed and determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity other than those that: (1) the Company designates on initial recognition as at FVPL, (2) the Company designates as AFS financial assets and (3) those financial assets that meet the definition of loans and receivables. HTM investments are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment in value. The amortization of premiums and discounts and any impairment losses during the year are recognized in profit or loss.

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. These financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

Subsequent to initial recognition, AFS financial assets are measured at fair value. Fair value changes are recognized in other comprehensive income. Cumulative change in the fair value is presented as “Revaluation reserve on AFS financial assets”. Impairment losses and foreign exchange gains and losses on AFS debt instruments are recognized in profit or loss as they arise.

When the relevant asset is derecognized, on sale or other disposal, or is impaired, the cumulative fair value changes recognized in other comprehensive income are reclassified from equity to profit or loss. For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Such gains and losses include all fair value changes until the date of disposal.

The Company’s listed and unquoted equity securities are classified under this category.

Financial Instruments at FVPL
This category consists of financial instruments that are held-for-trading or designated by management on initial recognition. Financial instruments at FVPL are recorded in the statement of financial position at fair value.

These are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- these are part of a group of financial assets, financial liabilities or both which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or, it is clear, with little or no analysis, that it would not be bifurcated.

As at December 31, 2022 and 2021, the Company's financial asset designated by management as financial instruments at FVPL include unit investment trust funds and nil, respectively.

Other Financial Liabilities
Issued financial instruments or their components, which are not classified as FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets.

Subsequent to initial measurement, these financial liabilities are carried at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees and costs that are an integral part of the EIR of the liability. The amortization is recognized in profit or loss.

Included in this category are claims reported under "Insurance contract liabilities", insurance payable, commission payable, lease liabilities and other payables (excluding amounts payable to government agencies).

Fair Value Measurements

Determination of Fair Values

The fair values of financial instruments traded in active markets at reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair values are determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 the categorization at the end of each reporting period.

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

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

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

<u>Impairment of Financial Assets</u>
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

AFS Financial Assets Carried at Fair Value
In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss lodged under equity account, measured as the difference between the acquisition cost and the current fair value, less any impairment previously recognized in other comprehensive income, is transferred to profit or loss.

In the case of AFS debt securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the EIR on the reduced carrying amount of the asset and is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss to the extent that the resulting carrying amount of the security does not exceed its carrying amount had no impairment loss been recognized.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in other comprehensive income is reclassified from equity account to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

Gains (losses) on sale of AFS financial assets and impairment losses are reclassified from accumulated other comprehensive income to net gains (losses) on AFS financial assets.

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

Loans and Receivables and HTM Investments
For financial assets carried at amortized cost such as loans and receivables and HTM investments, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that a borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If an asset has a variable rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. For collective impairment purposes, impairment losses are computed based on their respective default and historical loss experience.

The carrying amounts of the loans and receivables and HTM investments shall be reduced either directly or through the use of an allowance account. The impairment losses for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of impairment losses is recognized in profit or loss, to the extent that the carrying amounts of the loans and receivables and HTM investments do not exceed their amortized cost at the reversal date.

Where loans and receivables have been ascertained to be worthless, the related amount is written-off against the corresponding allowance for impairment.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset but transferred control of the asset, the Company continues to recognize the asset to the extent of the Company's continuing involvement. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be acquired to pay.

Financial Liabilities

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

Investment in Associate

In its financial statements, an investor should use the equity method of accounting for investments in associates, other than in the following three exceptional circumstances:

- A parent that is exempted from preparing consolidated financial statements by paragraph 10 of PAS 27, *Consolidated and Separate Financial Statements*, may prepare separate financial statements as its primary financial statements. In those separate statements, the investment in the associate may be accounted for by the cost method or under PAS 39.
- An investor need not use the equity method if all of the following four conditions are met:
  - the investor is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the investor not applying the equity method;
  - the investor's debt or equity instruments are not traded in a public market;

- the investor did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and

- the ultimate or any intermediate parent of the investor produces consolidated financial statements available for public use that comply with PFRS.

The Company met the aforementioned criteria, thus, did not use the equity method in recognizing investment in associate on the financial statement.

The Company's investment in OWN Bank is accounted for as investment in associate using the cost method, in accordance with PAS 27. Under the cost method, the investment is initially recognized at cost in the statement of financial position. Subsequently, these are carried in the statement of financial position at cost less any accumulated impairment losses. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary arising after the date of acquisition.

Property and Equipment

Property and equipment, except for office condominium and land, are stated at cost, net of accumulated depreciation and any impairment in value. The Company's parcel of land obtained through foreclosure is recognized at fair value as at the date of foreclosure. The said fair value is considered the deemed cost of the property.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged against profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Office condominium	14
Furniture, fixtures, and office equipment	5
Transportation equipment	5

The assets' residual values, estimated useful lives, and depreciation method are reviewed periodically to ensure that these are consistent to the expected pattern of economic benefits from the said property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against profit or loss.

Land is measured at fair value, while the office condominium units are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in other comprehensive income under "Revaluation reserve on property and equipment" account, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

Accumulated depreciation as of the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Transfers from revaluation reserve to retained earnings are not made through profit or loss.

Intangible Assets

Intangible asset represents the future economic benefits expected to be derived from the acquisition of insurance related assets, liabilities, and obligations of an insurance company through the establishment of policyholder relationships. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization. The intangible asset is being amortized over a period of 20 years from the date of acquisition. The unamortized portion is included under "Other assets" in the statement of financial position.

Determination of Fair Value of Nonfinancial Assets

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

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

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

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

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

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

External appraisers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Impairment of Nonfinancial Assets
At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the 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 assessment of the time value of money and the risks specific to the asset (or cash generating unit).

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

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase under other comprehensive income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deposit for future subscription
In accordance with Financial Reporting Bulletin No. 6 issued by the SEC in January 2013, an entity shall classify a contract to deliver its own equity instruments under equity as a separate account (e.g., Deposit for Stock Subscription) from "Outstanding Capital Stock" if and only if, all of the following elements are present as of the end of reporting date:

- The unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
- The BOD approved the proposed increase in the authorized capital stock (for which a deposit was received by the Company);
- The stockholders approved the said proposed increase;
- The application for the approval of the proposed increase has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability (see Notes 23 and 25). The Company recorded this as part of liability as some of the above considerations are not yet complied as of the reporting period.

<u>Equity</u>
Capital stock represents the value of shares that have been issued at par.

Contributed surplus includes any premiums received in excess of par value on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from contributed surplus.

Deficit includes all the accumulated losses of the Company, distribution to stockholders, and adjustments resulting from changes in accounting policy.

Revaluation reserve on AFS securities pertain to the unrealized fair value gains and losses from mark-to-market valuation of AFS securities

Revaluation reserve on property represents the appraisal increment on office condominium units and land classified under “Property and equipment”.

Remeasurement gains on defined benefit plan represents the cumulative amount of remeasurement of retirement liability arising from actuarial gains and losses due to expenses and demographic assumptions as well as gains and losses in the plan assets.

<u>Revenue Recognition</u>
The Company’s revenue streams arising from insurance contracts falls under PFRS 4 while interest and dividend income falls under PAS 39 and other income under PFRS 15 *Revenue from Contracts with Customers*. The following specific criteria must also be met before revenue is recognized:

Premiums Revenue
Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at reporting date is accounted for as pprovision for unearned premiums presented as part of “Insurance contract liabilities” in the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance under “Reinsurance assets”. The net changes in these accounts between reporting dates are included in the determination of net earned insurance premiums.

Reinsurance Commission Income
Commissions earned from short-duration insurance contracts are recognized as revenue over the contract period using the 24th method. The portion of the commissions that relate to the unexpired periods of the policies at the reporting date are accounted for as “Deferred reinsurance commissions” in the statement of financial position.

Interest Income
Interest income is recognized as it accrues in accordance with effective interest method.

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

Other Income
Other income, including other underwriting income, is recognized when earned.

Service fee represent income earned from administrative services (technical support and data processing services), accounted under the scope of PFRS 15.

Determining whether the Company is Acting as Principal or an Agent
The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services; and

- whether the Company has discretion in establishing prices.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as principal in its revenue arrangements.

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

Other Underwriting Expense
Other underwriting expense pertains to the costs incurred by the Company prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews, and other work deemed necessary to determine whether or not to accept the risks to be written.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expense when incurred.

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

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

Defined benefit costs comprise the following:

- service cost;
- net interest on the net pension liability or asset; and
- remeasurements of defined benefit plan.

Service costs which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). The Company has not set up plan assets as at December 31, 2022 and 2021.

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.

<u>Leases</u>

As a Lessee

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favor of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and

- the amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognized in profit or loss.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of- use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Short-term Leases
The Company has elected not to recognize ROU assets and lease liability for short-term leases of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Foreign Currency Transactions and Balances
The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss except for equity securities classified as AFS financial assets where such differences are taken to other comprehensive income.

Taxes
Current Tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that is applicable to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in profit or loss.

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

Final Tax
Interest income from cash in banks, debt securities, funds held by ceding companies and dividend income, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are recognized as final tax under "Current income tax" in profit or loss.

CWT
CWT pertains to the indirect tax paid by the Company that is withheld by its counterparty for the payment of premiums to the Company. CWT is initially recorded at cost under "Other assets" account in the statement of financial position.

At each end of the tax reporting deadline, CWT may either be offset against future income tax payable or be claimed as a refund from the taxation authorities at the option of the Company. If CWT is claimed as a refund, these will be reclassified to receivables in the statement of financial position when the refund is virtually certain. At each end of the reporting period, an assessment for impairment is performed as to the recoverability of the CWT.

VAT
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax 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 tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

<u>Provisions</u>
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

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

29. Management of Capital, Insurance Risks, and Financial Risks

Governance Framework
The primary objective of the Company's risk and financial management framework is to recognize, identify and measure risks and manage the Company's portfolio to achieve expected return consistent with the risks taken. The Company recognizes the importance of having efficient and effective risk management systems in place to minimize uncompensated and inappropriate risks.

The Company has established a risk management function with clear terms of reference for the BOD and senior management. Further, a clear organization structure with delegated authorities and responsibilities from senior management to department managers has been developed. Lastly, the Company policy framework which sets out the risk portfolio of the Company, including but not limited to geographical and industry segments, risk management, control and business conduct standards for the Company's operations has been put in place.

The Company's senior management together with the department managers meet once a month or as the need arises, to discuss the Company's identified risks, their quantification and disposition, whether they will be accepted, transferred or eliminated from the portfolios, taking into account the Company's retention limit structure, the prevailing commercial and regulatory requirements, and potential financial effects.

Regulatory Framework
Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels. The operations of the Company are also subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise).

Capital Management Framework
The primary objective for capital management is to enable the Company to determine the level of capital necessary to support its insurance operations, to provide a desired degree of protection for its policyholders, and to maintain an adequate margin of solvency at all times. The Company shall maintain capital equal to or higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-Based Capital (RBC) Model. Management considers the Company's total equity as its capital.

Any inadequacy in the required capital will require capital infusion or the Company's license to operate insurance business could be revoked.

There were no changes made to its capital base, objectives, policies and processes from previous years.

Net Worth Requirements
Under Section 194 of the Amended Insurance Code RA) which was approved on August 15, 2013, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

Net Worth	Compliance Date
P250,000,000	On or before June 30, 2013
550,000,000	On or before December 31, 2016
900,000,000	On or before December 31, 2019
1,300,000,000	On or before December 31, 2022

As at December 31, 2022 and 2021, the Company has complied with the net worth requirements based on internal calculations. The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC, especially as to the admitted and non-admitted assets as defined under the Amended Insurance Code.

In 2021, the deposit for future stock subscription received by the Company amounting to P438.48 million has been translated to equity while the P81.59 million has been returned as a result of the mutual agreement to terminate (see Note 23).

Accordingly, the deposits for future stock subscription received by the Company amounting to P400.00 million as at December 31, 2022 (see Note 23) presented as liability in the Company's statement of financial position was considered by management in the computation of the net worth requirement.

RBC Requirements
IC Circular Letter No. 2016-68, *Amended RBC2 Framework*, provides for the RBC2 framework for the nonlife insurance industry to establish the required amounts of capital to be maintained by the insurance companies in relation to the risks an insurance company is exposed to. Every nonlife insurance company is annually required to maintain an RBC2 ratio of at least 100% and not to fail the trend test. Failure to meet the minimum RBC2 ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be calculated as total available capital (TAC) divided by the RBC2 requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits determined by IC. With Tier 1 Capital being the capital fully available to cover losses at all times on a going concern and winding up basis. And Tier 2 Capital as the capital that can also provide additional buffer to the insurance company, though it is not of the same high quality as Tier 1 Capital.
The following table shows how the RBC ratio was determined by the Company based on internal calculations:

	2022	2021
Net worth	**P1,455,408,829**	P993,336,169
RBC capital	**44,444,777**	32,369,789
RBC ratio	**3,275%**	3,069%

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

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

Occurrence Risk
The possibility that the number of insured events will differ from those expected.

Severity Risk
The possibility that the cost of the events will differ from those expected.

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

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

The business of the Company comprises short term nonlife insurance contracts. For nonlife insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, and the like events.

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

The Company has an objective to control and minimize insurance risk, to reduce volatility of operating profits and to maintain adequate solvency margins. The Company manages insurance risk through the mechanisms in the next page.

The use and maintenance of sufficient management records that provide up to date, accurate and reliable data on risk exposure by industry segment, geographical location, type of coverage at any point in time; deviations from set exposure limits; industry developments and changes in regulatory provisions.

Underwriting guidelines are issued for concluding insurance contracts both for direct insurance and treaty and facultative insurance acceptances.

Timely and judicious claims handling procedures are followed to investigate and adjust reported claims thereby preventing settlement of dubious or fraudulent claims.
Risk mitigation is accomplished by imposing deductibles on policies, placing of reinsurance business with reinsurers which offer the best security for limiting the Company's exposure to large claims and uncompensated risks.

Diversification of insurance coverage is achieved by including on the Company's underwriting portfolio various types of risks in different industry segments, geographical locations, and policy terms and conditions to reduce the potential overall impact of adverse losses in a specific risk.

There has been no change to the Company's exposure to insurance risk or the manner in which it manages and measure risk since the prior financial year.

The Company principally issued the following types of general insurance contracts:

		2022		
	Note	**Gross Claims Liabilities**	**Reinsurer's Share of Claims Liabilities**	**Net Claims Liabilities**
Fire and special risk		**P12,492,789**	**P10,858,163**	**P1,634,626**
Motor car		**3,535,400**	**256,025**	**3,279,375**
Marine cargo		**54,641**	**37,439**	**17,202**
Casualty		**7,736**	**7,736**	**-**
Erection and machineries		**1,406,378**	**703,344**	**703,034**
Personal accident		**967,327**	**400,683**	**566,644**
	12	**P18,464,271**	**P12,263,390**	**P6,200,881**

		2021		
	Note	Gross Claims Liabilities	Reinsurer's Share of Claims Liabilities	Net Claims Liabilities
Fire and special risk		P2,672,103	P1,428,964	P1,243,139
Motor car		2,055,272	740,875	1,314,397
Marine cargo		138,627	119,401	19,226
Casualty		14,183	4,202	9,981
Erection and machineries		180,181	26,879	153,302
Personal accident		750,844	410,818	340,026
	12	P5,811,210	P2,731,139	P3,080,071

<u>Terms and Conditions</u>
The major classes of general insurance written by the Company include fire and special risks, motor car, marine cargo, personal accident, casualty, and engineering. Risks under these policies usually cover a 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projection of future claim costs. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claim provisions are separately analyzed by class of business. In addition, larger claims are usually assessed separately by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

<u>Assumptions</u>
The principal assumption underlying the estimates is the Company's past claims development experience. Loss development factors are established by analyzing prior years' claims data and deriving the claims development trend by class of business.

Sensitivities

The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting dates.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

The table below indicates the impact of changes in certain key assumption in respect of general insurance business while other assumptions remain unchanged.

		Change in Assumption	Impact on Net Insurance Contract Liabilities ('000)	Impact on Income before Income Tax ('000)
2022	Average claim cost	**33% increase**	**(P2,046)**	**P2,046**
2021	Average claim cost	50% increase	(2,906)	2,906

Claims Development Table

The following tables reflect the cumulative incurred claims, including both claims notified and claims IBNR for each successive accident year at each reporting date, together with the cumulative payments to date:

		Gross Insurance Contract Liabilities for 2022										
Accident Year	***Note***	2013 and Prior Years	2014	2015	2016	2017	2018	2019	2020	2021	**2022**	**Total**
Accident year		P158,957,603	P22,070,961	P26,328,131	P14,657,115	P15,947,144	P4,237,812	P3,676,094	P5,732,325	P14,685,171	**P21,114,082**	**P21,114,082**
One year later		158,000,747	17,191,668	28,335,479	15,719,896	13,748,603	4,172,060	3,195,463	4,052,360	14,685,171	**-**	**14,685,171**
Two years later		126,293,594	17,508,797	26,999,817	15,494,811	13,454,375	3,017,256	3,195,462	4,052,360	-	**-**	**4,052,360**
Three years later		122,549,820	17,171,403	26,897,078	15,500,333	14,506,656	3,065,961	3,195,462	-	-	**-**	**3,195,462**
Four years later		121,697,262	17,563,403	26,898,750	13,980,612	14,668,013	3,065,961	-	-	-	**-**	**3,065,961**
Five years later		121,276,157	17,725,699	26,362,599	14,527,282	14,668,013	-	-	-	-	**-**	**14,668,013**
Six years later		124,799,937	16,157,248	26,362,599	14,527,282	-	-	-	-	-	**-**	**14,527,282**
Seven years later		119,582,983	16,157,248	26,362,599	-	-	-	-	-	-	**-**	**26,362,599**
Eight years later		125,639,365	16,157,248	-	-	-	-	-	-	-	**-**	**16,157,248**
Nine years later		125,639,365	-	-	-	-	-	-	-	-	**-**	**125,639,365**
Current estimate cumulative claims		125,639,365	16,157,248	26,362,599	14,527,282	14,668,013	3,065,961	3,195,462	4,052,360	14,685,171	**21,114,082**	**243,467,543**
Cumulative payments to date		(125,639,365)	(16,157,248)	(26,362,599)	(14,527,282)	(14,668,013)	(3,065,961)	(3,195,462)	(4,052,360)	(14,685,171)	**(2,649,811)**	**(225,003,272)**
Gross insurance contract liabilities recognized in the statements of financial position	*12*	P -	P -	P -	P -	P -	P -	P -	P -	P -	**P18,464,271**	**P18,464,271**

		Net Insurance Contract Liabilities for 2022										
Accident Year	***Note***	2013 and Prior Years	2014	2015	2016	2017	2018	2019	2020	2021	**2022**	**Total**
Accident year		P66,504,153	P3,551,340	P23,518,877	P14,253,899	P11,567,454	P2,675,846	P2,972,004	P3,003,817	P10,130,550	**P10,822,133**	**P10,822,133**
One year later		69,421,680	10,681,095	24,295,424	14,765,540	11,686,243	2,480,212	3,082,216	4,578,890	10,130,550	**-**	**10,130,550**
Two years later		67,943,753	10,515,725	24,204,448	14,400,886	11,415,891	2,410,929	3,095,579	4,578,890	-	**-**	**4,578,890**
Three years later		68,474,727	9,925,488	23,979,467	14,386,699	13,541,137	1,517,991	3,095,579	-	-	**-**	**3,095,579**
Four years later		67,901,572	9,892,206	24,183,662	11,625,171	13,456,679	1,517,991	-	-	-	**-**	**1,517,991**
Five years later		67,829,993	9,889,968	24,067,885	8,939,702	13,456,679	-	-	-	-	**-**	**13,456,679**
Six years later		68,078,940	9,724,313	24,067,885	8,939,702	-	-	-	-	-	**-**	**8,939,702**
Seven years later		67,363,545	9,724,313	24,067,885	-	-	-	-	-	-	**-**	**24,067,885**
Eight years later		67,952,041	9,724,313	-	-	-	-	-	-	-	**-**	**9,724,313**
Nine years later		71,235,683	-	-	-	-	-	-	-	-	**-**	**71,235,683**
Current estimate cumulative claims		71,235,683	9,724,313	24,067,885	8,939,702	13,456,679	1,517,991	3,095,579	4,578,890	10,130,550	**10,822,133**	**157,569,405**
Cumulative payments to date		(71,235,683)	(9,724,313)	(24,067,885)	(8,939,702)	(13,456,679)	(1,517,991)	(3,095,579)	(4,578,890)	(10,130,550)	**(4,621,252)**	**(151,368,524)**
Net insurance contract liabilities recognized in the statements of financial position	*12*	P -	P -	P -	P -	P -	P -	P -	P -	P -	**P6,200,881**	**P6,200,881**

Gross Insurance Contract Liabilities for 2021

Accident Year	Note	2012 and Prior Years	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Accident year		P133,139,152	P25,818,451	P22,070,961	P26,328,131	P14,657,115	P15,947,144	P4,237,812	P3,676,094	P5,732,325	P14,685,171	P14,685,171
One year later		132,907,656	25,093,091	17,191,668	28,335,479	15,719,896	13,748,603	4,172,060	3,195,463	4,052,360	-	4,052,360
Two years later		105,128,020	21,165,574	17,508,797	26,999,817	15,494,811	13,454,375	3,017,256	3,195,462	-	-	3,195,462
Three years later		104,902,662	17,647,158	17,171,403	26,897,078	15,500,333	14,506,656	3,065,961	-	-	-	3,065,961
Four years later		103,429,688	18,267,574	17,563,403	26,898,750	13,980,612	14,668,013	-	-	-	-	14,668,013
Five years later		103,008,583	18,267,574	17,725,699	26,362,599	14,527,282	-	-	-	-	-	14,527,282
Six years later		103,439,056	21,360,881	16,157,248	26,362,599	-	-	-	-	-	-	26,362,599
Seven years later		102,512,191	17,070,792	16,157,248	-	-	-	-	-	-	-	16,157,248
Eight years later		103,166,984	17,085,223	-	-	-	-	-	-	-	-	17,085,223
Nine years later		108,554,142	-	-	-	-	-	-	-	-	-	108,554,142
Current estimate cumulative claims		108,554,142	17,085,223	16,157,248	26,362,599	14,527,282	14,668,013	3,065,961	3,195,462	4,052,360	14,685,171	222,353,461
Cumulative payments to date		(105,049,277)	(17,085,223)	(16,157,248)	(26,362,599)	(14,527,282)	(14,668,013)	(3,023,956)	(3,175,372)	(4,052,360)	(12,440,921)	(216,542,251)
Gross insurance contract liabilities recognized in the statements of financial position	12	P3,504,865	P -	P -	P -	P -	P -	P42,005	P20,090	P -	P2,244,250	P5,811,210

Net Insurance Contract Liabilities for 2021

Accident Year	Note	2012 and Prior Years	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Accident year		P54,241,110	P12,263,043	P3,551,340	P23,518,877	P14,253,899	P11,567,454	P2,675,846	P2,972,004	P3,003,817	P10,130,550	P10,130,550
One year later		56,442,465	12,979,215	10,681,095	24,295,424	14,765,540	11,686,243	2,480,212	3,082,216	4,578,890	-	4,578,890
Two years later		54,779,437	13,164,316	10,515,725	24,204,448	14,400,886	11,415,891	2,410,929	3,095,578	-	-	3,095,578
Three years later		55,486,733	12,987,994	9,925,488	23,979,467	14,386,699	13,541,137	1,517,991	-	-	-	1,517,991
Four years later		54,922,357	12,979,215	9,892,206	24,183,662	11,625,171	13,456,679	-	-	-	-	13,456,679
Five years later		54,849,096	12,980,897	9,889,968	24,067,885	8,939,702	-	-	-	-	-	8,939,702
Six years later		54,935,103	13,143,837	9,724,313	24,067,885	-	-	-	-	-	-	24,067,885
Seven years later		54,910,246	12,453,299	9,724,313	-	-	-	-	-	-	-	9,724,313
Eight years later		55,498,742	12,453,299	-	-	-	-	-	-	-	-	12,453,299
Nine years later		58,782,384	-	-	-	-	-	-	-	-	-	58,782,384
Current estimate cumulative claims		58,782,384	12,453,299	9,724,313	24,067,885	8,939,702	13,456,679	1,517,991	3,095,578	4,578,890	10,130,550	146,747,271
Cumulative payments to date		(56,602,590)	(12,453,299)	(9,724,313)	(24,067,885)	(8,939,702)	(13,456,679)	(1,517,991)	(3,082,215)	(4,578,890)	(9,243,636)	(143,667,200)
Net insurance contract liabilities recognized in the statements of financial position	12	P2,179,794	P -	P -	P -	P -	P -	P -	P13,363	P -	P886,914	P3,080,071

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

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

There has been no change to the Company's exposure to financial risk or the manner in which it manages and measure risk since the prior financial year.

Credit Risk
Credit risk is the risk that one party will fail to perform fully its financial obligation which may pertain to risk of default on a loan as well as the risk of a counterparty failing to meet its obligation especially with respect to loss recoveries on reinsurance business.

The Company manages the level of credit risk it accepts through a comprehensive credit risk policy which sets out the following:

- assessment and determination of acceptable and desired credit risk levels for the Company by setting up of exposure limits by each counterparty or group of counterparties, geographical regions, and economic sectors, and specific products;
- right of offset where counterparties are both debtors and creditors;
- imposing collateral and guarantee requirements;
- reporting of credit risk exposures and deviations; and
- monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Reinsurance of risk is placed with high-rated reinsurers and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. The Company undertakes significant due diligence with respect to the reinsurers with which it has reinsurance agreements in place. An appropriate number of these reinsurers are utilized and additional protection is sought through information on security for these counterparties. Management performs assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowance for impairment of reinsurance assets.

In respect of investment securities, the Company's investments are subject to the regulatory requirements of the Insurance Code as supervised by the IC which set allowable investment assets, quantitative limits, and other pertinent restrictive provisions, and help mitigate the credit risk on investment assets. Credit risk arising from investment portfolios is addressed by setting authorized assets and limits and checking the level of credit risk related to a specific asset, adequacy of pricing, and returns for current and prospective investments.

The following table provides information regarding the maximum credit risk exposure, net of impairment losses, of the Company as at December 31, 2022 and 2021:

	Note	**2022**	2021
Cash and cash equivalents*	*4, 30*	**P1,129,244,874**	P726,722,059
Insurance receivables:			
Premiums receivable	*5, 27*	**14,545,623**	18,043,681
Reinsurance recoverable on paid losses	*5, 27*	**4,297,823**	4,471,255
Due from ceding companies	*5, 27*	**4,704,269**	4,954,737
Funds held by ceding companies	*5, 27*	**11,702,084**	6,855,292
HTM investments	*6, 27, 30*	**227,304,522**	230,177,318
Loans and receivables	*6, 27, 30*	**76,973,435**	4,662,675
Security and deposit fund	*11, 30*	**-**	56,821,284
		P1,468,772,630	P1,052,708,301

**Excluding Cash on hand*

Carrying amount of all the other financial assets of the Company represents the maximum exposure to credit risk.

The tables below provide information regarding the credit risk exposure of the Company by classifying assets according to the Company's assessment of credit standing of the counterparties, historical dealings and experience with the counterparties, underlying collaterals, if any, and other factors.

		2022				
		Neither Past Due nor Impaired		**Past Due but not**		
	Note	**High**	**Medium**	**Impaired**	**Impaired**	**Total**
Cash and cash equivalents*	*4, 30*	**P1,129,244,874**	**P -**	**P -**	**P -**	**P1,129,244,874**
Insurance receivables:						
Premiums receivable	*5, 27, 30*	**14,790,359**	**2,967,225**	**(3,211,961)**	**19,421,555**	**33,967,178**
Reinsurance recoverable on paid losses	*5, 27, 30*	**4,297,823**	**-**	**-**	**1,161,775**	**5,459,598**
Due from ceding companies	*5, 27, 30*	**4,704,269**	**-**	**-**	**4,976,352**	**9,680,621**
Funds held by ceding companies	*5, 27, 30*	**11,702,084**	**-**	**-**	**669,955**	**12,372,039**
HTM Investments	*6, 27, 30*	**227,304,522**	**-**	**-**	**-**	**227,304,522**
Loans and receivables	*6, 27, 30*	**76,973,435**	**-**	**-**	**-**	**76,973,435**
Security and deposit fund	*11, 30*	**-**	**-**	**-**	**-**	**-**
		P1,469,017,366	**P2,967,225**	**(P3,211,961)**	**P26,229,637**	**P1,495,002,267**

**Excluding Cash on hand*

		2021				
		Neither Past Due nor Impaired		Past Due but not		
	Note	High	Medium	Impaired	Impaired	Total
Cash and cash equivalents*	*4, 30*	P726,722,059	P -	P -	P -	P726,722,059
Insurance receivables:						
Premiums receivable	*5, 27, 30*	10,834,780	8,924,227	(1,715,326)	4,298,960	22,342,641
Reinsurance recoverable on paid losses	*5, 27, 30*	4,471,255	-	-	1,127,567	5,598,822
Due from ceding companies	*5, 27, 30*	4,954,737	-	-	935,414	5,890,151
Funds held by ceding companies	*5, 27, 30*	6,855,292	-	-	669,955	7,525,247
HTM Investments	*6, 27, 30*	230,177,318	-	-	-	230,177,318
Loans and receivables	*6, 27, 30*	4,662,675	-	-	-	4,662,675
Security and deposit fund	*11, 30*	56,821,284	-	-	-	56,821,284
		P1,045,499,400	P8,924,227	(P1,715,326)	P7,031,896	P1,059,740,197

**Excluding Cash on hand*

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

High grade pertains to cash in banks and short-term placements, HTM Investments, insurance receivable, and loans and receivables with high probability of collection.

Medium grade pertains to unquoted financial assets other than cash in banks, short-term placements and receivables from counterparties with average capacity to meet their obligations.

Past due but not impaired pertains to receivables from counterparties with good track records with the Company or those with on-going transactions. Based on past experience, the Company believes that no allowance for impairment is necessary.

Impaired pertains to the allowance for impairment losses that the Company recognizes due to the uncertainty of the collectability of the Company's receivables.

The Company did not have any significant concentration of credit risk with a single counter party or group of counterparties as at December 31, 2022 and 2021. In terms of the type of the financial asset, the credit risk is concentrated in cash and cash equivalents and HTM investments since it amounted to P1.36 billion (90.74%) and P956.90 million (90.18%) of the Company's total financial assets as at December 31, 2022 and 2021, respectively.

Liquidity Risk

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

Because of the difficulty in accurately forecasting the amount of claims that the Company will incur and pay, the major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company addresses its liquidity risk through a liquidity risk policy which sets out the following:

- determining the level of acceptable liquidity risk for the Company;
- specifies minimum proportion of funds to meet emergency calls especially with respect to claims;
- setting up of contingency funding plans;
- cash flow projections which specify the sources of funding and uses for such funds;
- reporting of conditions which might trigger liquidity risk deviations; and
- review of liquidity risk policy for applicability in relation to market changes, government control and the environment in general.

The table below analyzes financial assets and liabilities, including reinsurance assets and insurance liabilities, of the Company into their relevant maturity group based on the remaining period at the reporting date to their undiscounted contractual maturities or expected repayment dates.

		2022				
	Note	**Within a Year**	**1 - 3 Years**	**3 - 5 Years**	**No Term**	**Total**
Cash and cash equivalents*	*4, 30*	**P1,129,244,874**	**P -**	**P -**	**P -**	**P1,129,244,874**
Insurance receivables	*5, 27*	**35,249,799**	**-**	**-**	**-**	**35,249,799**
Investment at FVPL	*6, 27, 30*	**-**	**-**	**-**	**103,338**	**103,338**
AFS financial assets	*6, 27, 30*	**-**	**-**	**-**	**13,294,655**	**13,294,655**
HTM investments	*6, 27, 30*	**97,698,615**	**98,636,250**	**30,969,657**	**-**	**227,304,522**
Investment in associate	*7, 27, 30*	**-**	**-**	**-**	**9,533,881**	**9,533,881**
Loans and receivables	*6, 25, 30*	**76,973,435**	**-**	**-**	**-**	**76,973,435**
Total Financial Assets		**1,339,166,723**	**98,636,250**	**30,969,657**	**22,931,874**	**1,491,704,504**
Insurance contract liabilities**	*12, 30*	**15,338,487**	**-**	**-**	**-**	**15,338,487**
Lease liability	*24, 27*	**3,049,372**	**9,381,834**	**-**	**-**	**12,431,206**
Insurance payables	*13, 27, 30*	**8,734,038**	**-**	**-**	**-**	**8,734,038**
Commissions payable	*27, 30*	**8,375,617**	**-**	**-**	**-**	**8,375,617**
Other Payables***	*14, 30*	**4,835,478**	**-**	**-**	**-**	**4,835,478**
Total Financial Liabilities		**P40,332,992**	**P9,381,834**	**P -**	**P -**	**P49,714,826**

**excluding cash on hand.*
***excluding IBNR and UPR.*
****excluding Taxes Payable*

		2021				
	Note	Within a Year	1 - 3 Years	3 - 5 Years	No Term	Total
Cash and cash equivalents*	*4, 30*	P726,722,059	P -	P -	P -	P726,722,059
Insurance receivables	*5, 27*	34,324,965	-	-	-	34,324,965
AFS financial assets	*6, 27, 30*	-	-	-	6,539,944	6,539,944
HTM investments	*6, 27, 30*	-	227,076,017	3,101,301	-	230,177,318
Loans and receivables	*6, 27, 30*	4,662,675	-	-	-	4,662,675
Security and deposit fund	*11, 30*	-	-	-	56,821,284	56,821,284
Total Financial Assets		765,709,699	227,076,017	3,101,301	63,361,228	1,059,248,245
Insurance contract liabilities**	*12, 30*	3,566,960	-	-	-	3,566,960
Insurance payables	*13, 27, 30*	10,179,747	-	-	-	10,179,747
Commissions payable	*27, 30*	5,131,279	-	-	-	5,131,279
Other Payables***	*14, 30*	3,875,127	-	-	-	3,875,127
Total Financial Liabilities		P22,753,113	P -	P -	P -	P22,753,113

**excluding cash on hand.*
***excluding IBNR and UPR.*
****excluding Taxes Payable*

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as 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 using information that develops during the course of the loss adjustment process

Market Risk

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

The Company manages market risks through a market risk policy that sets out the following:

- acceptable level of market risk for the Company;
- basis used to determine the fair value of financial assets and liabilities;
- asset allocation and portfolio limit structure by type of instrument and geographical area, counterparty or group of counterparties, and industry segments;
- market risk exposures and conditions that might trigger market risk deviations; and market risk policy for pertinence in relation to market changes and in the environment.

Currency Risk
The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar, as it deals with foreign reinsurers in its settlement of its obligations and receipt of any claim reimbursements.

The Company's financial assets are denominated in the same currency as its insurance liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which the insurance liabilities are expected to be settled.

The table below summarizes the Company's exposure to foreign currency exchange risk on its cash in banks as at December 31, 2022 and 2021:

	USD	PHP
2022	**29,034**	**1,629,388**
2021	29,034	1,480,444

The exchange rates of Philippine Peso to US Dollar were P56.12 and P50.99 per USD 1.00 from Banker's Association of the Philippines, as at December 31, 2022 and 2021, respectively.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of cash).

	Increase (Decrease) in Exchange Rate	Impact on Income before Tax Increase (Decrease)
2022	**+5%**	**P81,469**
	-5%	**(81,469)**
2021	+5%	74,022
	-5%	(74,022)

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

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value risk.

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

	Note	Interest Rates	Within a Year	1 - 3 Years	4 - 5 Years	Over 5 Years	Total
		2022					
			Maturity				
	Note	**Interest Rates**	**Within a Year**	**1 - 3 Years**	**4 - 5 Years**	**Over 5 Years**	**Total**
HTM financial assets	*6, 27, 30*	**2.375%-6.25%**	**P97,698,615**	**P98,636,250**	**P30,969,657**	**P -**	**P227,304,522**
Insurance payables	*13, 27, 30*	**5%**	**8,734,038**	**-**	**-**	**-**	**8,734,038**

	Note	Interest Rates	Within a Year	1 - 3 Years	4 - 5 Years	Over 5 Years	Total
		2021					
			Maturity				
HTM financial assets	*6, 27, 30*	1.064%-4.75%	P128,110,705	P98,965,313	P3,101,300	P -	P230,177,318
Insurance payables	*13, 27, 30*	5%	10,179,747	-	-	-	10,179,747

Price Risk

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

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

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, limits on investment in each sector and market, and careful and planned use of derivative instruments.

The analysis below is performed for reasonably possible movements in Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on other comprehensive income (that reflects adjustments on changes in fair value of listed AFS equity financial assets).

	2022	
Market Indices	**Change in Variable**	**Impact on Equity Increase (Decrease)**
PSEi	**+5.00%**	**P658,465**
	-5.00%	**(658,465)**

	2021	
Market Indices	Change in Variable	Impact on Equity Increase (Decrease)
PSEi	+5.00%	P320,729
	-5.00%	(320,729)

Deferral of PFRS 9

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 (effective January 1, 2018): Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Amendments to PFRS allows insurance entities whose predominant activities at its annual reporting date that immediately precedes April 1, 2016 are to issue contracts within the scope of PFRS 4 an optional temporary exemption from applying PFRS 9 (deferral approach). The Company is qualified for and elected to take the deferral approach as its activities are predominantly connected with insurance since as at December 31, 2015, the Company's total carrying amount of liabilities connected with insurance represents more than 90% of its total liabilities. 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 for the year ended December 31, 2020. Consequently, the Company will continue to apply PAS 39, the existing financial instrument standard until the effectivity date of PFRS 17.

The financial statements have been prepared on a going concern basis using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

The following table provides an overview of the fair values as at December 31, 2022 and 2021, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the solely payments of principal and interest (SPPI) criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are 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:

		2022			
		Financial Assets that Meet the SPPI Criteria*		**All Other Financial Assets**	
	Note	**Fair Value**	**Fair Value Change During the Reporting Period**	**Fair Value**	**Fair Value Change During the Reporting Period**
Asset					
Cash and cash equivalents**	*4, 30*	**P1,129,244,874**	**P -**	**P -**	**P -**
Insurance receivables - net	*5, 27*	**35,249,799**	**-**	**-**	**-**
Financial assets:					
Available-for-sale financial assets	*6, 27, 30*	**-**	**-**	**13,294,655**	**5,066,034**
Held-to-maturity investments	*6, 27, 30*	**227,304,522**	**-**	**-**	**-**
Loans and receivables	*6, 27, 30*	**76,973,435**	**-**	**-**	**-**
Investment at FVPL	*6, 27, 30*	**-**	**-**	**103,338**	**-**
Investment in associate	*7, 27, 30*	**-**	**-**	**9,533,881**	**-**
		P1,468,772,630	**P -**	**P22,931,874**	**P5,066,034**

** 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.*
*** Excluding cash on hand.*

		2021			
		Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Note	Fair Value	Fair Value Change During the Reporting Period	Fair Value	Fair Value Change During the Reporting Period
Asset					
Cash and cash equivalents**	*4, 30*	P726,722,059	P -	P -	P -
Insurance receivables - net	*5, 27*	34,324,965	-	-	-
Financial assets:					
Available-for-sale financial assets	*6, 27, 30*	-	-	6,539,944	1,732,096
Held-to-maturity investments	*6, 27, 30*	230,177,318	-	-	-
Loans and receivables	*6, 27, 30*	4,662,675	-	-	-
Security and deposit fund	*11, 30*	56,821,284	-	-	-
		P1,052,708,301	P -	P6,539,944	P1,732,096

** 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.*
*** Excluding cash on hand.*

The information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion at December 31, 2022 and 2021 is consistent with the credit risk disclosure above under PAS 39.

30. Fair Value Measurements

The table below sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at December 31, 2022 and 2021.

		2022		2021	
	Note	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets					
Cash and cash equivalents*	*4, 29*	**P1,129,244,874**	**P1,129,244,874**	P726,722,059	P726,722,059
Insurance receivables:	*5*				
Premiums receivable		**33,967,178**	**33,967,178**	22,342,641	22,342,641
Reinsurance recoverable on paid losses		**5,459,598**	**5,459,598**	5,598,822	5,598,822
Due from ceding companies		**9,680,621**	**9,680,621**	5,890,151	5,890,151
Funds held by ceding companies		**12,372,039**	**12,372,039**	7,525,247	7,525,247
AFS financial assets	*6, 27, 29*	**13,294,655**	**13,294,655**	6,539,944	6,539,944
HTM investments	*6, 27, 29*	**227,304,522**	**227,304,522**	230,177,318	230,177,318
Loans and other receivables	*6, 27, 29*	**76,973,435**	**76,973,435**	4,662,675	4,662,675
Investment in associate	*7, 27, 29*	**9,533,881**	**9,533,881**	-	-
Investment at FVPL	*27, 29*	**103,338**	**103,338**	-	-
Security and deposit fund	*11, 29*	**-**	**-**	56,821,284	56,821,284
Total Financial Assets		**P1,517,934,141**	**P1,517,934,141**	P1,066,280,141	P1,066,280,141
Other Financial Liabilities					
Insurance contract liabilities**	*12, 29*	**P15,338,487**	**P15,338,487**	P3,566,960	P3,566,960
Insurance payables	*13, 27, 29*	**8,734,038**	**8,734,038**	10,179,747	10,179,747
Commission payable	*27, 29*	**8,375,617**	**8,375,617**	5,131,279	5,131,279
Other payables***	*14, 29*	**4,835,478**	**4,835,478**	3,875,127	3,875,127
Total Other Financial Liabilities		**P37,283,620**	**P37,283,620**	P22,753,113	P22,753,113

**excluding cash on hand.*
***excluding IBNR and UPR.*
****excluding Taxes Payable*

The carrying amount of financial assets and liabilities of the Company for the years 2022 and 2021 approximate the fair value.

Due to the short-term nature of cash and cash equivalents, insurance receivables, loans and other receivables, insurance contract liabilities (excluding IBNR and UPR), insurance payables, commission payables and other payables (excluding taxes payable), their carrying values reasonably approximate their fair values at reporting date.

The carrying amount of HTM investments and security and deposit fund (presented under the "Other assets" account) approximates fair value at year-end. The management believes that the effect of discounting and future cash flows of this instrument using the prevailing market rate is not significant.

The fair values of financial instruments under AFS that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date. For unquoted equity instruments that are not carried at fair value because fair value cannot be reliably determined, these are carried at cost.

Fair Value Hierarchy

The following table provides the fair value hierarchy of the Company's assets as at December 31, 2022 and 2021:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
AFS financial assets:				
Common shares	**P69,300**	**P -**	**P -**	**P69,300**
Golf and club shares	**-**	**13,100,000**	**-**	**13,100,000**
Investment at FVPL	**103,338**	**-**	**-**	**103,338**
	P172,638	**P13,100,000**	**P -**	**P13,272,638**

	2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
AFS financial assets:				
Common shares	P164,588	P -	P -	P164,588
Golf and club shares	-	6,250,000	-	6,250,000
	P164,588	P6,250,000	P -	P6,414,588

Nonfinancial Assets

As at December 31, 2022 and 2021, the fair value of the Company's property and equipment amounted to P14.35 million and P12.91 million, respectively, using level 2 inputs. The recurring fair value of nonfinancial assets under level 2 are determined using market data approach (see Note 10).

In 2022 and 2021, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement of the Company's financial and nonfinancial assets.

31. Events After the Reporting Date

By reason of the approval by the Bangko Sentral ng Pilipinas (BSP) of the sale/transfer of 305,998 outstanding common shares of OWN Bank to the Company that will result in the 60% ownership, there was a need to amend the by-laws of OWN Bank. Thus, the BSP issued a certificate of authority on October 5, 2022 to enable OWN Bank to register the amended by-laws with the SEC. The filing and registration of the amendments of OWN Bank's by-laws was endorsed by the BSP to the SEC on October 17, 2022.

The SEC approved the issuance of the Amendments to the by-laws of OWN Bank on February 28, 2023. Upon the approval of SEC, certificate of stocks relating to 305,998 from the previous shareholders and 234,000 unsubscribed shares of OWN Bank shall be issued to the Company (see Notes 6 and 7).

32. Supplementary Information Required Under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosure mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended December 31, 2022:

A. VAT

	Amount
1. Output VAT	
Basis of the Output VAT:	
Vatable receipts	**P34,673,140**
Exempt receipts	**-**
Zero rated receipts	**-**
Total vatable receipts	**P34,673,140**
2. Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**-**
b. Goods other than for resale or manufacture	**1,436,065**
c. Services lodged under other accounts	**18,923,126**
d. Importation of goods other than capital goods	**-**
Input tax deferred on capital goods exceeding P1 million	**-**
Claims for tax credit/refund and other adjustments	**-**
Input VAT on services lodged under other accounts	**-**
Total Input VAT claimed during the year	**(20,359,191)**
Balance at the end of the year	**P -**

B. Withholding Taxes

	Amount
Expanded withholding taxes	**P1,300,662**
Withholding taxes on compensation	**829,849**
	P2,130,511

C. All Other Taxes (Local and National)

	Amount
Other taxes paid during the year recognized as "Taxes and licenses" account under Expenses	
Business tax	**P687,160**
BIR annual registration	**500**
Others	**435,686**
	P1,123,346

D. Tax Assessments and Tax Cases

The Company received the Formal Letter of Demand (FLD) on December 9, 2021 for deficiency income tax, VAT, EWT, documentary stamp tax, and compromise penalty for the taxable year 2018 in the total amount of P7.42 million. Management responded to the said FLD on January 6, 2022, the resolution of which remains pending as at December 31, 2022.

Information on amounts of custom duties, tariff fees, excise taxes and documentary stamp taxes is not applicable since there are no transactions that the Company would be subjected to these taxes in 2022.

Based on RR No. 34-2020

In relation to Section 4 of BIR RR No. 34-2020, the Company is not covered by the prescribed requirements and procedures for the submission of BIR form No. 1709 Information Return on Related Party Transactions, transfer pricing documentation and other supporting documents.