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Greetings!

SEC Registration No: AS96000511

Company Name: PRU LIFE INSURANCE CORPORATION OF U.K. ALSO DOING BUSINESS AND TRADE UNDER THE NAMES/ALSO KNOWN AS: PRU; PRU LIFE; PRU LIFE UK; PRU LIFE U.K.; PRU LIFE OF UK; PRU LIFE OF U.K.

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3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)

10. Lending Companies Interim Financial Statements (LCIF)

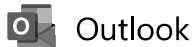
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SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

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Hi PRU LIFE INSURANCE CORPORATION OF UK,

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Submission Date/Time: **Apr 29, 2025 09:54 AM**

Company TIN: **004-661-494**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE ANNUAL INCOME TAX RETURN**

The Management of **Pru Life Insurance Corporation of U.K.** (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2024**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including but not limited to, the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and the records of the Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the financial accounting standards Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Company has filed all applicable tax returns, reports, and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ANGELICA H. LAVARES
Chairperson, Board of Directors

SANJAY CHAKRABARTY
President and Chief Executive Officer

FRANCIS P. ORTEGA
Treasurer, Executive Vice President and Chief Financial Officer

Signed this 21st day of April 2025.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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O	F		U	.	K	.		(A		W	h	o	l	l	y	-	O	w	n	e	d		S	u	b	d	i	-
a	r	y		o	f		P	r	u	d	e	n	t	i	a	l		C	o	r	p	o	r	a	t	i	o	n	
H	o	l	d	i	n	g	s		L	i	m	i	t	e	d)													

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

9	/	F		U	P	T	O	W	N		P	L	A	C	E		T	O	W	E	R	1	,		1	E	A	S	T
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Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

--

Company's Telephone Number

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Mobile Number

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No. of Stockholders

10

Annual Meeting (Month / Day)

July 8

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Francis P. Ortega

Email Address

--

Telephone Number/s

--

Mobile Number

--

CONTACT PERSON'S ADDRESS

9/F Uptown Place Tower 1, 1 East 11 th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines
--

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Pru Life Insurance Corporation of U.K.
9/F Uptown Place, Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of Prudential Corporation Holdings Limited) (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue (BIR)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 33 to the basic financial statements is presented for purposes of filing with BIR 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.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta
Juan Carlo B. Maminta
Partner

CPA Certificate No. 115260

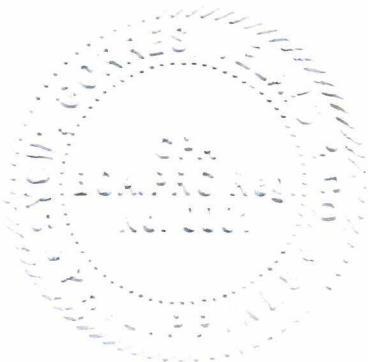
Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-132-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10465333, January 2, 2025, Makati City

April 2, 2025



PRU LIFE INSURANCE CORPORATION OF U.K.
(A Wholly-Owned Subsidiary of Prudential Corporation Holdings Limited)
STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2024	2023
ASSETS		
Cash and cash equivalents (Note 7)	₱4,832,707	₱3,168,423
Interest receivable	171,027	134,883
Premiums due from policyholders	12,719	10,822
Coverage debt receivables - net (Note 12)	1,080,606	1,200,455
Investments (Note 8)	13,460,936	12,806,297
Policy loans receivables - net (Note 10)	272,303	296,098
Reinsurance assets (Note 13)	475,469	297,304
Asset held-for-sale (Note 9)	—	194,984
Property and equipment - net (Note 14)	831,276	415,753
Right-of-use assets - net (Note 29)	529,899	285,042
Retirement assets - net (Note 25)	116,654	71,553
Deferred acquisition costs (Note 15)	18,303,098	16,713,291
Other assets (Note 16)	2,821,760	3,874,849
Total General Assets	42,908,454	39,469,754
Assets Held to Cover Linked Liabilities (Note 11)	126,927,748	120,398,874
	₱169,836,202	₱159,868,628
LIABILITIES AND EQUITY		
General Liabilities		
Accounts payable, accrued expenses and other liabilities (Note 20)	₱10,228,649	₱10,602,284
Claims payable (Note 18)	1,279,345	1,249,140
Reinsurance payable (Note 19)	275,294	164,159
Lease liabilities (Notes 29)	611,762	357,474
Legal policy reserves (Note 17)	5,256,113	4,238,081
Deferred tax liabilities - net (Note 27)	3,263,838	2,631,678
Total General Liabilities	20,915,001	19,242,816
Technical Provisions for Linked Liabilities (Note 11)	126,927,748	120,398,874
Total Liabilities	147,842,749	139,641,690
Equity		
Capital stock (Note 30)	500,000	500,000
Additional paid-in capital (Note 30)	462,000	462,000
Total paid-up capital	962,000	962,000
Contributed surplus	50,386	50,386
Revaluation reserve on available-for-sale financial assets (Note 8)	25,921	19,921
Remeasurement reserve on retirement liability	78,081	50,302
Remeasurement on life insurance reserve	(178,149)	(156,872)
Retained earnings (Note 30)	21,055,214	19,301,201
Total Equity	21,993,453	20,226,938
Total Liabilities and Equity	₱169,836,202	₱159,868,628

See accompanying Notes to the Financial Statements.



PRU LIFE INSURANCE CORPORATION OF U.K.
(A Wholly-Owned Subsidiary of Prudential Corporation Holdings Limited)
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31	
	2024	2023
NET PREMIUMS		
Premiums (Note 21)	₱48,294,036	₱46,261,210
Premiums ceded to reinsurers (Note 21)	(141,614)	(66,570)
	48,152,422	46,194,640
OTHER REVENUE		
Policy administration fees (Note 22)	2,712,122	2,430,057
Investment income (Note 23)	633,259	1,329,586
Others - net (Notes 9, 10, 14, 16, and 20)	230,776	180,104
	3,576,157	3,939,747
BENEFITS AND CLAIMS		
Costs on premiums of variable insurance (Note 11)	15,127,295	17,480,055
Gross benefits and claims (Note 24)	14,369,009	11,168,995
Reinsurer's share of gross benefits and claims (Note 24)	(98,145)	(36,117)
Net benefits and claims incurred	29,398,159	28,612,933
Dividends to policyholders	91,732	94,478
Gross change in legal policy reserves (Note 17)	989,663	(88,752)
Net insurance benefits and claims	30,479,554	28,618,659
UNDERWRITING AND OTHER OPERATING EXPENSES		
Commissions, bonuses and other agents' expenses	6,775,890	8,055,384
Salaries, allowances and employees' benefits	2,080,528	1,944,779
Utilities	1,588,472	1,553,298
Trainings, seminars and contests	1,050,950	957,806
Taxes and licenses	585,446	424,128
Insurance taxes, licenses and fees	499,866	548,761
Depreciation and amortization (Notes 14, 16 and 29)	495,936	406,179
Professional fees	476,336	356,994
Investment management expenses	414,717	328,386
Advertising and marketing	225,352	217,705
Rent (Note 29)	126,246	172,074
Communications	112,371	133,558
Other expenses (Note 26)	1,208,589	1,392,765
Net changes of deferred acquisition costs (Note 15)	(1,589,807)	(2,154,352)
	14,050,892	14,337,465

(Forward)



	Years Ended December 31	
	2024	2023
INCOME BEFORE INCOME TAX EXPENSE	₱7,198,133	₱7,178,263
INCOME TAX EXPENSE (Note 27)	2,125,120	1,836,063
NET INCOME	5,073,013	5,342,200
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss		
Net gain on fair value changes of available-for-sale financial assets (Note 8)	6,000	5,600
Items that will not be reclassified to profit or loss		
Remeasurement loss on life insurance reserve (Note 17)	(28,369)	(57,876)
<i>Income tax effect</i>	7,092	14,469
	(21,277)	(43,407)
Remeasurement gain on retirement liability (Note 25)	37,039	10,612
<i>Income tax effect</i>	(9,260)	(2,654)
	27,779	7,958
Net movement of other comprehensive income	12,502	(29,849)
TOTAL COMPREHENSIVE INCOME	₱5,085,515	₱5,312,351

See accompanying Notes to the Financial Statements.



PRU LIFE INSURANCE CORPORATION OF U.K.
(A Wholly-Owned Subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Capital Stock (Note 30)	Additional Paid Capital (Note 30)	Contributed Surplus	Revaluation reserve on available-for-sale financial assets (Note 8)	Remeasurement reserve on retirement liability	Remeasurement on Life Insurance Reserve	Retained Earnings Appropriated (Note 17)	Retained Earnings Unappropriated (Note 30)	Total Retained Earnings	Total Equity
Balance at January 1, 2024	₱500,000	₱462,000	₱50,386	₱19,921	₱50,302	(₱156,872)	₱62,344	₱19,238,857	₱19,301,201	₱20,226,938
Total Comprehensive Income										
Net income	-	-	-	-	-	-	-	5,073,013	5,073,013	5,073,013
Other comprehensive income:										
Items that may be reclassified to profit or loss (Note 8)	-	-	-	6,000	-	-	-	-	-	6,000
Items that will not be reclassified to profit or loss	-	-	-	-	27,779	(21,277)	-	-	-	6,502
Total comprehensive income	-	-	-	6,000	27,779	(21,277)	-	5,073,013	5,073,013	5,085,515
Dividends (Note 30)	-	-	-	-	-	-	-	(3,319,000)	(3,319,000)	(3,319,000)
Appropriation of reserves	-	-	-	-	-	-	270,191	(270,191)	-	-
Balance at December 31, 2024	₱500,000	₱462,000	₱50,386	₱25,921	₱78,081	(₱178,149)	₱332,535	₱20,722,679	₱21,055,214	₱21,993,453
Balance at January 1, 2023	₱500,000	₱462,000	₱50,386	₱14,321	₱42,344	(₱113,465)	₱53,012	₱16,855,989	₱16,909,001	₱17,864,587
Total Comprehensive Income										
Net income	-	-	-	-	-	-	-	5,342,200	5,342,200	5,342,200
Other comprehensive income:										
Items that may be reclassified to profit or loss (Note 8)	-	-	-	5,600	-	-	-	-	-	5,600
Items that will not be reclassified to profit or loss	-	-	-	-	7,958	(43,407)	-	-	-	(35,449)
Total comprehensive income	-	-	-	5,600	7,958	(43,407)	-	5,342,200	5,342,200	5,312,351
Dividends (Note 30)	-	-	-	-	-	-	-	(2,950,000)	(2,950,000)	(2,950,000)
Appropriation of reserves	-	-	-	-	-	-	9,332	(9,332)	-	-
Balance at December 31, 2023	₱500,000	₱462,000	₱50,386	₱19,921	₱50,302	(₱156,872)	₱62,344	₱19,238,857	₱19,301,201	₱20,226,938

See accompanying Notes to the Financial Statements.



PRU LIFE INSURANCE CORPORATION OF U.K.
(A Wholly-Owned Subsidiary of Prudential Corporation Holdings Limited)
STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax expense	₱7,198,133	₱7,178,263
Adjustments for:		
Net changes of deferred acquisition costs (Note 15)	(1,589,807)	(2,154,352)
Gross change in legal policy reserves (Note 17)	989,663	(88,752)
Interest income (Note 23)	(818,944)	(647,376)
Depreciation (Notes 14, 16 and 29)	495,936	406,179
Unrealized loss (gain) on valuation of investments in FVPL (Note 8)	287,226	(662,301)
Retirement expense on retirement fund (Note 25)	121,544	110,122
Gain on disposal of investments (Note 23)	(79,904)	(23,101)
Interest expense related to policies (Note 26)	42,410	39,195
Interest expense related to lease liabilities (Note 29)	24,757	30,600
Unrealized foreign exchange loss (gain) (Note 8)	(21,637)	3,192
Provision for credit and impairment losses (Notes 9, 10 and 16)	11,755	45,892
Gain on disposal of property and equipment (Note 14)	(5,705)	(1,269)
Loss on disposal of asset held for sale (Note 9)	3,976	–
	6,659,403	4,236,292
Changes in:		
Premiums due from policyholders	(1,897)	(2,106)
Coverage debt receivables	119,849	(135,375)
Reinsurance assets	(178,165)	(163,125)
Policy loans receivables	20,953	19,104
Other assets	1,021,676	(1,460,156)
Accounts payable, accrued expenses and other liabilities	(401,453)	1,850,282
Claims payable	30,205	(70,910)
Reinsurance payable	111,135	(61,877)
	7,381,706	4,212,129
Interest paid related to policies	(41,496)	(38,394)
Contributions to retirement fund (Note 25)	(129,606)	(127,144)
Income tax paid	(1,468,224)	(1,216,297)
Net cash provided by operating activities	5,742,380	2,830,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	782,800	639,347
Proceeds from disposal of investments (Note 8)	5,650,152	4,507,021
Proceeds from disposal of asset held-for for-sale (Note 9)	187,006	–
Proceeds from disposal of property and equipment (Note 14)	11,026	7,937
Acquisitions of investments (Note 8)	(6,484,476)	(6,958,762)
Acquisitions of property and equipment (Note 14)	(557,116)	(125,263)
Acquisitions of software costs (Note 16)	(114,848)	(488,860)
Net cash used in investing activities	(525,456)	(2,418,580)

(Forward)



	Years Ended December 31	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 30)	(₱3,319,000)	(₱2,950,000)
Payment of lease liabilities (Note 29)	(233,640)	(224,128)
Cash used in financing activities	(3,552,640)	(3,174,128)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,664,284	(2,762,414)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,168,423	5,930,837
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱4,832,707	₱3,168,423

See accompanying Notes to the Financial Statements.



PRU LIFE INSURANCE CORPORATION OF U.K.
(A Wholly-Owned Subsidiary of Prudential Corporation Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
(Amounts in Thousands, except as indicated)

1. Reporting Entity

Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of Prudential Corporation Holdings Limited) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 17, 1996, primarily to engage in the business of life insurance. The Company started commercial operations in September 1996. On September 11, 2002, the Insurance Commission (IC) approved the Company's license to sell variable unit-linked insurance, a life insurance product which is linked to investment funds. The Company has a Certificate of Authority No. 2025/17-R issued by the IC to transact in life insurance business until December 31, 2027.

On October 15, 2024, the SEC approved the amendment of the Company's Articles of Incorporation (AOI) to include the Takaful Window operation as part of its secondary purpose, as approved by the Board of Directors (BOD) and Shareholders on July 08, 2024. On November 04, 2024, IC issued the Company with the license as Takaful Window Operator. The launch of the pilot product for Takaful is yet to commence in 2025.

The Company is a wholly-owned subsidiary of Prudential Corporation Holdings Limited (Prudential). The Company's ultimate parent company is Prudential plc, an internationally-diversified organization providing life insurance and fund management services worldwide. Prudential plc was incorporated in United Kingdom and has primary listing in the London Stock Exchange and secondary listings in Hong Kong, New York and Singapore stock exchanges.

The Company's registered address is at the 9th Floor Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, Taguig City 1634, Metro Manila, Philippines.

2. Basis of Preparation of the Financial Statements

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

The financial statements were authorized for issue by the BOD on April 2, 2025.

Details of the Company's material accounting policy information are included in Note 3.



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
Financial instruments at fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value
Investments in Agents' Savings Fund (ASF)	Fair value
Investments in treasury notes, shares of stocks, and other funds under "Assets held to cover linked liabilities"	Fair value
Legal policy reserves	Gross Premium Valuation (GPV) and Unearned Premiums for traditional contracts; Unearned Cost of Insurance Charges for unit-linked contracts
Retirement asset (liability)	Present value of the defined benefit obligation (DBO) less the fair value of the plan assets (FVPA)
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 of the Company are presented in Philippine peso, which is the Company's functional currency. All financial information has been rounded off to the nearest thousands (₱'000s), unless otherwise indicated.

3. **Material Accounting Policy Information**

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as discussed below.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify:
 - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.



- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Insurance Contracts

Product Classification

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

Investment contracts are those contracts that transfer significant financial risk but can also transfer insignificant insurance risk. Financial risk is the risk of a possible future change in one (1) or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract.

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 the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance and investment contracts are further classified as being with and without Discretionary Participation Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and
- contractually based on the following:
 - performance of a specified pool of contracts or a specified type of contract;
 - realized or an unrealized investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the Company, fund or other entity that issues the contract.

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Dividends to policyholders" account in profit or loss with the corresponding liability recognized under dividends payable to policyholders account which is included in "Accounts payable, accrued expenses and other liabilities" account in the statement of financial position.



Conventional long-term insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Benefits are recognized as an expense when they are incurred or when the policies reach maturity.

A liability for contractual benefits that is expected to be incurred in the future is recognized under “Legal policy reserves” for policies that are in-force as of each reporting date. Using GPV, the liability is determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums arising from the policy discounted at appropriate risk-free discount rate. For this purpose, the expected future cash flows were determined using the best estimate assumptions with appropriate margin for adverse deviation from the expected experience. The liability is based on assumptions as to mortality, morbidity, lapse or persistency, non-guarantee benefits, and expenses. The present value of liabilities is determined using the discount rate approved by the IC with appropriate margin for adverse deviation.

Unit-linked insurance contracts

A unit-linked insurance contract is an insurance contract linking payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. The investment funds supporting the linked policies are maintained in segregated accounts in conformity with Philippine laws and regulations. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets, while the non-unit reserves for unit-linked insurance contracts are calculated as the unearned cost of insurance charges.

Revenue from unit-linked insurance contracts consists of premiums received and policy administration fees.

Management assessed that the insurance contracts have no derivative components.

As allowed by PFRS 4, *Insurance Contracts*, the Company chose not to unbundle the investment portion of its unit-linked products.

Legal policy reserves

Legal policy reserves are determined by the Company’s actuary in accordance with the requirements of the amended Insurance Code of the Philippines (Insurance Code) and represent the amounts which are required to discharge the obligations of the insurance contracts and to pay expenses related to the administration of those contracts. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

Any movement in legal policy reserves of traditional life insurance policies arising from current period assumptions or changes in assumptions other than discount rate during the year are recognized under “Gross change in legal policy reserves” in profit or loss. While net movement arising from changes in discount rate during the year are recognized directly in other comprehensive income as “Remeasurement on life insurance reserve”.

The liability is based on actuarial assumptions such as mortality and morbidity, maintenance expenses, and lapse and/or persistency rates that are established at the time the contract is issued and updated at each valuation date, as needed. MfAD is also included in the assumptions. For policies with contract horizons of a year or less than a year (such as yearly renewable riders and most group policies), reserves are computed by calculating the unearned portion of the written premiums for the year.



Liability adequacy tests

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately recognized under “Gross change in legal policy reserves” in profit or loss.

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

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

Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from policyholders and amounts due to agents and brokers. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the impairment loss in profit or loss.

Financial Instruments

Date of recognition

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

Initial recognition

Financial instruments are recognized initially at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, AFS financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.



Fair value measurement

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

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

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

For measurement and disclosure purposes, the Company determines the fair value of an asset or liability at initial measurement or at each reporting date.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price 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.

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

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable current market prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is recognized in profit or loss, unless it qualifies for recognition as some type of asset or liability.

The Company's Investment Committee determines the policies and procedures for fair value measurement.

At each reporting date, the investment committee analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Investment Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Investment Committee, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.



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

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

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or 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' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is 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' difference amount.

Financial instruments at FVPL

This category consists of financial assets or financial liabilities that are held-for-trading or designated by management as at FVPL on initial recognition.

Financial assets or financial liabilities are classified as held-for-trading if they are entered into for the purpose of short-term profit taking.

Financial assets or financial liabilities classified in this category are designated by management as at FVPL on initial recognition 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 liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management 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 separately recorded.

The investments (debt and equity securities) of the unit-linked fund set up by the Company underlying the unit-linked insurance contracts (included under Assets held to cover unit-linked liabilities) are designated as at FVPL since these are managed and their performance are evaluated on a fair value basis, in accordance with the investment strategy. Also, the Company designates the assets of the life insurance business that are managed under the Company's Risk Management Statement on a fair value basis, and are reported to the Board on this basis. These assets have been valued on a fair value basis with movements taken through the profit or loss.

Financial assets at FVPL are recorded in the Company statements of financial position at fair value, with changes in the fair value recorded in profit or loss, included in 'Investment income' account.



As at December 31, 2024 and 2023, the Company does not have any financial asset designated by management as financial instruments at FVPL.

The Company's technical provisions for linked liabilities classified as financial liabilities at FVPL amounted to ₱126.93 billion and ₱120.40 billion as at December 31, 2024 and 2023, respectively (see Note 11).

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments, and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss.

Interest earned on holding AFS financial assets is reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss when the right to receive payment has been established. Interests and dividends are recognized under 'Investment income' account in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in equity as 'Revaluation reserves on available-for-sale financial assets'. The losses arising from impairment of such financial assets are recognized as 'Provision for credit and impairment losses' under 'Operating and administrative expenses' in profit or loss. When a security is disposed of, the cumulative gain or loss previously recognized as other comprehensive income is reported as 'Gain or loss on sale of available-for-sale financial assets' under 'Investment income' in profit or loss.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS or at FVPL. This accounting policy relates to the Company statements of financial position captions: (a) 'Interest receivables', (b) 'Premiums due from policyholders', (c) 'Coverage debt receivables, (d) 'Policy loans receivables and (e) 'Other receivables' under Assets (including those under 'Assets held to cover unit-linked liabilities').

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for credit and impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included under 'Investment income' in profit or loss. The losses arising from impairment of such loans and receivables are recognized as 'Provision for credit and impairment losses' under 'Underwriting and other operating expenses' in profit or loss.



Other financial liabilities

Issued financial liabilities or their components, which are not designated as financial liabilities at 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 asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. This includes investment contracts which mainly transfer financial risk and has no or insignificant insurance risk.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Interest expense are charged to profit or loss as incurred.

Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy relates to the Company statements of financial position captions: (a) 'Claims payable', (b) 'Reinsurance payable' and (c) 'Accounts payable, accrued expenses and other liabilities' (other than liabilities covered by other accounting standards, such as pension liability and income tax payable). This accounting policy relates also to the payables included under the 'Assets held to cover unit-linked liabilities' account.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

Distributions to holders of financial instrument classified as equity are charged directly to liabilities and equity, net of any related income tax benefits.

Offsetting of Financial Instruments

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



Impairment of Financial Assets

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (EIR). The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the Company statements of comprehensive income as 'Provision for credit and impairment losses' under 'Operating and administrative expenses'. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

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

If, in a subsequent period, the amount of the impairment loss 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 an impairment loss is recognized in the statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of its insurance receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for credit and impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Company (see Note 5).



AFS financial assets carried at fair value

For equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of an investment below its cost or where other objective evidence of impairment exists. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of 'Investment income' account in profit or loss.

If, in a subsequent period, 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.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

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, and the difference in the respective carrying amounts is recognized in profit or loss.

Investment in Subsidiary

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are



included in the consolidated financial statements from the date on which the control commences except if the following conditions are met:

- it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it 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
- its ultimate or any intermediate parent produces financial statements that are available for public use and comply with PFRS 10, *Consolidated Financial Statements*, in which subsidiaries are consolidated or are measured at FVPL in accordance with PFRS 10.

The Company met the aforementioned criteria, thus, did not present consolidated financial statements.

Investment in Subsidiary Classified as Asset Held for Sale

Measurement and presentation of disposal group

The Company classifies disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. Such disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Assets and liabilities of disposal group classified as held for sale are presented separately in the statements of financial position.

Cessation of investment in subsidiary

The Company ceases to classify the investment in subsidiary as held for sale when a decision to change the plan to sell the disposal group has occurred.

The Company measures an investment in subsidiary that ceases to be classified as held for sale at the lower between; carrying amount before disposal group was classified as held for sale, adjusted for any depreciation or amortization that would have been recognized had the disposal group not been classified as held for sale; or recoverable amount at the date of the subsequent decision not to sell.

The Company includes any required adjustment to the carrying amount of a disposal group that ceases to be classified as held for sale in the statement of income in the period in which the criteria for held for sale, are no longer met.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.



Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The cost of day-to-day servicing of an asset is recognized as an expense when incurred.

Items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. Leasehold improvements are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Estimated useful lives are as follows:

	Number of Years
Computer equipment	3 - 5
Furniture, fixture and equipment	5
Transportation equipment	5
Condominium unit	25
Leasehold improvements	3 - 5 or term of lease, whichever is shorter

The residual value, useful lives, and depreciation methods for items of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Office improvement in progress relates to the progress billings of unfinished projects. Such projects include renovations, various installations and system upgrades. When a certain project is finished, the account is credited and capitalized to the appropriate asset account.

No depreciation is recognized for office improvement in progress account because it is not yet available for use by the Company.

Fully depreciated assets are retained in the accounts until they are no longer in use, at which time, the cost and the related accumulated depreciation and amortization are written off.

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



Software Development Costs

Costs directly associated with the development of identifiable computer software that is not an integral part of the hardware that generate expected future benefits to the Company are recognized as intangible asset. All other costs of developing and maintaining computer software are recognized as expense when incurred. Software development costs are recognized under 'Other assets' (see Note 16).

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software development costs are amortized from the date they are available for use, not to exceed five (5) years.

Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that non-financial 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 for the cash generating unit to which the asset belongs.

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

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

For non-financial 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 periods. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income. After such reversal, the depreciation and amortization expense are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Deferred Acquisition Costs

Direct and indirect costs incurred to sell, underwrite and initiate new unit-linked insurance contracts, net of the initial charges portion of the premiums are deferred to the extent that these costs are recoverable out of profit margins of future premiums from these new insurance contracts.



Subsequent to initial recognition, deferred acquisition costs are amortized on a straight-line basis over the period over which significant amount of profit margins from future premiums are expected to be recoverable. Changes in the pattern of future economic benefits for the deferred acquisition costs are accounted for by changing the amortization period and are treated as change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognized when the related contracts are either pre-terminated or have matured before the end of amortization period.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.



Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measure using the index rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-use assets" and the corresponding liability in "Lease liabilities" in the statement of financial position (see Note 29).

Short-term Leases and Leases of Low-value Assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office and parking space that have a lease term of 12 months or less and leases of low-value assets. The Company classifies leases as low value assets in when the value of the lease is less than or equal to ₱250,000. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Equity

Capital stock

Capital stock is composed of common shares, determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional paid-in capital (APIC)

APIC pertains to the amount that the Company received in excess of the par value of capital stock.

Contributed surplus

Contributed surplus represents additional contribution of shareholders as provided under the Insurance Code.

Revaluation reserve on available-for-sale financial assets

Revaluation reserve on available-for-sale financial assets pertains to the cumulative amount of gains and losses due to the revaluation of AFS financial assets.



Remeasurement reserve on retirement liability

This pertains to the cumulative amount of remeasurement of the retirement liability arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the plan assets.

Remeasurement on life insurance reserve

This represents the increase or decrease of the legal policy reserves brought by changes in discount rates.

Retained earnings

Retained earnings are classified as unappropriated and appropriated. Unappropriated retained earnings represent profit attributable to the equity holders of the Company and reduced by dividends. It may also include effect of changes in accounting policy as may be required by the transitional provision of the standard.

Appropriated retained earnings pertain to the aggregate amount of negative reserves on a per policy basis as a result of GPV prescribed by the IC.

Revenue Recognition

The Company's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15 *Revenue from Contracts with Customers*. The following specific criteria must also be met before revenue is recognized:

Premiums

Premiums arising from insurance contracts are recognized as income on the effective date of the insurance policies for the first-year premiums. For the succeeding premiums, gross earned recurring premiums on life insurance contracts are recognized as revenue when these become due from the policyholders.

The investment component received from the unit-linked insurance contracts is shown as part of premiums.

Premiums ceded to reinsurers on traditional and variable contracts are recognized as an expense when the policy becomes effective. This is presented net of experience refund received from reinsurers.

Policy administration fees

Policy administration fees are recognized as revenue in profit or loss when these become due from the policyholder. Receivable portion of policy administration fees forms part of receivable from unit linked fund under "Other assets - net" account in the statement of financial position.

Investment gain or loss

Investment gain or loss consists of fair value changes of financial assets at FVPL, interest income from all interest-bearing investments and gain or loss on disposal of investments. Investment income is presented net of final tax.

Upfront fees

This is the consideration received by the Company from ATRAM as part of the agreement for the five-year sole and exclusive fund managers of its Linked Fund Assets. The upfront fees is recognized over time (5 years) on a straight-line basis as the Company has continued performance obligations until the end of the agreement.



Interest income for all interest-bearing financial instruments, including financial assets measured at FVPL, is recognized in profit or loss using the effective interest method.

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.

Benefits, Claims and Expenses Recognition

Cost on premiums of variable insurance

Cost on premiums of variable insurance represents the investment component of the unit-linked insurance contracts portion, net of withdrawals. Cost on premiums of variable insurance are recognized consequently as premiums are earned which is on the effective date of the insurance policy for first year premiums and when premiums become due for succeeding premiums.

Benefits and claims

Claims consist of benefits and claims paid to policyholders, which include, among others, excess gross benefit claims for unit-linked insurance contract, and movement of incurred but not reported (IBNR) claims and movement of legal policy reserves. Death claims, surrenders and withdrawals are recorded on the basis of notifications received. Maturities are recorded when due. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years. Reinsurer's share of gross benefits and claims are accounted for in the same period as the underlying claim.

Operating expenses

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred (except those classified as acquisition costs – refer to the accounting policy on 'Deferred acquisition costs').

Employee Benefits

Retirement Benefits

The Company maintains a defined contribution (DC) plan with minimum defined benefit (DB) guarantee that covers all regular full-time employees. Under its retirement plan, the Company pays fixed contributions based on the employees' monthly salaries, however, the retirement plan also provides for its qualified employees a DB minimum guarantee which is equivalent to a certain percentage of the final monthly salary payable to an employee for each year of credited service based on the provisions of the Company's retirement plan.

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



For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense or income on the net DB liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

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

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

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Taxes

Current tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37.

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 is provided using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and excess of the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at each reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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



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

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates prevailing at reporting date.

Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period such are realized.

Provisions

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.

Contingencies

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

In cases where disclosure of some or all of the information relating to the provisions, contingent assets and contingent liabilities can be expected to prejudice the position of the Company, the Company discusses only the general information regarding the nature of the provision, contingent assets or contingent liabilities, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Related Parties

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

Events After the Reporting Date

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

Standards issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.



Effective beginning on or after January 1, 2025

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*

The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

The Company has met the relevant criteria and has applied temporary exemption from PFRS 9 for annual periods before January 1, 2027. Consequently, the Company will apply PFRS 9 for the first time on January 1, 2027 concurrent with PFRS 17.

- Annual Improvements to PFRS Accounting Standards—Volume 11

The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

- Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*

The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

- Amendments to PFRS 7, *Gain or Loss on Derecognition*

The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

- Amendments to PFRS 9

- Lessee Derecognition of Lease Liabilities

The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.



- **Transaction Price**
The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to ‘transaction price as defined by PFRS 15 *Revenue from Contracts with Customers*’ with ‘the amount determined by applying PFRS 15’. The term ‘transaction price’ in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.
- **Amendments to PFRS 10, *Determination of a ‘De Facto Agent’***
The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.
- **Amendments to PAS 7, *Cost Method***
The amendments to paragraph 37 of PAS 7 replaced the term ‘cost method’ with ‘at cost’, following the prior deletion of the definition of ‘cost method’.
- **PFRS 18, *Presentation and Disclosure in Financial Statements***

The standard replaces PAS 1 *Presentation of Financial Statements* and responds to investors’ demand for better information about companies’ financial performance. The new requirements include:
 - Required totals, subtotals and new categories in the statement of profit or loss
 - Disclosure of management-defined performance measures
 - Guidance on aggregation and disaggregation
- **PFRS 19, *Subsidiaries without Public Accountability***

The standard allows eligible entities to elect to apply PFRS 19’s reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

Deferred effectivity

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

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

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



To be Adopted January 1, 2027

■ *PFRS 17, Insurance Contracts. PFRS 17*

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

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

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

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

On February 14, 2025, the FSRSC approved the amendment to PFRS 17 Insurance Contracts that further defers the date of initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This will provide more time for the insurance industry to fully prepare and assess the impact of adopting the said standard.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2027, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Company must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

i. Identifying Contracts in the Scope of PFRS 17

PFRS 17 sets out the requirements to determine what contracts are in scope of the standard. The definition of an insurance contract and insurance risk as included in the Appendix of PFRS 17 are unchanged from PFRS 4 but some additional exemptions and new guidance around what constitutes significant insurance risk have been added to the application guidance of PFRS 17 such as the discounting requirement and level on which the assessment takes place. This may have an impact in the way the Company has historically performed the quantitative assessment under PFRS 4 and potentially the risk that contracts classified as insurance contracts under PFRS 4 will not meet the qualifying scoping criteria under PFRS 17.



The definition of insurance contracts, reinsurance contracts and insurance risk under PFRS 17 are similar. However, in the application guidance of PFRS 17, there are two key changes:

- PFRS 17 has added the requirement that the significant insurance risk assessment shall be performed on a discounted cash flow basis; and
- The optionality under PFRS 4 to perform the assessment on a book of contracts if this book consists of “homogeneous book of small contracts”, has been removed. Under PFRS 17, contracts shall be assessed contract-by-contract.

In addition, there is also a new requirement that contracts with DPF are only in scope of PFRS 17 if the issuing entity also issues insurance contracts.

Insurance contracts and investment contracts with DPF, as explained in the paragraph above, are under the scope of PFRS 17. However, there may be contracts that the Company issues or components of these contracts that would be in the scope of another standard as they fail the significant insurance risk test or need to be accounted for separately which are:

- Distinct Investment components of insurance contracts (PFRS 9)
- Distinct Embedded derivatives (PFRS 9)
- Distinct goods and services components (PFRS 15)
- Investment contracts without DPF

Where a contract or a component of that contract is out of scope of PFRS 17, an entity should assess whether PFRS 15 or PFRS 9 applies. Broadly speaking PFRS 9 would apply to contracts or components which meet the definition of a financial instrument, which in would be the case in most situations. If distinct goods and services are bifurcated, then likely PFRS 15 applies.

ii. Level of Aggregation

PFRS 17 requires that the Company identifies portfolios of insurance contracts which comprise of contracts that are “subject to similar risks” and are “managed together”. Further, it required to divide portfolios into annual cohorts, measurement model type and a minimum number of groups of insurance contracts to differentiate contracts which are “onerous at initial recognition” from those having “no significant possibility of becoming onerous subsequently” and “other” contracts, if any.

Once the Company has established a group of insurance contracts, that Group becomes the unit of account to which the entity applies the requirements of PFRS 17. The calculation of the expected profitability (i.e., the contractual service margin, or “CSM”) of contracts at inception, as well as their subsequent measurement, are performed at this group of contracts level.

To determine this CSM Group level, an entity needs to address the following key considerations:

- What constitutes a contract in scope of PFRS 17?
- What contracts should be categorized under the same “portfolio” because they are “subject to similar risks” and are “managed together”?
- Which contracts are onerous at inception and hence need to be Grouped separately?
- How should the entity group the remaining profitable contracts within a cohort of up to one year which have “no significant possibility of becoming onerous subsequently”? These contracts can be measured together in one or more groups of contracts and entities need to consider appropriate criteria to allocate contracts to these Groups.



- Are there any other contracts that are profitable, but with a significant possibility of becoming onerous subsequently, and therefore need to be measured separately in one or more Groups?

iii. *Contract Boundaries*

PFRS 17 requires assessment of the contract boundary at an individual contract level. The standard explicitly refer to the “boundary of each contract” and assessment of the boundary of individual contracts. Therefore, in theory within a single Group there could be contracts with different boundaries. However, the reassessment of risks referred to in the standard is at the portfolio level and therefore for this part of the contract boundary assessment it is necessary to consider all risks within the portfolio (rather than only in the contract).

The standard describes when cash flows are within the boundary of an insurance contract, that is, if they arise from substantive rights and obligations that exist during the reporting period in which:

- the entity can compel the policyholder to pay the premiums; or
- the entity has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- both of the following criteria are satisfied:
 - a) the entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - b) the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Reinsurance Contracts

PFRS 17 notes that the same guidance on contract boundaries applies to both reinsurance contracts held and insurance contracts issued. Therefore, the same guidance for contract boundary of underlying contracts applies to reinsurance contracts held, subject to the following exceptions:

- the contract boundary of a reinsurance contract held may include future (unrecognized) underlying insurance contracts issued; and
- the portfolio-level contract boundary assessment does not apply to reinsurance contracts held.

For the latter point, contract boundaries are assessed from the cedant’s perspective on a contract-by-contract basis, since the cedant cannot assess whether the reinsurer can reassess risk on a portfolio level.

The following discuss when the cedant’s substantive obligation to pay premiums and substantive right to receive reinsurance services end. The obligation to pay premiums ends when the cedant has the unilateral right to terminate the reinsurance contract held on pre-determined terms. Terms are pre-determined if the cedant can exercise the right without having to negotiate further with the reinsurer. Meanwhile, the right to receive reinsurance services ends when the reinsurer has the



practical ability to terminate or reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

iv. Measurement - Overview

PFRS 17 has a specific approach (called the “Variable Fee Approach”, or “VFA”) for accounting for insurance contracts with “direct participation features”. This approach enables insurers to adjust the CSM for changes in estimates of financial assumptions.

An insurance contract with direct participation features is defined in the standard as an insurance contract that is a substantially investment-related service contract for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The standard specifies that each individual contract needs to be assessed against the above criteria, with the quantitative criteria assessed on a present value probability-weighted average basis. The standard also clarifies that one assessment should be sufficient for an entity to determine whether the criteria are met for each contract in a set of homogenous contracts issued in the same market conditions and priced on the same basis.

Reinsurance contracts issued or held are explicitly excluded from the VFA, regardless of the classification of the underlying contract.

Premium allocation approach (PAA)

The PAA may be used to measure both underlying contracts and reinsurance contracts held. In general, the same requirements apply to both, with some small amendments for reinsurance contracts held.

The PAA is applied at the group of insurance contracts level. If the coverage period for a group of contracts is one year or less, those contracts are automatically eligible to use the PAA simplification with no further assessment required. For groups of contracts that do not meet the coverage period definition, eligibility for PAA adoption is possible if:

- the entity reasonably expects the liability for remaining coverage (LRC) calculated using the PAA to not differ materially from its measurement under either the general model or VFA (whichever is applicable); and
- the entity does not expect significant variability in the LRC fulfilment cash flows. This assessment is only required on inception of the group of contracts.

The PAA simplification does not apply to the Liability for Incurred Claims (LIC) including IBNR relating to past service at the end of each reporting period. However, different requirements (versus those under the general model or VFA) are used to determine the LIC discount rate.



v. *Measurement - Life Contracts*

Insurance contracts and investment contracts with DPF

The PFRS 17 liability for a group of insurance contracts consists of four key components, namely: estimates of future cash flows; an adjustment to reflect the time value of money and financial risks; the Risk Adjustment for non-financial risk; and the Contractual Service Margin.

The estimates of future cash flows that have been adjusted for the time value of money and financial risk (PFRS 17 Best-Estimate Liability (BEL)) is calculated on a best-estimate and (broadly) market consistent basis. We note that the PFRS 17 BEL can be calculated using either a direct (i.e., PV outgo - PV income) or indirect approach (i.e., underlying item less the variable fee), we consider these to be equally technically correct.

PFRS17 outlines that for insurance contracts that qualify for VFA, that for insurance contracts with direct participation features, the entity's obligation to the policyholder is effectively the difference between the value of the underlying item and the variable fee (termed the indirect approach).

We view that the direct and indirect approach will produce an equivalent result and so this equivalence between the direct and indirect approach can be extended to all business that contains an underlying item. In cases where the indirect approach is applied, note that this does not preclude the need for obtaining expected cash flows for disclosure and revenue presentation purposes.

An entity is required to include a risk adjustment for non-financial risk as part of the fulfilment cash flows. The standard defines the risk adjustment as an explicit adjustment to "the estimate of the present value of the future cash flows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk".

The CSM as defined in PFRS 17 is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the entity will recognize as it provides insurance contract services in the future. The CSM measured on initial recognition for a group of contracts is the amount that results in no income or expenses arising from:

- initial recognition of an amount for the fulfilment cash flows;
- any cash flows arising from the contract in the Group at that date; and
- the derecognition at the date of initial recognition of insurance acquisition cash flows and any asset or liability previously recognized for cash flows related to this Group before the recognition.

Once the CSM is established at initial recognition, the subsequent measurement at the end of a reporting period equals the carrying amount at the start of the reporting period with adjustments. PFRS 17 sets out the various adjustments that need to be made to arrive at the CSM at subsequent measurement. However, the standard is silent on what order an entity should make these adjustments, except that amortization to profit or loss must be the last step. The order of analysis is therefore a key area of judgement and decisions are driven by financial and operational considerations, underpinned by the need to have a align closely with other metrics across the Group.



The CSM on initial recognition is set equal to the amount that, unless the group of contracts is onerous, results in no income or expenses arising from the sum of:

- the fulfilment cash flows (FCF) as defined under PFRS 17.32 of the Group measured on initial recognition;
- any cash flows arising from the contracts in the Group at the initial recognition date;
- the derecognition of any asset for insurance acquisition cash flows incurred before the date of initial recognition; and
- the derecognition of any other asset or liability for cash flows other than insurance acquisition cash flows incurred before the date of initial recognition.

The CSM determined on initial recognition is adjusted by changes in the fulfilment cash flows during the year. The standard sets out the various adjustments that need to be made to calculate the CSM on subsequent measurement. It should be noted that only changes in the LRC adjust the CSM, and any changes in the liability for incurred claims do not.

Reinsurance contracts

The guidance for underlying contracts issued is applicable to reinsurance contracts held. In addition, the standard requires the estimates of the present value of future cash flows for a group of accounting reinsurance contracts held to include the effect of any risk of non-performance by the issuer of the reinsurance contract (i.e., the reinsurer), including the effects of collateral and losses from disputes.

CSM is calculated at the unit of account level for reinsurance contracts held. A group of accounting reinsurance contracts held is in a net cost position if, at initial recognition, expected cash outflows exceed expected cash inflows plus risk adjustment. Or they may be presented in a net gain position, where expected inflows plus the risk adjustment exceed outflows. Note that there is no concept of “onerous contracts” as defined for underlying Groups, so the CSM for a group of accounting reinsurance contracts held may be negative.

PFRS 17 indicates that a portion of reinsurance CSM may be recognized to offset losses on onerous, underlying groups of contracts when they are initially recognized or subsequently added to a group of accounting reinsurance contracts held. This is provided that:

- the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognized; and
- the adjustment to the CSM of a group of accounting reinsurance contracts held and the resulting income is calculated by multiplying:
 - a) the loss recognized on the underlying insurance contracts; and
 - b) the percentage of claims on the underlying insurance contracts the entity expects to recover from the group of accounting reinsurance contracts held.

An entity shall establish (or adjust) a loss-recovery component of the asset for remaining coverage for a group of accounting reinsurance contracts held depicting the recovery of losses recognized. Where only a portion of underlying contracts in an onerous Group are reinsured, the entity shall apply a systematic and rational method of allocation to determine what portion of these losses is eligible for a loss-recovery. The loss-recovery component determines the amounts that are presented in profit or loss as reversals of recoveries of losses from reinsurance contracts held and are consequently excluded from the allocation of premiums paid to the reinsurer.



After the Company has established a loss-recovery component, the Company shall adjust the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of accounting reinsurance contracts held.

Insurance acquisition cash flows

The standard describes insurance acquisition cash flows as expenses incurred to sell, underwrite and start new insurance contracts. As per the Company principles, the following are considered to be acquisition expenses:

- initial commissions;
- sales bonus and upfront payment to agents linked to sales performance;
- distribution fees;
- underwriting costs, marketing and advertising expenses that are directly attributable;
- other overhead expenses for departments and staff involved directly in acquisition tasks; and
- renewal commissions paid to agents who only provide acquisition services and no other administration and maintenance services.

Most pre-recognition cash outflows are expected to be insurance acquisition expenses. However, if the pre-recognition cash outflows do not meet the definition of insurance acquisition cash flows (expected to be rare), they should not follow the four-step approach described below. Instead, they should be fully derecognized when the related group of contracts is recognized.

Pre-recognition acquisition cash flows can be divided into payments for the following categories:

- incurred for multiple future groups of contracts (e.g., product development cost which are spreads over the current Group and future Groups); and
- incurred for current renewal period and future anticipated renewal contracts (e.g., commissions paid for short contract boundary products with anticipated renewals).

The first category covers all possible products (e.g., product development expenses for unit linked, universal life, with-profit, YRT medical, etc.) and the second category is only commissions paid for products with renewal features which are short term bounded (e.g., bounded medical YRT business). The split between the two categories is important because it drives:

- the impairment methodology for the related pre-recognition acquisition cash flows; and
- the method to allocate the pre-recognition acquisition cash flows to current and future Groups.

vi. *Measurement - Significant Judgements and Estimates*

Estimates of future cash flows

IFRS 17 defines fulfilment cash flows as “an explicit, unbiased and probability-weighted estimate (i.e., expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.”



The principles for determining the estimates of future cash flows under PFRS 17 are to:

- incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows;
- reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices for those variables;
- be current -the estimates shall reflect conditions existing at the measurement date, including assumptions at that date about the future; and
- be explicit -the entity shall estimate the adjustment for non-financial risk separately from the other estimates. The entity also shall estimate the cash flows separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates.

The objective of estimating future cash flows is to determine the expected value, or probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. Reasonable and supportable information available at the reporting date without undue cost or effort includes information about past events and current conditions, and forecasts of future conditions. Information available from an entity's own information systems is considered to be available without undue cost or effort.

The starting point for an estimate of the cash flows is a range of scenarios that reflects the full range of possible outcomes. Each scenario specifies the amount and timing of the cash flows for a particular outcome, and the estimated probability of that outcome. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. Consequently, the objective is not to develop a most likely outcome, or a more-likely-than-not outcome for future cash flows.

Discount rates

The discount rate used for PFRS 17 valuation should reflect the liquidity characteristics of the insurance contracts. However, the rules do not provide firm guidance on how to estimate the liquidity premium, beyond defining two overall approaches: 'top-down', which involves directly estimating the discount rate from a reference portfolio of financial instruments with appropriate liability characteristics; and, 'bottom-up', setting the discount rate as the sum of a risk-free curve estimated using liquid financial instruments and a separate 'liquidity premium' that adjusts for the difference in liquidity between the liquid financial instruments and the underlying insurance liabilities. The rules go on to clarify that while the discount rate should reflect appropriate liquidity premiums, it should not include any premiums for market risk or credit risk.

The bottom-up approach is conceptually the methodology that is purest. However, as set out in the PFRS 17 guidance, no practical methodology is proposed, and any implementation would require significant expert judgement in the setting of the liquidity premium. As such, the top-down approach is proposed to be used as a practical methodology to derive a liquidity premium that reflects the liability characteristics albeit that this is conceptually then applied on a bottom-up basis.

Risk adjustments for non-financial risk

The risk adjustment is defined as "the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk".



The standard requires that the risk adjustment conveys information to users of financial statements about the amount charged by the entity for the uncertainty arising from non-financial risk about the amount and timing of cash flows” but paragraph BC211(c) of the basis for conclusions notes that the Financial Accounting Standards Board (FASB) decided that a separate risk adjustment should “faithfully represent circumstances in which the entity has charged insufficient premiums for bearing the risk that the claims might ultimately exceed expected premiums”. This implies that the risk adjustment need not effect the way the entity actually prices risk, as certain non-financial risks may not be priced for but are still required to be included within the risk adjustment.

The May 2018 Transition Resource Group noted that the entity does not typically charge the policyholder an explicit separate amount for bearing non-financial risk. Rather, this is implicit within the overall actual amount charged by the entity which would include other factors as well. Therefore, the TRG concluded that the risk adjustment for non-financial risk represents the compensation that the entity would require if it was to charge the policyholder an explicit separate amount for bearing non-financial risk.

As the Company has no single policy that quantitatively defines the compensation required for risk, so it is necessary to consider a range of sources. Given the requirement for a statistical measurement of the risk adjustment, the compensation required for risk needs to be defined in terms of a confidence level. It is proposed to use a Value at Risk approach (VaR) because it is simpler, better aligned to disclosure requirements, and is expected to be less volatile compared to a Cost of Capital Approach (CoC).

A general principle in PFRS is that revenue can only be recorded in the profit or loss statement to the extent that the promised goods or services are transferred to the customers in that period. PFRS 17 requires the use of the ‘coverage units’ approach to identify the ‘insurance contract services’ provided in any period and based on that release the CSM as revenue.

The total coverage units of a group of contracts is a function of a) the ‘quantity of benefits’ a policyholder receives (e.g., an insurer’s obligation to pay a sum assured when an insured event takes place) and b) the ‘expected coverage period’ over which the benefits are received. The period and quantity of benefits depend on what services are provided: insurance services only or both insurance and investment return/related services. At the ending of each reporting period the CSM is released to the profit or loss based on the coverage units for the reporting period compared to the coverage units over the total remaining coverage periods.

The quantity of benefits for insurance service is the maximum amount that the policyholder can claim. However, if the contract is assessed to provide investment-return services or investment related services, the return of the account value (or surrender value where there is no account value) to the policyholder should be excluded from the insurance quantity of benefits as that amount represent the level of investment service. For contracts which have investment related or investment-return services, the proxy for investment services is Account Value (or Surrender Value where there is no account value).



The following table summarizes the most common types of benefits and what the maximum benefit could be, without considering duration of coverage period:

Type of Benefits within group of contracts	Example of quantity of benefits
Death Benefits	
• Lump sum payment only (e.g., term)	• Sum Assured
• Higher of lump sum and account/surrender value	• Death benefit less account/surrender value (sum at risk)
• Lump sum plus account/surrender value	• Sum Assured
• Higher of accumulated premium and account/surrender value	• Death benefit less account/surrender value (sum at risk)

vii. *Presentation and Disclosure*

PFRS 17 introduces a comprehensive set of new presentation and disclosure requirements, which include guidance on:

- what to present on the face of the primary statements (e.g., balance sheet and profit or loss statement);
- what to include in the notes to explain the recognized amounts in more detail (e.g., detailed reconciliations, CSM run off analysis);
- what additional notes are required to explain key judgments, assumptions used and risk exposures (e.g., sensitivity analysis); and
- specific requirements on how to calculate and present amounts in certain financial statement line items (e.g., determination and subsequent presentation of movements in loss components, split between past and current, treatment of foreign currency translation in the movements).

An entity shall present in profit or loss insurance revenue arising from the groups of insurance contracts issued. Insurance revenue shall depict the provision of coverage and other services arising from the group of insurance contract. An entity shall present in profit or loss insurance service expenses arising from a group of insurance contracts issued, comprising incurred claims (excluding repayments of investment components), other incurred insurance service expenses and other amounts as described in paragraph 103(b).

Insurance revenue and insurance service expenses presented in profit or loss shall exclude any investment components. An entity shall not present premium information in profit or loss if that information is inconsistent with paragraph 83.

PFRS 17 recognizes that insurance contracts may provide investment-related (or investment-return) services as well as insurance services. The PFRS 17 income statement includes expected claims (as part of insurance revenue) and actual claims incurred (as part of insurance service expenses). In order to present profit arising from insurance and investment-related (or investment-return) services separately, the standard requires that at the point a claim is incurred, the investment component is identified and subtracted from the insurance revenue and from the amount paid out in order to present pure insurance revenue and expenses in the income statement. Any variance in the amount of investment component payable in the period adjusts the CSM.

PFRS 17 requires all expenses to be assessed as “directly attributable” or not. Only directly attributable expenses are included in the estimates of future cash flows and are capitalized on day one in the CSM. Classification of expenses as attributable will ensure that insurance service



revenue and insurance service expenses are better matched over time. The net impact on the profit or loss statement of classifying expenses as non-attributable versus attributable, will be the difference between recognizing the expenses when incurred and the sum of:

- the implicit release of directly attributable expenses as part of the CSM release (following the profit pattern based on the determination of coverage units);
- the difference between the expected expenses (release from the BEL of expected 'directly attributable' expenses) and the actual incurred 'directly attributable' expenses; and
- Classifying expenses as attributable would likely lead to a smoother profit or loss statement with differences in the profit emergence pattern unlikely to be material.

viii. Transition

The standard requires PFRS 17 to be applied retrospectively the “fully retrospective approach” (FRA) unless impracticable. If an FRA is impracticable there is a free option to choose either a modified retrospective approach or a fair value approach. If reasonable and supportable information necessary to apply the modified retrospective approach is not available, the fair value approach must be applied. A combination of approaches can be used for different groups of contracts - for example different approaches could be used for different portfolios or for different annual cohorts of business.

An FRA will only be used where there is data available and that data can be used to support a reasonable estimate of the CSM without undue cost and effort, based on the facts and circumstances at the point of recognition (i.e., without using hindsight). The main judgement required to apply FRA concerns the use of estimation in deriving the CSM.

For some portfolios of in-force business, the original data required to perform full model runs to estimate fulfilment cash flows (and therefore the CSM) at historic dates may not be available at the required level of granularity or in a usable format after making every reasonable effort. However, it may be possible to derive reasonable estimates of these cash flows using pre-existing data that is based on the facts and circumstances at those historic dates.

For example, the Company expects that for some areas of the business, the estimated future cash flows (and hence CSM) at initial recognition can be calculated by making adjustments to new business contribution figures originally prepared for embedded value purposes. Where these adjustments are based on reasonable assumptions, then this method should be considered to be acceptable under the FRA.

If the calculation approach or underlying assumptions do not result in a reasonable estimate of the retrospectively calculated CSM, or require hindsight (i.e., are not purely based on the circumstances that existed at the time), then either the modified retrospective or fair value approaches will be applied.

When calculating the CSM under a FRA the historic risk adjustment will need to be calculated based on the facts and circumstances that existed at the point of recognition or subsequent adjustment of the CSM as required under the standard.

Insurance contracts, reinsurance contracts and investment contracts with DPF



Impracticability is defined as the inability to apply the standard after making "every reasonable effort" to apply the PFRS 17 standard retrospectively. If FRA is impracticable for a particular group of contracts, there is a free choice between Modified Retrospective Approach (MRA) and Fair Value Approach (FVA). Further definition on impracticability can be referred to PAS 8.

For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if the effects of the retrospective application or retrospective restatement are not determinable.

- the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or
- the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:
 - i. provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognized, measured, or disclosed; and
 - ii. would have been available when the financial statements for that prior period were authorized for issue from other information.

PAS 8 defined the conditions for impracticability, as interpreted by the Company:

- a) data in prior periods that is required to perform FRA is not available at any level of granularity; or
- b) hindsight information is required to determine prior period balances; or
- c) no reasonable estimates are available to recreate significant historical missing data.

Under FRA, the requirement is to identify, recognize and measure each group of insurance contracts as if PFRS 17 had always applied. This involves calculating the CSM on inception of the group of contracts and rolling it forward to the transition date in line with PFRS 17 requirements - i.e., adjusting the CSM in each year to reflect historic impacts as required by the standard (e.g., the impact of experience adjustments and changes in assumptions in each year).

Calculating a CSM in line with this approach requires historical data, including:

- initial premium, benefits and charging structure, along with best estimate assumptions (demographic and economic, including discount rate) on day 1, to calculate the initial CSM
- the impact of experience adjustments and assumption changes for each year from inception of the group of contracts to the transition date, in order to calculate the CSM at the transition date
- this data is required at a level of granularity consistent with the relevant unit of account and able to be utilized by valuation models.

Modified retrospective approach

If the FRA is shown to be impracticable, the MRA is intended to allow the CSM to be calculated in a way that reduces the onerousness of data requirements, making greater use of data available at the transition date. The standard requires that entities "maximize the use of information that would have been used to apply a FRA but need only use information available without undue cost or effort".

For the general model, the MRA allows a number of specific modifications to the FRA, where information for the FRA is not available. In order to meet the requirement of maximizing the use



of available information, this involves using as few modifications as possible. In general, these modifications allow certain areas to be set using data as at the transition date, rather than going back to inception of the group of contracts.

Reinsurance of onerous underlying contracts

As part of subsequent revisions to the standard, an amendment was made to proposed modification in the modified retrospective approach for reinsurance contracts held when underlying insurance contracts are onerous. The amendment specified that if an entity does not have reasonable and supportable information to identify whether the reinsurance contract held was acquired before or at the same time that the insurance contracts were issued, the entity would assume that the reinsurance contract held was acquired after the insurance contracts were issued. Therefore, the reinsurance contract held would not have a loss-recovery component at the transition date.

Fair value approach

Under the fair value approach, the CSM at the transition date is the difference between the fair value of the Group of contracts at that date (determined in accordance with PFRS 13) and the fulfilment cash flows (BEL + RA) measured at that date. This method applies to Groups under the general model or VFA.

Fair value on transition follows the Grouping requirements set out in the standard, which can be summarized as:

- portfolios can be determined either as at inception or at the date of transition (free choice)
- profitability buckets can be determined either as at inception or at the date of transition (free choice)
- annual cohorts are not required unless reasonable and supportable information exists to include this divide

These requirements allow the assessment of portfolios to be based on how the business is currently managed rather than how it was previously managed, and the assessment of “similar risks” to be based in the current status of contracts.

No guidance is provided in the standard as to how the assessment of whether a contract is onerous would be done using “reasonable and supportable information available at the transition date.” In the absence of specific guidance, it is interpreted that the assessment should be conducted by comparing the fair value and the fulfilment cash flows, in the same way as the CSM is set when using the fair value approach for transition. Similarly, no guidance is provided in the standard on how to assess which of the two profitable buckets contracts in a portfolio should be part of. In the absence of reasonable and supportable information (e.g., determination of a transaction price at a level below the portfolio) it is expected that a single profitability bucket will be used, however, this will need to be justified on a case-by-case basis.

Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a Group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the Group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or Groups of insurance contracts within the portfolio. Under the FRA, the asset for insurance acquisition cashflows are required to be calculated at transition in order to calculate the CSM. However, as with all other aspects of transition calculation, companies are allowed to apply MRA or FVA if it is impracticable to measure this retrospectively.



The FRA requires retrospective calculation of fulfilment cash flows. It is assumed that where data is not available or usable to calculate the initial CSM or subsequent adjustments from full model runs of the fulfilment cash flows, then reasonable estimates of these cash flows based on pre-existing data will be permissible. This is consistent with the measurement of liabilities under current accounting, in line with PAS 8.

It is to be noted that the transition approach for the asset for insurance acquisition cashflows can be distinct to the approach taken for other elements of transition. It is permitted to independently assess whether an FRA is possible for calculating the asset for insurance acquisition cashflows. The Group will apply the full retrospective approach to all other assets for insurance acquisition cash flows on transition to PFRS 17.

Modified retrospective approach

If applying a modified retrospective approach with respect to asset for insurance acquisition cashflows:

- entities are required to identify the amount of insurance acquisition cashflows that were paid before the transition date and use a systematic and rational approach to allocate it between Groups of insurance contracts recognized at transition and Groups that are recognized after the transition date.
- the portion of the insurance acquisition cashflows that are allocated to Groups of insurance contracts recognized at transition date is deducted from the CSM relating to these contracts
- the remaining portion of the insurance acquisition cashflows is recognized as an asset for the Groups of contracts that are recognized after transition date.

However, if reasonable and supportable information is not available to make the modifications described above, then both the adjustments to the CSM and the asset recognized for insurance acquisition cashflows could be zero.

Fair value approach

If a fair value approach is being applied with respect to the asset for insurance acquisition cashflows, entities are required to recognize the asset for insurance acquisition cashflows that would be incurred at the transition date if the entity had not already paid those insurance acquisition cash flows to obtain the rights to:

- recover acquisition cashflows from contracts that have been issued but not yet recognized at Transition
- obtain future contracts recognized after transition without re-incurring acquisition costs.

The volume of business affected is expected to be immaterial as the fair value approach will generally only be used for older cohorts which will have no asset for insurance acquisition cash flows remaining at the transition date.

The Company will apply PFRS 17 for the first time on January 1, 2027. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company's financial statements in the period of initial application.



Impact assessment

The Company does not intend to early adopt PFRS 17. The Company continues its assessment of the implications of this standard and expects that it will have a significant impact on the Company's financial statements as the requirements of the new standard are complex and requires application of significant judgments and estimates. Specifically, the establishment of CSM (or the unearned profits) on in-force insurance contracts will result in adjustments in insurance contract liabilities and corresponding movements in equity upon transition. Subsequently, the Company expects changes in the timing and recognition of the profits via amortization of the CSM into income as services are provided. The Company is continuously assessing the potential impact of all other changes including accounting policy choices available under PFRS 17 on how insurance contract liabilities are measured and the impact on presentation and disclosure of the financial results in the financial statements.

The adoption of PFRS 17 requires significant changes to the Company's accounting and reporting processes. To ensure readiness, the Company has invested on financial and actuarial technology platforms that will enhance data capture, improve actuarial models and assumptions, among others and subsequently, produce management information for financial planning and enhance business and strategic analyses.

The Company has established a transition program for PFRS 17 and has dedicated significant resources to execute and oversee the plan to manage operational, regulatory, and business and strategic risks associated with the implementation of this standard.

A reliable estimate of the impact to the Company's financial statements arising from the initial application of PFRS 17 is not yet available as there are certain items in the requirements of the standard that the Company is finalizing to be able to provide a more reliable information on the transition date.

- *PFRS 9, Financial Instruments.*
PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after January 1, 2018. The Company has met the relevant criteria and has applied the temporary exemption from PFRS 9 for annual periods before January 1, 2027. Consequently, the Company will apply PFRS 9 for the first time on January 1, 2027 concurrent with PFRS 17.

i. Financial Assets - Classification

The classification of financial assets under PFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. PFRS 9 includes three principal measurement categories for financial assets - measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL - and eliminates the previous PAS 39 categories of HTM investments, loans and receivables, and AFS financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). The election is made on an instrument-by-instrument basis.

Under PFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of PFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impact assessment

PFRS 9 will affect the classification and measurement of financial assets held at January 1, 2027 as follows.

Most underlying items of participating contracts and certain other financial investments are designated as at FVPL under PAS 39. They will also be measured at FVPL under PFRS 9. derivative assets, which are generally classified as held-for-trading and measured at FVPL under PAS 39, will also be measured at FVPL under PFRS 9. Debt investments that are classified as AFS under PAS 39 may, under PFRS 9, be measured at amortized cost, FVOCI or FVPL, depending on the particular circumstances. The majority of equity investments that are classified as AFS under PAS 39 will be measured at FVPL under PFRS 9. However, some of these equity investments are held for long-term strategic purposes and will be designated as at FVOCI on January 1, 2027; consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognized in profit or loss, and no gains or losses will be reclassified to profit or loss on disposal of these investments. HTM investments and loans and receivables measured at amortized cost under PAS 39 will generally also be measured at amortized cost under PFRS 9.

Since majority of the Company's financial assets are measured at fair value both before and after transition to PFRS 9, the new classification requirements are not expected to have a material impact on the Company's total equity as at January 1, 2027.

ii. Financial Assets - Impairment

PFRS 9 replaces the 'incurred loss' model in PAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement about how changes in economic factors affect Expected Credit Loss (ECL), which will be determined on a probability-weighted basis.



The new impairment model will apply to the Company's financial assets measured at amortized cost and debt investments at FVOCI.

PFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company will measure loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognized will be 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date, which the Company considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information. As a backstop, the Company will consider that a significant increase in credit risk occurs not later than when an asset is more than 30 days past due.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The key inputs into the measurement of ECL are the term structures of the Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD). ECL for financial assets for which credit risk has not significantly increased are calculated by multiplying the 12-month PD by the respective LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by the respective LGD and EAD.

To determine lifetime and 12-month PDs, the Company will use the PD tables supplied by the rating agency based on the default history of obligors in the same industry and geographic region with the same credit rating. The Company will adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs will be recalibrated based on current bond yields and Credit default swap (CDS) prices and adjusted to reflect forward-looking information. Changes in the rating for a counterparty or exposure will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company will adopt the Group computed LGD.



EAD represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset is its gross carrying amount at the time of default.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company will measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings will be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company will use to derive the default rates of its portfolios. This includes the PDs and LGDs provided in the rating agency's default and recovery studies, respectively.

Impact assessment

The Company estimates that application of the PFRS 9 impairment requirements at January 1, 2027 will not result to a material ECL as majority of the Company's investment securities are measured at FVPL both before and after transition to PFRS 9. For financial assets measured at amortized cost, the Company does not expect material credit losses on these financial assets.

iii. Financial Liabilities

PFRS 9 largely retains the requirements in PAS 39 for the classification and measurement of financial liabilities. However, under PAS 39 all fair value changes of financial liabilities designated as at FVPL are recognized in profit or loss, whereas under PFRS 9 these fair value changes will generally be presented as follows.

- the amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI.
- the remaining amount of the change in the fair value will be presented in profit or loss.

The Company expects an immaterial impact from adopting the requirements above. The Company has designated investment contract liabilities as at FVPL because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value



basis. All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralized.

The Company does not expect that any residual credit risk will have a significant impact on the fair value of the liabilities.

4. Significant Accounting Judgments and Estimates

In preparing the financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments

(a) Product classification

The Company has determined that the traditional insurance policies and the unit-linked insurance policies have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

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

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 expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

(b) Determining the lease term of contracts with renewal and termination Options - the Company as Lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.



(c) *Classification of investment in subsidiary as asset held-for-sale*

In determining the classification of investment in subsidiary as held for sale, the Company assesses whether the held for sale criteria were met. In making this judgment, the Company considers the following:

- availability of the investment in subsidiary for immediate sale in its present condition subject only to terms that are usual and customary for sales; and
- the sale must be highly probable

For the sale to be highly probable, management must be committed to the sale, and an active program to locate a buyer and complete the plan must have been initiated. Further, the investment in subsidiary must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

To facilitate Prudential's decision to exit the Trust business in the Philippines through sale of the business of the Corporation, and to transfer the Company's onshore funds to a new fund manager, the management of the Company is committed to its plan to sell and has taken sufficient steps necessary for sell, assign, transfer or dispose of all the rights, title and interests in and to all the shares held by the Company in the capital stock of PAMTC as of December 31, 2023. The Board approved the sale of investment in subsidiary on June 22, 2023. Hence, management has determined that the investment in subsidiary met the criteria as held for sale as of December 31, 2023. Subsequently, the sale was executed on September 6, 2024 (see Note 9).

(d) *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 legal counsels handling the defense in these matters and is 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 or in the effectiveness of the strategies relating to these proceedings.

(e) *Uncertainties over income tax payments*

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Since the Company operates in a highly regulated environment, it assessed whether the Interpretation had an impact on its financial statements.

The Company applies significant judgment whether it is probable that a particular uncertain income tax treatment will be acceptable to the taxation authority. The Company considers the following:

- Past experience related to similar tax treatments
- Legal advice or case law related to other entities
- Practice guidelines published by the taxation authority that are applicable to the case

The Company reassesses the judgement if the facts and circumstances on which the judgement was based change or as a result of new information that affects the judgement.



(f) Recognition of coverage debt receivables

The Company enters into insurance contracts with its policyholders. As part of its variable-unit linked insurance policies, the Company has the right to enforce insurance charges at the start of the inception of the policy as the Company is subject to insurance risk at inception based on the approved pricing policy. As such, the Company recognized the revenue for the cost of insurance charges on the period it is due and demandable provided that the policyholder continues to pay its premiums and the policies are in-force. However, the collection of the cost of insurance will be made when there is available units to the policyholder.

(g) Fair value of financial instruments

The Company enters into an investment in structured notes with the underlying asset is based on a foreign currency local government bond with hypothetical cross-currency swap component and a fair value of ₱1.77 billion as of December 31, 2024 (see Note 8).

Management applies valuation technique to determine the fair value of the structured notes. Valuation techniques are used to determine the fair values which are validated and periodically reviewed by qualified independent personnel. To the extent practicable, the model uses only observable data, however areas such as the hypothetical cross-currency swaps and unwind costs require management to develop estimates and assumptions. Changes in assumptions about these factors could affect the reported fair value of the structured notes. The Company uses judgments to select variety of methods and make assumptions that are mainly based on market conditions existing as of the end of each reporting period.

Estimates

(a) Leases - estimating incremental borrowing rate

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

The Company's lease liabilities amounted to ₱611.76 million and ₱357.47 million as of December 31, 2024 and 2023, respectively (see Note 29).

(b) Liabilities arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. Although the ultimate liability arising from life insurance contracts is largely determined by the face amount of each individual policy, the Company also issues accident and health policies and riders where the claim amounts may vary.

Claims estimation by the Company considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect Company's historical experience. These liabilities form part of the Company's IBNR which amounted to ₱236.92 million and ₱230.83 million as at December 31, 2024 and 2023, respectively (see Note 18).



(c) Legal policy reserves

At inception of the contract, the Company determines assumptions in relation to mortality, morbidity, persistency, investment returns and administration expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commissions plus other incentives. A margin for risk and uncertainty is added to these assumptions. In every reporting period, the Company ensures that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4.

The liability adequacy test was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future net liabilities or best estimate liabilities (BEL) as at December 31, 2024 and 2023 are computed under the requirements of PFRS 4. Total BEL as at December 31, 2024 and 2023 are negative and amounted to (P76.15) billion and (P75.02) billion, respectively. Accordingly, the recorded legal policy reserves which is calculated in accordance with the requirements of the Insurance Code amounting to P5.26 billion and P4.24 billion as at December 31, 2024 and 2023, respectively (see Note 17), is adequate using best estimate assumptions.

(d) Estimating impairment of financial assets

Equity instruments under Available-For-Sale financial assets

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2024 and 2023, the Company has not recognized any impairment loss on its investments (see Note 8).

Receivables

The Company reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables from policyholders and reinsurance that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

As at December 31, 2024 and 2023, the Company has recognized allowance for credit losses on policy loans receivables - net, coverage debt receivables and other assets as disclosed Notes 10, 12 and 16, respectively.

As at December 31, 2024 and 2023, the carrying value of the Company's policy loans receivables, coverage debt receivables and advances to employees and agents amounted to P1.52 billion and P1.67 billion, respectively. Provisions for credit losses amounted to P155.98 million and P123.01 million in 2024 and 2023, respectively (see Notes 10, 12 and 16).



(e) *Impairment of non-financial assets*

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

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The non-financial assets of the Company are composed of its deferred acquisition costs, asset held for sale / investment in a subsidiary, property and equipment, intangible assets and right-of-use assets. The carrying value of the non-financial assets as of December 31, 2024 and 2023 are as follows:

	Notes	2024	2023
Deferred acquisition costs	15	₱18,303,098	₱16,713,291
Property and equipment - net	14	831,276	415,753
Software development costs - net	16	835,957	862,459
Right-of-use assets - net	29	529,899	285,042
Asset held-for-sale	9	—	194,984

In 2024 and 2023, the Company did not recognize any impairment losses on its property and equipment, intangible assets and right-of-use assets. The Company's recognized allowance for impairment losses on asset held-for sale amounted to nil and P334 million as of December 31, 2024 and 2023, respectively.

Further, management performed annual impairment assessment for the recognized deferred acquisition costs by computing the recoverable amount of the cash generating unit (CGU) and comparing it to the carrying value of the deferred acquisition costs. The recoverable amount was based on value in-use cash flow projections based on the profit for its in force insurance contracts as of the end of the reporting periods. The cash flows are most sensitive to the discount rate and the profit for the insurance contracts. Management applied 12.3% discount rate in determining the cash flows as of December 31, 2024 and 2023. Profit from insurance contracts is based on the contractual terms of the insurance policies and uses assumptions similar to the required reserves for insurance companies which are periodically reviewed by management. In 2024 and 2023, management determined that there is no impairment to be recognized for its deferred acquisition costs.

(f) *Amortization period of deferred acquisition costs*

The amortization period of deferred acquisition costs depends on the period over which the acquisition costs will be recovered through the future profits of the insurance contracts. Deferred acquisition costs of unit linked single premium are amortized over 10 years while unit linked



regular premium are amortized over 15 years. The recoverability of the deferred acquisition costs is reviewed annually to ensure that the period of amortization is consistent with the profit pattern of the products and that the deferred acquisition costs are recoverable against the present value of future profits over the entire amortization period.

As at December 31, 2024 and 2023, the carrying amount of deferred acquisition costs amounted to ₱18.30 billion and ₱16.71 billion, respectively (see Note 15).

(g) Estimating retirement 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, 2024 and 2023, the Company's net retirement asset amounted to ₱116.65 million and ₱71.55 million, respectively (see Note 25).

(h) Recoverability of deferred tax assets

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Any deferred tax asset will be remeasured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization. As at December 31, 2024 and 2023, the Company recognized deferred tax assets amounting to ₱1.35 billion and ₱1.57 billion, respectively. As at December 31, 2024 and 2023, the Company assessed that future taxable profit will be available to realize any recognized deferred tax assets. Thus, there were no unrecognized deferred tax assets as of December 31, 2024 and 2023 (see Note 27).

5. Capital, Insurance and Financial Risk Management Objectives and Policies

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

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

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



Regulatory Framework

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

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

Capital Management

The Company's capital includes capital stock, APIC, contributed surplus and retained earnings.

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is always higher than the minimum capital requirement set by the IC and the amount computed under the RBC model.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on surplus of new businesses, profitability of in-force business and other major corporate initiatives that will affect capitalization requirements.

There were no changes made to the Company's capital base, objectives, policies and processes from previous year.

Fixed capitalization requirements

On August 15, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least ₱250.00 million by December 31, 2013.

The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Net worth	Compliance Date
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As of December 31, 2024 and 2023, the Company has complied with the minimum net worth requirement.

RBC requirements

a. Life Insurance

In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance



risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

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

In 2016, the IC issued Circular Letter No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, pursuant to Section 437 of the Amended Insurance Code. The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement.

TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis (e.g. Capital Stock, Statutory Deposit, Capital Stock Subscribed, Contributed Surplus, etc.). Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer [e.g. Reserve for Appraisal Increment – Property and Equipment, Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation)]. Tier 2 Capital shall not exceed 50% of Tier 1 Capital.

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

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

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The following table shows how the RBC ratio was determined by the Company based on its calculations:

The following table shows the indicative RBC ratio of the Company as at December 31, 2024 and the RBC ratio as at December 31, 2023, using the RBC2 Framework:

	2024	2023
TAC	₱8,917,034	₱8,422,308
RBC requirement	1,856,706	1,859,856
RBC ratio	480%	453%

The figures above for 2024 and 2023 are internally computed by the Company and the final amount of the RBC ratio can be determined only after the accounts of the Company have been reviewed by IC specifically as to determination of admitted and non-admitted assets as defined under the Insurance Code. As at December 31, 2024 and 2023, the Company has complied with the minimum RBC ratio of 100%.



The estimated non-admitted assets as defined in the Insurance Code are included in the statement of financial position. The amounts of assets below for 2024 and 2023 are subject to final determination by the IC:

	2024	2023
Deferred acquisition costs (Note 15)	₱18,303,098	₱16,713,291
Property and equipment - net	774,308	372,277
Other assets	3,112,773	3,110,556
	₱22,190,179	₱20,196,124

New regulatory framework

Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

Circular Letter No. 2016-65, Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607), prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies. This Circular was further amended by CL No. 2018-54 to clarify the provisions of Section 6.1 (“Miscellaneous Provisions”).

Circular Letter No. 2016-66, Valuation Standards for Life Insurance Policy Reserves, provides a change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) which now considers other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation. This CL was further amended by *CL 2018-75, Discount Rates for Life Insurance Policy Reserves* as of December 31, 2018, which prescribes the use of PHP BVAL Reference rates from Bloomberg for Philippine Peso policies.

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

Implementation requirements and transition accounting

Circular Letter No. 2016-69, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital (RBC2) Framework. The new regulatory requirements under Circular Letters 2016-65, 2016-66, and 2016-68 shall take effect beginning January 1, 2017.

This circular was further amended by CL No. 2018-19 allowing companies to set the Margin for Adverse Deviation (MfAD) as follows:

Period Covered	Percentage (%) of company specific MfAD
2017	0%
2018	50%
2019 onwards	100%



Circular Letter No. 2017-15, Regulatory Requirements and Actions for the New Regulatory Framework. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the revaluation of the reserves for Claims and Premiums Liabilities computed based on the new valuation standards for non-life insurance policy reserves as provided under CL No. 2016-67, shall be recognized in “Retained Earnings – Transition Adjustments” account except for items listed in Section 2.1. All changes in valuation shall be measured net of any tax effect.

Circular Letter No. 2017-30, Regulatory Requirements and Actions for the New Regulatory Framework (Life Insurance Business)

The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the change in the valuation basis from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) as well as any change in assumptions under GPV computed based on the new valuation standards for life insurance policy reserves as provided under CL No. 2016-66, shall be recognized in Retained Earnings – Transition Adjustments account except for items listed in Section 2.1. All changes in valuation shall be measured net of any tax effect.

Circular Letter 2018-18, Valuation Standards for Non-Life Insurance Policy Reserves, prescribes the new valuation methodology for the non-life insurance companies. This CL supersedes CL No. 2016-67 and amends CL No. 2015-06 “New Reserves Computation for the Compulsory Insurance Coverage for Migrant Workers.” CL No. 2018-18 was further supplemented by CL No. 2018-76, Discount Rates for Non-Life Insurance Policy Reserves as of 31 December 2018, prescribing the use of Peso spot and forward rates derived from the PHP BVAL Reference rates from Bloomberg and the Dollar spot and forward rates derived from the International Yield Curve from Bloomberg for Peso-denominated and US Dollar-denominated policies, respectively.

Circular Letter No. 2020-58, Regulatory Relief on the admittance of Premiums Receivable due to COVID-19 pandemic. The basis for admitting Premium Receivable account (direct agents, general agents and insurance brokers) for all non-life insurance and professional reinsurance companies shall be adjusted from ninety (90) days to one hundred eighty (180) days from the date of issuance of the policies. This rule shall be applied to annual and quarterly financial reports for the year 2020 unless extended or changed as deemed necessary by this Commission.

Circular Letter No. 2020-103, Amendment to Section 1 of Circular Letter No. 2020-60 dated 15 May 2020 on “Regulatory Relief on Net Worth Requirements and Guidelines on the Implementation of Amended Risk-Based Capital (RBC2) Framework for Calendar Year 2020”

All insurance companies already compliant with the net worth requirements as of December 31, 2019 under Section 194 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, that are adversely affected by the crisis are required to comply with CL No. 2016-68 (Amended Risk-Based Capital Framework) and Revised Regulatory Intervention (RBC ratio) as follows:

RBC Ratio (Y)	Event	Action
100% and above		No regulatory action needed
$75\% \leq Y < 100\%$	Trend Tests	Company required to submit linear extrapolation of the RBC ratio for the next period. If the RBC ratio falls below 75%, move to Company Action Event
$50\% \leq Y < 75\%$	Company Action	Company required to submit RBC plan and financial projections and implement the plan accordingly
$25\% \leq Y < 50\%$	Regulatory Action	IC authorized to issue Corrective Orders
$Y < 25\%$	Authorized and Mandatory Action	IC authorized and required to take control of the Company



Circular Letter No. 2021-43, Extension of the Regulatory Relief on the admittance of Premiums Receivable due to COVID-19 pandemic. This rule shall be applied to annual and quarterly financial reports for the year 2021 unless extended or changed as deemed necessary by this Commission.

Circular Letter No. 2022-30, Regulatory Relief on the Admittance of Premiums Receivable due to the COVID-19 Pandemic for the periods ending 31 December 2020 up to 30 June 2022. This rule shall be applied only to quarterly reports and annual statements covering the periods 2020 and 2021; and 1st and 2nd quarter reports for the year 2022, provided, that the non-life insurance company shall submit a proof allowing the credit term beyond ninety (90) days to its policyholders, and a separate premiums receivable aging schedule with supporting documents.

Circular Letter No. 2024-04, Revised Framework on the Accreditation of External Auditors. Through this rule, the IC revised the rules and regulations that shall govern the accreditation and delisting of External Auditors of ICREs to ensure that the External Auditors consistently adhere to audit in compliance with quality control standards and understand the operations and risk exposures of ICREs, including their IC-regulated subsidiaries and affiliates engaged in allied and related services.

Circular Letter No. 2024-04, Disclosure requirements for companies that will not early adopt PFRS17 (“NON-EARLY ADOPTERS”). Non-early adopters must disclose in the notes to the financial statements the disclosure requirements of Philippine Accounting Standard 8 - Accounting Policies, Changes in Accounting Estimates, and Errors (“PAS 8”) as regards the impending adoption of new accounting standards, (e.g., PFRS 17) for the years ending 31 December 2023 and 2024. However, once the non-early adopters implement PFRS 17, they shall be required to provide IC-specific disclosures to be presented in a separate supplemental report to the financial statements.

Advisory No. RS-2024-06 and Advisory Bo. RS-2024-13, Conduct of Quantitative Impact Assessment (QIA) Relative to the Application of PFRS 17- Insurance Contracts. These advisories require insurance and professional reinsurance companies to submit the accomplished QIA template on or before the specified due dates.

Insurance Risk

The Company issues contracts that transfer insurance risk. This section summarizes the risks and the way the Company manages them.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risks that the Company is exposed to are as follows:

- *Mortality risk* - risk of loss due to policyholder death experience being different from expected.
- *Morbidity risk* - risk of loss due to policyholder health and disability experience being different from expected.



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

For contracts where death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Concentration of insurance risk

The table below sets out the concentration of legal policy reserves by type of life insurance contract (in thousands):

	2024	2023
Whole and term life	₱3,231,317	₱3,441,072
Endowment	1,178,748	47,321
Term	4,128	(24,349)
Accident	21,041	23,472
Group	60,871	24,974
Variable	578,400	509,250
Riders and other products	181,608	216,341
	₱5,256,113	₱4,238,081

Classification by attained age

The table below presents the concentration of legal policy reserves by attained age as at December 31, 2024 and 2023. For individual insurance, exposure is concentrated on age bracket of 55-59 in 2024 and on age bracket of 60-64 in 2023.

Attained Age	2024 Individual		2023 Individual	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	₱29,255	0.56%	₱69,989	1.66%
20 - 24	84,666	1.63%	77,109	1.83%
25 - 29	175,015	3.37%	149,776	3.55%
30 - 34	222,897	4.29%	170,207	4.04%
35 - 39	274,180	5.28%	180,185	4.28%
40 - 44	350,482	6.75%	236,169	5.61%
45 - 49	611,411	11.77%	472,506	11.22%
50 - 54	767,198	14.77%	600,921	14.26%
55 - 59	822,518	15.83%	617,009	14.64%
60 - 64	690,492	13.29%	618,707	14.69%
65 - 69	479,039	9.22%	441,556	10.48%
70 - 74	325,526	6.27%	298,607	7.09%
75 - 79	248,774	4.79%	201,638	4.79%
80 +	113,790	2.19%	78,729	1.86%
Total	₱5,195,243	100%	₱4,213,108	100%



For group insurance, exposure is concentrated on age bracket of 30-34 in 2024 and 2023.

2024				
Group				
Attained Age	Gross of Reinsurance		Net Reinsurance	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	₱704	1.16%	₱704	1.16%
25 - 29	7,028	11.55%	7,028	11.55%
30 - 34	29,186	47.93%	29,186	47.93%
35 - 39	6,955	11.43%	6,955	11.43%
40 - 44	6,008	9.87%	6,008	9.87%
45 - 49	4,253	6.99%	4,253	6.99%
50 - 54	3,200	5.26%	3,200	5.26%
55 - 59	2,184	3.59%	2,184	3.59%
60 +	1,353	2.22%	1,353	2.22%
Total	₱60,871	100.00%	₱60,871	100.00%

2023				
Group				
Attained Age	Gross of Reinsurance		Net Reinsurance	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	₱127	0.51%	₱127	0.51%
25 - 29	1,143	4.58%	1,143	4.58%
30 - 34	16,384	65.61%	16,385	65.61%
35 - 39	1,397	5.59%	1,397	5.59%
40 - 44	1,308	5.24%	1,308	5.24%
45 - 49	1,074	4.30%	1,074	4.30%
50 - 54	1,213	4.86%	1,213	4.86%
55 - 59	1,243	4.98%	1,243	4.98%
60 +	1,085	4.33%	1,085	4.33%
Total	₱24,974	100.00%	₱24,975	100.00%

Key assumptions

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

- (a) *Risk-free discount rates refer to the rates used in determining the value of life insurance liabilities.* The value of life insurance liabilities is determined as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate discount rates. The discount rates used are in accordance with rates stipulated in Annexes A and B of the IC Circular Letter No. 2025-03 dated 22 January 2025, where rates are based on the PhP BVAL reference rates for peso-denominated contracts and international yield curve from Bloomberg for USD-denominated contracts, with matching duration.
- (b) *Mortality and morbidity assumptions.* Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate at which accident or sickness, and recovery therefrom, for a defined group of people. For the purpose of liability valuation, expected future cash flows are determined using best estimate mortality and morbidity assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.



- (c) *Lapse assumptions* refer to rates at which a life insurance policy is surrendered or terminated as a result of failure to pay the premium due; avails of the premium holiday option, and avails of partial withdrawals against the insurance policy. For the purpose of liability valuation, expected future cash flows are determined using best estimate lapse assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.
- (d) *Expense assumptions* refer to the expected future administrative and maintenance costs related to the issuance and maintenance of a life insurance policy with consideration of inflation. For the purpose of liability valuation, expected future cash flows are determined using best estimate expense assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

		2024	2023
		Impact on Income before Income Tax and Equity Increase (Decrease)	Impact on Income before Income Tax and Equity Increase (Decrease)
Changes in Assumptions/ Variables		(Decrease)	(Decrease)
(Amounts in millions)			
Mortality and morbidity	+5%	(₱35.14)	(₱36.97)
	-5%	35.68	37.76
Interest rate	+ 100 basis points	298.34	215.83
	- 100 basis points	(328.27)	(237.84)
Expense	+10%	(78.64)	(67.57)
	-10%	70.73	75.58
Lapse	+10%	(12.55)	(8.87)
	-10%	12.91	10.34

The method used for deriving sensitivity information and significant assumptions did not change from previous years.

The analysis detailing the impact of changes in market interest rate to the fair value of the Company's investment in fixed-rate debt instrument is disclosed in the Currency Risk section.

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets primarily for long-term fixed rate investments, being less than the cash flows to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in-force which will have premium receipts in the future.



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

The Company adopts the Prudential's investment strategy to invest primarily in high quality securities while maintaining diversifications to avoid significant exposure to issuer and industry.

The Company invests in equity and debt instruments as dictated by the Company's investment management strategy. Asset allocation is determined by the Company's Fund Managers, Eastspring Investments (Singapore) Limited (Eastspring) and Pru Life UK Asset Management and Trust Corporation, who manage the distribution of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Company's portfolio is monitored by the Investment Committee.

For unit-linked contracts, the Company does not retain the price, currency, credit, or interest rate risk for these contracts as contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance.

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

Financial Risk

The Company has significant exposure to the following financial risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There has been no change to the Company's exposure to financial risks (i.e., credit risk, liquidity risk and market risk) or the manner in which it manages and measures the risks since prior financial year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company is exposed to credit risk primarily through its cash and cash equivalents, investments and loans granted to policyholders. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's concentration of credit risk arises mainly from its investments in government securities amounting to ₱67.50 billion (88.43%) and ₱63.45 billion (76.04%) of the Company's total financial assets (including Unit-Linked Financial Assets) as at December 31, 2024 and 2023, respectively. Financial assets exposed to credit risk other than investments include, but are not limited to, cash and cash equivalents, receivables, reinsurance assets, and other financial assets.



The table below provides information regarding the credit risk exposure of the Company as at December 31, 2024 and 2023 by classifying assets according to the Company's credit grading of counterparties.

2024					
Neither Past Due nor Impaired					
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents*	₱4,832,113	₱–	₱4,832,113	₱–	₱4,832,113
Interest receivable	171,027	–	171,027	–	171,027
Coverage debt receivables	–	1,080,606	1,080,606	828,259	1,908,865
Financial assets at FVPL**	12,988,621	–	12,988,621	–	12,988,621
Premiums due from policyholders	–	12,719	12,719	–	12,719
Policy loans receivables	–	272,303	272,303	8,635	280,938
Reinsurance assets	–	475,469	475,469	–	475,469
Other assets***	605,616	579,611	1,185,227	16,546	1,201,773
	18,597,377	2,420,708	21,018,085	853,440	21,871,525
Assets Held to Cover Linked Liabilities					
Cash and cash equivalents	1,035,965	–	1,035,965	–	1,035,965
Interest receivable	305,932	–	305,932	–	305,932
Receivable from life fund	601,053	–	601,053	–	601,053
Investment in debt securities	56,393,968	–	56,393,968	–	56,393,968
Other assets	1,998,013	–	1,998,013	–	1,998,013
	60,334,931	–	60,334,931	–	60,334,931
	₱78,932,308	₱2,420,708	₱81,353,016	₱853,440	₱82,206,456

* Excluding Petty Cash

** Excluding Equity Securities

*** Excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments

2023					
Neither Past Due nor Impaired					
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents*	₱3,167,605	₱–	₱3,167,605	₱–	₱3,167,605
Interest receivable	134,883	–	134,883	–	134,883
Coverage debt receivables	–	1,200,455	1,200,455	680,031	1,880,486
Financial assets at FVPL**	12,365,214	–	12,365,214	–	12,365,214
Premiums due from policyholders	–	10,822	10,822	–	10,822
Policy loans receivables	–	296,098	296,098	5,793	301,891
Reinsurance assets	–	297,304	297,304	–	297,304
Other assets***	721,366	1,814,944	2,536,310	11,635	2,547,945
	16,389,068	3,619,623	20,008,691	697,459	20,706,150
Assets Held to Cover Linked Liabilities					
Cash and cash equivalents	3,624,075	–	3,624,075	–	3,624,075
Interest receivable	365,249	–	365,249	–	365,249
Receivable from life fund	719,176	–	719,176	–	719,176
Investment in debt securities	55,099,245	–	55,099,245	–	55,099,245
Other assets	2,923,311	–	2,923,311	–	2,923,311
	62,731,056	–	62,731,056	–	62,731,056
	₱79,120,124	₱3,619,623	₱82,739,747	₱697,459	₱83,437,206

* Excluding Petty Cash

** Excluding Equity Securities

*** Excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments

The Company has no past due but not impaired financial assets as at December 31, 2024 and 2023.

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

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



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

Past Due and Impaired - This pertains to the allowance for impairment losses that the Company recognizes due to the uncertainty of the collectability of the Company's receivables.

In compliance with the Insurance Code, the Company extends loans to its policyholders only up to the cash surrender value of their policy, pursuant to the provisions of the policy contract.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit ratings of the brokers to further mitigate this risk.

A substantial portion of the Company's total investments, including cash in bank, are held by Standard Chartered Bank, a reputable financial institution with high credit rating, under a custodianship agreement.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

To effectively manage liquidity risk, the Company ensures that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unnecessary costs or risking damage to the Company's reputation. Further, the Company's policy is to maintain sufficient liquidity to meet normal operating requirements.

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Company based on remaining estimated timing of net cash flows as at December 31, 2024 and 2023:

	2024			
	Carrying Amount	Contractual Cash Flow		Total
		Within One Year	Beyond One Year	
Cash and cash equivalents	₱4,832,707	₱4,833,482	₱-	₱4,833,482
Investments (Note 8)	13,460,936	13,621,159	-	13,621,159
Premiums due from policyholders	12,719	12,719	-	12,719
Policy loans receivables - net	272,303	282,332	-	282,332
Coverage debt receivables - net	1,080,606	1,080,606	-	1,080,606
Reinsurance Assets	475,469	475,469	-	475,469
Investment in ASF	605,616	605,616	-	605,616
Receivable from Unit Linked Funds	390,525	390,525	-	390,525
Assets Held to Cover Linked Liabilities (Notes 11 and 32)	126,927,748	128,255,119	-	128,255,119
	148,058,629	149,557,027	-	149,557,027
Claims payable (Note 18 and 32)	1,279,345	1,279,345	-	1,279,345
Reinsurance payable (Notes 19 and 32)	275,294	275,294	-	275,294
Accounts payable, accrued expenses and other liabilities*	8,247,681	8,247,681	-	8,247,681
Lease Liabilities	611,762	185,943	171,531	357,474
Technical provision for linked liabilities (Notes 11 and 32)	126,927,748	128,255,119	-	128,255,119
	137,341,830	138,243,382	171,531	138,414,913
Excess Liquidity	₱10,716,799	₱11,313,645	(₱171,531)	₱11,142,114

*Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.



	2023			
		Contractual Cash Flow		
	Carrying Amount	Within One Year	Beyond One Year	Total
Cash and cash equivalents	₱3,168,423	₱3,168,559	₱–	₱3,168,559
Investments (Note 8)	12,806,297	12,929,924	–	12,929,924
Premiums due from policyholders	10,822	10,822	–	10,822
Policy loans receivables - net	296,098	307,218	–	307,218
Coverage debt receivables - net	1,200,455	1,200,455	–	1,200,455
Reinsurance Assets	297,304	297,304	–	297,304
Investment in ASF	721,366	721,366	–	721,366
Receivable from Unit Linked Funds	1,625,549	1,625,549	–	1,625,549
Assets Held to Cover Linked Liabilities (Notes 11 and 32)	120,398,874	121,635,664	–	121,635,664
	140,525,188	141,896,861	–	141,896,861
Claims payable (Note 18 and 32)	1,249,140	1,249,140	–	1,249,140
Reinsurance payable (Note 19 and 32)	164,159	164,159	–	164,159
Accounts payable, accrued expenses and other liabilities*	8,668,091	8,668,099	–	8,668,099
Lease Liabilities	357,474	204,867	406,896	611,763
Technical provision for linked liabilities (Notes 11 and 32)	120,398,874	121,635,664	–	121,635,664
	130,837,738	131,921,929	406,896	132,328,825
Excess Liquidity	₱9,687,450	₱9,974,932	(₱406,896)	₱9,568,036

*Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.

(c) *Market risk*

Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and equity price risk.

The Company's market risk is managed on a daily basis by the Fund manager in accordance with policies and procedures in place. The Company's overall market positions are monitored, at least, on a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Company investment portfolio at the reporting date are disclosed in Notes 8 and 11 to the financial statements.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the fair values or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency.

Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

The Company's main exposure to fluctuations in foreign currency exchange rates arise through the following assets denominated in U.S. dollar:

	2024	2023
Investments	\$459,795	\$460,280
Foreign exchange rate to the Philippine peso used*	57.85	55.37
	P26,596,842	P25,485,704

*Exchange rate used is based on Bankers Association of the Philippines foreign exchange rate as at December 27, 2024 and December 29, 2023.

A 2% (2023: 4%) strengthening of U.S. dollar against Philippine peso as at December 31, 2024, with all other variables remaining constant, would have affected the measurement of financial instruments denominated in U.S. dollar and increased profit before tax and equity by P0.27 billion (2023: P0.27 billion).



A 2% (2023: 4%) weakening of the U.S. dollar in relation to the Philippine peso, with all other variables held constant, would have an equal but opposite effect on the Company's profit before tax and equity.

In 2024 and 2023, the Company determined the reasonably possible change in foreign currency exchange rates based on the historical fluctuation of the assets denominated in U.S. dollar.

Interest rate risk

There are two types of interest rate risk:

- *Fair value interest rate risk* - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- *Cash flow interest rate risk* - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Significant portion of the Company's investments is composed mainly of interest-bearing debt instruments carried at fair value. As a result, the Company is subject to exposure to fair value interest rate risk.

The Company does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Fair value interest rate risk is mitigated by the Company's Fund Manager by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Company is invested in short-term time deposits with original terms of three months or less.

The analysis below details the impact of changes in market interest rate (stated in basis points or bps) to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The table below sets out the impact of changes in market interest rate to the fair value of the Company's investments classified as General Assets:

Currency	Changes in Variables	2024		2023	
		+100 bps	-100 bps	+100 bps	-100 bps
Philippine peso	P=	(P887,002)	P994,528	(P692,527)	P775,141
U.S. dollar	-	(50,010)	57,491	(50,149)	57,887
Fair value sensitivity	P=	(P937,012)	P1,052,019	(P742,676)	P833,028

The table below presents the impact of changes in market interest rate to the fair value of the Company's investments classified as Assets Held to Cover Linked Liabilities:

Currency	Changes in Variables	2024		2023	
		+100 bps	-100 bps	+100 bps	-100 bps
Philippine peso	P=	(P932,892)	P1,017,171	(P907,195)	P983,734
U.S. dollar	-	(286,703)	326,408	(328,535)	374,668
Fair value sensitivity	P=	(P1,219,595)	P1,343,579	(P1,235,730)	P1,358,402

In 2024 and 2023, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.



Equity price risk

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Company's equity investments are mainly composed of the investments in equity securities under "Assets Held to Cover Linked Liabilities" amounting to ₱108.89 billion and ₱102.42 billion (see Note 11) as at December 31, 2024 and 2023, respectively. However, any fair value changes in these equity investments has corresponding increase or decrease in "Technical Provisions for Linked Liabilities" and will not affect the equity and profit before income tax of the Company. Thus, the Company has insignificant exposure to equity price risk.

Moreover, any fair value changes in these equity investments will affect the net asset value of the investment account of the policyholders which is the basis of the policy administration fees charged to the fund (see Note 22).

Deferral of PFRS 9

The Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 with PFRS 4* and has elected to defer the application of PFRS 9 until the Company adopts PFRS 17.

Under the amended PFRS 4, an entity has to prove that its activities are predominantly connected with insurance. This condition is met if the carrying amount and the percentage of its liabilities arising from contracts within the scope of PFRS 4 is significant or greater than 90% relative to the total carrying amount of all its liabilities.

The Company performed the predominance assessment and concluded that it qualified for the temporary exemption from PFRS 9. As at December 31, 2015, the Company's total carrying amount of liabilities connected with insurance amounted to ₱74.55 billion which represented more than 90% of its total liabilities of ₱76.82 billion. 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, 2024.

The following table provides an overview of the fair values as at December 31, 2024 and 2023, 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:

	2024			
	Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	₱4,832,707	₱—	₱—	₱—
Interest receivable	171,027	—	—	—
Premiums due from policyholders	12,719	—	—	—
Policy loans receivables	272,303	—	—	—
Coverage debt receivables	1,080,606	—	—	—
Reinsurance Assets	475,469	—	—	—
Financial assets at FVPL	11,694,216	(122,418)	1,766,720	(164,807)
AFS financial assets	—	—	57,809	6,000

(Forward)



2024				
Financial Assets that Meet the SPPI Criteria*			All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Loans and receivables	₱862,292	₱-	₱-	₱-
Rental and other deposits	154,944	-	-	-
Investment in ASF	605,616	26,448	-	-
	20,161,899	(95,970)	1,824,529	(158,807)
Assets Held to Cover Linked Liabilities				
Cash and cash equivalents	851,426	-	-	-
Interest receivable	305,932	-	-	-
Receivable from life fund	601,053	-	-	-
Financial assets at FVPL	-	-	165,266,228	2,112,454
Other assets	1,998,013	-	-	-
	3,756,424	-	165,266,228	2,112,454
	₱23,918,323	(₱95,970)	₱167,090,757	₱1,953,647

*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.

2023				
Financial Assets that Meet the SPPI Criteria*			All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	₱3,168,423	₱-	₱-	₱-
Interest receivable	134,884	-	-	-
Premiums due from policyholders	10,822	-	-	-
Policy loans receivables	296,098	-	-	-
Coverage debt receivables	1,200,455	-	-	-
Reinsurance Assets	297,304	-	-	-
Financial assets at FVPL	12,365,214	-	391,671	662,301
AFS financial assets	-	-	49,412	5,600
Loans and receivables	2,120,743	-	-	-
Rental and other deposits	151,585	-	-	-
Investment in ASF	721,366	42,487	-	-
	20,466,894	42,487	441,083	667,901
Assets Held to Cover Linked Liabilities				
Cash and cash equivalents	3,624,075	-	-	-
Interest receivable	365,249	-	-	-
Receivable from life fund	719,176	-	-	-
Financial assets at FVPL	-	-	157,576,728	3,426,954
Other assets	2,923,311	-	-	-
	7,631,811	-	157,576,728	3,426,954
	₱28,098,705	₱42,487	₱158,017,811	₱4,094,855

*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.

The information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion at December 31, 2024 and 2023 is consistent with the credit risk disclosure above under PAS 39.

6. Fair Value Measurements and Disclosures

The fair value of the following financial assets and financial liabilities approximate their carrying amounts at the end of each accounting period due to their short-term nature:

- Cash and cash equivalents;
- Interest receivable;
- Coverage debt receivables;
- Premiums due from policyholders;
- Policy loans receivables;
- Reinsurance assets;
- Other assets except for withholding tax receivables, software development costs, investments in ASF, non-refundable deposits and prepayments;



- Cash and cash equivalents, interest receivable, receivable from life fund and other assets under assets held to cover linked liabilities;
- Claims payable;
- Reinsurance payable;
- Accounts payable, accrued expenses and other liabilities except for liabilities payable to government agencies, premium suspense account, premium deposit fund and retirement liability; and
- Liability to life and other linked funds, accrued expenses, and trade payable under assets held to cover linked liabilities.

The recurring fair values of financial assets at FVPL including those under assets held to cover linked liabilities, AFS financial assets, and technical provisions for linked liabilities are determined by reference to quoted market prices, at the close of business on the reporting date.

For structured notes valued under Level 3, the Company employs valuation technique to determine the fair value. To the extent practicable, the model uses only observable data, however areas such the unwind costs and hypothetical cross-currency swap require management to develop estimates and assumptions. Significant increases (decreases) in market price per unit of the underlying security would result in a significantly higher (lower) fair value of the structured notes.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2024			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVPL (Note 8)	₱5,031,774	₱6,604,631	₱1,766,720	₱13,403,125
AFS financial assets (Note 8)	57,811	–	–	57,811
Financial assets at FVPL under other assets (Note 16)	605,616	–	–	605,616
Financial assets at FVPL under assets held to cover linked liabilities (Note 11)	145,826,649	19,439,579	–	165,266,228
	₱151,521,850	₱26,044,210	₱1,766,720	₱179,332,780



	Level 1	2023		Total
		Level 2	Level 3	
Financial Assets				
Financial assets at FVPL (Note 8)	₱4,602,740	₱8,154,145	₱—	₱12,756,885
AFS financial assets (Note 8)	49,412	—	—	49,412
Financial assets at FVPL under other assets (Note 16)	721,366	—	—	721,366
Financial assets at FVPL under assets held to cover linked liabilities (Note 11)	144,077,532	13,499,196	—	157,576,728
	₱149,451,050	₱21,653,341	₱—	₱171,104,391

There has been no transfer between Levels in 2024 and 2023.

7. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	₱594	₱818
Cash in banks	1,863,556	2,111,585
Short-term placements	2,968,557	1,056,020
	₱4,832,707	₱3,168,423

Cash in banks earn interest at the prevailing bank deposit rates that ranged from 0.10% to 1.50% in 2024 and 2023, respectively. Short-term placements are Philippine peso and U.S. dollar time deposits with various financial institutions with maturities ranging from overnight to ten days and interest ranging from 2.30% to 3.15% and 2.30% to 3.70% per annum in 2024 and 2023, respectively.

Interest income recognized in profit or loss which is presented under “Investment income - net” amounted to ₱67.16 million and ₱61.74 million in 2024 and 2023, respectively (see Note 23).

8. Investments

Reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below.

	December 31, 2024		
	AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2024	₱29,491	₱12,990,726	₱13,020,217
Unrealized gains at January 1, 2024	19,921	(233,841)	(213,920)
Fair value at January 1, 2024	49,412	12,756,885	12,806,297
Fair value gains (loss) recognized in:			
Profit or loss (Note 23)	—	(287,226)	(287,226)
Other comprehensive income	6,000	—	6,000
Foreign exchange loss (Note 23)	—	21,637	21,637
Purchases	2,399	6,482,077	6,484,476
Disposals	—	(5,570,248)	(5,570,248)
Fair value at December 31, 2024 (Notes 6)	57,811	13,403,125	13,460,936
Cost at December 31, 2024	31,890	13,902,555	13,934,445
Unrealized gains at December 31, 2024	₱25,921	(₱499,430)	(₱473,509)



	December 31, 2023		
	AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2023	₱28,537	₱10,516,838	₱10,545,375
Unrealized gains at January 1, 2023	14,321	(892,950)	(878,629)
Fair value at January 1, 2023	42,858	9,623,888	9,666,746
Fair value gains (loss) recognized in:			
Profit or loss (Note 23)	–	662,301	662,301
Other comprehensive income	5,600	–	5,600
Foreign exchange loss (Note 23)	–	(3,192)	(3,192)
Purchases	954	6,957,808	6,958,762
Disposals	–	(4,483,920)	(4,483,920)
Fair value at December 31, 2023 (Notes 6)	49,412	12,756,885	12,806,297
Cost at December 31, 2023	29,491	12,990,726	13,020,217
Unrealized gains at December 31, 2023	₱19,921	(₱233,841)	(₱213,920)

The Company's investments consist of the following:

	2024	2023
Financial assets at FVPL		
Government bonds	₱11,068,186	₱12,212,907
Structured Notes	1,766,720	–
Unit investment trust fund (UITF)	414,506	391,671
Corporate debt securities	153,713	152,307
	13,403,125	12,756,885
AFS financial assets		
Equity securities at AFS	57,811	49,412
	₱13,460,936	₱12,806,297

Interest rates range from nil to 12.5% in 2024 and 2023. Interest income recognized in profit or loss in 2024 and 2023 amounted to ₱751.79 million and ₱585.63 million, respectively.

The rollforward analysis of the fair value reserve on AFS financial assets is as follows:

	2024	2023
Balance at beginning of year	₱19,921	₱14,321
Fair value gain	6,000	5,600
Balance at end of year	₱25,921	₱19,921

9. Asset Held-for-Sale

The Monetary Board of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 778 dated May 11, 2018, has approved the establishment of Pru Life UK Asset Management and Trust Corporation (PAMTC). PAMTC was incorporated and registered with the Philippine SEC on November 26, 2018, primarily to carry and engage in trust business activities, other fiduciary business and investment management activities; to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be done by trust corporations organized under and in accordance with the General Banking Law and its Implementing Rules and Regulations and such other applicable laws, rules and regulations on trust corporations, and to do all other things incident thereto and necessary and proper in connection with said purposes as may be determined by the Monetary Board of the BSP. On March 12, 2019, the BSP issued the Certificate of Authority to Operate to PAMTC.



PAMTC is a wholly-owned subsidiary of the Company. PAMTC's registered address is 2nd Floor Uptown Parade 2, 36th Street, Fort Bonifacio, Taguig City Fourth District, Philippines.

In 2018, the Company made a capital infusion to PAMTC amounting to ₱360.25 million. On December 24, 2022, the company made an additional capital infusion to PAMTC of ₱169.00 million. The Company recognized an impairment loss on its investment in subsidiary ₱290.06 million in 2022.

The unimpaired capital of PAMTC is below the minimum required unimpaired capital set by the BSP. In relation to the noncompliance with the minimum capital requirements, PAMTC had consultations with the BSP as early as fourth quarter of 2022 to evaluate the strategies and alternatives regarding its plan to exit the trust business, and anticipates that the implementation of these outcomes will be carried out in phases and is expected to go beyond the next twelve (12) months.

On June 22, 2023, the Board of Directors (BOD) of the Company approved PAMTC's plan to divest its portfolio of trust accounts and funds managed, administered, and/or held as trustee by PAMTC and to divest the shares of the Company. In line with PAMTC's plan, an auction process was initiated to identify interested buyers of its trust business.

On August 9 2023, the Company executed a Memorandum of Agreement with PAMTC, ATRAM Investment Management Partners Corporation (AIMP) and ATRAM Trust Corporation (ATRAM Trust) for (1) transfer of the exclusive and sole fund management of the Company's onshore linked funds from PAMTC to ATRAM Trust and (2) sell 100% of the Company's ownership interest in PAMTC to AIMP. The consideration of the sale is based on the net assets of PAMTC as of December 31, 2023.

Moreover, following the approval of the BSP and IC, the trust operations and entire fiduciary portfolio of PAMTC was transferred to ATRAM Trust in November 2023.

Consequently, the investment in PAMTC initially classified as an investment in subsidiary was reclassified as an asset held for sale as the result of the Company's plan to sell its 100% ownership interest in PAMTC to AIMP in 2024. The carrying amount of the asset classified as held for sale as at December 31, 2023 is ₱194.98 million with an allowance for impairment loss of ₱334.26 million. The Company recognized an impairment loss on its 'Asset Held-For-Sale' amounting to ₱44.20 million in 2023.

The sale of PAMTC was completed last September 6, 2024 with a total purchase price of ₱187.01 million. The carrying amount of the asset prior to the sale as at June 30, 2024 less cost to sell is ₱190.98 million with allowance for impairment loss of ₱338.26 million. The Company recognized an impairment loss on its 'Asset Held-For-Sale' amounting to ₱4.00 million in profit or loss under 'Other expenses' and loss on sale of amounting to ₱3.97 million recognized in profit or loss under 'Others - net' under Other Revenue. As a result, as of December 31, 2024, the balance of 'Asset held-for-sale' is nil.



10. Policy Loans Receivables

This account consists of:

	2024	2023
Policy loans receivables	₱280,938	₱301,891
Less allowance for credit losses	(8,635)	(5,793)
	₱272,303	₱296,098

Policy loans receivables account pertains to the outstanding balances of loans granted to policyholders, fully secured by the cash surrender value of the underlying insurance policy at the time of issuance. These may be in the form of a cash loan applied by the policyholder or automatic policy loan to cover premiums due on the policy.

Interest income from policy loans amounted to ₱26.79 million and ₱26.92 million in 2024 and 2023, respectively, were recognized in profit or loss under 'Others' under Other Revenue.

The Company provides an allowance for policy loans and the related capitalized interest periodically to reflect the estimated realizable value of the receivables as at each reporting date. The roll forward analysis of the allowance for credit losses on policy loans receivable is as follows:

	2024	2023
Balance at beginning of year	₱5,793	₱5,793
Provision for credit losses during the year	2,842	—
Balance at end of year	₱8,635	₱5,793

11. Assets Held to Cover Linked Liabilities

On September 11, 2002, the IC approved the Company's license to sell variable unit-linked insurance policies, a life insurance product that is linked to investment funds (see Note 1). The premium of this product is divided into two parts: the insurance portion and the investment portion. The investment portion of the premium, net of withdrawals, is recognized as "Costs on premiums of variable insurance" in the profit or loss and invested in a separately identifiable fund. The fund is valued regularly and is divided into units which represent the unit-linked policyholder's share in the fund. The value of the fund divided by the number of units is called the unit price. An amount equal to the "Assets held to cover linked liabilities" (representing the managed funds) is shown under the "Technical provisions for linked liabilities" account in the statement of financial position, a representation that the funds belong to the unit-linked policyholders.

Linked funds is a line of business in which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Company and the linked fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance. The Company derives fee income from linked funds, which is included in "Policy administration fees" in profit or loss.

Financial statements are prepared for the linked funds. Linked fund assets are carried at recurring fair value. Fair values are determined using the valuation method discussed in Note 6.



Assets held to cover linked liabilities are composed of:

	2024	2023
Cash and cash equivalents	₱1,035,965	₱3,624,075
Interest receivable	305,932	365,249
Receivable from life fund	601,050	719,176
Investments in treasury notes and other funds	165,266,228	157,576,728
Other receivables	2,052,860	2,923,310
Liability to life fund and other linked funds	(40,125,486)	(41,211,907)
Accrued expense	(284,696)	(260,709)
Trade payable	(1,924,105)	(3,337,048)
Net assets	₱126,927,748	₱120,398,874

Investments in treasury notes and other funds are composed of:

	2024	2023
Investments in treasury notes	₱22,988,808	₱22,704,077
Investments in shares of stocks	76,453,375	72,033,526
Investment in other funds:		
Investment in bond fund	16,674,415	15,758,360
Investment in equity fund	23,370,251	24,091,293
Investment in offshore fund (IOF) - Bonds	16,384,698	16,154,528
IOF - Equities	5,651,465	4,554,895
UITF - Equities	3,412,067	1,744,673
UITF - Money Market	346,050	482,280
Derivative Assets (Liabilities)	(14,901)	53,096
Total investments	₱165,266,228	₱157,576,728

The rollforward of the assets held to cover linked liabilities are as follows:

	2024	2023
Beginning balance	₱120,398,874	₱108,522,565
Movements during the year:		
Additions to the fund for creation of units	36,734,124	34,255,165
Withdrawals from the fund	(31,259,276)	(25,347,590)
Net fund income	1,054,026	2,968,734
Ending balance	₱126,927,748	₱120,398,874

Total premiums and costs from the unit-linked product for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Linked premiums (Note 21)	₱46,253,841	₱45,892,016
Costs on premiums of variable insurance	(15,127,295)	(17,480,055)
Surrenders	(12,062,907)	(9,193,298)
Net linked premiums	₱19,063,639	₱19,218,663



12. Coverage Debt Receivables

This account consists of:

	2024	2023
Coverage debt receivables	₱1,908,865	₱1,880,486
Allowance for credit losses	(828,259)	(680,031)
	₱1,080,606	₱1,200,455

Coverage debt receivables pertain to policy charges billed against the investment account of unit-linked policyholders.

These receivables normally arise from policy charges covering mortality risk, taxes and administrative fees due from new unit-linked policyholders who have not accumulated enough investments to cover these fees.

The Company provides an allowance for uncollectible coverage debt charges for lapsed and terminated policies. The roll forward analysis of the allowance for credit losses on coverage debt receivables is as follows:

	2024	2023
Balance at beginning of year	₱680,031	₱559,122
Provision for credit losses during the year	148,228	120,909
Balance at end of year	₱828,259	₱680,031

Provision for credit losses on coverage debt receivables amounting to ₱148.23 million and ₱120.91 million in 2024 and 2023, respectively, were recognized in profit or loss. The movement of allowance for credit losses on coverage debt receivable is presented as a change under 'Premiums'.

13. Reinsurance Assets

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

	2024	2023
Beginning balance	₱297,304	₱134,179
Outward claims (Note 24)	98,145	36,117
Claimed during the year	(312,472)	(97,791)
Experience refund	392,492	224,799
Ending balance	₱475,469	₱297,304

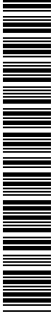


14. Property and Equipment

The movements in this account are as follows:

	2024					
	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress
Gross Carrying Amount						
Beginning balance	₱286,056	₱198,708	₱140,838	₱10,027	₱1,148,859	₱124,819
Additions	39,216	22,096	28,506	—	231,462	235,836
Disposals	(54,598)	(11,558)	(33,410)	—	—	—
Reclassification	—	—	—	—	—	—
Ending balance	270,674	209,246	135,934	10,027	1,380,321	360,655
Accumulated Depreciation and Amortization						
Beginning balance	243,717	181,248	93,560	8,890	966,139	—
Depreciation and amortization	25,244	8,717	20,485	414	81,412	—
Disposals	(54,531)	(10,703)	(29,011)	—	—	—
Reclassification	—	—	(420)	—	420	—
Ending balance	214,430	179,262	84,614	9,304	1,047,971	—
Carrying Amount						
Beginning balance	42,339	17,460	47,278	1,137	182,720	124,819
Carrying Amount	₱56,244	₱29,984	₱51,320	₱723	₱332,350	₱360,655
Ending balance						₱831,276

Property and equipment with carrying amount of ₱5.32 million were disposed and sold in 2024 with proceeds amounting to ₱11.03 million resulting to a net gain of ₱5.71 million which is part of 'Others - net' under 'Other revenue'.



2023

	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
Gross Carrying Amount							
Beginning balance	₱286,682	₱197,792	₱134,447	₱10,027	₱1,153,626	₱45,485	₱1,828,059
Additions	24,485	5,828	15,616	–	–	79,334	125,263
Disposals	(25,111)	(4,912)	(9,225)	–	(4,767)	–	(44,015)
Ending balance	286,056	198,708	140,838	10,027	1,148,859	124,819	1,909,307
Accumulated Depreciation and Amortization							
Beginning balance	243,768	175,561	76,985	8,476	873,205	–	1,377,995
Depreciation and amortization	25,109	10,573	23,877	414	92,934	–	152,907
Disposals	(25,160)	(4,886)	(7,302)	–	–	–	(37,348)
Ending balance	243,717	181,248	93,560	8,890	966,139	–	1,493,554
Carrying Amount							
Beginning balance	42,914	22,231	57,462	1,551	280,421	45,485	450,064
Carrying Amount Ending balance	₱42,339	₱17,460	₱47,278	₱1,137	₱182,720	₱124,819	₱415,753

Property and equipment with carrying amount of ₱6.67 million were disposed and sold in 2023 with proceeds amounting to ₱7.94 million resulting to a net gain of ₱1.27 million which is part of ‘Others - net’ under ‘Other revenue’.

Fully depreciated property and equipment still in use amounted to ₱375.23 million and ₱126.39 million as of December 31, 2024 and 2023, respectively.

The details of depreciation and amortization recognized in the profit or loss follow:

	2024	2023
Right-of-use assets (Note 29)	₱218,314	₱178,494
Property and equipment	136,272	152,907
Software development costs (Note 16)	141,350	74,778
	₱495,936	₱406,179



15. Deferred Acquisition Costs

The movements in this account are as follows:

	2024	2023
Beginning balance	₱16,713,291	₱14,558,939
Movements during the year:		
Deferral of acquisition costs during the year	3,189,613	3,665,884
Amortization of deferred acquisition costs	(1,599,806)	(1,511,532)
	1,589,807	2,154,352
Ending balance	₱18,303,098	₱16,713,291

Below is the breakdown of the Company's acquisition costs and operating expenses into deferred acquisition costs and operating expenses which are recognized when incurred in 2024 and 2023:

	2024		
	Total Acquisition Costs and Operating Expenses	Deferred Acquisition Costs	Acquisition Costs and Other Operating Expenses Recognized When Incurred
Gross acquisition costs and operating expenses	₱15,640,699	₱3,189,613	₱12,451,086
Deferral of acquisition costs during the year	(3,189,613)	(3,189,613)	—
Amortization of deferred acquisition costs during the year	1,599,806	—	1,599,806
Net changes of deferred acquisition costs	(1,589,807)	(3,189,613)	1,599,806
Net acquisition costs and operating expenses	₱14,050,892	₱—	₱14,050,892
	2023		
	Total Acquisition Costs and Operating Expenses	Deferred Acquisition Costs	Acquisition Costs and Other Operating Expenses Recognized When Incurred
Gross acquisition costs and operating expenses	₱16,491,817	₱3,665,884	₱12,825,933
Deferral of acquisition costs during the year	(3,665,884)	(3,665,884)	—
Amortization of deferred acquisition costs during the year	1,511,532	—	1,511,532
Net changes of deferred acquisition costs	(2,154,352)	(3,665,884)	1,511,532
Net acquisition costs and operating expenses	₱14,337,465	₱—	₱14,337,465



16. Other Assets

This account consists of:

	2024	2023
Software development costs - net	₱835,957	₱862,459
Investments in Agents' Savings Fund (Note 20)	605,616	721,366
Prepayments	487,576	160,515
Receivable from unit- linked funds	390,525	1,625,549
Advances to employees and agents	188,164	189,039
Nonrefundable deposits	154,944	151,585
Due from related parties (Note 28)	922	356
Others	174,602	175,615
	2,838,306	3,886,484
Allowance for credit losses on advances to employees and agents	(16,546)	(11,635)
	₱2,821,760	₱3,874,849

Software development costs mainly consist of costs for the development of major enhancements in the policy administration system used by the Company. These assets are amortized on a straight-line basis over five (5) years.

Investments in Agent's Savings Fund (ASF) pertain to the agents' savings funds which was managed and was under the custodianship of PAMTC pursuant to an Investment Management Agreement signed by the Company and PAMTC in 2020. In October 2023, the management of the investments in ASF was already transferred to ATRAM Trust. Income (loss) from investment in ASF amounted to ₱26.45 million and ₱42.49 million in 2024 and 2023, respectively, were recognized in profit or loss under 'Others - net'.

Prepayments consist of prepaid rent, insurance, and licenses and fees paid to agents.

Receivable from unit-linked funds pertains to the amount to be received by the Company from Pru Link funds as reimbursement for the settlement of withdrawals or surrenders made from unit-linked policies.

Advances to employees and agents are collected through payroll deductions or through expense liquidation.

Nonrefundable deposits consist mainly of security lease deposits that can be applied at the end of the lease term.

Due from related parties includes receivables from Prudential Services Asia (PSA) (see Note 28).

Other items consist mainly of office supplies and corporate giveaways, income tax withheld, and other receivables.



The rollforward analysis for allowance for credit losses on advances to employees and agents are as follows:

	2024	2023
Balance at beginning of year	₱11,635	₱9,948
Provision for credit losses	5,035	2,105
Reversals taken up to profit or loss	(124)	(418)
Balance at end of year	₱16,546	₱11,635

The Company collected advances to employees and agents that have been previously written off amounting to ₱0.12 million and ₱0.42 million in 2024 and 2023, respectively.

The movements of software development costs in 2024 and 2023 are as follows:

	2024	2023
Gross Carrying Amount		
Beginning balance	₱1,455,422	₱966,562
Acquisitions	114,848	488,860
Ending balance	1,570,270	1,455,422
Accumulated Amortization		
Beginning balance	592,963	518,185
Amortization	141,350	74,778
Ending balance	734,313	592,963
Net Carrying Amount		
Beginning balance	862,459	448,377
Ending balance	₱835,957	₱862,459

17. Legal Policy Reserves

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	2024	2023
Beginning balance	₱4,238,081	₱4,268,957
Gross change in reserves:		
New business	946,950	75,011
Net premiums written	69,675	70,164
Accretion of interest	186,602	174,033
Liabilities released for payments on death, surrenders and other terminations	(359,391)	(423,478)
Other movements	145,827	15,518
Total gross change in reserves (Note 24)	989,663	(88,752)
Remeasurement on life insurance reserve	28,369	57,876
Ending balance	₱5,256,113	₱4,238,081

The appropriated retained earnings for negative reserves amounted to ₱332.54 million and ₱62.34 million as of December 31, 2024 and 2023, respectively.



18. Claims Payable

Reconciliation of the carrying amount of the claims liabilities at the beginning and end of the year is shown below:

	2024	2023
Beginning balance:		
Notified payable	₱1,018,308	₱1,042,611
IBNR	230,832	277,439
	1,249,140	1,320,050
Cash paid for claims settled during the year	(2,405,025)	(2,455,633)
Increase in liabilities	2,435,230	2,384,723
Ending balance	₱1,279,345	₱1,249,140
Notified claims payable	₱1,042,423	₱1,018,308
IBNR	236,922	230,832
	₱1,279,345	₱1,249,140

19. Reinsurance Payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	2024	2023
Beginning balance	₱164,159	₱226,036
Premium ceded to reinsurers (Note 21)	309,307	291,369
Paid during the year	(198,172)	(353,246)
Ending balance	₱275,294	₱164,159

20. Accounts Payable, Accrued Expenses and Other Liabilities

The account consists of the following:

	2024	2023
Insurance related liabilities		
Premium suspense account	₱1,195,057	₱1,140,190
Dividends payable to policyholders	1,124,232	1,096,933
Agent's commission payable	741,778	723,333
Due to unit-linked funds	611,320	734,823
Premium deposit fund	11,714	12,251
	3,684,101	3,707,530
Non-insurance related liabilities		
Accrued expenses	3,432,999	3,694,137
Provident fund payable	602,654	761,028
Due to related parties (Note 28)	537,350	933,054
Income tax payable	354,364	327,460
Unearned upfront fees	206,541	263,781
Other tax payables	116,627	133,278
Withholding taxes payable	96,674	57,233
Other liabilities	1,197,339	724,783
	6,544,548	6,894,754
Total	₱10,228,649	₱10,602,284



Accrued expenses primarily consist of performance and incentive bonuses payable. This also includes accruals for various operating expenses.

Premium suspense account pertains to amounts received from the policyholders who are in the process of policy application and unidentified collections. These collections will be applied to premiums due.

Dividends payable to policyholders pertains to supplementary discretionary returns through participation in the surplus of the Company arising from participating business.

Due to related parties account includes payables to Eastspring, Prudential Corporation Holdings Limited (PCHL), Prudential Services Singapore (PSS), Pulse Ecosystem Private Limited (PEPL), Prudence Foundation Limited, Prudential Investment Management (PIM), Prudential Technology and Services India Private Limited (PTSI) and Prudential (Cambodia) Life Assurance Plc. (see Note 28).

Provident fund payable represents the retirement fund for agents.

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

Agent's commission payable pertains to unpaid commissions.

Unearned upfront fees pertains to the fees received from ATRAM as exclusive and sole fund manager of the Company for a five-year period as part of the Memorandum of Agreement executed last August 1, 2023. The Company recognized the upfront fees on a straight-line basis over five years. As of December 31, 2024 and 2023, the unearned upfront fees amounted to ₱206.54 million and ₱263.78 million, respectively. In 2024 and 2023, the Company recognized upfront fees amounting ₱57.24 and ₱22.42, respectively presented under 'Others - net'.

Other tax payables pertain to unpaid documentary stamp tax, premium tax and other taxes payable.

Withholding tax payable pertains to the taxes withheld that are due to the government.

Premium deposit fund represents advance payment from policyholders which will be used for payment of any future unpaid premiums under the policy. The fund earns interest which is credited to the fund. The accumulated fund shall not exceed the total future premium payments under the policy.

Others include provision for probable losses and payments to various suppliers. The Company recorded provisions for probable losses amounting to ₱987.97 million and ₱643.01 million as of December 31, 2024 and 2023, respectively.

21. Net Premiums

Gross premiums on insurance contracts:

	2023	2023
Unit-linked insurance (Notes 11 and 12)	₱46,253,841	₱45,892,016
Ordinary life insurance	1,712,489	200,353
Group life insurance	270,121	108,044
Accident and health	57,585	60,797
	₱48,294,036	₱46,261,210



Reinsurer's share of gross premiums on insurance contracts:

	2024	2023
Unit-linked insurance	₱256,856	₱272,237
Ordinary life insurance	46,815	14,923
Group life insurance	5,733	4,104
Accident and health	(97)	105
	309,307	291,369
Experience refund		
Unit-linked insurance	(129,300)	(35,584)
Ordinary life insurance	(38,393)	(189,215)
	₱141,614	₱66,570

Net premiums on insurance contracts:

	2024	2023
Unit-linked insurance	₱46,126,285	₱45,655,363
Ordinary life insurance	1,704,067	374,645
Group life insurance	264,388	103,940
Accident and health	57,682	60,692
	₱48,152,422	₱46,194,640

22. Policy Administration Fees

Policy administration fees are charged against the daily net asset value of the investment account of the policyholders based on the following rates per annum as specified in the policy document:

	2024	2023
Managed Fund	1.79%	1.79%
Bond Fund (Philippine peso)	1.53%	1.53%
Bond Fund (U.S. dollar)	1.53%	1.53%
Growth Fund	2.25%	2.25%
Equity Fund	2.25%	2.25%
Proactive Fund	2.25%	2.25%
Money Market Fund	0.50%	0.50%
Asian Local Bond Fund	1.80%	1.80%
Asia Pacific Equity Fund	2.05%	2.05%
Global Emerging Fund	2.05%	2.05%
Cash Flow Fund (U.S. dollar)	1.95%	1.95%
Cash Flow Fund (Philippine peso)	1.95%	1.95%
Asian Balanced Fund	1.95%	1.95%
Global Market Navigator Fund	2.25%	2.25%
Equity Index Tracker Fund	1.75%	1.75%
Global Equity Navigator Fund	2.25%	2.25%
Peso Cash Flow Fund Plus	1.95%	1.95%
Dollar Cash Flow Fund Plus	1.95%	1.95%
Global Tech Navigator Fund	0.80%	—
Flexi Income Fund	0.34%	—

Policy administration fees amounted to ₱2.71 billion and ₱2.43 billion in 2024 and 2023, respectively.



23. Investment Income

The account consists of the following:

	2024	2023
Interest income	₱818,944	₱647,376
Unrealized gain (loss) on valuation of investments at FVPL (Note 8)	(287,226)	662,301
Gain on disposal of investments at FVPL	79,904	23,101
Foreign exchange gain (loss) (Note 8)	21,637	(3,192)
	₱633,259	₱1,329,586

Interest income consist of:

	2024	2023
Cash in banks (Note 7)	₱6,722	₱5,544
Short-term placements (Note 7)	60,433	56,198
Investments (Note 8)	751,789	585,634
	₱818,944	₱647,376

24. Benefits and Claims

Gross benefits and claims on insurance contracts:

	2024		
	Gross Benefits and Claims	Reinsurers' Share of Gross Benefits and Claims	Net
Unit-linked insurance	₱14,061,780	(₱95,276)	₱13,966,504
Ordinary life insurance	240,414	(2,810)	237,604
Group life insurance	62,444	(58)	62,386
Accident and health	4,371	(1)	4,370
	₱14,369,009	(₱98,145)	₱14,270,864

	2023		
	Gross Benefits and Claims	Reinsurers' Share of Gross Benefits and Claims	Net
Unit-linked insurance	₱10,825,041	(₱62,239)	₱10,762,802
Ordinary life insurance	283,387	29,072	312,459
Group life insurance	60,404	(2,941)	57,463
Accident and health	163	(9)	154
	₱11,168,995	(₱36,117)	₱11,132,878



Gross change in increase in legal policy reserves:

	2024	2023
Unit-linked insurance	₱69,148	₱36,956
Ordinary life insurance	867,431	(146,355)
Group life insurance	50,830	17,555
Accident and health	2,254	3,092
	₱989,663	(₱88,752)

25. Retirement Plan

As discussed in Note 3, the Company maintains a DC plan with minimum DB guarantee and is accounted for as a DB plan. As at December 31, 2024, the DB liability is more than the DC liability.

The Company's latest actuarial valuation date was as of December 31, 2024.

The following tables show reconciliation from the opening balances to the closing balances for net DB liability and its components.

	2024		Net Defined Benefit Asset (Note 16)
	FVPA	DBO	
Balance at January 1, 2024	₱819,722	₱748,169	₱71,553
Included in Profit or Loss			
Current service cost	—	125,853	(125,853)
Interest cost (income)	51,522	47,213	4,309
	51,522	173,066	(121,544)
Included in Other Comprehensive Income			
Remeasurement gain (loss):			
Actuarial loss arising from:			
Experience adjustment	—	(36,332)	36,332
Return on plan assets excluding interest income	707	—	707
	707	(36,332)	37,039
Others			
Contributions paid by the employer	129,606	—	129,606
Benefits paid	(221,826)	(221,826)	—
Transfers	—	—	—
	(92,220)	(221,826)	129,606
Balance at December 31, 2024	₱779,731	₱663,077	₱116,654

	2023		Net Defined Benefit Liability (Asset) (Note 20)
	FVPA	DBO	
Balance at January 1, 2023	₱675,871	₱631,952	₱43,919
Included in Profit or Loss			
Current service cost	—	113,457	(113,457)
Interest cost (income)	51,648	48,313	3,335
	51,648	161,770	(110,122)

(Forward)



	2023		
	FVPA	DBO	Net Defined Benefit Liability (Asset) (Note 20)
Included in Other Comprehensive Income			
Remeasurement gain (loss):			
Actuarial loss arising from:			
Financial assumptions	P—	P16,529	(P16,529)
Experience adjustment	—	(9,318)	9,318
Return on plan assets excluding interest income	17,823	—	17,823
	17,823	7,211	10,612
Others			
Contributions paid by the employer	127,144	—	127,144
Benefits paid	(52,764)	(52,764)	—
Transfers	—	—	—
	74,380	(52,764)	127,144
Balance at December 31, 2023	P819,722	P748,169	P71,553

The retirement expense under “Salaries, allowances and employees’ benefits” account in profit or loss amounted to P121.54 million and P110.12 million in 2024 and 2023, respectively.

The Company’s plan assets - net consist of the following:

	2024	2023
Cash and cash equivalents	P6.84	P4.62
Receivables and accrued income receivable	6,462	5,810
Investments	803,402	844,966
Trust fee and other payable	(30,140)	(5,532)
	P779,731	P845,249

The expected contribution to the DB retirement plan in 2025 is P115.04 million.

The principal actuarial assumptions used in determining retirement asset of the Company’s plan as at January 1, 2024 and 2023 are shown below:

	2024	2023
Discount rate	6.00%	7.25%
Future salary growth	6.00%	6.00%
Mortality rate	2017 PICM	2017 PICM
Average years of service	6.61 years	6.61 years

The weighted-average duration of the DBO is 16.08 years and 15.26 years in December 31, 2024 and 2023, respectively.

Discount rates used in computing for the present value of the obligation of the Company as of December 31, 2024 and 2023 are 6.00% and 7.25%, respectively.



Maturity analysis of the benefit payments:

	Retirement Liability				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
2024	₱663,077	₱6,605,009	₱27,056	₱138,456	₱6,439,835
2023	₱748,169	₱7,075,729	₱43,317	₱209,252	₱6,823,160

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the percentages shown below:

	2024			
	Defined Benefit Obligation		Impact to Defined Benefit Obligation	
	Increase	Decrease	Increase (Decrease)	Decrease (Increase)
Discount rate (1% movement)	1.00%	1.00%	(₱8,585)	₱21,675
Future salary growth (1% movement)	1.00%	1.00%	21,403	(8,628)

	2023			
	Defined Benefit Obligation		Impact to Defined Benefit Obligation	
	Increase	Decrease	Increase (Decrease)	Decrease (Increase)
Discount rate (1% movement)	1.00%	1.00%	(₱14,365)	₱27,724
Future salary growth (1% movement)	1.00%	1.00%	27,397	(14,458)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown. These DB plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The asset allocation of the plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This also considers the expected benefit cash flows to be matched with asset durations.

26. Other Operating Expenses

The account consists of the following:

	2024	2023
Support service charges	₱544,068	₱246,956
Provisions	348,889	686,512
Security and janitorial	69,527	70,287
Representation and entertainment	54,294	64,925
Office supplies	51,776	67,443
Interest expense related to policies	42,410	39,195
Interest expense related to lease liabilities (Note 29)	24,757	30,600
Bank collection fees	964	72,357
IFRS 17 implementation costs	—	39,122
Other expenses	71,904	75,368
	₱1,208,589	₱1,392,765



Support services charges involve services provided by PCHL to the Company related to insurance, regional partnership distribution, IT, anti-money laundering system, human resources, financial and actuarial, internal audit, and brand and corporate affairs, among others.

Provisions covers the impairment losses on its asset held for sale, investment in subsidiary, and other probable losses as of the reporting period.

IFRS 17 implementation costs refer to costs incurred by the Company in the implementation of IFRS 17 including charges from its parent company, PCHL, for significant enhancements to IT, actuarial and finance systems of the group.

Others pertain to bank collection fees and charges, property insurance, membership fees, expenses for transportation, travel and business recovery expenses.

27. Income Taxes

The components of the Company's income tax expense in profit or loss are as follows:

	2024	2023
Regular corporate income tax	₱1,322,113	₱1,296,159
Final tax	173,015	128,912
Current tax expense	1,495,128	1,425,071
Deferred tax expense	629,992	410,992
	₱2,125,120	₱1,836,063

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

	2024	2023
Income before income tax expense	₱7,198,133	₱7,178,263
Income tax using the domestic corporation tax rate	₱1,799,533	₱1,794,566
(Reductions in) additions to income tax resulting from:		
(Non-taxable gain) non-deductible loss on valuation of investments	59,500	(175,225)
Interest income subjected to final tax	(31,721)	(32,931)
Change in unamortized past service cost	(1,689)	(3,505)
(Non-taxable gain) non-deductible loss from disposal of investments	(4,275)	2,717
Non-deductible expense and others	303,772	250,441
	₱2,125,120	₱1,836,063



Deferred tax assets from previous years have been fully recognized in 2024 and 2023 as it was deemed probable that future taxable profit will be available against which the Company can utilize the benefits from.

Below is the movement of the deferred tax assets and deferred tax liability recognized as at December 31, 2024 and 2023.

2024				
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
Retirement liability	(P21,266)	(P7,899)	(P9,260)	(P38,425)
Deferred acquisition costs	(4,178,322)	(397,452)	—	(4,575,774)
Accrued expenses	923,535	(65,287)	—	858,248
Agent's commission	180,832	4,611	—	185,443
Provident fund payable	190,256	(39,594)	—	150,662
Allowance for credit and impairment losses	146,397	(140,102)	—	6,295
IBNR	57,706	1,522	—	59,228
Remeasurement on life insurance reserve	52,290	—	7,092	59,382
PFRS 16-related expenses	6,310	14,155	—	20,465
Unamortized past service cost	10,584	54	—	10,638
Deferred tax liabilities - net	(P2,631,678)	(P629,992)	(P2,168)	(P3,263,838)

2023				
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
Retirement liability	(P18,612)	P—	(P2,654)	(P21,266)
Deferred acquisition costs	(3,639,735)	(538,587)	—	(4,178,322)
Accrued expenses	775,783	147,752	—	923,535
Agent's commission	171,735	9,097	—	180,832
Provident fund payable	173,099	17,157	—	190,256
Allowance for credit and impairment losses	153,484	(7,087)	—	146,397
IBNR	69,358	(11,652)	—	57,706
Remeasurement on life insurance reserve	37,821	—	14,469	52,290
PFRS 16-related expenses	35,944	(29,634)	—	6,310
Unamortized past service cost	8,622	1,962	—	10,584
Deferred tax liabilities - net	(P2,232,501)	(P410,992)	P11,815	(P2,631,678)

In 2024 and 2023, the Company opted to claim itemized deductions in determining its tax expense.

Pursuant to Republic Act (RA) No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act, the following changes in tax rates became effective on July 1, 2023 implemented through Revenue Memorandum Circular (RMC) 69-2023:

- Minimum corporate income tax (MCIT) rate is reverted to 2% of gross income which was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

28. Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel (KMP) of the Company are also considered to be related parties.

The Company's KMP are composed of the senior management and directors.



The following are the significant related party transactions by the Company:

Category/Transaction	Year	Note	Amount of the Transaction	Due to Related Parties	Due from Related Parties (Note 16)	Investments in UITF (Note 8)	Investments in ASF (Note 16)	Terms	Conditions
Eastspring (Under Common Control)									
▪ Investment management	2024	a	₱88,612	₱21,680	₱—	₱—	₱—	30 days; noninterest - bearing	Unsecured
	2023	a	250,243	20,570	—	—	—	30 days; noninterest - bearing	Unsecured
PSA (Under Common Control)									
▪ IT service costs	2024	b	(10,065)	—	922	—	—	30 days; noninterest - bearing	Unsecured
	2023	b	112,819	17,154	—	—	—	30 days; noninterest - bearing	Unsecured
Prudence Foundation Limited (Under Common Control)									
▪ Cost reimbursements	2024	c	9,393	8,677	—	—	—	30 days; noninterest - bearing	Unsecured; not impaired
	2023	c	16,512	—	—	—	—	30 days; noninterest - bearing	Unsecured; not impaired
PAMTC (Subsidiary)									
▪ Allocation of expenses	2024	d	21,305	—	—	—	—	30 days; noninterest - bearing	Unsecured; not impaired
	2023	d	42,758	—	356	—	—	30 days; noninterest - bearing	Unsecured; not impaired
▪ Shared service fee	2024	d	531	—	—	—	—	30 days; noninterest - bearing	Unsecured; not impaired
	2023	d	4,327	—	—	—	—	30 days; noninterest - bearing	Unsecured; not impaired
▪ Investments in PAMTC's UITFs	2024	d, 8	—	—	—	—	—	Noninterest-bearing	Unsecured
	2023	d, 8	8,475	—	—	—	—	Noninterest-bearing	Unsecured
▪ Investments in ASF	2024	d, 15	—	—	—	—	—	Noninterest-bearing	Unsecured
	2023	d, 15	52,138	—	—	—	—	Noninterest-bearing	Unsecured
▪ Investment Management	2024	d	—	—	—	—	—	Noninterest-bearing	Unsecured
	2023	d	9,371	—	—	—	—	Noninterest-bearing	Unsecured
▪ Investment service fee	2024	d	—	—	—	—	—	Noninterest-bearing	Unsecured
	2023	d	1,826	—	—	—	—	Noninterest-bearing	Unsecured
PCHL or Prudential Corporation Holdings Limited (Parent)									
▪ Support services and allocation of expenses	2024	e	323,910	145,177	—	—	—	30 days; noninterest - bearing	Unsecured
	2023	e	334,815	93,076	—	—	—	30 days; noninterest - bearing	Unsecured
PSS or Prudential Services Singapore Pte Ltd (Under Common Control)									
▪ IT security costs	2024	f	282,261	94,915	—	—	—	30 days; noninterest - bearing	Unsecured
	2023	f	97,953	39,720	—	—	—	30 days; noninterest - bearing	Unsecured
PEPL or Pulse Ecosystem Private Limited (Under Common Control)									
▪ Cost reimbursements	2024	g	173,694	252,778	—	—	—	30 days; noninterest - bearing	Unsecured
	2023	g	751,344	752,592	—	—	—	30 days; noninterest - bearing	Unsecured
(Forward) Singapore - PACS or Prudential Assurance Company Singapore Pte									
Cost reimbursements	2024	h	17,416	—	—	—	—	30 days; noninterest - bearing	Unsecured
	2023	h	22,857	9,942	—	—	—	30 days; noninterest - bearing	Unsecured
Prudential Investment Management PTE Ltd (PIM)									
Investment Advisory	2024	i	2,059	1,985	—	—	—	30 days; noninterest - bearing	Unsecured
	2023	i	—	—	—	—	—	30 days; noninterest - bearing	Unsecured
(Forward)									



Category/Transaction	Year	Note	Amount of the Transaction	Due to Related Parties	Due from Related Parties (Note 16)	Investments in UITF (Note 8)	Investments in ASF (Note 16)	Terms	Conditions
Prudential Technology and Services India Private Limited (PTS)									
IT security costs	2024	<i>j</i>	P4,562	P4,562	P–	P–	P–	30 days; noninterest - bearing	Unsecured
	2023	<i>j</i>	P–	P–	P–	P–	P–	30 days; noninterest - bearing	Unsecured
Prudential (Cambodia) Life Assurance Plc.									
Cost reimbursements	2024	<i>k</i>	8,535	7,576	–	–	–	30 days; noninterest - bearing	Unsecured
	2023	<i>k</i>	–	–	–	–	–	30 days; noninterest - bearing	Unsecured
Indonesia - PT Prudenti Life Assurance									
Cost reimbursements	2024	<i>l</i>	38	–	–	–	–	30 days; noninterest - bearing	Unsecured
	2023	<i>l</i>	–	–	–	–	–	30 days; noninterest - bearing	Unsecured
TOTAL	2024		P922,251	P537,350	P922	P–	P–		
TOTAL	2023		P1,705,438	P933,054	P356	P–	P–		

Outstanding receivables from and payables to related parties which are expected to be settled in cash, are included under “Other assets” (see Note 16) and “Accounts payable, accrued expenses and other liabilities” (see Note 20) accounts, respectively.

- In the normal course of business, the Company has an investment management services agreement with Eastspring, whereby the latter shall act as investment advisor to the Company on the management of both the Company’s investments and the investment funds (see Note 11) in consideration for a quarterly service fee as may be mutually agreed upon on an annual basis.
- The Company entered into a Service Level Agreement with PSA to provide infrastructure services aligned to agreed service hours and delivery performance targets. The services involve system availability and operation, service desk, network availability, back-up and recovery, change management, disaster recovery plans, system capacity, resource monitoring, among others.
- Transactions with PFL pertain to advances made by the Company on behalf of PFL for activities related to corporate social responsibilities in the Philippines.
- Transactions with PAMTC pertain to various advances made by the Company on behalf of PAMTC for the cost incurred during the set-up of the latter. The Company also entered into a Shared Services Agreement with PAMTC, whereby the Company shall outsource labor services to PAMTC in consideration for a monthly fee for the labor and overhead charges. In 2024, the ownership of PAMTC is already transferred to a third party (see Note 9).
- These pertain to advances made by PCHL on behalf of the Company for the expenses covering software licenses and maintenance, training for regional agency leaders, agents’ conference, among others. These are netted against the advances made by the Company on behalf of PCHL for the settlement of certain administration costs. Moreover, these also pertain to support services provided by PCHL to the Company related to insurance, regional partnership distribution, IT, anti-money laundering system, human resources, financial and actuarial, internal audit, and brand and corporate affairs, among others.



- f. The Company entered into a Master Services Agreement with PSS whereby PSS will provide IT security services to the Company such as identity services & access management, data security, vulnerability management, cloud infrastructure security, network security, endpoint security, application security, cyber awareness and readiness, threat monitoring & response and emergency support.
- g. Transactions with PEPL pertain to charges incurred in building the health management app used by the Company as well advances made by PEPL on behalf of the Company. These are netted against the advances made by the Company on behalf of PEPL for the settlement of certain costs.
- h. Transactions with PACS pertain to advances made by PACS on behalf of the Company.
- i. Transactions with PIM pertains to Investment Advisory Services to the Company.
- j. Transactions with PTSI pertains to support of projects and strategic initiatives of the Company.
- k. Transactions with PCLA pertain to advances made by the PCLA on behalf of the Company.
- l. Transactions with Indonesia - PT Prudential Life Assurance pertain to advances made by the affiliate on behalf of the Company.

The entities from a to c and e to l above are wholly-owned subsidiaries of Prudential plc.

Compensation of Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The KMP compensation is as follows:

	2024	2023
Short-term employee benefits	₱191,821	₱187,919
Post-employment benefits	10,376	8,786
	₱202,197	₱196,705

These expenses are recorded under “Salaries, allowances and employees’ benefits” in profit or loss.

Transactions with the DB plan

The plan does not hold shares in the Company and the only transaction with the plan relate to the contributions paid which is managed by third-party (see Note 25).

29. Leases

The Company leases its head office, branches and parking space. Information about leases for which the Company is a lessee is presented below.



Right-of-Use Assets

The roll forward analysis of right-of-use asset account follows:

	2024	2023
Cost		
Beginning balance	₱1,438,574	₱1,398,595
Additions	549,502	39,979
Derecognition and other adjustments*	(441,307)	—
Ending balance	1,546,769	1,438,574
Accumulated Depreciation		
Beginning balance	1,153,532	975,038
Depreciation	218,314	178,494
Derecognition	(354,976)	—
Ending balance	1,016,870	1,153,532
Net book value	₱529,899	₱285,042

*Other lease contract adjustments pertain to reduction in office floor space, as mutually agreed upon by management and lessor during the reporting period.

Lease Liability

The carrying amount of lease liability follows:

	2024	2023
Balance at January 1	₱357,474	₱511,023
Additions	549,502	39,979
Interest	24,757	30,600
Derecognition and other adjustments*	(86,331)	—
Payments	(233,640)	(224,128)
Balance at December 31	₱611,762	₱357,474

*Other lease contract adjustments pertain to reduction in office floor space, as mutually agreed upon by management and lessor during the reporting period.

The following are the amounts recognized in the statement of financial position:

	2024	2023
Current lease liabilities	₱204,867	₱185,943
Noncurrent lease liabilities	406,895	171,531
	₱611,762	₱357,474

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

	2024	2023
Depreciation expense of right-of-use assets	₱218,314	₱178,494
Expenses relating to short-term leases	126,246	172,074
Interest expense related to lease liabilities	24,757	30,600
	₱369,317	₱381,168



Shown below is the maturity of the undiscounted lease payments:

	2024	2023
Within 1 year	₱323,740	₱192,539
After one year but not more than five years	481,150	179,853
	₱804,890	₱372,392

Extension Options

Extension options are included in the Company's lease of its head office. On November 6, 2014, the Company entered into a lease contract with Mega World Corporation for office space at Uptown Bonifacio Tower 1 for a period of five (5) years commencing on September 15, 2015 subject to a 5.00% escalation effective on the third year of the lease term and compounded annually thereafter at the same rate. The lease contract was renewed on September 15, 2020 for a period of additional five (5) years. The same contract, 6th and 8th floors were pre-terminated effective September 14, 2024.

The extension 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.

Leases for branches are for a period of three (3) to five (5) years. None of the leases include contingent rentals and restrictions.

30. Equity

The details of this account are as follows:

	2024	2023
Authorized		
Par value per share	₱100	₱100
Number of shares	5,000,000	5,000,000
Issued and Outstanding		
Number of shares	5,000,000	5,000,000
Capital stock	500,000	500,000
Additional paid-in capital	462,000	462,000
Total paid-up capital	₱962,000	₱962,000

On May 20, 2024, the BOD of the Company declared cash dividends amounting to ₱1.24 billion which shall not be remitted earlier than May 30, 2024. On May 30, 2024, the declared cash dividends of ₱1.24 billion was paid to Prudential Corporation Holdings Limited. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on June 28, 2024.

On November 20, 2024, the BOD of the Company declared additional cash dividends amounting to ₱2.08 billion which shall not be remitted earlier than December 5, 2024. On December 5, 2024, the declared cash dividends of ₱2.08 billion was paid to Prudential Corporation Holdings Limited. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on December 20, 2024.

On May 22, 2023, the BOD of the Company declared cash dividends amounting to ₱1.6 billion which shall not be remitted earlier than May 30, 2023. On May 30, 2023, the declared cash dividends of ₱1.6 billion was paid to Prudential Corporation Holdings Limited. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on June 23, 2023.



On November 23, 2023, the BOD of the Company declared additional cash dividends amounting to ₱1.35 billion which shall not be remitted earlier than November 29, 2023. On November 29, 2023, the declared cash dividends of ₱1.35 billion was paid to Prudential Corporation Holdings Limited. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on December 27, 2023.

As at December 31, 2024, the Company's unappropriated retained earnings of ₱20.72 billion is in excess of its paid-up capital of ₱962.00 million. However, the Company plans to use the excess retained earnings to comply with the increasing capital and new regulatory requirements by the IC, as well as the Company's plan for new investment initiatives. The Company, being an insurance company, has special circumstances due to special reserve requirements of the IC, thus, exempted from prohibition of retaining surplus profits in excess of one hundred (100%) percent of paid-in capital stock, under Section 42 of the Revised Corporation Code of the Philippines. The exemption provision indicates that "when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies."

31. Contingent Liabilities

In the normal course of the Company's operations, there are outstanding contingent liabilities which are not reflected in the financial statements. The management of the Company does not anticipate losses that will materially affect the financial statements as a result of these contingencies



32. Maturity Profile of Assets and Liabilities

The following table presents all assets and liabilities as at December 31, 2024 and 2023 analyzed according to when they are expected to be recovered or settled:

	2024		2023		Total
	Current	Non-current	Current	Non-current	
Assets					
Cash and cash equivalents (Note 7)	₪4,832,707	₪-	₪3,168,423	₪-	₪3,168,423
Interest receivables	171,027	-	134,883	-	134,883
Investments (Note 8)	13,460,936	-	12,806,297	-	12,806,297
Asset held-for-sale (Note 9)	-	-	194,984	-	194,984
Premiums due from policyholders	12,719	-	10,822	-	10,822
Coverage debt receivables - net (Note 12)	1,080,606	-	1,200,455	-	1,200,455
Policy loans receivables - net (Note 10)	272,303	-	296,098	-	296,098
Reinsurance assets (Note 13)	475,469	-	297,304	-	297,304
Property and equipment - net (Note 14)	-	831,276	-	415,753	415,753
Right-of-use assets - net (Note 29)	-	529,899	-	285,042	285,042
Retirement assets - net (Note 25)	-	116,654	-	71,553	71,553
Deferred acquisition costs (Note 15)	1,744,882	16,558,216	1,599,806	15,113,485	16,713,291
Other assets - net (Note 16)	2,061,200	760,560	3,073,451	801,398	3,874,849
Assets held to cover linked liabilities (Note 11)	126,927,748	-	120,398,874	-	120,398,874
	₪151,039,597	₪18,796,605	₪143,181,397	₪16,687,231	₪159,868,628
Liabilities					
Legal policy reserves (Note 17)	₪443,448	₪4,812,665	₪391,643	₪3,846,438	₪4,238,081
Claims payable (Note 18)	1,279,345	-	1,249,140	-	1,249,140
Reinsurance payable (Note 19)	275,294	-	164,159	-	164,159
Deferred tax liabilities - net (Note 27)	-	3,263,838	-	2,631,678	2,631,678
Accounts payable, accrued expenses and other liabilities (Note 20)	10,228,649	-	10,602,284	-	10,602,284
Lease liabilities (Note 29)	204,867	406,895	185,943	171,531	357,474
Technical provisions for linked liabilities (Notes 11)	126,927,748	-	120,398,874	-	120,398,874
	₪139,359,351	₪8,483,398	₪132,992,043	₪6,649,647	₪139,641,690



33. Supplementary Information Required by the Bureau of Internal Revenue (BIR) based on Revenue Regulation No. 15-2010

In addition to the disclosures mandated under PFRS Accounting Standards, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to the financial statements which were prepared in accordance with PFRS Accounting Standards.

The following is the tax information required for the taxable year ended December 31, 2024 (expressed in whole amounts):

A. Value Added Tax

The details of the Company's output VAT declared in 2024 are as follows:

	Paid	Accrued
Other income - shared service fees and other fees	₱4,793,258	₱—
Output VAT rate	12%	12%
	₱575,191	₱—

The Company did not claim input VAT in 2024.

B. Documentary Stamp Tax

The DST paid amounted to:

	Paid	Accrued
On life insurance policies and others	₱32,410,263	₱2,599,893

C. Withholding Taxes

The amount of withholding taxes paid and accrued for the period 2024 amounted to:

	Paid	Accrued
Creditable withholding taxes	₱747,462,057	₱66,775,396
Final withholding taxes	587,354,829	2,787,172
Tax on compensation and benefits	318,007,505	27,111,018
	₱1,652,824,391	₱96,673,586

D. Taxes on Importation

The Company does not have any customs duties or tariff fees in 2024 since it does not have any importation.

E. Excise Tax

The Company does not have any excise tax in 2024 since it does not have any transactions which are subject to excise tax.



F. All Other Taxes (Local and National)

The details of the Company's paid and accrued local and national taxes in 2024 are as follows:

	Paid	Accrued
Premiums tax	₱481,044,612	₱119,994,192
License and permit fees	67,994,642	—
Fringe benefits tax	10,968,750	2,787,172
Real estate taxes	110,246	—
	₱560,118,250	₱122,781,364

G. Tax Assessments

The Company received Final Assessment Notice covering taxable year 2020 on November 14, 2024. This was considered closed as of December 31, 2024.



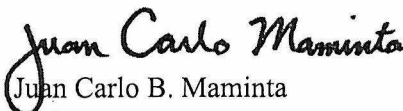
INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Pru Life Insurance Corporation of U.K.
9/F Uptown Place, Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634

We have audited the accompanying financial statements of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of Prudential Corporation Holdings Limited) (the Company) as at December 31, 2024 and for the year then ended, on which we have rendered the attached report dated April 2, 2025.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has only one (1) stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.


Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

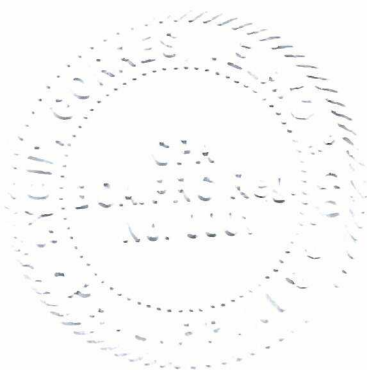
Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-132-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10465333, January 2, 2025, Makati City

April 2, 2025



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
Pru Life Insurance Corporation of U.K.
9/F Uptown Place, Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of Prudential Corporation Holdings Limited) (the Company) as at December 31, 2024 and 2023 and have issued our report thereon dated April 2, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta
Juan Carlo B. Maminta
Partner

CPA Certificate No. 115260

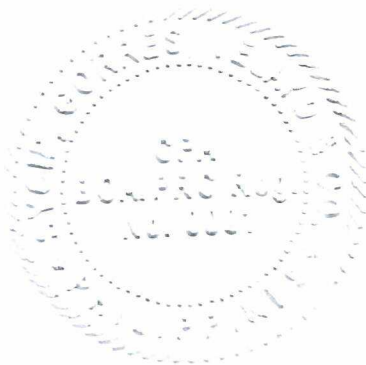
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PTR No. 10465333, January 2, 2025, Makati City

April 2, 2025



Reconciliation of Retained Earnings Available for Dividend Declaration

For the reporting period ended December 31, 2024
(Amounts in Thousands)

Pru Life Insurance Corporation of U.K.

9/F Uptown Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City

Unappropriated Retained Earnings, beginning of reporting period	₱5,266,602
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	(3,319,000)
Retained earnings appropriated on negative policy reserves for the period (<i>see note below</i>)	(270,191)
Unappropriated Retained Earnings, as adjusted	<hr/> 1,677,411
Add/Less: Net Income (Loss) for the current year	5,073,013
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
Add: Category C.3: Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)	
Reversal of previously recorded fair value adjustments (mark-to-market gains) of financial instruments at FVTPL	662,301
Adjusted Net Income	<hr/> 5,735,314
Add (Less): Category F: Other items that should be excluded from the determination of the amount available for dividends distribution	
Adjustment on deferred acquisition costs (<i>see note below</i>)	(1,589,807)
Deferred tax liability on deferred acquisition costs (<i>see note below</i>)	397,452
Total Retained Earnings, end of the reporting period available for dividend	<hr/> <hr/> ₱6,220,370

Note: The unappropriated retained earnings available for dividend declaration as computed above for the purpose of complying with the Revised SRC Rule 68 may be different from the statutory unappropriated retained earnings available for dividend declaration. The Company is in the insurance industry and is subject to the regulatory requirements of the IC such as margin of solvency, fixed capitalization requirement and risk-based capital requirement. The regulatory requirements restrict the Company in declaring dividends out of the unappropriated retained earnings and are imposed to minimize the risk of default and insolvency on the part of the Company to meet the unforeseen liabilities as they arise.

PRU LIFE INSURANCE CORPORATION OF U.K.**SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION****As of December 31, 2024 and 2023**

The table below presents the external auditor fee-related information as of December 31, 2024 and 2023.

Description	2024	2023
Total audit fees	₱3,904,026	₱5,558,219
Non-audit service fees:		
Other assurance services	—	—
Tax services	—	—
All other services	—	—
Total non-audit fees	—	—
Total audit and non-audit fees	₱3,904,026	₱5,558,219



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE ANNUAL INCOME TAX RETURN**

The Management of **Pru Life Insurance Corporation of U.K.** (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2024**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including but not limited to, the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and the records of the Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the financial accounting standards Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Company has filed all applicable tax returns, reports, and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ANGELICA H. LAVARES
Chairperson, Board of Directors

SANJAY CHAKRABARTY
President and Chief Executive Officer

FRANCIS P. ORTEGA
Treasurer, Executive Vice President and Chief Financial Officer

Signed this 21st day of April 2025.