KofC Family ... Our Concern

KCFAPI 2022

Reshaping the Financial Future of KofC Families:

Overcoming Adversities, Strengthening Ties

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On top of securing new lives to ensure that the KofC families are protected through its insurance programs, the Association will also be focusing on reviving or reinstating benefit certificates that have lapsed or been terminated during the pandemic, while also ensuring continued protection of KofC families through recapture programs from maturities and deaths as well as fully paid BCs.

The Association has also learned from the pandemic the importance of building relationships not just with its Benefit Certificate Holders but also with its trusted sales force. With the numerous lapses and terminations of Benefit Certificates, the Association realized the value of clear communications and responsibilities with its sales force, in not just initially securing lives but also in maintaining the continuous coverage of the Benefit Certificate Holders. This is why the Association has included in its plans for the year the incentive programs for those Fraternal Counselors who will be able to actively contribute in ensuring that the BCs of their respective BC Holders are maintained as inforce. Several training programs are also lined-up for the sales force to ensure quality delivery of services and KCFAPI representation to its BC Holders and their families.

With the difficulties that the Association encountered in ensuring delivery of quality services to its Benefit Certificate Holders due to the large influx of claims received, the Association, through its leaders, found it is high time to transition to digitization and digitalization which were previously put on hold in the past years due to the profile of its sales force. However, the Association was compelled to adapt in order to cope with the new normal and coexist with the corona virus. KCFAPI's digital roadmap for the next 5 years covers digital selling, online BC application, online payment of contributions and release of claims and benefits, access of the BC Holders and the sales force through the KCFAPI Portal and the KCFAPI Website, digitization of billing notices and official receipts, online jet underwriting, electronic BCs and Document Management System.

Table of Contents

Quality Policy	4
Chairman's Message	5
President's Report	6
KCFAPI Board of Trustees	22
KCFAPI Board Committees	24
KCFAPI Board Attendance	24
KCFAPI Officers and Consultants	25
Wholly-Owned and Majority Owned Companies' and Foundations' Financial Highlights	29
Fraternal Benefits Managers	31
2022 Annual Family Service Awards	32
2022 Audited Financial Statements	34
Corporate Information	52

KofC Family ... Our Concern

KNIGHST OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILIPPINES, INC.

Quality Policy

The Knights of Columbus Fraternal Association of the Philippines, Inc. (KCFAPI), a mutual benefit association duly registered and operating under the laws of the Republic of the Philippines, is committed to provide optimum fraternal benefits to all its members and their immediate families within an environment constantly nourished by the cardinal principles of the Order of the Knights of Columbus – Charity, Unity, Fraternity and Patriotism.

BC HOLDER FOCUS

Accordingly, KCFAPI is BC HOLDER Focused. Thus, it shall

- Continuously raise its standards of performance and improve its systems to promote and achieve growth, progress and stability
- Fulfill its social responsibility for the good of the Order of the Knights of Columbus in the Philippines.
- Strictly comply with pertinent and relevant statutory and regulatory requirements prescribed by the Government

Vision

THE KCFAPI IS INSPIRED AND GUIDED BY THE FOLLOWING VISION:

To be the bridge that will effectively link the four geographically-distant Jurisdictions of the Knights of Columbus in the Philippines, in their mission to provide protection to Knights of Columbus members and their families in Luzon North, Luzon South, Visayas, and Mindanao, thereby making them as one family in faith, hope and love.

Mission

To pursue and accomplish its Vision, the KCFAPI endeavors to fulfill this Mission that gives life and strength to the spirit and values of its acronym, thus:

- The **K**nights of Columbus Fraternal Association of the Philippines, Inc. is fully committed to provide optimum mutual benefits to all its members and their immediate families;
- **C**ompetent and relentless in its effort to achieve continuous growth, stability and efficient service, it will always remain results-oriented and completely committed to its assigned tasks;
- **F**ully aware of its moral and social responsibility, it contributes to membership development and worthy causes for the good of the Order of the Knights of Columbus and of the Philippines;
- **A**spiring with renewed enthusiasm to be a premier mutual benefit association, it shall exemplify the highest standards of integrity and professionalism in its service;
- **P**erpetually inspired and directed by its Founders and Board of Trustees, it highly regards and is proud of its dynamic, committed, dedicated and loyal management, staff and field representatives as its valued resources; and
- **I**mbued with the principles of Charity, Unity, Fraternity and Patriotism, it maintains utmost flexibility in meeting the demands of the times as it stands resolutely firm in the pursuit of its avowed mission and objectives.

Chairman's Message

Greetings to all my Brother Knights!

It is with great pleasure to share with you KCFAPI's 2022 Annual Report detailing your Association's strong performance and accomplishments.

In 2022, your Association remained steadfast in its mission to provide optimum mutual benefits to its members and their immediate families. On the first year of its 5-year roadmap to 2026 with the theme "Reshaping the Financial Future of KofC Families: Overcoming Adversities, Strengthening Ties", KCFAPI attained excess of revenues over expenses before participation of BC Holders amounting to P33.72 Million. Your Association was able to provide PhP148.33 Million death benefits to 1,875 families and PhP325.4 Million maturity benefits to Benefit Certificate Holders. At the end of the year, the Association's total resources grew to PhP7.15 Billion. This is an increase of 3.27% from last year. As a testament of its prudent investment strategy, KCFAPI's Risk Based Capital Ratio (RBC) is 218.58.

As we continue to live amidst the pandemic, we managed to extend the Knights of Columbus Philippines Members Assistance Program (KCMAP) which provided financial assistance to our dear Brother Knights from the 4 jurisdictions in the Philippines who have been stricken by the COVID19 virus. In 2022, we were able to release a total of Php7,504,846.99 assistance to our Brother Knights and their families.

Last September 2022, we have reopened the cause of the Servant of God, Fr, George J. Willmann, S.J. and the entire Knights of Columbus in the Philippines shall continue to advocate and pray for God's providence for his eventual canonization to Sainthood.

As we enter our 65th Year, we shall continue to reshape the financial future of the KofC families. We will focus on programs that would ensure coverage to more Brother Knights and KofC Families through various initiatives that centered on BC Retention, Market Penetration, Service Improvement and Human Capital Development.

On behalf of the KCFAPI Board of Trustees, allow me to congratulate and thank the Fraternal Counselors, Fraternal Benefit Managers, members of the management team and employees for their dedication amidst the challenges and difficulties.

Most of all, thank you, our dear BC Holders for continuously trusting KCFAPI and we look forward for more years of service to our Brother Knights and their families.

Vivat Jesus!

Jose C. Reyes, Jr.
Chairman of the Board

2022
President's Report

On its 64th anniversary, Your Association launched its Five-Year Roadmap with the goal of reshaping the financial future of KofC families. The first year was focused on overcoming adversities caused by the pandemic, which strengthened its ties with its Benefit Certificate Holders, their beneficiaries, and the sales force. A quick look at the Association's performance reveals a significant increase in the number of covered KofC members and their families, with first-year contributions reaching an all-time high of PhP156.74 Million, this surpassed the pre-pandemic production of PhP155.16 Million in 2019. During the year, the Association was able to restore insurance coverage to 3,305 members and their families who had lost coverage due to the pandemic, thanks to the combined efforts of its dedicated and loyal employees, committed sales force, and the guidance of the Board of Trustees.

KCFAPI OPERATIONS AND FINANCIAL HIGHLIGHTS

KCFAPI was able to generate an excess of revenues over expenses before estimated participation of BC Holders amounting to PhP33.72 Million which is lower that the target of PhP45.28 Million by 25.53% or PhP11.56 Million. This was primarily due to the unrealized net loss or paper loss of investments at fair value (FVPL) amounting to PhP59.79 Million, mainly due to market volatility due to high inflation rate for the year at 8% which was offset by a PhP25.53 Million forex gain on dollar accounts as we closed at PhP55.76 per $1.

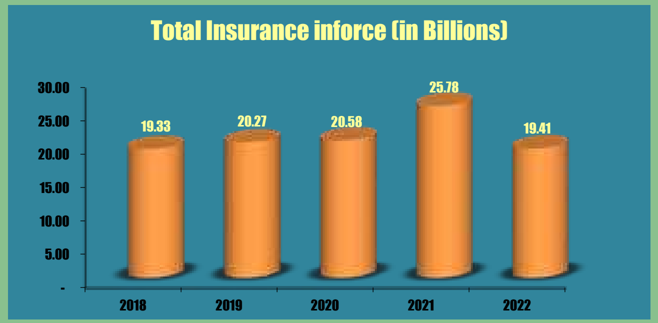
Excluding net unrealized FVPL losses, the 2022 excess income of Php93.51 Million exceeded the year's target by 106.50% or PhP48.23 Million. This is due to lower underwriting deductions and the aforementioned foreign exchange gain on dollar accounts of Php25.53 Million. In addition, this is 364.10% higher than last year's performance, or PhP73.36 Million pesos, much higher than the unrealized net loss of Php59.79 Million.

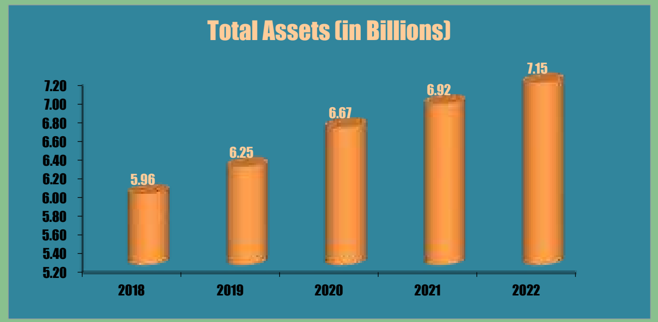
Despite the unfavorable results for the year, KCFAPI produced the highest First Year Contribution of PhP156.74 Million, an increase of PhP18.64 Million or 13.50% from Php138.10 Million the previous year. This proves the dedication and commitment of our sales team in supporting the Association's vision of ensuring the financial future of KofC families.

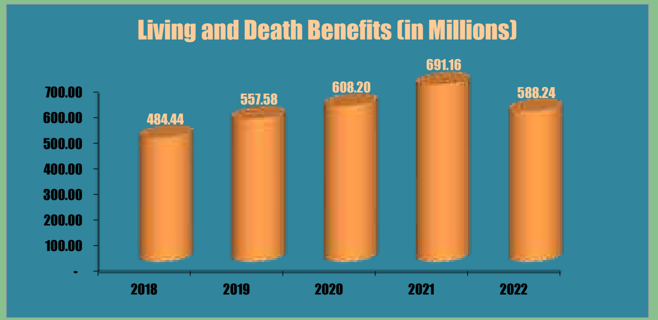
In 2022, your Association was able to fulfill its mission to the insured KofC members and their families by providing PhP148.33 Million death benefits to 1,875 families and PhP325.4 Million maturity benefits to Benefit Certificate Holders.

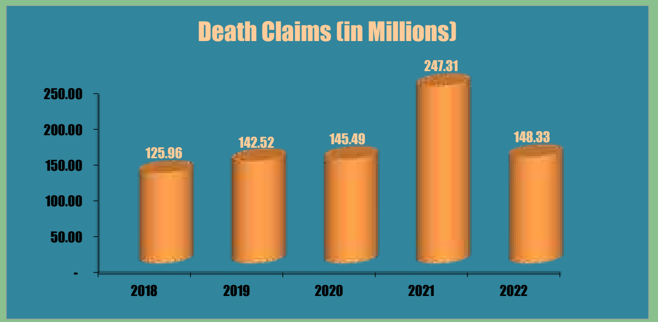
On investments, from the total maturities of PhP1.87 Billion, your Association was able to acquire investments for the year amounting to PhP1.38 Billion debt securities and PhP363 Million equity securities totaling PhP1.74 Billion. It was also during the year that the Association, in its commitment to be part of the KofC families' journey in achieving and fulfilling their ultimate dream of having their own home and car which are essential in strengthening the family ties and values, infused additional funds to one of its wholly-owned and majority-owned companies, the Kompass Credit and Financing Corporation (KCFC), amounting to PhP43.75 Million, as KCFC increased its authorized capitalization from PhP300 Million to PhP1 Billion.

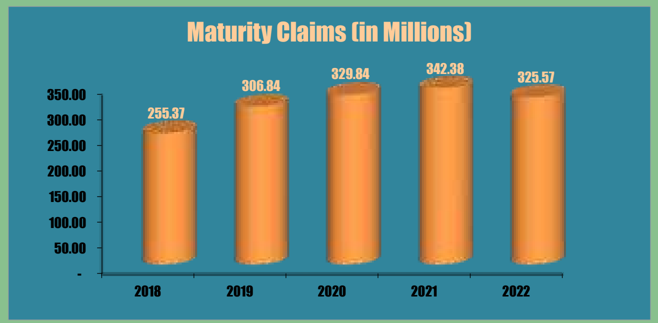
As the whole world slowly recovers and adjusts since the onset of the global pandemic, your Association gradually went back to its normal operations in 2022. Onsite operations including trainings activities and face-to-face meetings resumed which had an impact on its operating expenses with an increase of 16.95% from 13.37% the previous year. This increase, however, is still within the 20% limit maintained by the Association over the last decade











Finally, it is with pride that I inform you that the Association's total resources as of the end of 2022 is at PhP7.15 Billion, a 3.27% increase from last year's PhP6.92 Billion. We have a total insurance inforce of PhP19.4 Billion from 75, 785 benefit certificates issued, an increase of 3.08% and .052% respectively.

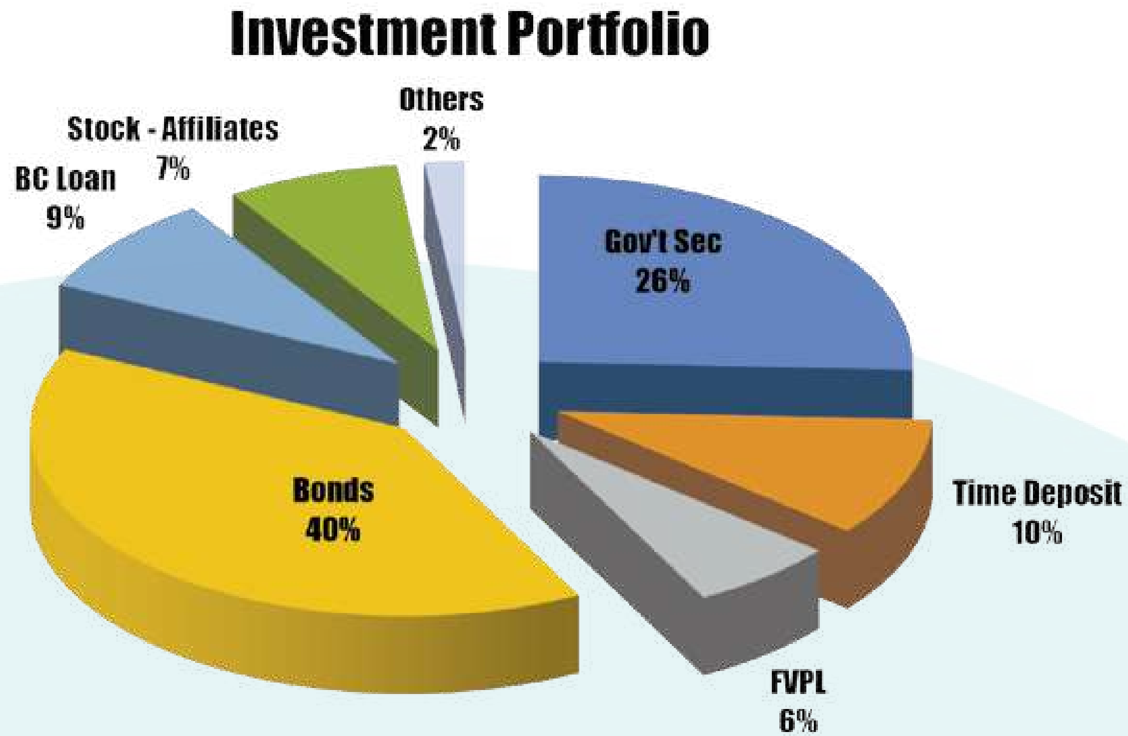
BC Holder Focused

As we continue with our commitment to provide optimum mutual benefits to KC members and their immediate families, your Association protected 6,643 new lives in 2022, a 5.29% increase from the 6,309 new lives in 2021. On the other hand, we were able to protect additional 2,014 lives at 68,846 lives in 2022 for CMBP.

In the spirit of fraternalism, your Association reached out to Benefit Certificate Holders who lost their insurance coverage from KCFAPI through lapsation and termination of their benefit certificates to provide them more time to reinstate their insurance protection, without paying interest for late payments. This reinstatement drive is one of KCFAPI's initiatives during its 64th Anniversary through its BC Relations Office. This program was conceptualized to run for September 2022 but was extended until December 2022. As a result, 1,135 Benefit Certificates were reinstated. Ultimately, a total of 3,305 benefit certificates were reinstated generating insurance contributions of PhP39.30 Million and restored total insurance protection of PhP749.53 Million.

Finance and Investment

2022 was the year that the Monetary Board started to increase its interest rates several times. It was quite a different year from 2021 where interest rates from fixed income securities were at very low levels. Almost 80% of KCFAPI's investible funds are in fixed income securities. This is the catalyst which the Association needed to revert the negative impact of the major slowdown in the stock market. With this, the investment income attained for 2022 was P303,045,840.00 (exclusive of unrealized loss from Fair Value on Profit and Loss). This is slightly lower by 0.70% from the investment income earned the previous year.



The growth in the total resources of KCFAPI was 3.32% from P6,921,689,467.00 to P7,148,085,722.00 . This is the strength of your Association to be able to answer all its legal obligations and still give back to the two Foundations which are its Corporate Social Responsibility arms.

A special project was launched by your Association for its BC Holders who have long outstanding maturities. In the said initiative, since it has been a practice of KCFAPI to directly sent BC Holders their checks representing their maturities without the need for the surrender of the benefit certificate. About P10 Million of that initiative was encashed which benefited the benefit certificate holders and their families and a part was reverted to new insurance coverages. For 2023, KCFAPI will continue this positive move towards its major stakeholder and hopefully, work out that a part of the maturities can be reverted back as new insurance coverages so that there will be a continuing relationship of the Brother Knight and KCFAPI. Another initiative for 2023 is the release of long outstanding death claims. This, too, will greatly benefit the beneficiaries. While this is a cash outflow for KCFAPI, it nevertheless helped the BC Holders who might need the funds specially during this COVID period. Also, the BC Holders felt the concern of KCFAPI when it continues to release cash advances whenever a brother knight or his family passes away. Your Association releases at least 80% of the net death benefit or P150,000.00, whichever is lower.

The funds entrusted to KCFAPI are carefully invested since it is a steward of the trust reposed to it. Hence, its Risk Based Capital Ratio is 218.58% which is way above the 125% level required by the Insurance Commission and higher than the previous year's RBC ratio of 189.99%. This is a testament that your Association exercises prudence in its investment strategy. What is equally important is that your Association attained an investment yield of 5.11% which is slightly lower that the 2021 yield of 5.30%. Coupled to this is the efficient operation of the Association with an operating expense ratio (OPEX) of 16.95% from 13.37% the previous year.

Isla Lipana audited the financial statements of KCFAPI and has given an unmodified opinion, meaning, a clean opinion. The professional fee paid to the external auditor was P1,663,200.00. There were no non-audit engagements with the firm and no non-audit engagement fees were paid. Hence, no non-audit fees were paid which exceeded the professional fees.

No mergers and acquisitions and or takeovers were made by KCFAPI in 2022.

WHOLLY-OWNED AND MAJORITY-OWNED COMPANIES AND FOUNDATIONS

Keys Realty and Development Corporation (KRDC)

KRDC is the largest wholly owned company of KCFAPI. From a seed money of P146 Million, it grew to P813M Total Assets and achieved a net income of P11.4M in 2022.

Realty Operation

As a real estate company, one of KRDC's core business is leasing of its properties located in various parts of the country (Makati, Taguig, Paranaque, Cabanatuan, Davao, Cagayan de Oro and General Santos City). These properties were leased either for commercial or residential purposes.

For 2022, KRDC's rental revenue increased by 20% to P15 million after recovery of rentals due to the economic reopening. Tenants' businesses have already gained momentum after the lockdowns. KRDC has retained a steady occupancy rate of 70% to 100% across all its leased properties. Alveo Park Triangle units were turned over in 2022 which increases the total leasable area of KRDC.

In addition to leasing, realty operation has generated an additional P4 million from sale of townhouse in 2022. Despite the pandemic, the value of properties under lease continues to appreciate with an estimated value of P395 million based on the latest property appraisal.

Hotel Operation

Columbus Plaza Hotel (CPH), located in General Santos City, which had been significantly affected by the pandemic, has seen recovery during the year. Revenue from hotel operation increased by 177% to P4.6 million in 2022 with 18% improvement in the average hotel occupancy after removing the restrictions imposed on travels and gatherings.

To further improve the facilities and guest experience, CPH has initiated various property improvements. This led to the conversion of additional leasable area in the commercial section of CPH, generating additional revenue for the hotel.

Mortuary Operation

Holy Trinity Memorial Chapels and Crematorium (HTMC) located in Paranaque City, provides mortuary and allied services for clients mostly from Paranaque, Las Pinas, Muntinlupa and nearby cities. HTMC's revenue consists 70% of KRDC's total revenue. For 2022, HTMC generated a total revenue of P60 million, with a slight decline of only 1%, despite the 8% decline in the total cases served compared with 2021. In 2022, there were 803 cases served consisting of 496 memorial cases (62%) and 307 cremations (38%). With the decline in the recorded COVID-19 cases in the country in 2022, cremation cases decrease by 30% while chapel utilization has increased to 26% after relaxing the health protocols installed during the pandemic following the IATF guidelines.

HTMC continues to implement measures to further improve and expand its services by offering new service packages and continued improvements in the facilities. HTMC also commits to strengthening its business partnership with different hospitals and life plan companies through regular visits and meetings.

Kompass Credit and Financing Corporation (KCFC)

Kompass Credit and Financing Corporation (KCFC) celebrated its 9th anniversary last March 13, 2022. KCFC is a wholly-owned company of the Knights of Columbus Fraternal Association of the Philippines, Inc. (KCFAPI), which offers housing loan, business loan and car loan to the members of the order and the general public.

KCFC with its continuous improvement specifically with loan documentations on loan review of accounts and collaterals have been implemented for new accounts and all other existing accounts. We maintain the 5C's of credit and positive credit standing of each and every borrower and avoid, as much as we can, defaults that can seriously affect our finances. KCFC rates are at par with other financing institutions.

On its 9th year, it has a total asset of P 372.20M with net income of P 11.29M. For 2022, additional capital funding had been approved to address the growing opportunities in financing industry.

Mace Insurance Agency, Inc. (MIAI)

MIAI is the non-life insurance agency fully owned by the Knights of Columbus Fraternal Association of the Philippines, Inc. For the past 42 years, MIAI continually serves the members of the Knights of Columbus, their families and the insuring public for their fire insurance, motor car insurance, individual and group accident insurance, marine cargo insurance and bonds.

MIAI continues to offer its KC Shield of Protection package products which provide the most beneficial and inexpensive insurance coverage among other providers. These are the KC Home Protector, KC Car Shield and KC Shield Accident Plan.

In 2022, the company has total assets of P12.832 Million and gross premium production of Php31.364 Million. It also expanded its non-life insurance operations in Visayas and Mindanao to attract potential customers outside Luzon area thru product packaging and affordable premiums.

Knights of Columbus Fr. George J. Willmann Charities, Inc. (KCFGJWCI)

KCFGJWCI is one of the corporate social responsibility arms of the KCFAPI. It provides grants to Diocesan seminarians seeking priestly vocations and scholarships for priests wishing to undertake licentiate studies both local and in Rome.

In 2022, the Foundation has approved 2 new Priest Rome-scholars. They are Rev. Fr. James Wendele P. Puracan from the Diocese of Surigao (Mindanao), and Rev. Fr. Jay Arvin M. De Leon from the Diocese of Caloocan (Luzon South), and Rev. Fr. Brian Roy R. Asumbrado from the Diocese of Kidapawan (Mindanao). Fr. Brian Roy is on his 3rd year.

The Foundation is proud of its newly-ordained priest scholars.

- Rev. Fr. Leonard I. Rabuya from the Diocese of Digos last June 24, 2022 at the Mary Mediatrix of All Grace Cathedral, Digos City, Davao del Sur.
- Rev. Fr. Jene Lois Sarmiento from Archdiocese of Caceres priest last July 16, 2022 at the Basilica Minore de Nuestra Señora de Peñafrancia, Naga City.
- Rev. Fr. Sancho Noel C. Cabatay from the Archdiocese of Lipa last November 15, 2022 at Minor Basilica of the Immaculate Conception and Archdiocesan Shrine of Santo Niño de Batangan, Batangas City.
- Rev. Fr. Adrian E. Lazo from the Diocese of Novaliches last December 3, 2022 at Cathedral Shrine and Parish of Good Shepherd, Quezon City.
- Rev. Fr. Gem Norries S. Penetrante from the Diocese of Legaspi last December 7, 2022 at St. Gregory the Great Cathedral, Albay, Legaspi City.

Last September 14, 2022, we have celebrated the 45th Death Anniversary of the Servant of God Fr. George J. Willmann, S.J. with a Holy Mass held at the Fr. George J. Willmann, S.J. Chapel, presided by His Excellency, Bishop Bartolome G. Santos, Jr. DD, Diocese of Iba, concelebrated by Rev. Msgr. Pedro C. Quitorio III, Rev. Msgr. Geronimo F. Reyes, Judicial Vicar of Manila, Rev. Fr. Wilmer Rosario, Assistant Judicial Vicar, Rev. Fr. Robert Young, Rev. Fr. Jeronimo Ma. Cruz, Rev. Fr. Hernandez Mendoza, Jr., Rev. Fr. Bejamin Deogracias Fajota, Rev. Fr. Ronel Ilano, and Rev. Fr. Ryan Serafin Asis.

KC Philippines Foundation, Inc. (KCPFI)

KCPFI is the other social responsibility arm of KCFAPI established in October 1970. It has been providing scholarship grants to poor but deserving children of K of C Members pursuing collegiate studies, as mandated by its accreditation with the Department of Science and Technology. In school year 2022-2023, it cradled

50 college scholars, 36 of whom are supported by the Supreme Council through the Foundations.

In compliance with the Philippine Council for NGO Certification and the Bureau of Internal Revenue, we have renewed our DOST Certification that recognizes KCPFI as one of its Science Foundation. The certificate was issued last December 22, 2022 with the effectivity period of three (3) years.

Below is the 2022 list of current scholars and graduated scholars of KCFGJWCI and KCPFI Current Scholars:

Current Scholars: (SY 2022-2023)		Graduated Scholars	
Theology	20	Ordained Priests	214
Collegiate	50	Ordained Deacon	2
Licentiate - Local	9	Licentiate (Local)	42
Licentiate – Rome	3	Licentiate (Rome)	36
Total - 82		Collegiate Scholarship	366
		Vocational Scholarship	114
		High School	1
		Total - 775	

RESUMPTION OF THE CAUSE OF FR. GEORGE J. WILLMANN, SJ

The Archdiocesan Phase for the Beatification and Canonization of Father George J. Willmann, SJ. solemnly reopened last July 4, 2022, led by His Eminence, Jose Cardinal F. Advincula of the Archdiocese of Manila at the Residencia del Arzobispado Chapel in Intramuros, Manila.

It was participated by the members of the Archdiocesan Tribunal on the Cause led by Msgr. Geronimo F. Reyes, the Judicial Vicar; Msgr. Pedro Quitorio and Fr. Robert Young, the Postulator, and Vice-Postulator, respectively. Also present was the Knights of Columbus of the Philippines Supreme Director, Justice Jose C. Reyes, Jr. and the four (4) State Deputies; Bro. Rene V. Sarmiento (Luzon North Jurisdiction),

Top-Performing Insurance Company in the Philippines

Most Improved Insurance Company in the Philippines

Top Performing Company in the MBA Sector in the Philippines

Bro. Bonifacio B. Martinez (Luzon South Jurisdiction), Bro. Teofrido B. Lagria (Visayas Jurisdiction), and Bro. Gerry Eutemio T. Mission (Mindanao Jurisdiction), the Members of the Board of Trustees and Officers of the Knights of Columbus Fraternal Association of the Philippines, Inc. (KCFAPI) and its wholly owned and majority owned companies.

At present, the continuing process includes interviews of witnesses on the life of Fr. Willmann which started last November 2022; the compilation of the published and unpublished writings to which all published writings had been submitted already to the tribunal team and commissions assigned while compilation for the unpublished writings is ongoing.

We encourage the Knights of Columbus members and their families to continue seeking the intercession of Fr. George J. Willmann, SJ. as well as advocating his life and ministry in order for his name to be included to the Honors at the Altar.

GOOD CORPORATE GOVERNANCE

On its 64th year, KCFAPI has always been consistent in its compliance to good corporate governance standards. This is demonstrated by the most recent 85.52 rating of your Association in the ASEAN Corporate Governance Scorecard (ACGS) as evaluated by the Institute of Corporate Directors (ICD). This practice has been inherent together with the core values of the Knights of Columbus followed not only by its mother company but throughout its three (3) wholly-owned and majority-owned companies and two (2) Foundations.

As a testament to its good corporate governance, your Association received three (3) awards during the 2022 Annual Golden Arrow Awards. These are the Top Performing Insurance Company, the Most Improved Insurance Company and the Top Performing Company in the Mutual Benefit Association Sector in the Philippines.

The KCFAPI Board of Trustees

The KCFAPI Board of Trustees are composed of officers who occupy the highest positions in the Order. They are all equipped with collective knowledge, experience, integrity and unquestionable probity in their respective fields of endeavors. No sitting member is involved in any life insurance company or allied businesses in the industry during his term of office to ensure that there are no conflict of interest. The Board of Trustees are fraternalists and five (5) are non-executive independent trustees. They do not have any material interest in the Association.

Board Charter

The Knights of Columbus Fraternal Association of the Philippines, Inc. was formed from the contributions of its Founder Members who in turn became the owners of the Association. The Founder Members' shares were subsequently assigned and vested to the Founder Members' Committee (FMC) who for all intents and purpose retain ownership and control of KCFAPI. The FMC, as owners and voting members, directly elects the members of the Board of Trustees from the Founder or regular non-voting Members of the Association. In this sense, the members are considered independent as they do not retain any businesses or occupy positions which could interfere in the exercise of sound business judgement.

With the exception of the State Deputies whose term of office is coterminous with their term as state deputies, elected members of the board of Trustees shall hold office for three (3) years, until their successors

The KCFAPI Board of Trustees with Executive Vice President Anthony P. Nazario and Spiritual Director Msgr. Pepe C. Quitorrio III.

are elected and qualified. As for the Independent Trustees, they shall serve for a maximum cumulative term of nine (9) years. After which, the independent trustee shall be perpetually barred from re-election but he may continue to qualify for nomination and election as a non-independent trustee. Moreover, any Trustee of the Association may resign at any time giving written notice to the Chairman of the Board and the Corporate Secretary of the Association with its effect as of the date of its acceptance by the Board of Trustees. Additionally, they are to notify the board where he is an incumbent director before accepting trusteeship in another company.

The conduct of electing members of the Board of Trustees by the FMC at the annual meeting held last July 5, 2022 is disclosed in the Minutes of the Annual Meeting including the declaration of the results.

The FMC appoints the Chairman of the Board and the Board of Trustees in compliance with the set regulations. On the other hand, the President/ Chief Executive is elected amongst the current Board Members. Moreover, the position of the Chairman and President are held by separate individuals with clearly defined responsibilities.

As a Fraternal Association, all members of the Board of Trustees including the President/Chief Executive Officer do not receive any remuneration. Trustees do not receive options, performance shares or bonuses. Nevertheless, they are reimbursed for actual expenses incurred and do not receive incentives from the performance of the Association, may it be short or long term in nature.

Regular meetings of the Board of Trustee are held on a monthly basis and each trustee must attend at least 75% of all the board meetings held during the year. A quorum at any meeting of the Trustees shall consist of two-thirds of the number of Trustees as fixed in the Articles of Incorporation, provided, however, that an independent Trustee shall always be in attendance. The absence of an Independent Trustee shall not affect the quorum requirements provided he is duly notified of the meeting but deliberately and with justifiable cause, fails to attend the meeting. Resolutions of the Board of Trustees shall be decided upon by 2/3 of the members of the board. All meetings of the Board are presided over by the Chairman of the Board. Members of the Board Committees should attend committee meetings at least twice a year, except for the Audit Committee which should meet at four times (4) every year.

To ensure enduring success of the Association and ensure its competitiveness consistent with its fiduciary responsibility, the Board of Trustees governs and exercises its mandate in the best interest of the Association, the stockholders and other stakeholders.

The BRO and Actuarial Department together with Bro. Rene V. Sarmiento (KCFAPI President), Bro. Joven P. Dy (KRDC President) and Fr. Robert Young (Asst. Postulator for the Cause of Fr. George J. Willmann SJ) during the Christmas Tree making contest in December 2022.

Furthermore, selected members of the Board are assigned to head Committees to ensure that the Association is properly guided in achieving its business objectives. These members are only allowed to head one (1) committee during his term.

Board Committees

Audit Committee

The Audit Committee was established to deliver a structured and systematic oversight of the organization's governance, risk management and internal control practices. They provide advice and guidance on the adequacy of the organization's initiative for values and ethics; governance structure; risk management; internal control framework; oversight of the internal audit activity, external auditors, and other providers of assurance and financial statements and public accountability reporting to the board and management.

It is also the committee's mandate to provide the board with independent and objective advice on the adequacy of the management's arrangements with respect to values and ethics, organizational governance, risk management, fraud, control and compliance. The committee provides oversight related to internal audit charter and resources, Chief Audit Executive performance, internal audit strategy and plan, internal audit engagement and follow-up and standards conformance to attain reasonable assurance with respect to work of the internal audit activity,

The committee also meet with the external assurance providers during the planning phase of external audit engagement, presentation of the audited financial statements and discussion of the results of engagements and recommendation for management to obtain reasonable assurance with respect to the work of the external assurance providers. They are responsible for oversight of the independent audit of the entity's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control legal, regulatory compliance and ethics. Likewise, the Audit Committee recommends the appointment, reappointment, removal and fees of the external auditor. Removal or change of external auditor are disclosed to the public through the company website and required disclosures.

As appointed by the Board, Bro. Richard M. Bellen, CPA is the incumbent Chief Audit Executive (CAE) of the Association wherein he oversees and is accountable for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. The committee is headed by Bro. Artemio C. Dela Cruz, Independent Trustee.

EVP Anthony P. Nazario addressing the KCFAPI Employees during staff meeting.

Corporate Governance Committee

The Committee headed by Bro. Gabriel D. Muñasque assists the Board of Trustees in ensuring KCFAPI's adherence to established and accepted governance principles, best practices, and compliance to its Revised Manual of Corporate Governance. This Committee is guided by the principles of accountability, independence, loyalty, long-term sustainability, fairness, transparency, ethics and social responsibility.

The Corporate Governance committee directs the implementation of the Association's corporate governance framework, as embodied in its Revised Manual of Corporate Governance and periodically review the Manual to ensure that it remains appropriate in the light of material changes in the organization and its corporate environment. It ensures that KCFAPI operates in accordance with the Vision, Mission, Corporate Values established by the Board of Trustees. It also works with the Management in realizing the Association's Vision and Mission by establishing specific strategic objectives and overseeing how these objectives are achieved in its operations. The committee ensures business continuity by incorporating a governance succession plan in its By-laws and ascertains that the Association's operations are guided by policies approved by the Board and compliance with Philippine laws and regulations.

Related Party Transactions Committee

The Related Party Transactions (RPT) Committee is established with the objective of strengthening corporate governance and practices particularly on related party transactions. Its function include the authority to approve and/or review any endorsement for approval of the Board with respect to all RPTs that are considered material, based on the Association's internal regulations. It is responsible to formulate, revise and approve policies on related party transactions, conduct any investigation required to fulfill its responsibilities on RPTs, consult or retain at the Association's expense such as outside legal counsel, accounting or other advisers, consultants or experts as the Committee may consider necessary from time to time to carry out its duties and access all the Association's records in order to perform its responsibilities.

Supervisory Training

The committee is headed by Bro. Fiel M. Pedrosa with Sis. Rowena M. Diapolit as Chief Officer for Related Party Transactions. For 2022, there are no material or significant RPTs to be disclosed.

Risk Oversight Committee

As mutual benefit association operating as a life insurance company under the direct supervision of the Insurance Commission, the Association implements the KCFAPI-wide Risk Management System.

Each department within the Association conducts risk assessment and updates their respective risk registers as part of the monthly management review. Risk occurrence or forthcoming potentiality is addressed and actions plans are carefully considered for implementation before recommending to the Board of Trustees. To date, all the Association's internal control and risk management system are in place and adequate for the operations of the company.

Bro. Isagani B. Maghirang, Independent Trustee is the current Chairman of the Board Risk Oversight Committee with Bro. Angelito A. Bala, Vice President for Actuarial and Business Development, as Chief Risk Officer (CRO). Some of the functions of this committee include identifying and evaluating the Association's risk exposures; ensuring that all risk management strategies and policies for all types of risks are developed, properly documented, and effectively communicated to the organization; evaluating and approving all types of risk tolerances including portfolio credit tolerance, market and liquidity risk limits and operational risk parameters that includes business continuity and information security risks; ensuring that relevant risks are measured and monitored for all portfolios and business activities; evaluating the magnitude, direction and distribution of risks across the Association; evaluating and reporting to the Board the Association's over-all risk exposures and the effectiveness of its over-all risk management practices and processes and recommends further action or policy revisions, if necessary; ensuring that timely corrective actions are carried out whenever limits are breached and recommending the allocation of capital in order to manage risk and corresponding earnings.

KCFAPI Father's Day Celebration

Education and Trainings

The KCFAPI policy requires the Board of Trustees to attend trainings and seminar relevant to its commitment in equipping them with best practices in effective corporate governances as a response to the demands of the ever-changing landscape of the insurance industry. Since most of them are heads of businesses or hold vital positions in their respective fields of endeavors, they are usually the source of information or are resource speakers themselves. Upon election, a board member participates in an orientation program that covers the company's strategy, general financial and legal affairs, financial reporting by the company, its compliance programs, the Code of Business Conduct and Ethics, any specific aspects unique to the company and its business activities and the responsibilities as a board member. The Board orientation was held in August 2022 conducted by the Senior Management Team as they welcome the new set of Board of Trustees.

The Board of Trustees have a direct hand in the review and approval of the 2023 Plans, Programs and Budget. This is line with the continuing education and harmonious corporate symbiosis with Management in its invaluable part to the operations of the Association. This ensures that any prepared plans and programs are in line with the Vision, Mission, and Quality Policy of the Association. This also demonstrates the Board's responsibility to oversee the development, review and approve the Association's business objectives and strategies. Employees are highly encouraged to actively participate in the realization of the Association's goals and its governance. Likewise, the plans and programs of the Association is shared to all employees to embed in them the KCFAPI's culture. The

Board also oversees and monitors the implementation of these objectives and strategies during the monthly Board meetings where the monthly financial statements are presented and noted. Here they conduct a review of operational, financial and compliance of KCFAPI's performance. Before the monthly Board meetings, the Board Members are provided copies of board materials at least 5 working days in advance. This is done to sustain the Association's long-term viability and strength.

Annual Performance Assessment of Trustees

As a check and balance mechanism, the effectiveness of each member of the Board of Trustees fulfillment to its designated roles and responsibilities are assessed on an annual basis. This self-evaluation involves soliciting comments from all Trustees.

Compliance with Revised Manual on Corporate Governance

KCFAPI upholds the highest standard of integrity, conduct and morality in its operations by strictly adhering to the Revised Manual on Corporate Governance. This serves as a guide to all of its Board of Trustees, officers, employees and sales force as well as those involved in the operations of its wholly owned and majority owned companies, and Foundations.

KCFAPI Mother's Day Celebration

No less than four (4) independent Board of Trustees lead the complex and daunting task of ensuring adherence to the Association's policy direction on corporate governance.

Revised KCFAPI Code of Ethics

As a standard for best practice, it is the policy of the Association to recommunicate its KCFAPI Code of Ethics to all Board Members, KCFAPI Officers and employees at the commencement of every fiscal year. Everyone is required to review and sign the same as a formal manifestation of commitment to the shared ethical standards and culture that prevails in the operations of KCFAPI. Questions are also accommodated regarding provisions of the Code to ensure that all parties are kept abreast with the standards for professional and ethical behavior as well as acceptable and unacceptable conduct and practices in internal and external dealings of the Association. The Code is disclosed and available to the public through the company website. The Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.

Compliance to Regulatory Bodies

KCFAPI is a mutual benefit association regulated by the Insurance Commission (IC). As such, it ensures faithful compliance with the amended Insurance Code and all circulars and mandates of the IC. Furthermore, the Association follows statutes, issuances and regulatory matters from relevant government agencies which directly affects its business as an insurer-mutual benefit association. These include but are not limited to the Securities and Exchange Commission, the National Privacy Commission and the Anti-Money Laundering Council and BIR.

As it enters into the new normal, KCFAPI is expected that it remains resolute in ensuring compliance to new laws and evolving regulatory

KCFAPI Employees during the 64th Anniversary Celebration

requirements to continuously achieve the confidence of its current and future stakeholders.

To date, KCFAPI has no creditors and is not involved in any major case pending before any judicial or quasi-judicial bodies. It remains strictly compliant with the provisions of the Data Privacy Act and the Revised Anti-Money Laundering Act.

The Board of Trustees is assisted in its duties by a designated Chief Compliance Officer, Sis. Mary Magdalene G. Flores, Vice President for Treasury, BRO and Administration.

Operational Policies

Conflict of Interests

Under the Revised Manual on Corporate Governance, conflicts of interest should be handled with utmost prudence and diligence so as to avoid conflicts of interest in performing official duties. Where a potential conflict of interest arises- everyone from the Board and Management level to the staff are enjoined adhere to the procedures provided by law and the KCFAPI's By-laws in dealing with such matters. Trustees with material interest in a transaction affecting the corporation abstain from taking part in the deliberations for the same.

Whistle-Blowing Policy

Under the Revised Code of Ethics, the Trustees, officers and employees shall disclose or report directly to the Board of Trustees or to the Founder Members' Committee any illegal, immoral, unethical, dishonest, corrupt, fraudulent act, conduct or behavior committed by any one covered by the Code. KCFAPI shall protect anyone who blows the whistle from any retaliatory actions.

There were no incidents of whistleblowing in 2022.

Disclosure and Transparency

In compliance with regulatory requirements, the Association publishes an Annual Report containing all relevant and material information that gives a fair and complete picture of the Association's financial condition, results and business operations. Furthermore, the Association has clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. It also adopts a globally recognized framework in reporting sustainability and non-financial issues.

Product and Knowledge Training for KCFAPI Employees

The company has in place an independent audit function that provides an independent and objective assurance and consulting services designed to add value and improve the company's operations.

To ensure that the veracity Association's financial statement is protected, Isla Lipana & Co. has been the external auditor of KCFAPI for the last 2 years.

Human Resources/Talent Management

The Association ensures its competitiveness in the industry by ensuring that its human capital is equipped with sufficient knowledge and expertise in carrying out its duties and responsibilities. In this regard, KCFAPI continues to engage the Life Office Management Association (LOMA) – an international trade association for the insurance and financial services industry known as a trusted source for industry knowledge, to provide its employees with quality training and development. For the year 2022, the Association has a total of four (4) Fellows, Life Management Institute; one (1) Associate, Life Management Institute; three (3) Principal, Customer Service and three (3) Associate, Customer Service.

KCFAPI is fully committed to ensuring the wellness of all its employees. As soon as the government restrictions have been lifted, some of the employee activities were reinstated to ensure that employees' well being are cared by the Association. The weekly mass for the spiritual needs of the members of the KCFAPI community was reinstated as well as the Agape (morning breakfast) with the aim of fostering stronger bond amongst peers. Furthermore, an internal newsletter dubbed as "Ablaze" was also launched in 2022 with the aim of proper dissemination of information within the workforce of the Association. Furthermore, staff meetings were done on a quarterly basis to ensure to foster transparence and ensure that there is open communication between the Management and the employees as integral part of the organization.

To ensure that employees are updated with their skills to ensure exemplary service to BC Holders, a Product and Process Knowledge training was held last September and October 2022 for all employees. Supervisory Skills training was also provided to all supervisors of the KCFAPI Group to further equip them with the necessary skills to motivate their direct reports in providing utmost customer service to BC Holders.

Solidarity with the Catholic Church, Clergy, and the Order of the Knights of Columbus

KCFAPI as a Catholic Organization fully supports the Order of the Knights of Columbus as the right arm of the Roman Catholic Church.

On the 13th year of the CBCP Seed of Hope Fund, KCFAPI turned over its donation of P1.0M, representing interest earned on the P10 M fund, for the projects of the Catholic Bishops Conference of the Philippines (CBCP). As of the year 2022, the total amount turned over to CBCP has already surpassed the amount of fund and reached P13.14 M.

2022 Seed of Hope donation to the CBCP

KCFAPI spreads the Word of God through the TV Program "The Word Exposed". A monthly donation of P25,000 or P300,000 a year is given to the Jesuits Communication Foundation.

During the commemoration of the 45th death anniversary of the Servant of God Fr. George J. Willmann, S.J. last September 14, 2022, a Holy Mass was celebrated at the Fr. George J. Willmann Chapel, presided by Rev. Fr. Robert T. Young and was also streamed live through the Fr. George J. Willmann, Servant of God Facebook Page that reached 1.7K views. The tomb of the Servant of God Fr. George J. Willmann, S.J. was also visited to offer flowers and prayers in line with the commemoration.

In line with the Association's heed to the call of Supreme Knight to Leave No Neighbor Behind, the Knights of Columbus Philippines' Members Assistance Program (KCMAP) against COVID19 was launched to provide financial assistance to K of C members and their families during the time of the pandemic. As the program ended in 2022 an amount of Php2,068,877.49, Php1,536,103.00, Php1,178,679.00, and Php2,721,187.50 or a total of Php7,504,846.99 were given to affected members in Luzon North, Luzon South, Visayas, and Mindanao jurisdictions, respectively.

Reshaping the Financial Future of K of C Families: Cultivating Values, Embracing Traditions

As KCFAPI turns a new leaf in moving forward to the second year of its five-year roadmap of reshaping the financial security of the KofC families, the Association is full of optimism as it aims to continue improving its products and services for its BC Holders and their immediate families.

Your Association will continue to embark on various key initiatives that would focus on increasing its total underwriting revenue, total underwriting deductions, revival and reinstatement of BCs that were lapsed and terminated during pandemic, optimizing investments and managing costs. This will be done through specific plans and programs that focus on Market Penetration, BC Retention, Service Improvement and Human Capital Development. These areas would ensure the fulfillment of our long-term goals for your benefits, our dear stakeholders.

The success of the Association would not have been possible without the support and commitment of the KCFAPI's sales force, employees, officers and Board of Trustees through regular Eucharistic celebrations, guidance of the Holy Spirit and inspiration of Blessed Michael J. McGivney and Fr. George J. Willmann, S.J.. We are looking forward to the continued faithfulness and success of our Association as we work hand in hand to secure the financial future of more KofC Families.

Vivat Jesus!

Ave Maria!

Rene V. Sarmiento
President/Chief Executive Officer

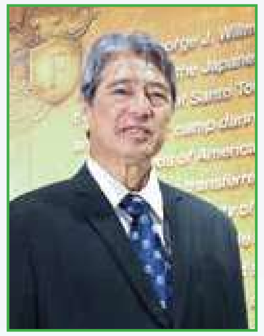
KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILIPPINES, INC. (KCFAPI)

BOARD OF TRUSTEES

2022-2023

Jose C. Reyes, Jr.

Chairman of the Board



Justice Reyes, 72 years old, Filipino, was elected Chairman of the Board in July 2017. He also holds the following positions: Supreme Director Emeritus, Knights of Columbus-USA, Trustee of Knights of Columbus Fr. George J. Willmann, Inc., and Faculty Member at De La Salle University.

His past positions are the following: KCFAPI President in July 2015 to June 2017, KCFAPI Corporate Secretary in July 2013 to June 2015, State Deputy of the Knights of Columbus Luzon North State Council from July 2015 to June 2019, Director of Keys Realty & Development Corporation from July 2011 to June 2019, and Director of Mace Insurance Agency, Inc. from July 2000 to June 2006. He was a retired Associate Justice of the Supreme Court. He has no directorship in any publicly listed company.

He graduated with a degree in Political Science at San Beda College and then took up Bachelor of Laws at the same University. He attended the following trainings and conferences: KofC Organizational Meeting of State Deputies, June 9-12, 2022, New Haven, CT, USA; KofC 140th Supreme Council Convention, August 2-4, 2022, Nashville, TN, USA; KofC Midyear Meeting of State Deputies, November 18-20, 2022, Orlando, Florida.

Rene V. Sarmiento

President

Atty. Sarmiento, 69 years old, Filipino, was elected President in July 2021. He was first elected Trustee in July 2018. He also holds the following positions: State Deputy of the Knights of Columbus Luzon North State Council, Director of Keys Realty &Development Corporation, Trustee of KC Philippines Foundation, Inc., Trustee of Knights of Columbus Fr. George J. Willmann Charities, Inc., Managing Partner at Rene V. Sarmiento Law Firm, Faculty Member at the San Beda University College of Law since 2006. He has no directorship in any publicly listed company. He was awarded the Supreme Knight's Pinnacle Award for the three preceding Columbian Years, the highest award given to a Jurisdiction who demonstrated achievements in different membership categories.

His past positions are the following: KCFAPI's Corporate Secretary in July 2001 to June 2004 and in July 2019 to June 2021, Trustee of KC Philippines Foundations 2001-2005, Chairman of the Board of Kompass Credit & Financing Corporation from July 2017 to June 2021, Director of Mace Insurance Agency, Inc. in 2006-2013, Director of Keys Realty & Development Corporation in 2013-2014, COMELEC Commissioner in 2006-2013, Chairman of the Parish Pastoral Council for Responsible Voting (PPCRV) in 2016-2018, and President of San Beda University Alumni Association in 2014-2016, Member of the 1986 Constitutional Commission (drafted the 1987 Constitution), Vice Chairman of the Government Panel for Talks with CPP/NPA/NDF, and OIC-Presidential Adviser on the Peace Process.

He graduated magna cum laude with a degree in Political Science at San Beda University and then took up Bachelor of Laws at the University of the Philippines. He attended the following trainings and conferences: Navigating AML Regulations: Online AML/CFT Training, May 27, 2022, AML Consulting Ph; KofC Organizational Meeting of State Deputies, June 9-12, 2022, New Haven, CT, USA; KofC 140th Supreme Council Convention, August 2-4, 2022, Nashville, TN, USA; KofC Midyear Meeting of State Deputies, November 18-20, 2022, Orlando, Florida.

Teofrido B. Lagria

Secretary

Engr. Lagria, 59 years old, was elected Secretary in July 2021. He was first elected Trustee in July 2019. He also holds the following positions: State Deputy of the Knights of Columbus Visayas State Council, Director of Keys Realty & Development Corporation, Treasurer of KC Philippines Foundation, Inc., Treasurer of Knights of Columbus Fr. George J. Willmann Charities, Inc., Trustee of the Visayas Columbian Foundation, Inc., and Account Officer at Land Bank of the Philippines (Samar Lending Center). He has no directorship in any publicly listed company. He was awarded with the Supreme Knight's Pinnacle Award for the three preceding Columbian Years, the highest award given to a Jurisdiction who demonstrated achievements in different membership categories.

He graduated cum laude with a degree in Bachelor of Science in Civil Engineering at the Divine Word University (Tacloban City) and earned MS Civil Engineering units at the University of the Philippines (Diliman). Engr. Lagria is a Licensed Civil Engineer. He attended the following trainings and conferences: AML/CTF Webinar, September 30, 2021, Anti-Money Laundering Council (AMLC); KofC Organizational Meeting of State Deputies, June 9-12, 2022, New Haven, CT, USA; KofC 140th Supreme Council Convention, August 2-4, 2022, Nashville, TN, USA; Economic Briefing, September 27, 2022, BPI Capital; AMLA Compliance in the Age of the Digital World, October 12, 2022, Institute of Corporate Governance (ICD); KofC Midyear Meeting of State Deputies, November 18-20, 2022, Orlando, Florida.

Gerry Eutemio T. Mission

Treasurer

Engr. Mission, 65 years old, was elected Treasurer in July 2018. He is the State Deputy of the Knights of Columbus Mindanao State Council. He also holds the following positions: Secretary of Keys Realty & Development Corporation, Secretary of KC Philippines Foundation, Inc., Secretary of Knights of Columbus Fr. George J. Willmann Charities, Inc., Operations Manager of JTMF Trade and Logistics Services (own business), and Operations Manager of Davao International Mega Gas Corporation. He has no directorship in any publicly listed company. He was awarded the Supreme Knight's Pinnacle Award for the three preceding Columbian Years, the highest award given to a Jurisdiction who demonstrated achievements in different membership categories.

He graduated with a degree in Bachelor of Science in Mechanical Engineering at the Adamson University. Engr. Mission is a Licensed Mechanical Engineer. He attended the following trainings and conferences: Navigating AML Regulations: Online AML/CFT Training, April 29, 2022, AML Consulting Ph; KofC Organizational Meeting of State Deputies, June 9-12, 2022, New Haven, CT, USA; KofC 140th Supreme Council Convention, August 2-4, 2022, Nashville, TN, USA; Economic Briefing, September 27, 2022, BPI Capital; KofC Midyear Meeting of State Deputies, November 18-20, 2022, Orlando, Florida.

Bonifacio B. Martinez

Trustee

Mr. Martinez, 73 years old, was elected Trustee in July 2017. He was KCFAPI President from August 2019 to June 2021. He also holds the following positions: President of Mace Insurance Agency, Inc., State Deputy of the Knights of Columbus Luzon South State Council, Treasurer of Keys Realty & Development Corporation, Trustee of KC Philippines Foundation, Inc., Trustee of Knights of Columbus Fr. George J. Willmann Charities, Inc., and Chairman of the Board of Kim Mary Star Food, Inc. He has no directorship in any publicly listed company. He was awarded the Supreme Knight's Pinnacle Award for the three preceding Columbian Years, the highest award given to a Jurisdiction who demonstrated achievements in different membership categories.

He graduated with a degree in Bachelor of Science in Business Administration major in Marketing at Aklan College. He attended the following trainings and conferences: Navigating AML Regulations: Online AML/CFT Training, April 29, 2022, AML Consulting Ph; KofC Organizational Meeting of State Deputies, June 9-12, 2022, New Haven, CT, USA; KofC 140th Supreme Council Convention, August 2-4, 2022, Nashville, TN, USA; KofC Midyear Meeting of State Deputies, November 18-20, 2022, Orlando, Florida.

Artemio C. Dela Cruz

Lead Independent Trustee

Mr. Dela Cruz, 72 years old, was elected Trustee in July 2022. He also holds the following positions: Managing Director of ACMS Consultants, Inc., Consultant and Country Representative of GT Australasia Pty. Ltd., Master of the Fourth Degree of the Knights of Columbus Ferdinand Magellan Province (District 4), Fraternal Adviser to the Knights of Columbus Luzon North State Council. He has no directorship in any publicly listed company.

His past positions are the following: Manager at the Bank of Philippine Island, Vice President for Finance and Administration at Chancellor Manufacturing Corporation, Consultant of various corporations, State Auditor of the Knights of Columbus Luzon North State Council.

He graduated with a degree in Bachelor of Science in Business Administration major in Accounting at the University of the East. He is a Certified Public Accountant (CPA). He attended the following trainings and seminars: KCFAPI Board Orientation for Newly Elected Trustees, August 18, 2022, conducted by the KCFAPI Senior Management; AML/CTF Fundamentals Webinar for Covered Persons, August 23, 2022, Anti-Money Laundering Council (AMLC); Corporate Governance Orientation Program (CGOP), August 24-25, 2022, Institute of Corporate Directors (ICD); Economic Briefing, September 27, 2022, BPI Capital.

Isagani B. Maghirang

Independent Trustee

Mr. Maghirang, 83 years old, was elected Trustee in July 2022. He is also the State Treasurer of the Knights of Columbus Luzon South State Council. He has no directorship in any publicly listed company.

His past positions are the following: Director of Mace Insurance Agency, Inc. (2017-2020), Trustee of Knights of Columbus Fr. George J. Willmann Charities, Inc. (2017-2021), Director of Keys Realty & Development Corporation (2020-2022), Department Head of City Environment & Natural Resources Office (CENRO) of San Pablo City Government.

He graduated with a degree in Bachelor of Science in Agriculture at the Araneta University. He is a Professional Agriculturist. He attended the following trainings and seminars: Navigating AML Regulations: Online AML/CFT Training, April 29, 2022, AML Consulting Ph; KCFAPI Board Orientation for Newly Elected Trustees, August 18, 2022, conducted by the KCFAPI Senior Management; Corporate Governance Orientation Program (CGOP), August 24-25, 2022, Institute of Corporate Directors (ICD); Economic Briefing, September 27, 2022, BPI Capital.

Gabriel D. Muñasque

Independent Trustee

Mr. Muñasque, 56 years old, was elected Trustee in July 2022. He is also the General Manager of South Cotabato Integrated Port Services, Inc. (an ICTSI Group Company). He has no directorship in any publicly listed company.

His past positions are the following: Accounting/Finance Manager of Plantek, Inc., Audit Executive of Sycip, Gorres, Velayo & Co. (SGV), Management Services Coordinator of Pioneer Hi-Bred Agricultural Technologies, Inc. (PHAT).

He graduated with a degree in Bachelor of Science in Commerce major in Accounting at the University of San Carlos and Master in Business Management at the Asian Institute of Management (AIM). He is a Certified Public Accountant (CPA). He attended the following trainings and seminars: 15th Investors in People Concourse: Inspiring Exceptional Performance, July 19, 2022, Investors in People Philippines; KCFAPI Board Orientation for Newly Elected Trustees, August 18, 2022, conducted by the KCFAPI Senior Management; AML/CTF Fundamentals Webinar for Covered Persons, August 23, 2022, Anti-Money Laundering Council (AMLC); Corporate Governance Orientation Program (CGOP), August 24-25, 2022, Institute of Corporate Directors (ICD); Stress Management & Ergonomics and Office Safety Seminar, September 12, 2022, Department of Labor & Employment (DOLE); Economic Briefing, September 27, 2022, BPI Capital.

Fiel M. Pedrosa

Independent Trustee

Engr. Pedrosa, 56 years old, was elected Trustee in July 2022. He also holds the following positions: Department Manager at Land Bank of the Philippines and State Treasurer of the Knights of Columbus Visayas State Council. He was a former Director of Keys Realty & Development Corp. (2020-2022). He has no directorship in any publicly listed company.

He graduated with a degree in Bachelor of Science in Civil Engineering at the Leyte Institute of Technology (now Eastern Visayas State University) and had his post graduate studies as follows: Leadership Development Program, Ateneo de Manila University (AdMU), Bachelor of Laws at the Dr. Vicente O. Romualdez Educational Foundation (DVOREF), Masters of Management in Public Management (MMPM) at the University of the Philippines- Tacloban College (UPTC). Engr. Pedrosa is a Licensed Civil Engineer and Licensed Real Estate Consultant. He attended the following trainings and seminars: AML/CTF Webinar for Designated Non-Financial Businesses & Professions (DNFBPs), September 30, 2021, Anti-Money Laundering Council (AMLC); KCFAPI Board Orientation for Newly Elected Trustees, August 18, 2022, conducted by the KCFAPI Senior Management; Economic Briefing, September 27, 2022, BPI Capital; Corporate Governance Orientation Program (CGOP), October 26-27, 2022, Institute of Corporate Directors (ICD).

Board Committees

A. AUDIT COMMITTEE

Chairman	Artemio C. Dela Cruz
Vice Chairman	Bonifacio B. Martinez
Members	Gerry Eutemio T. Mission
	Gabriel D. Munasque
	Isagani B. Maghirang

B. BOARD RISK OVERSIGHT COMMITTEE

Chairman	Isagani B. Maghirang
Vice Chairman	Teofrido B. Lagria
Members	Rene V. Sarmiento
	Fiel M. Pedrosa
	Artemio C. Dela Cruz

C. CORPORATE GOVERNANCE COMMITTEE

Chairman	Gabriel D. Munasque
Vice Chairman	Rene V. Sarmiento
Members	Bonifacio B. Martinez
	Isagani B. Maghirang
	Fiel M. Pedrosa

D. RELATED PARTY TRANSACTION COMMITTEE

Chairman	Fiel M. Pedrosa
Vice Chairman	Gerry Eutemio T. Mission
Members	Teofrido B. Lagria
	Artemio C. Dela Cruz
	Gabriel D. Munasque

E. HUMAN RESOURCES/REMUNERATION COMMITTEE

Chairman	Jose C. Reyes, Jr.
Vice Chairman	Rene V. Sarmiento
Members	Gerry Eutemio T. Mission
	Bonifacio B. Martinez
	Teofrido B. Lagria

Board Attendance

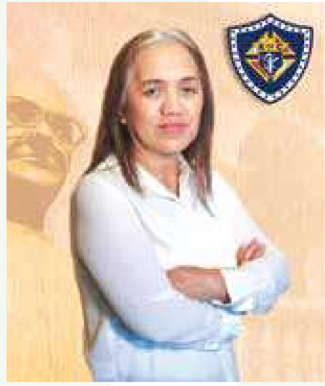
The record of attedance of the Trustees in the Board Meetings for the calendar year **2022** is as follows:

TRUSTEES:	Jan-27 Regular	Feb-07 Special	Feb-24 Regular	Mar-24 Regular	Apr-28 Regular	May-26 Regular	Jul-04 Regular	Jul-25 Org.	Aug-30 Regular	Sep-29 Regular	Oct-28 Regular	Nov-29 Regular	Dec-16 Regular	%
JOSE C. REYES, JR.	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
RENE V. SARMIENTO	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
GERRY EUTEMIO T. MISSION	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
TEOFRIDO B. LAGRIA	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
BONIFACIO B. MARTINEZ	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
ARTEMIO C. DELA CRUZ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	√	√	√	√	√	√	100%
ISAGANI B. MAGHIRANG	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	√	√	√	√	√	√	100%
FIEL M. PEDROSA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	√	√	√	√	√	X	83%
GABRIEL D. MUNASQUE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	√	√	√	√	√	√	100%
PROCULO T. SARMEN	√	√	√	√	√	√	√	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	100%
DANILO A. SANCHEZ	√	√	√	√	√	√	√	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	100%
JOVEN P. DY	√	√	√	√	√	√	√	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	100%
GLENN P. PERGAMINO	√	√	X	X	X	X	√	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	43%

LEGEND: √ - Present
X - Absent
n.a. - Outgoing
- Not yet elected

KCFAPI Officers & Consultants

Anthony P. Nazario
Executive Vice President



Mary Magdalene G. Flores, FLMI, PCS
Vice President, Treasury, BRO & Admin

Ronulfo Antero G. Infante, MBA
Vice President, MIS & Underwriting

Angelito A. Bala, MBA, MA
Vice President, Actuarial & Business Development

Rowena M. Diapolit, CPA, FLMI, ACS, ARA
Vice President, Financial Reporting & Controls

Adrian B. Boston
Senior Manager, FBG VisMin

Michael P. Cabra, MBA, ACS
Manager, National Sales Training Manager

Jhon Lyndon D. Palafox
Manager, Human Resources & Corporate Comm

Gloria O. Alegre, FLMI, PCS
Manager, BC Relations Office

Marianne M. Gatdula, MBA
Manager, Underwriting Services

Ronald T. Vargas, ALMI, MPC
Manager, Information Technology

CONSULTANTS

Panfilo P. de la Paz, FSA, FASP
Actuary

Atty. Eduardo P. Lizares
Padilla Law Office
Legal Counsel

Jaime M. Talag, MD
Medical Consultant

Wholly-Owned and Majority Owned Companies' and Foundations' Financial Highlights

KEYS REALTY & DEVELOPMENT CORPORATION

Financial Highlights ('000)	2021	2022
Assets	717,589	813,354
Stockholders' Equity	607,073	684,430
Revenue	75,659	84,318
Net Income	10,855	11,422

Board of Directors

Chairman RAMONCITO A. OCAMPO
President JOVEN P. DY
Secretary GERRY EUTEMIO T. MISSION
Treasurer BONIFACIO B. MARTINEZ

Directors
RENE V. SARMIENTO
TEOFRIDO B. LAGRIA
JACINTO S. PANCHA
GIL DINDO O. BERINO
DANILO A. SANCHEZ
ODELON S. MABUTIN
FLORENCIO A. PINEDA, JR.

RIZ S. NICOLAS, CPA
Vice President, Finance & Realty
ENGR. MARK LLOYD B. LIRIO
Manager, Real Estate

EDISON S. IMPANG, JR.
Manager, Hotel
RICHARD M. BELEN, CPA
Manager, Accounting

MACE INSURANCE AGENCY, INC.

Financial Highlights ('000)	2021	2022
Assets	13,154	12,832
Stockholders' Equity	(462)	3,847
Revenue	9,501	9,624
Net Income	798	821

Board of Directors

Chairman PASCUAL C. CARBERO
President BONIFACIO B. MARTINEZ
Secretary EDUARDO A. LARA
Treasurer WENCESLAO A. CANETE, JR.

Directors
MANOLITO M. MAGSINO
EDWIN B. DAWAL
DANILO B. PACOY

Manager ARNOLD D. TAÑAG
Consultant BASIL B. OCCENO

Wholly-Owned and Majority Owned Companies' and Foundations' Financial Highlights

KOMPASS CREDIT AND FINANCING CORPORATION

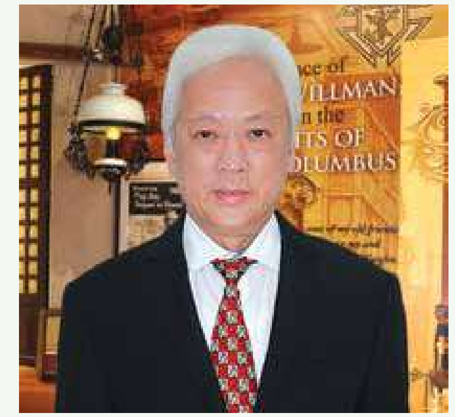
Financial Highlights ('000)	2021	2022
Assets	325,237	372,202
Stockholders' Equity	317,543	368,818
Revenue	18,352	21,515
Net Income	7,533	11,292

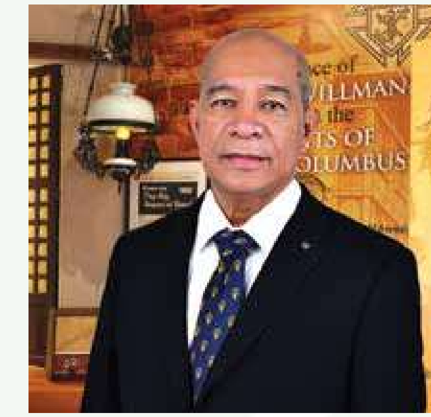
Board of Directors

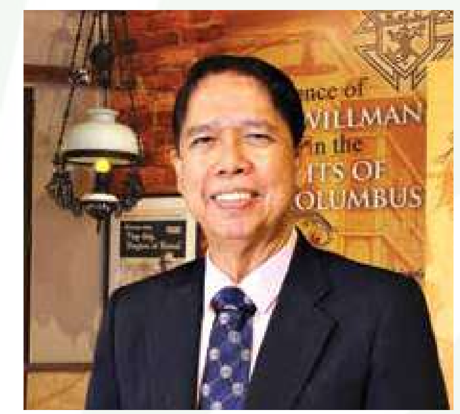
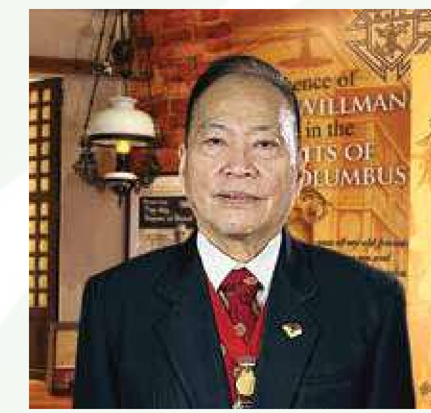
Chairman HILARIO G. DAVIDE, JR.
President DANILO A. SANCHEZ
Secretary ANTONIO B. PARTOZA, JR.
Treasurer HESIQUIO R. MALLILLIN

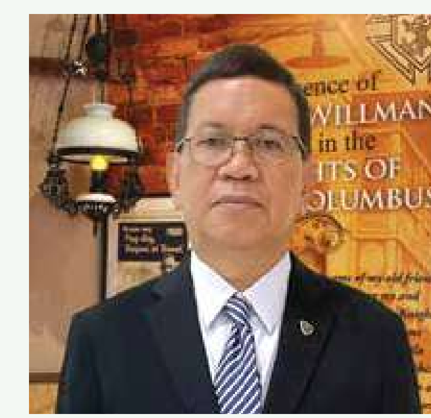
Directors
ANTONIO B. FIDELINO
MARK ANTHONY R. LODRIGITO
PEPITO G. PARADERO

MARY MAGDALENE G. FLORES — *Vice President, Treasury*
ROWENA M. DIAPOLIT — *Vice President, Financial Reporting & Controls*
AILEEN D. MILLAN — *Manager, Credit & Loans*





KC PHILIPPINES FOUNDATION, INC.

Fi	2021	2022
Assets	30,654	32,336
Fund Balance	28,754	29,501
Revenue	4,979	4,717
Excess of Revenue Over Expenses	2,272	747

Board of Directors

Chairman ARSENIO ISIDRO G. YAP
President ALONSO L. TAN
Secretary GERRY EUTEMIO T. MISSION
Treasurer TEOFRIDO B. LAGRIA
Trustee
RENE V. SARMIENTO
BONIFACIO B. MARTINEZ
HILARIO G. DAVIDE, JR.
MARIO T. PIAMONTE
PROCULO T. SARMEN
Manager KRIS JAY ROLEX A. YNGCO

Wholly-Owned and Majority Owned Companies' and Foundations' Financial Highlights

Board of Directors

Chairman ARSENIO ISIDRO G. YAP
President ALONSO L. TAN
Secretary GERRY EUTEMIO T. MISSION
Treasurer TEOFRIDO B. LAGRIA

Trustee
RENE V. SARMIENTO
BONIFACIO B. MARTINEZ
JOSE C. REYES, JR.
HILARIO G. DAVIDE, JR.
JACINTO S. PANCHA
ANTONIO B. FIDELINO
MSGR. PEDRO C. QUITORIO III
FR. ROBERT T. YOUNG
FR. JERONIMO MA. J. CRUZ
FR. HERNANDEZ P. MENDOZA, JR.
REYNALDO P. PARINAS

Manager KRIS JAY ROLEX A. YNGCO

KNIGHTS OF COLUMBUS FR. GEORGE J. WILLMANN CHARITIES, INC.

Assets	43,533	47,175
Fund Balance	41,134	43,966
Revenue	7,055	9,892
Excess of Revenue Over Expenses	977	2,832

46TH Fr. George J. Willmann, Servant of God ANNUAL FAMILY SERVICE AWARDS

PINNACLE AWARD – AREA MANAGERS

EFREN M. CASUPANAN
CENTRAL LUZON BELIEVERS (CLB)

BERNARDO R. RIOTOC
NORTHWESTERN LUZON THUNDERS (NWL)

CHAIRMAN KNIGHTS OF THE ROUND TABLE – AREA MANAGERS

DANILO C. COSME
METRO MANILA CHANCELLORS (MMC)

PRESIDENT'S CIRCLE – AREA MANAGERS

LAURO L. EVANGELISTA
CENTRAL LUZON EVANGELIZERS (CLE)

MANUEL L. NALDOZA
CENTRAL LUZON CONQUERORS (CLC)

ROY A. ROSALES
NORTHEASTERN MINDANAO RADIANT SUN (NEM)

JU-GEORGE E. GALURA, JR
METRO MANILA ACHIEVERS (MMA)

ROGELIO D. TADURA
EASTERN MINDANAO EAGLES (EME)

FR. GEORGE J. WILLMANN UM CIRCLE OF HONOR

MACARIO S. MENDOZA
CENTRAL LUZON BELIEVERS 2 (CLB2)

CHAIRMAN KNIGHTS OF THE ROUND TABLE – UNIT MANAGERS

VICENTE O. ESPIRAZ
SOUTHERN LUZON LAKERS 5 (SL5)

LORENZO D. LABRADOR, JR
SOUTHERN MINDANAO MARLINS 4 (SMM4)

RENE P. CRUZ
CENTRAL LUZON CONQUERORS 6 (CLC6)

ANGEL C. CASIDING, JR
SOUTHERN LUZON LAKERS 9 (SL9)

REX E. BLANCO
CENTRAL LUZON CONQUERORS 5 (CLC5)

ROLLY DV RAMOS
CENTRAL LUZON CONQUERORS 4 (CLC4)

PRESIDENT'S CIRCLE – UNIT MANAGERS

RODRIGO B. SALIGUMBA
METRO MANILA CHANCELLORS 6 (MMC6)

JOSEFINO F. VALENCIA
NORTHWESTERN LUZON THUNDERS 5 (NWL5)

LEONARDO O. GATUZ
CENTRAL LUZON EVANGELIZERS 2 (CLE2)

JUANITO V. ELLEMA, JR.
METRO MANILA CHANCELLORS 8 (MMC8)

ROY M. WAGA
NORTHERN MINDANAO PROTECTORS 4 (NMP4)

NESTOR G. JIMENEZ
EASTERN MINDANAO EAGLES II (EMEII)

RAMIR M. OLIPERNES
SOUTHERN LUZON LAKERS 8 (SL8)

FERNANDO P. SALCEDO JR.
CENTRAL LUZON EVANGELIZERS 3 (CLE3)

JOSE ROLANDO G. SANORIA
METRO MANILA ACHIEVERS 2 (MMA2)

JOSE R. SANTOS
CENTRAL LUZON BELIEVERS 4 (CLB4)

PETRONILO P. MAGNO JR.
METRO MANILA CHANCELLORS 4 (MMC4)

CONRADO S. DATOR, JR
SOUTHERN LUZON LAKERS (SL)
46TH AFSA PINNACLE AWARD, AREA MANAGER OF THE YEAR

46TH Fr. George J. Willmann, Servant of God ANNUAL FAMILY SERVICE AWARDS

FC OF THE YEAR RUNNERS-UP

FRANCISCO C. BALLESTEROS
CENTRAL LUZON CONQUERORS 4 (CLC4)

NIEDY T. ALCONTIN
NORTHERN MINDANAO HUNTERS 6 (NMH6)

REYNALDO Q. SEGISMUNDO
NORTHWESTERN LUZON THUNDERS 2 (NWL2)

CHAIRMAN KNIGHTS OF THE ROUND TABLE

MYRNA B. TADURA
EASTERN MINDANAO EAGLES II (EMEII)

MARK ANTHONY M. MARTINEZ
METRO MANILA DRAGONS 4 (MMD4)

NONILON D. AYON
SOUTHERN LUZON LAKERS 5 (SL5)

DANILO M. TULLAO
NORTHEASTERN LUZON LIONS (NEL)

RODERICK S. SALVADOR
CENTRAL LUZON BELIEVERS 2 (CLB2)

VENECIO M. VILLAR
CENTRAL LUZON BELIEVERS 5 (CLB5)

ALMA M. SANORIA
METRO MANILA ACHIEVERS 2 (MMA2)

RODOLFO A. VELMONTE
METRO MANILA CHANCELLORS 6 (MMC6)

RODRIGO S. DEL ROSARIO
METRO MANILA DRAGONS 4 (MMD4)

ANGELO E. CONCEPCION
CENTRAL LUZON CONQUERORS 5 (CLC5)

PRESIDENT'S CIRCLE

ELPIDIO JESUS U. AVENA
CENTRAL LUZON BELIEVERS 4 (CLB4)

JUDITHC. SABELLANO
NORTHERN MINDANAO PROTECTORS 4 (NMP4)

ROQUEB. VERMUG
EASTERN VISAYAS LEYTE 2 (EVL2)

ANGELITO T. LAT
SOUTHERN LUZON LAKERS 8 (SL8)

VIRGINIA V. RAMOS
CENTRAL LUZON CONQUERORS 4 (CLC4)

RODOLFO N. ALONGALAY
CENTRAL LUZON BELIEVERS 2 (CLB2)

LUZVIMINDA R. MENDOZA
CENTRAL LUZON BELIEVERS 2 (CLB2)

GERARDO O. GATUZ
CENTRAL LUZON EVANGELIZERS 2 (CLE2)

CELSO D. ANINO
METRO MANILA CHANCELLORS 4 (MMC4)

ELPIDIO Z. CAAGBAY
SOUTHERN LUZON LAKERS 9 (SL9)

ROMARICO B. JAVIER
NORTHWESTERN LUZON THUNDERS 5 (NWL5)

MARIA VICTORIA L. NEGROS
EASTERN VISAYAS LEYTE 2 (EVL2)

FRANCISCO A. REYES
METRO MANILA CHANCELLORS 8 (MMC8)

BIENVENIDO D. SUILAN
CENTRAL LUZON BELIEVERS 1 (CLB1)

RONESTO F. LUARCA
SOUTHERN MINDANAO MARLINS 4 (SMM4)

JEAN PAUL S. TOLENTINO
NORTHWESTERN LUZON THUNDERS 5 (NWL5)

MELISSA LOURDES Z. REYES
CENTRAL LUZON EVANGELIZERS 6 (CLE6)

BRICCIO A. DIASANTA
CENTRAL LUZON CONQUERORS 6 (CLC6)

ROLANDO C. VERDE
CENTRAL LUZON CONQUERORS 6 (CLC6)

RAMON C. BALALLO
NORTHWESTERN LUZON THUNDERS 2 (NWL2)

EDUARDO L. SELVIDO
SOUTHERN MINDANAO MARLINS 4 (SMM4)

TERESITA D. LABILLES
CENTRAL LUZON BELIEVERS 5 (CLB5)

ALBERTO C. CALSADA
NORTHWESTERN LUZON THUNDERS 4 (NWL4)

SANTIAGO B. URMATAN
METRO MANILA ACHIEVERS 1 (MMA1)

ARFELCRIS A. TAPALLA
SOUTHERN LUZON LAKERS 5 (SL5)

MORIEL C. BLANCO
CENTRAL LUZON CONQUERORS 5 (CLC5)

TEODORO E. RADA
SOUTHERN LUZON LAKERS 9 (SL9)

NORA L. EVANGELISTA
CENTRAL LUZON EVANGELIZERS 3 (CLE3)
46TH AFSA FRATERNAL COUNSELOR OF THE YEAR

Independent Auditor's Report

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Knights of Columbus Fraternal Association of the Philippines, Inc.

(the "Company") as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of income for the years ended December 31, 2022 and 2021;
- the statements of comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in net worth for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the Bureau of Internal Revenue Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Bureau of Internal Revenue (BIR) Revenue Regulations Nos. 15-2010 and 34-2020 in Note 28 to the financial statements is presented for the purposes of filing with the BIR and are not required parts of the basic financial statements. Such information is the responsibility of management of the Company. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

(Sgd.) Imelda Dela Vega-Mangundaya
Partner
CPA Cert. No. 0090670
PTR No. 0024586, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 90670-SEC, Category A; valid to audit 2019 to 2023 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 152-015-124
BIR A.N. 08-000745-047-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 27, 2023

Knights of Columbus Fraternal Association of the Philippines, Inc.
(A Nonstock, Not-for-Profit Fraternal Beneficiary Society)

Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
Assets			
Cash and cash equivalents	2	468,380,404	339,128,465
Short-term investments	2	173,936,567	5,102,091
Insurance receivables	3	21,117,521	20,281,330
Financial assets at fair value and amortized cost	4	5,615,677,491	5,748,730,309
Investment in subsidiaries	5	502,077,694	458,327,694
Property and equipment, net	6	346,995,861	346,578,366
Pension asset, net	19	15,509,871	-
Other assets		4,390,313	3,541,212
Total assets		7,148,085,722	6,921,689,467
LIABILITIES AND NET WORTH			
Liabilities			
Insurance contract liabilities, net	7,8	5,337,395,391	5,122,707,208
Other investment contract liabilities	9	236,656,571	246,826,319
Other insurance contract liabilities	10	3,934,580	3,649,697
Members' participation payable	11	122,931,606	127,940,142
Accounts payable and other liabilities	12	158,537,558	169,387,136
Pension liability, net	19	-	1,474,584
Total liabilities		5,859,455,706	5,671,985,086
Net worth			
Contribution from founding members		32,000	32,000
Other reserves	6,8	370,185,139	349,783,311
Surplus			
Unappropriated		918,412,877	894,889,070
Appropriated		-	5,000,000
Total net worth		1,288,630,016	1,249,704,381
Total liabilities and net worth		7,148,085,722	6,921,689,467

Statements of Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Revenue			
Gross earned contributions on insurance contracts		799,147,000	768,016,384
Reinsurers' share of gross earned contributions on insurance contracts		(771,182)	(882,970)
Net earned contributions on insurance contracts		798,375,818	767,133,414
Interest income	13	339,722,411	339,010,361
Dividend income	4,5	38,692,010	34,924,382
Fair value (loss) gain on financial assets at fair value through profit or loss	4	(59,790,752)	10,474,914
Realized gain on sale of financial assets at fair value through profit or loss	4	3,163,390	5,730,151
Foreign exchange gain, net	25.4.4	25,528,577	11,828,886
Other income, net		924,328	921,695
Total investment income		348,239,964	402,890,389
Total revenue		1,146,615,782	1,170,023,803
Benefits, claims, and operating expenses			
Gross benefits and claims incurred on insurance contracts	15	573,218,448	678,184,865
Gross change in legal policy reserves		246,653,893	202,619,722
Reinsurers' share of gross change in legal policy reserves	7	(500,557)	(645,101)
Net insurance benefits and claims	7,15	819,371,784	880,159,486
General and administrative expenses	16	133,385,393	107,673,473
Commissions and other direct expenses	17	80,816,244	76,282,597
Interest expense	18	25,769,941	21,876,732
Operating expenses		239,971,578	205,832,802
Total benefits, claims and operating expenses		1,059,343,362	1,085,992,288
Excess of revenue before final tax		87,272,420	84,031,515
Provision for final tax	21	(53,551,358)	(53,407,393)
Excess of revenue before participation of benefit certificate holders		33,721,062	30,624,122
Participation of benefit certificate holders	11	(16,000,000)	(13,000,000)
Excess of revenue over expenses		17,721,062	17,624,122

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Note	2022	2021
Excess of revenue over expenses		17,721,062	17,624,122
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain on retirement plan	19	21,204,573	20,219,856
Total comprehensive income for the year		38,925,635	37,843,978

Statements of Changes in Net Worth

For the years ended December 31, 2022 amd 2021
(All amounts in Philippine Peso)

		Other reserves					
	Contribution from founding members	Revaluation increment on property and equipment (Note 6)	Reserve for fluctuation on financial assets at FVOCI (Note 4)	Reserve for retirement plan (Note 18)	Unappropriated surplus	Appropriated surplus	Total net worth
Balances as at January 1, 2021	32,000	317,215,970	(831,699)	13,150,230	882,293,902	-	1,211,860,403
Other comprehensive income							
Excess of revenue over expenses	-	-	-	-	17,624,122	-	17,624,122
Other comprehensive income	-	-	-	20,219,856	-	-	20,219,856
Total comprehensive income for the year	-	-	-	20,219,856	17,624,122	-	37,843,978
Transfer to surplus	-	-	831,699	-	(831,699)	-	-
Transfer from property revaluation increment	-	(802,745)	-	-	802,745	-	-
Appropriation of surplus	-	-	-	-	(5,000,000)	5,000,000	-
Balances as at December 31, 2021	32,000	316,413,225	-	33,370,086	894,889,070	5,000,000	1,249,704,381
Other comprehensive income							
Excess of revenue over expenses	-	-	-	-	17,721,062	-	17,721,062
Other comprehensive income	-	-	-	21,204,573	-	-	21,204,573
Total comprehensive income for the year	-	-	-	21,204,573	17,721,062	-	38,925,635
Transfer from property revaluation increment	-	(802,745)	-	-	802,745	-	-
Reversal of appropriation of surplus	-	-	-	-	5,000,000	(5,000,000)	-
Balances as at December 31, 2022	32,000	315,610,480	-	54,574,659	918,412,877	-	1,288,630,016

Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Cash flows from operating activities			
Excess of revenue over expenses before final tax		87,272,420	84,031,515
Adjustments for:			
Interest income	13	(339,722,411)	(339,010,361)
Increase in legal policy reserves		246,153,336	201,974,621
Dividend income	4,5	(38,692,010)	(34,924,382)
Interest expense	18	25,769,941	21,876,732
Fair value loss (gain) on financial assets at fair through profit or loss	4	59,790,752	(10,474,914)
Unrealized foreign exchange loss, net	25.4.4	17,279,354	10,888,295
Depreciation	6	6,807,743	4,796,365
Current service costs on retirement plan	19	7,217,632	8,322,824
(Reversal of) provisions for credit losses	4	(6,293,635)	3,000,001
Amortization of premium	4	2,505,147	1,946,522
Realized gain on sale of financial assets at FVTPL	4	(3,163,390)	(5,730,151)
Gain on sale of property and equipment and other income	6	(135,000)	(132,500)
Operating income before working capital changes		64,789,879	(53,435,433)
(Increase) decrease in:			
Insurance receivables		(836,191)	(1,562,913)
Short-term investments		(168,834,476)	(5,102,091)
Loans and receivables		18,741,683	3,425,173
Other assets		(849,101)	5,874,707
Increase (decrease) in:			
Claims payable		(31,465,153)	29,512,908
Other investment contract liabilities		(10,169,748)	(13,765,078)
Other insurance contract liabilities		284,883	(936,316)
Members' participation payable		(21,008,536)	(34,117,660)
Accounts payable and other liabilities		(14,822,510)	37,040,978
Net cash used in operations		(164,169,270)	(33,065,725)
Interest paid		(24,791,190)	(22,840,643)
Final tax paid		(53,551,358)	(53,407,393)
Net cash used in operating activities		(242,511,818)	(109,313,761)
Cash flows from investing activities			
Interest received		342,692,733	338,656,617
Dividends received		38,510,734	38,140,977
Proceeds from maturities/disposals of:			
Debt securities at amortized cost	4	1,536,591,142	947,542,801
Financial assets at FVTPL	4	282,602,390	464,449,151
Property and equipment	6	972,089	132,500
Acquisitions of:			
Investment in a subsidiary	5	(43,750,000)	-
Debt securities at amortized cost	4	(1,414,712,385)	(1,164,188,635)
Financial assets at FVTPL	4	(363,080,619)	(440,516,381)
Property and equipment	6	(8,062,327)	(3,119,172)
Net cash flows provided by investing activities		371,763,757	181,097,858
Net increase in cash and cash equivalents		129,251,939	71,784,097
Cash and cash equivalents at January 1		339,128,465	267,344,368
Cash and cash equivalents at December 31	2	468,380,404	339,128,465

Knights of Columbus Fraternal Association of the Philippines, Inc.
(A Nonstock, Not-for-Profit Fraternal beneficiary Society)

Notes to the Financial Statements
As at and for the years ended December 31, 2022 and 2021
(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - Corporate information

Knights of Columbus Fraternal Association of the Philippines, Inc. (the "Company") was incorporated in the Philippines on August 1, 1958 as a nonstock, not-for-profit fraternal beneficiary society. It has been granted perpetual existence after its latest corporate term extension last July 16, 2004 upon effectivity of the Republic Act No. 11232 otherwise known as the Revised Corporation Code last February 28, 2019. The Company is a mutual benefit association which provides optimum fraternal benefits program for its members and their immediate families.

The registered office address of the Company is KCFAPI Center, Gen. Luna corner Sta. Potenciana Streets, Intramuros, Manila.

The accompanying Company's financial statements were authorized for issue by the Board of Trustees on April 26, 2023. There are no material events that occurred from April 26, 2023 to April 27, 2023.

Note 2 - Cash and cash equivalents; Short-term investments

Cash and cash equivalents

The account as at December 31 consists of:

	2022	2021
Cash on hand	607,928	70,633
Cash in banks	41,126,226	58,542,687
Cash equivalents	426,646,250	280,515,145
	468,380,404	339,128,465

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents pertain to short-term time deposits that have average maturities up to three (3) months from acquisition and earn annual interest rates that ranged from 4% to 5% in 2022 (2021 - 0.10% to 1.13%).

For the year ended December 31, 2022, interest income earned from cash in banks and short-term deposit amounted to P4,836,756 and P686,596, respectively (2021 - P675,494 and P3,447, respectively) (Note 13). Accrued interest from cash and cash equivalents and short-term investments amounts to P1,433,381 and P257,667 (2021 - P69,591 and nil), respectively as at December 31, 2022 (Note 4).

Short-term investments

Short-term investments consist of time deposits maturing within one (1) year after reporting period and earn annual interest rates that ranged from 4% to 5% in 2022 (2021 - 0.10% to 1.13%).

Note 3 - Insurance receivables

The account as at December 31 consists of:

	2022	2021
Premiums due and uncollected	21,092,580	20,281,330
Due from reinsurers	24,941	-
	21,117,521	20,281,330

Premiums due and uncollected represent outstanding insurance contributions on in-force benefit certificates, which are collectible within the Company's grace period of 30 days or one (1) month.

Due from reinsurers pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company which are due and demandable.

Note 4 - Financial assets at fair value and amortized cost

The Company's financial assets as at December 31 are summarized by measurement categories as follows:

	2022	2021
At FVTPL	497,938,402	474,086,864
At FVOCI (club shares)	167,000	167,000
At amortized cost	5,117,572,089	5,274,476,445
	5,615,677,491	5,748,730,309

The assets included in each of the categories above are detailed below as at December 31:

Financial assets at FVTPL

	2022		2021	
	At fair value	At cost	At fair value	At cost
Preferred shares	424,628,198	451,410,450	474,086,864	461,340,450
Common shares	73,310,204	93,704,690	-	-
	497,938,402	545,115,140	474,086,864	461,340,450

The Company's financial assets at FVTPL pertain to investments in listed equity securities.

Dividend income arising from financial assets at FVTPL in 2022 amounted to P28,877,094 (2021 - P25,692,862).

Fair value loss on financial assets at FVTPL in 2022 amounted to P59,790,752 (2021 - P10,474,914 gain).

Realized gain on sale of financial assets at FVTPL in 2022 amounted to P3,163,390 (2021 - P5,730,151).

Financial assets at amortized cost

	Note	2022	2021
Loans and receivables		743,702,924	760,917,965
Debt securities		4,383,065,931	4,524,733,193
Accrued income			
Interests			
Financial assets at amortized cost		33,489,593	38,081,372
Cash and cash equivalents	2	1,433,381	69,591
Short-term investments	2	257,667	-
Dividends		3,478,932	3,297,656
		5,165,428,428	5,327,099,777
Unearned interest on benefit certificate loans		(27,926,557)	(26,399,915)
Allowance for credit losses		(19,929,782)	(26,223,417)
		5,117,572,089	5,274,476,445

The composition of the account as to currency as at December 31 follows:

	Note	2022	2021
Philippine Peso		4,825,627,809	5,004,514,065
United States Dollar	25.4.4	291,944,280	269,962,380
		5,117,572,089	5,274,476,445

Interest income (net of amortization of premium) arising from financial assets at amortized cost amounted to P273,796,237 in 2022 (2021 - P279,877,665) (Note 13).

a) *Loans and receivables as at December 31 follow:*

	Note	2022	2021
Benefit certificate loans		615,345,307	586,487,210
Long-term investments		87,650,284	130,173,559
Due from related parties	23	2,036,605	1,810,177
Mortgage and collateral loans		1,749,697	3,814,783
Other receivables		36,921,031	38,632,236
		743,702,924	760,917,965
Unearned interest on benefit certificate loans		(27,926,557)	(26,399,915)
Allowance for credit losses for other receivables		(18,373,111)	(17,552,272)
		697,403,256	716,965,778

Interest income arising from loans and receivables amounted to P60,402,822 in 2022 (2021 - P58,453,755) (Note 13).

Benefit certificate loans pertain to loans issued to benefit certificate holders through cash loans and automatic contribution loans. The loan is issued to the certificate holders, in which the cash surrender value of the benefit certificate serves as collateral. Interest earned from these loans is at 10% to 11% and 8% per annum on Peso and US Dollar denominated loans, respectively. Unearned interest from benefit certificate loans represents the unearned portion of interest charges from the benefit certificate loans.

Long-term deposits pertain to time deposits in banks with maturities of more than 360 days or one (1) year, which earn interest ranging from 2.35% to 4.0% in 2022 and 2021.

Other receivables consist of receivables from employees, sales force, subsidiaries, and the order of the Knights of Columbus. Other receivables also include account balances from closed banks with full provision of allowance for impairment loss and deposits in-transits from pending inter-bank transfer on collections received from the Service Offices. Loans to fraternal counselors and employees are interest-bearing at 6.0% in 2022 and 2021, and are due and demandable.

Other receivables, mortgage and collateral loans, and due from related parties accounts with nominal value of P18,373,111 and P17,552,272 were fully provided with allowance for ECL as at December 31, 2022 and 2021, respectively.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other receivables as at December 31 follow (in thousands of PHP):

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount January 1	20,222	6,483	17,552	44,257
New assets originated or purchased	16,470	-	-	16,470
Assets derecognized or repaid	(20,026)	-	-	(20,026)
Transfers to Stage 1	-	-	-	-
Transfers from Stage 2	-	(821)	-	(821)
Transfers to Stage 3	-	-	821	821
	16,666	5,662	18,373	40,701
Allowance for credit losses				
At January 1	-	-	17,552	17,552
Provision for credit losses	-	-	821	821
At December 31	-	-	18,373	18,373

2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount January 1	15,386	6,483	17,552	39,421
New assets originated or purchased	4,836	-	-	4,836
Assets derecognized or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
	20,222	6,483	17,552	44,257
Allowance for credit losses as				
At January 1	-	-	17,552	17,552
Provision for credit losses	-	-	-	-
At December 31	-	-	17,552	17,552

b) *Debt securities at amortized cost as at December 31 follow:*

	2022	2021
Government bonds	1,010,376,402	1,256,192,694
Corporate bonds	2,645,430,000	2,601,420,000
Retail treasury bonds	476,700,000	431,700,000
ROP bonds	200,559,529	185,420,500
Government securities with IC	50,000,000	50,000,000
	4,383,065,931	4,524,733,194
Allowance for credit losses	(1,556,671)	(8,671,145)
	4,381,509,260	4,516,062,049

Interest income (net of amortization of premium) arising from debt securities at amortized cost amounted to P273,796,237 in 2022 (2021 - P279,877,665) (Note 13). Accrued interest amounts to P33,489,593 as at December 31, 2022 (2021 - P38,081,372).

Government bonds consist of fixed income treasury bonds and treasury bills maturing within one (1) up to 25 years from date of acquisition which bear fixed interest rates in 2022 ranging from 2.63% to 18.25% (2021 - 0.98% to 18.25%) per annum. Corporate bonds, maturing within one (1) up to 12 years from date of acquisition, bear fixed interest rates ranging from 2.46% to 8.00% per annum in 2022 and 2021.

Retail treasury bonds are PHP-denominated bonds maturing within three (3) up to 10 years from date of acquisition, and bears fixed interest rates of 2.63% to 6.25% per annum in 2022 and 2021.

Republic of the Philippines (ROP) bonds are US dollar-denominated bonds maturing within 12 up to 24 years from date of acquisition, and bears fixed interest rates of 5.50% to 10.63% per annum in 2022 and 2021.

As at December 31, 2022 and 2021, government securities with face amount of P50,000,000 are deposited with the IC as security for benefit certificate holders and creditors of the Company in accordance with Chapter V Section 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with IC and its purpose is to pay valid claims against insolvent insurance companies.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Stage 1 debt securities at amortized cost follow (in thousands of PHP):

2022	Government bonds	Corporate bonds	Retail treasury bonds	ROP bonds	Government securities with IC	Total
Gross carrying amount						
At January 1	1,256,193	2,601,420	431,700	185,420	50,000	4,524,733
New assets originated or purchased	755,136	555,010	70,000	34,566	-	1,414,712
Assets derecognized or repaid	(1,000,591)	(511,000)	(25,000)	-	-	(1,536,591
Amortization of premium	(362)	-	-	(2,143)	-	(2,505
Foreign exchange loss	-	-	-	(17,283)	-	(17,283
At December 1	1,010,376	2,645,430	476,700	200,560	50,000	4,383,066
Allowance for credit losses						
At January 1	1,686	6,017	646	251	71	8,671
Reversal of provision for impairment losses	(1,070)	(5,728)	(179)	(96)	(41)	(7,114
At December 1	616	289	467	155	30	1,557

2021	Government bonds	Corporate bonds	Retail treasury bonds	ROP bonds	Government securities with IC	Total
Gross carrying amount						
At January 1	1,151,534	2,481,330	461,700	176,358	50,000	4,320,922
New assets originated or purchased	656,623	485,790	-	21,776	-	1,164,189
Assets derecognized or repaid	(551,843)	(365,700)	(30,000)	-	-	(947,543
Amortization of premium	(121)	-	-	(1,826)	-	(1,947
Foreign exchange loss	-	-	-	(10,888)	-	(10,888
At December 1	1,256,193	2,601,420	431,700	185,420	50,000	4,524,733
Allowance for credit losses						
At January 1	733	4,517	281	109	31	5,67
Provision for impairment losses	953	1,500	365	142	40	3,00
At December 1	1,686	6,017	646	251	71	8,67

The carrying values of Stage 1 financial assets have been determined as at December 31 follows (in thousands of PHP):

2022	FVTPL	FVOCI	Amortized cost	Total
At January 1	474,087	167	5,274,476	5,748,730
Additions	363,081	-	1,605,158	1,968,239
Redemptions	(279,439)	-	(100,502)	(379,941)
Maturities	-	-	(1,648,065)	(1,648,065)
Fair value loss recognized in profit or loss	(59,791)	-	-	(59,791)
Amortization of premium	-	-	(2,505)	(2,505)
Foreign exchange adjustments	-	-	(17,283)	(17,283)
Provision for credit losses, net	-	-	6,293	6,293
At December 31	497,938	167	5,117,572	5,615,677

2021	FVTPL	FVOCI	Amortized cost	Total
At January 1	483,133	167	5,079,953	5,563,253
Additions	440,516	-	1,164,260	1,604,776
Redemptions	(254,463)	-	-	(254,463)
Maturities	(204,256)	-	(953,902)	(1,158,158)
Fair value gain recognized in profit or loss	9,157	-	-	9,157
Amortization of premium	-	-	(1,947)	(1,947)
Foreign exchange adjustments	-	-	(10,888)	(10,888)
Provision for credit losses, net	-	-	(3,000)	(3,000)
At December 31	474,087	167	5,274,476	5,748,730

Allowance for credit losses

The Company applied the general approach under PFRS 9, *Financial Instruments*, to measure expected credit losses (ECL) for its loans and receivables and debt securities.

To measure the ECL, the Company uses three categories that reflect the credit risk of the underlying receivable balance and how the loan loss provision is determined for each of those categories. A summary of the assumptions underpinning the Company's ECL model is as follows:

Category	Definition of category	Basis for recognition of credit loss
Stage 1	Counterparty debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected losses. Where the expected term of the loan is less than 12-months, expected losses are measured at its expected lifetime.
Stage 2	Loans for which there is a significant increase in credit risk	Lifetime expected losses
Stage 3	There is an objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans.	Lifetime expected losses

The movements in allowance for credit losses for the years ended December 31 follows:

2022	Note	Debt securities	Loans and receivables	Total
At January 1		8,671	17,552	26,223
(Reversal of) provision for credit losses, net	16	(7,114)	821	(6,293)
At December 31		1,557	18,373	19,930
2021				
At January 1		5,671	17,552	23,223
Provision for credit losses	16	3,000	-	3,000
At December 31		8,671	17,552	26,223

Note 5 - Investments in subsidiaries

The carrying values of investments as at December 31 follow:

	% of ownership		Amounts	
	2022	2021	2022	2021
Mace Insurance Agency, Inc. (Mace)	100.00%	100.00%	1,999,400	1,999,400
Keys Realty and Development Corporation (Keys)	98.10%	98.10%	156,328,294	156,328,294
Kompass Credit and Financing Corporation (Kompass)	100.00%	100.00%	343,750,000	300,000,000
			502,077,694	458,327,694

In 2022, the Company paid additional investment in Kompass amounting to P43,750,000 or 437,500 shares at P100 par value.

Mace

Mace was registered with the Philippine SEC on May 20, 1980. It is primarily engaged in acting as a general or special agent in behalf of certain nonlife insurance companies.

Keys

Keys was registered with the Philippine SEC on March 11, 1993. It is primarily engaged in rendering mortuary service, pension house operation and in buying and developing real estate for sale and lease.

Kompass

Kompass was registered with the Philippine SEC on March 13, 2014, primarily to engage in general financing business through the grant of credit facilities to consumers and to industrial and commercial enterprises, either by direct lending or by discounting or factoring of commercial papers or accounts receivables, or by buying and selling contracts, leases, real estate or chattel mortgages, or other evidences of indebtedness, or by leasing of motor vehicles, heavy equipment and industrial machinery, business and office equipment, appliances and other movable property.

The Company's subsidiaries are all incorporated and domiciled in the Philippines.

The audited financial information of the subsidiaries as at and for the years ended December 31 follows:

	2022	2021
Keys		
Total assets	813,354,518	717,589,137
Total liabilities	128,924,420	109,515,986
Revenue	84,318,349	75,659,373
Net income	11,422,338	10,854,864
Total comprehensive income	82,299,859	69,175,222
Mace		
Total assets	12,832,451	13,153,393
Total liabilities	8,985,057	13,619,338
Revenue	9,624,824	9,501,757
Net income	821,641	798,306
Total comprehensive income	4,313,339	(2,517,915)
Kompass		
Total assets	372,202,394	325,236,841
Total liabilities	3,384,036	7,693,801
Revenue	21,514,988	18,351,579
Net income	11,292,023	7,533,411
Total comprehensive income	11,292,023	7,533,411

Dividend income earned from the subsidiaries for the years ended December 31 follows:

	2022	2021
Keys	5,839,791	4,843,676
Kompass	3,975,125	3,387,844
Mace	-	1,000,000
	9,814,916	9,231,520

Note 6 - Property and equipment, net

At cost

2022	Note	Transportation equipment	Office and building equipment	Furniture and fixtures	Total
Cost					
At January 1		8,511,557	61,891,473	7,354,089	77,757,119
Additions		2,114,000	4,996,556	329,946	7,440,502
Disposals		(2,221,000)	-	-	(2,221,000)
At December 31		8,404,557	66,888,029	7,684,035	82,976,621
Accumulated depreciation					
At January 1		4,645,318	55,601,678	7,265,141	67,512,137
Depreciation	16	1,304,066	3,204,457	111,596	4,620,119
Disposals		(1,383,911)	-	-	(1,383,911)
At December 31		4,565,473	58,806,135	7,376,737	70,748,345
Net book value		3,839,084	8,081,894	307,298	12,228,276

2021	Note	Transportation equipment	Office and building equipment	Furniture and fixtures	Total
Cost					
At January 1		8,330,817	59,931,041	7,354,089	75,615,947
Additions		1,158,740	1,960,432	-	3,119,172
Disposals		(978,000)	-	-	(978,000)
At December 31		8,511,557	61,891,473	7,354,089	77,757,119
Accumulated depreciation					
At January 1		4,278,847	54,333,081	7,193,425	65,805,353
Depreciation	16	1,344,471	1,268,597	71,716	2,684,784
Disposals		(978,000)	-	-	(978,000)
At December 31		4,645,318	55,601,678	7,265,141	67,512,137
Net book value		3,866,239	6,289,795	88,948	10,244,982

At appraised value

2022	Note	Land	Building and improvements	Total
Appraised value				
At January 1		268,762,780	84,463,255	353,226,035
Additions			621,825	621,825
At December 31		268,762,780	85,085,080	353,847,860
Accumulated depreciation				
At January 1		-	16,892,651	16,892,651
Depreciation	16	-	2,187,624	2,187,624
At December 31		-	19,080,275	19,080,275
Net book value		268,762,780	66,004,805	334,767,585

2021	Note	Land	Building and improvements	Total
Appraised value				
At January 1		268,762,780	84,463,255	353,226,035
Change in revaluation increment		-	-	-
At December 31		268,762,780	84,463,255	353,226,035
Accumulated depreciation				
At January 1		-	14,781,070	14,781,070
Depreciation	16	-	2,111,581	2,111,581
At December 31		-	16,892,651	16,892,651
Net book value		268,762,780	67,570,604	336,333,384

The Company's land, building and improvements were revalued as at December 31, 2020 by the independent SEC-accredited appraiser, Intech Property Appraisal, Inc. Management assessed that the fair values of the land, building and improvements substantially remain the same as at December 31, 2022 and 2021.

The determination of the appraised value for land is categorized under Level 3 in the fair value hierarchy using Market Data Approach. This approach involves direct comparison of the subject property with similar land parcels and real properties for which actual data on recent market transactions are available. Comparable data are adjusted to reflect the differences between each comparable property and the subject property. Elements of comparison include real property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, physical characteristics, and economic characteristics. Direct comparisons are then made between a comparable property and the subject property using a grid analysis taking into consideration possible adjustments based on differences in the elements of comparison. The significant unobservable inputs include price per square meter of each property, allowance for market condition and allowance for discount. The increase in price per meter will increase the fair value, while an increase in allowance for market condition and allowance for discount will decrease the fair value.

The fair value of the buildings and improvements is categorized under level 3 in the fair value hierarchy using the Depreciated Reproduction Cost (DRC) Method. This method is an application of the Cost Approach that is used to estimate the value of improvements for fair value purposes or other purposes. The method involves the estimation of the current cost (Reproduction Cost, New) of replacing an asset with its modern equivalent less deductions for physical deterioration, functional obsolescence and economic obsolescence. The significant unobservable input include the net reproduction cost. The increase in net reproduction cost will increase the fair value.

Depreciation for all property and equipment charged during the year amounted to P6,807,743 in 2022 (2021 - P4,796,365) (Note 16).

The Company transferred P802,745 from revaluation increment on property and equipment to unappropriated surplus representing the depreciation of revaluation increment of building and land and building improvements charged to profit or loss for the years 2022 and 2021.

If land, building and improvements were measured using the cost model, the carrying amounts as at December 31 are as follows:

	2022	2021
Cost		
Land	1,616,858	1,616,858
Building	52,798,992	52,798,992
Land and building improvements	2,054,052	1,508,227
	56,469,902	55,924,077
Accumulated depreciation	(13,732,203)	(12,347,324)
Net carrying amount	42,737,699	43,576,753

The Company disposed transportation equipment with carrying amount of P837,089 in 2022 (2021 - nil), resulting in a gain on disposal of P135,000 (2021 - P132,500).

Note 7 - Insurance contract liabilities

The account as at December 31 consists of:

	2022	2021
Claims payable	160,389,706	191,854,859
Legal policy reserves	5,177,005,685	4,930,852,349
	5,337,395,391	5,122,707,208

The analysis of insurance contract liabilities as at December 31 follows:

	2022			2021		
	Insurance contract liabilities	Reinsurer's share of liabilities	Net	Insurance contract liabilities	Reinsurer's share of liabilities	Net
Aggregate reserves for ordinary life policies	5,173,515,431	(500,557)	5,173,014,874	4,920,088,547	(645,101)	4,919,443,446
Aggregate reserves for group life policies	3,990,811	-	3,990,811	11,408,903	-	11,408,903
Total	5,177,506,242	(500,557)	5,177,005,685	4,931,497,450	(645,101)	4,930,852,349
Death claims, maturities and surrender payables	160,389,706	-	160,389,706	191,854,859	-	191,854,859
	5,337,895,948	(500,557)	5,337,395,391	5,123,352,309	(645,101)	5,122,707,208

The analysis of legal policy reserves as at December 31 follows:

	2022	2021
Gross		
With fixed and guaranteed terms		
Partially fixed and guaranteed - participating	5,000,024,559	4,755,209,427
Fixed and guaranteed - nonparticipating	177,481,683	176,288,023
Total gross insurance liabilities	5,177,506,242	4,931,497,450
Recoverable from reinsurers:		
With fixed and guaranteed terms		
Partially fixed and guaranteed - participating	500,557	645,101
Net		
With fixed and guaranteed terms		
Partially fixed and guaranteed - participating	4,999,524,002	4,754,564,326
Fixed and guaranteed - nonparticipating	177,481,683	176,288,023
Total net insurance liabilities	5,177,005,685	4,930,852,349

Movements in legal policy reserves as at December 31 follow:

	2022	2021
At January 1	4,930,852,349	4,728,877,728
Tabular net premiums or considerations	536,532,034	549,949,177
Tabular interest	250,494,810	241,968,186
	5,717,879,193	5,520,795,091
Tabular cost	128,097,300	211,765,650
Reserves released by death	82,707,472	96,463,914
Reserves released by other terminations	330,125,150	281,115,332
	540,929,922	589,344,896
Foreign exchange loss (gain)	56,414	(597,846)
At December 31	5,177,005,685	4,930,852,349

Movements in claims payable as at and for the years ended December 31 follow:

	2022	2021
At January 1	191,854,859	162,341,951
Claims	573,218,448	678,184,865
Payments	(604,683,601)	(648,671,957)
At December 31	160,389,706	191,854,859

Note 8 - Insurance contract liabilities - terms and assumptions

8.1 Life insurance contract liabilities

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

Terms

Life benefit certificates offered by the Company mainly include: (a) traditional whole life participating policies (with and without anticipated endowments) and a wide range of non-participating riders (i.e., accidental death and dismemberment, term, critical illness, hospital income, term life, etc.); (b) various non-participating products; and (c) a participating US Dollar single premium product. In addition, the Company offers group yearly renewable term, personal accident and in-patient medical products.

Assumptions

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

8.2 Reinsurance - assumptions and methods

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on surplus basis with retention limits varying by product. Amounts payable to reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying benefits and are recognized under the "Accounts payable and other liabilities" account in the liabilities section of the Company statement of financial position. Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its benefit certificate holders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. Due to reinsurers amounts to P565,319 in 2022 (2021 - P357,078).

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

Key assumptions

Material judgment is required in determining in the choice of assumptions and the liabilities relating to benefit certificates. Assumptions are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of the Insurance Code (the "Code") and guidelines set by the IC.

For benefit certificates, the Company determines the assumptions in relation to future deaths, illnesses or injuries at inception of the contract. Subsequently, new estimates are developed at each reporting date and liabilities are tested to determine whether such liabilities are adequate in the light of the latest estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest estimates. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant deteriorations in estimates have an impact.

The key assumptions to which the estimation and adequacy testing of liabilities are particularly sensitive follows:

- Mortality and morbidity rates

  Assumptions are based on standard industry and published mortality and morbidity tables, according to the type of contract written, when appropriate to reflect the Company's own experiences. Assumptions are differentiated by underwriting class and contract type.
  For life insurance benefit certificates, increased mortality and morbidity rates would lead to a larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing profits for the members.

- Discount rates

  Life insurance liabilities are determined as the sum of the discounted value of the expected benefits, less the discounted value of the expected theoretical insurance contributions that would be required to meet these future cash outflows. Interest rates used for estimating liabilities are capped at 6.0% as prescribed by the Code and guidelines set by the IC.

Any event could make the statutory minimum reserves prescribed by the Code insufficient. Therefore, the Company conducts tests to review the change in reserve level which would occur if the key assumptions were changed (Note 24.2).

The assumptions that have the greatest effect on the Company's statement of financial position and statement of income in both years are mortality and morbidity and discount rates.

A variation in said assumptions would ultimately impact the overall profitability of the Company's insurance products. The following shows the approximate changes in the products' profit margin as well as the long-term surplus share on in force certificates, assuming an increase or decrease in mortality rates or interest rates and holding other assumptions constant as at December 31:

2022	Change in assumptions	Impact on liabilities	Impact on excess of revenue over expenses before final tax	Impact on net worth
Mortality/Morbidity	10% higher	42,896,985	(21,448,493)	(21,448,493)
	10% lower	(80,080,981)	40,040,490	40,040,490
Discount rate	1% higher	(154,529,339)	77,264,669	77,264,669
	1% lower	362,174,523	(181,087,261)	(181,087,261)
2021				
Mortality/Morbidity	10% higher	56,174,916	(28,087,458)	(28,087,458)
	10% lower	(70,754,180)	35,377,090	35,377,090
Discount rate	1% higher	(128,638,034)	64,319,017	64,319,017
	1% lower	375,515,607	(187,757,804)	(187,757,804)

The correlation of assumptions will have a significant effect on determining the claims liabilities. It should be stressed that these assumptions are nonlinear and larger or smaller impacts cannot be easily gleaned from results of sensitivity analyses.

Note 9 - Other investment contract liabilities

The account as at December 31 consists of:

	2022	2021
College Savings Plan (CSP) annuity deposit	197,615,961	205,502,476
Flexible annuity deposit	39,040,610	41,323,843
	236,656,571	246,826,319

CSP pertains to contribution received from benefit certificate holders of KC College Savings Plan. In both years, CSP annuity deposit earns interest based on 11.0% fixed annual interest rate with an average term of five (5) to 15 years, while flexible annuity deposits earn fixed annual interest rate of 8.0%.

Interest expense on other investment contract liabilities for the year ended December 31, 2022 amounts to P25,401,650 (2021 - P21,446,153) (Note 18).

Note 10 - Other insurance contract liabilities

The account consists of accumulated special endowment and accumulated return on contribution outstanding at year end amounting to P3,934,580 (2021 - P3,649,697).

Note 11 - Member's participation payable

Members' participation payable pertains to dividends attributable to members, of which majority of the balance are left to accumulate and held in-trust as opted by the benefit certificate holders. Dividends are paid out, applied to premiums outstanding or accumulated at the option of the policyholder.

Members' participation payable amounted to P122,931,606 as at December 31, 2022 (2021 - P127,940,142). Participation of benefit certificate holders amounted to P16,000,000 in December 31, 2022 (2021 - P13,000,000).

The dividends attributable to the members earn at a fixed interest of 0.10% in 2022 and 2021. Interest expense attributable to this account amounts to P104,928 for the year ended December 31, 2022 (2021 - P118,456) (Note 18).

Note 12 - Accounts payable and other liabilities

The account as at December 31 consists of:

	Notes	2022	2021
Accounts payable		107,169,611	126,003,973
Accrued expenses		16,846,574	15,551,626
Advance contribution payment		11,038,569	7,930,673
Contribution deposits		10,012,712	12,648,081
Withholding tax payable	28	1,255,861	1,430,183
Due to reinsurers	8	565,319	357,078
Others		11,648,912	5,465,522
		158,537,558	169,387,136

Accounts payable consist mainly of payables to fraternal counselors, suppliers, and checks unreleased as at year-end.

Accrued expenses mainly represent operating expenses, including estimated expenses incurred during the year but remain unpaid as of year-end.

Advance contribution payment represents premiums contributions received by the Company in excess of premium contribution due as at year-end. Interest expense on advance contribution payment for the year ended December 31, 2022 amounted to P11,556 (2021 - P9,154) (Note 18). Interest rate on advance contribution payment is 0.002% in 2022 and 2021.

Contribution deposits pertain to amounts received from membership applicants to cover the initial contribution pending issuance of benefit certificate.

Withholding taxes payable pertains to taxes withheld for salaries, fraternal counselors' commission, professional fees and others and are remitted to the government agencies within one month.

Due to reinsurers represents premiums due and unpaid on reinsurance agreements entered into by the Company.

Others represent unpaid fraternal counselors' accreditation fees and policy dividends.

Note 13 - Interest income

The account for the years ended December 31 for the following financial assets are as follows:

	Notes	2022	2021
Financial assets at amortized cost	4	273,796,237	279,877,665
Loans and receivables	4	60,402,822	58,453,755
Cash and cash equivalents	2	4,836,756	675,494
Short-term investments	2	686,596	3,447
		339,722,411	339,010,361

Note 14 - Gross earned contributions on insurance contracts

Details of the gross earned contributions on insurance contracts for the years ended December 31 are as follow:

	Gross earned contributions	Reinsurer's share	Net earned contributions
2022			
First year	156,741,932	(20,287)	156,721,645
Renewals	602,203,421	(750,895)	601,452,526
Group	40,201,647	-	40,201,647
	799,147,000	(771,182)	798,375,818
2021			
First year	138,107,858	(14,379)	138,093,479
Renewals	582,968,766	(868,591)	582,100,175
Group	46,939,760	-	46,939,760
	768,016,384	(882,970)	767,133,414

Note 15 - Gross benefits and claims on insurance contracts

The account for the years ended December 31 consists of:

	2022	2021
Maturity claims	325,935,317	342,422,469
Death claims	148,947,707	247,291,769
Surrenders	96,470,956	86,543,029
Auto conversion paid-up	1,728,211	1,809,406
Disability waiver	71,994	97,279
Hospitalization claims	46,500	3,150
Payors' benefits	17,763	17,763
Net claims and surrenders	573,218,448	678,184,865

Note 16 - General and administrative expenses

The account for the years ended December 31 consists of:

	Notes	2022	2021
Personnel expenses		61,436,841	53,565,728
Prizes and awards		13,545,087	7,593,001
Transportation and travel		10,683,322	7,487,595
Depreciation	6	6,807,743	4,796,365
Repairs and maintenance		6,272,057	4,534,338
Contributions to benevolent causes		5,764,899	2,658,186
Postage and communication		4,751,462	4,587,101
Professional fees		4,328,002	3,102,227
Trainings and seminars		4,225,881	1,373,710
Light and water		3,771,034	2,987,365
Stationeries and supplies		2,731,246	2,255,214
Insurance		1,617,228	1,449,759
Security services		1,509,061	1,438,468
Market development expenses		1,126,927	54,200
Taxes and licenses		1,052,970	829,134
Entertainment, amusement and recreation		976,761	1,452,897
Rent	22	308,002	294,952
Advertising and promotions		137,400	226,948
Dues and subscriptions		144,228	173,245
(Reversal of) provisions for credit losses, net	4	(6,293,635)	3,000,001
Others		8,453,303	3,813,039
		133,385,393	107,673,473

Note 17 - Commissions and other direct expenses

The account for the years ended December 31 consists of:

	2022	2021
Fraternal counselors allowances - first year	40,993,921	37,119,549
Fraternal counselors allowances - renewal	20,056,303	18,797,054
Override allowance	19,591,078	19,260,493
Miscellaneous	174,942	1,105,501
	80,816,244	76,282,597

Allowances pertain to commissions earned by the fraternal counselors from contribution premiums collected from benefit certificate holders and which allowance rates varies per type of plan.

Note 18 - Interest expense

The account for the years ended December 31 consists of:

	Notes	2022	2021
Interest expense, net, on:			
Other investment contract liabilities	9	25,401,650	21,446,153
Retirement plan	19	248,426	604,267
Members' participation payable	11	104,928	118,456
Accounts and other liabilities	12	11,556	9,154
Others, net		3,381	(301,298)
		25,769,941	21,876,732

Note 19 - Retirement plan

The Company has a tax-qualified, funded and non-contributory retirement plan covering all of the Company's permanent employees. The plan is administered by the local banks as trustee, Banco de Oro - Trust and Investments Group and Bank of the Philippine Islands Asset Management.

The Company's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by the Trustee under the supervision of the BOT of the plan which delegates the implementation of the investment policy to the Trustee. These funds are subject to the investment objectives and guidelines established by the Trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Trustee is responsible for the investment strategy of the plan.

The latest actuarial valuation date of the Company's retirement valuation was made on December 31, 2022 and 2021.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The components of the retirement benefits cost recognized in profit or loss for the years ended December 31 follow:

	Notes	2022	2021
Current service cost	20	7,217,632	8,322,824
Net interest cost	18	248,426	604,267
		7,466,058	8,927,091

Net pension liability recognized in the statement of financial position as at December 31 are determined as follows:

	2022	2021
Present value of defined benefit obligation	84,866,545	110,876,836
Fair value of plan assets	(103,121,582)	(109,402,252)
Effect of asset ceiling	2,745,166	-
Pension (asset) liability, net	(15,509,871)	1,474,584

Movements in the pension (asset) liability, net, as at and for the years ended December 31 are as follows:

	2022	2021
At January 1	1,474,584	16,048,321
Retirement benefit expense	7,466,058	8,927,091
Remeasurement gain recognized in OCI	(21,204,573)	(20,219,856)
Contributions	(3,245,940)	(3,280,972)
At December 31	(15,509,871)	1,474,584

Changes in the present value of defined benefit obligation as at and for the years ended December 31 follow:

	2022	2021
At January 1	110,876,836	121,946,845
Current service cost	7,217,632	8,322,824
Interest cost	5,687,982	4,841,290
Actuarial gain	(28,933,910)	(22,608,123)
Benefits paid	(9,981,995)	(1,626,000)
At December 31	84,866,545	110,876,836

Changes in the fair value of plan assets as at and for the years ended December 31 follow:

	2022	2021
At January 1	109,402,252	105,898,524
Interest income	5,439,556	4,237,023
Remeasurement loss	(4,984,171)	(2,388,267)
Benefits paid	(9,981,995)	(1,626,000)
Contributions	3,245,940	3,280,972
At December 31	103,121,582	109,402,252

Movement in net pension asset includes the effect of asset ceiling amounting to P2,745,166 (2021 - nil).

The movements in the remeasurement gain on defined benefit obligation recognized in other comprehensive income as at December 31 follow:

	2022	2021
At January 1	33,370,086	13,150,230
Actuarial gain due to:		
Changes in financial assumption	7,149,402	15,258,587
Experience adjustments	11,364,505	7,322,236
Demographic assumptions	10,420,003	27,300
Return on asset excluding amount included in net interest cost	(4,984,171)	(2,388,267)
Effect of asset ceiling	(2,745,166)	-
Net changes	21,204,573	20,219,856
At December 31	54,574,659	33,370,086

The composition of the Company's plan assets as at December 31 follows:

	2022	2021
Government securities	33,782,630	41,299,350
Equities	19,830,280	26,847,313
Unit investment trust funds	17,190,368	17,624,703
Corporate bonds	12,931,446	10,316,632
Cash, net of payables	8,631,276	2,209,926
Loans	7,074,141	6,629,776
Mutual funds	3,681,441	4,474,552
	103,121,582	109,402,252

All financial instruments held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk. The plan assets of the Company do not have any investments in the Company's related parties.

The present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the pension obligation for the defined benefit plans as at December 31 are shown below:

	2022	2021
Discount rate	7.19%	5.13%
Salary increase rate	9.00%	8.00%
Average remaining working lives of employees	21.6 years	21.3 years

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

		Increase (decrease)	
	Rates	2022	2021
Discount rate	+1.00%	(5,736,611)	(10,879,831)
	-1.00%	6,540,463	12,959,252
Salary increase rates	+1.00%	6,362,154	12,458,089
	-1.00%	(5,696,247)	(10,705,107)

The Company expects to contribute P4,000,000 to the retirement fund in 2023.

Shown below is the maturity analysis of the Company's defined benefit obligation based on undiscounted benefit payments as at December 31:

	2022	2021
Less than 1 year	10,092,199	12,583,828
More than 1 year to 5 years	36,560,800	34,168,878
More than 5 years to 10 years	56,086,592	50,920,506

Note 20 - Personnel expenses

Details of personnel expenses included in general and administrative expenses for the years ended December 31 follow:

	Note	2022	2021
Salaries and wages		48,860,797	41,092,773
Retirement benefit expense	19	7,217,632	8,322,824
Social security costs		2,161,388	2,057,494
Other employee benefits		3,197,024	2,092,637
		61,436,841	53,565,728

Note 21 - Income taxes

As a nonstock, not-for-profit mutual benefit Company organized to provide optimum fraternal benefits to its members and their immediate families, the Company's net income over expenses is exempt from payment of income tax as set forth in Section 30 (c) of the National Internal Revenue Code (NIRC) as amended by Executive Order 273.

The tax expense shown in the Company statement of income amounting to P53,551,358 for the year ended December 31, 2022 (2021 - P53,407,393) pertain to the final taxes withheld at source from interest income.

Note 22 - Lease commitments

Company as lessee

The Company has a lease covering their office premises in its Cebu service offices with lease terms ranging from one (1) to three (3) years with no escalation clause. The lease contract expired on December 31, 2021 and was renewed for another year until December 31, 2022. This lease agreement is renewable at the option of both parties.

Future minimum rental payments within one year under non-cancellable operating lease amounted to P225,792 as at December 31, 2022 and 2021.

For the year ended December 31, 2022, the rent expense recognized on this operating lease agreement is included under "General and administrative expenses" account amounting to P308,002 (2021 - P294,952) (Note 16). Deposits made under this operating lease agreement are intended to be applied against the remaining lease payments.

Note 23 - Related party transactions

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

Related party transactions and balances as at and for the years ended December 31 follows:

2022	Notes	Transactions	Outstanding balance	Terms and conditions
Subsidiaries				
Non-trade receivables	(a)			
Kompass		346,502	971,121	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Mace		(101,541)	132,438	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Keys		272,823	423,488	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Entities under common control				
Non-trade receivables	(a)			
Knights of Columbus Philippines Foundation, Inc. (KC Foundation)		(293,021)	407,692	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Knights of Columbus Fr. George J. Willmann Charities, Inc. (KC Willmann)		1,665	101,866	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Donations	(b)			
KC Willmann		4,464,899	-	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
			2,036,605	

2021	Notes	Transactions	Outstanding balance	Terms and conditions
Subsidiaries				
Non-trade receivables	(a)			
Kompass		(486,085)	624,619	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Mace		233,836	233,979	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Keys		150,665	150,665	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Entities under common control				
Non-trade receivables	(a)			
KC Foundation		664,886	700,713	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
KC Willmann		(157,260)	100,201	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
Donations	(b)			
KC Willmann		1,178,186	-	Collectible in cash at gross amount; Non-interest bearing; Due on demand; Unsecured
			1,810,177	

(a) *Charges for certain allocated expenses*

The Company charges its subsidiaries and other entities under common control with certain allocated expenses. These charges are mainly pertaining to utilities, payroll services fees, postage, and miscellaneous expenses. The outstanding receivables arising from this transaction are shown as part of "Loans and receivables" account under financial assets at amortized costs (Note 4).

(b) *Donations*

The Company donates to KC Foundation and KC Willmann earmarked for charitable purposes. Donations to the foundations amount to P4,464,899 in 2022 (2021 - P1,178,186). This is included in general and administrative expenses under contributions to benevolent causes (Note 16).

Investment management arrangements

These pertain to the Company's agreements with KC Philippines Foundation, Inc. and Fr. George Willmann Charities, Inc. whereby the Company will manage the Foundations' placements during initial issuance of debt securities in order to avail of the preferential rates at no cost to the Foundations.

Accommodated placements amount to P25,975,035 during 2022 (2021 - nil).

Dividend income from subsidiaries amounted to P9,814,916 for the year ended December 31, 2022 (2021 - P9,231,520) (Note 5).

Compensation of key management personnel

The summary of the compensation of key management personnel for the years ended December 31 follows:

	2022	2021
Short-term benefits	22,279,712	19,814,920
Other long-term benefits	764,901	789,804
	23,044,613	20,604,724

There are no balances payable to key management personnel as at December 31, 2022 and 2021.

As at December 31, 2022 and 2021, the Company has not provided any allowance for impairment losses for amount owed by related parties. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Note 24 - Summary of significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in compliance with PFRS requires management to make judgments and estimates that affect the reported amounts and disclosures in the financial statements. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the Company's financial statements as they become reasonably determinable.

24.1 Judgments

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

Product classification (Note 9)

The Company classifies products as investment and insurance contracts based on the significance of risk transferred. The CSP and flexible annuity deposit were unbundled into investment and insurance components. The Company classifies the investment component of CSP and flexible annuity deposit as investment contracts.

Classification of financial assets (Note 4)

The Company classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amounting outstanding.

The Company performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

Impairment of nonfinancial assets (Notes 5 and 6)

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

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

As at December 31, 2022 and 2021, the Company has determined that there are no indications of impairment on its nonfinancial assets, such as, property and equipment, net, and investments in subsidiaries.

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 outside counsel 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 effect on the Company statement of financial position or results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

24.2 Estimates

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

Impairment of financial assets

(i) Financial assets at amortized cost (Note 4)

For financial assets at amortized cost, a risk sensitive model is used, with computed loss rates based on historical data for stage 1 and stage 2. For stage 3 accounts, the loss rate is based on the LGD rate as PD is assessed to be at 100%.

(ii) Premiums due and uncollected (Note 3)

No impairment allowance is provided for premiums due and uncollected as the Company has a policy to suspend and lapse the accounts which remain unpaid over 30 days. The lapsed account can still be reinstated provided that unpaid premiums are settled.

(iii) Cash and cash equivalents (Note 2)

The impairment allowance computation for cash and cash equivalents is a product of PD, LGD, and EAD. No impairment allowance is provided for cash and cash equivalents as at December 31, 2022 and 2021.

Fair value of land, building and improvements (Note 6)

The Company's land, building and their related improvements are stated at revalued amount or fair value which were determined by an independent firm of appraisers using the market and cost approaches for land and building and improvements, respectively. Significant adjustments to inputs used in determining the fair value of these assets such as location, utility, current replacement cost and useful life could affect the appraised values of the property, plant and equipment. The sensitivity analysis on these revalued non-financial assets are disclosed in Note 6.

Claims liability arising from insurance contracts (Note 7)

This consist of legal policy reserves which are determined by the Company's actuary in accordance with the requirements of the Code and represent the amounts which, together with future premiums, are required to discharge the obligations of the benefit certificates. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

The estimation of the ultimate liability arising from claims made under life benefit certificates is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

The liability for the life benefit certificates is based on assumptions established at the inception of the contract. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability. The main assumptions used relate to mortality, morbidity and discount rates.

In determining the liability for life benefit certificates, estimates are made as to the expected number of deaths, illnesses or injuries for each of the years in which the Company is exposed to risk. These estimates are based on standard mortality and morbidity tables as required by the Code. The estimated number of deaths, illnesses or injuries determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient coverage by reserves, which in return is monitored against current and future insurance contributions. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

In accordance with the provision of the Code, estimates for future deaths, illnesses or injuries and investment returns are determined at the inception of the contract and are used to calculate the liability over the term of the contract. The interest rate used to discount future liabilities does not exceed 6% as required by the Code. Likewise, no lapse and expense assumptions are factored in the computation of the liability. The sensitivity analysis is disclosed in Note 8.

Liability Adequacy Test (LAT) (Note 8)

LAT is performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims. Any inadequacy (or deficiency) is immediately charged (or recognized) under profit or loss. The LAT result supports the adequacy of recorded reserves, and that there is no additional reserve requirement for 2022 and 2021. The sensitivity analysis is disclosed in Note 8.

Retirement benefits (Note 19)

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country.

The sensitivity analysis is disclosed in Note 19.

Note 25 - Management of insurance and financial risks

25.1 Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

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

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

25.2 Insurance risk

Insurance risk under a benefit certificate is the possibility of the occurrence of an insured event and the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such benefit certificates is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

Terms and conditions

The Company principally writes life insurance where the life of benefit certificate holder is insured against death, illness, injury or permanent disability, usually for predetermined amount.
Life benefit certificates offered by the Company mainly include whole life, term insurance and endowments.

Whole life and term insurance are conventional products where lump sum benefits are payable upon death.

Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the period is completed.

The risks associated with the life and accident and health products are underwriting risk and investment risk.

Underwriting risk

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

- Mortality and morbidity risks - risk of loss due to benefit certificate holder death experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Expense risk - risk of loss due to expense experience being different than expected.
- Benefit certificate holder decision risk - risk of loss due to benefit certificate holder experiences (lapses and surrenders) being different than expected.

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

The business of the Company includes underwriting life benefit certificates. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims resulting in earlier or more claims than expected are epidemics, widespread changes in lifestyle and natural disasters.

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

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

The Company aims to control and minimize insurance risk, to reduce volatility of operating profits.

The Company manages insurance risk through the following mechanisms:

- The use and maintenance of management information systems that provide up to date, accurate and reliable data on risk exposure at any point in time; and

- Actuarial models based on past experience and statistical techniques aid in pricing decisions and monitoring claims pattern. Guidelines are issued for concluding benefit certificates and assuming insurance risks. Proactive claim handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims. Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security. Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well-diversified in terms of type and amount of risk, industry and geography. The mix of insurance assets is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claim payments with the maturity dates of assets.

Insurance risk is also affected by the benefit certificate holders' rights to terminate the contract, refusal to pay insurance contributions or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subiect to the benefit certificate holders' behavior and decisions.

The Company's concentration of insurance risk before and after reinsurance in relation to the type of benefit certificate as at December 31 follows:

	2022		2021	
	Gross	Net	Gross	Net
Whole life/ endowment	13,389,854,813	13,300,365,432	13,087,008,009	13,002,814,545
Term insurance	738,748,680	738,748,680	536,464,456	536,464,456
Group insurance	3,146,990,000	3,146,990,000	2,395,120,000	2,395,120,000
	17,275,593,493	17,186,104,112	16,018,592,465	15,934,399,001

25.3 Fair value of financial instruments

Due to the short-term nature of cash and cash equivalents, short-term investments, insurance receivables, benefit certificate loans, due from related parties, other receivables and accrued income, claims payable, other investment and insurance contract liabilities, member's participation payable and accounts payable and other liabilities, their carrying values reasonably approximate fair values as of the reporting date. For mortgage and collateral loans, the carrying value of P1,749,697 in 2022 (2021 - P3,814,783) approximates the fair value.

The fair value of financial assets at FVTPL, financial assets at FVOCI that are actively traded in organized financial markets is determined by reference to quoted market prices, at the close of business on the end of the reporting period.

Due to the long-term nature of financial assets at amortized cost, the fair value of these investments is based on the quoted market prices at the end of the reporting date.

The table below presents the fair value hierarchy of the Company's assets that are measured at fair value on a recurring basis at December 31.

2022	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at FVOCI	167,000	-	-	167,
Financial assets at FVTPL	497,938,402	-	-	497,938,
Asset for which fair values are disclosed				
Mortgage and collateral loans	-	1,749,697	-	1,749,
Debt securities at amortized cost	-	4,383,065,931	-	4,383,065,
Property and equipment	-	-	334,767,585	334,767,
	498,105,402	4,384,815,628	334,767,585	5,217,688,

2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at FVOCI	167,000	-	-	167,
Financial assets at FVTPL	474,086,864	-	-	474,086,
Asset for which fair values are disclosed				
Mortgage and collateral loans	-	3,814,783	-	3,814,
Debt securities at amortized cost	-	4,524,733,193	-	4,524,733,
Property and equipment	-	-	336,333,384	336,333,
	474,253,864	4,528,547,976	336,333,384	5,339,135,

There were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement in 2022 and 2021.

25.4 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements

25.4.1 Credit risk

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

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

- Net exposure limits are set for each counterparty or group of counterparties and industry segment (i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).
- Guidelines are provided to determine when to obtain collateral and guarantees.
- The maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings are also set.
- Loans to benefit certificate holders are offset against the surrender value of benefit certificates and carry substantially no credit risk.

The Company also enters into reinsurance agreements. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its benefit certificate holders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements.

The Company selects only domestic and foreign companies with strong financial standing and with excellent track records to participate in the Company's reinsurance programs.

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

The gross maximum exposure to credit risk of the Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the requirement of PAS 32. There were no amounts subject to an enforceable master netting arrangements or similar arrangements as at December 31, 2022 and 2021.

Exposure to credit losses on benefit certificate loans is not significant as the cash surrender value of the benefit certificate loans serves as the collateral to these loans. Benefit certificate loans are not approved in excess of its cash surrender value.

In respect of investment securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer. The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

The table below shows the maximum exposure to credit risk as at December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents (excluding cash on hand)	467,772,476	339,057,832
Short-term investments	173,936,567	5,102,091
Insurance receivables	21,117,521	20,281,330
Financial assets at amortized cost	5,117,572,089	5,274,476,445
	5,780,398,653	5,638,917,698

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties as at December 31 (in thousands of PHP).

	Neither past due nor impaired			
2022	Investment grade	Non-investment grade	Past due or impaired	Total
Financial assets at amortized cost				
Cash in bank and cash equivalents	467,772	-	-	467,772
Short-term investment	173,937	-	-	173,937
Insurance receivables	21,118	-	-	21,118
Benefit certificate loans	-	615,345	-	615,345
Long-term deposits	87,650	-	-	87,650
Mortgage and collateral loans	1,750	-	-	1,750
Due from related parties	2,037	-	-	2,037
Other receivables	-	18,548	18,373	36,921
Accrued income	35,181	-	-	35,181
Dividend receivable	3,479	-	-	3,479
Financial assets at amortized cost (Debt securities)				
Government bonds	1,010,376	-	1,269	1,011,645
Corporate bonds	2,645,430	-	288	2,645,718
Retail treasury bonds	476,700	-	-	476,700
ROP bonds	200,560	-	-	200,560
Government securities with IC	50,000	-	-	50,000
	5,175,990	633,893	19,930	5,829,813

	Neither past due nor impaired			
2021	Investment grade	Non-investment grade	Past due or impaired	Total
Financial assets at amortized cost				
Cash in bank and cash equivalents	339,058	-	-	339,058
Short-term investment	5,102			5,102
Insurance receivables	20,281	-	-	20,281
Benefit certificate loans	-	586,487	-	586,487
Long-term deposits	130,174	-	-	130,174
Mortgage and collateral loans	-	3,815	-	3,815
Due from related parties	1,810	-	-	1,810
Other receivables	-	21,080	17,552	38,632
Accrued income	38,151	-	-	38,151
Dividend receivable	3,298	-	-	3,298
Financial assets at amortized cost (Debt securities)				
Government bonds	1,254,459	-	1,733	1,256,192
Corporate bonds	2,595,403	-	6,017	2,601,420
Retail treasury bonds	431,104	-	596	431,700
ROP bonds	185,165	-	256	185,421
Government securities with IC	49,931	-	69	50,000
	5,053,936	611,382	26,223	5,691,541

The Company determines the credit ratings of its counterparties based on the following criteria:

Investment grade - Ratings given to counterparties with strong to very strong capacity to meet its obligations.

Non-investment grade financial assets are assets which are vulnerable to impairment due to the assets' significant speculative characteristics. Adverse economic conditions will likely impair non-investment grade financial assets.

Cash and cash equivalents, short-term deposits, and long-term deposits are deposited to commercial banks in good financial standing and covered by the standard deposit insurance. As part of Company's policy, bank deposits are only maintained with reputable financial institutions.

Financial assets at amortized cost (debt securities) consist mostly of government and corporate issued bonds. Loans and receivables are composed significantly of benefit certificate loans to policyholders, which are 100% secured by earned cash values, net of outstanding premiums and due from cedants.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparty, and to geographical and line of risk segments. The policy of the Company is to deal only with creditworthy counterparties.

25.4.2 Liquidity risk

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

The major liquidity risk confronting the Company is the daily calls on its available cash resources with respect to claims arising from insurance contracts and operating expenses.

The Company manages liquidity by forecasting cash flow requirements. Investments are made in assets with maturities or interest payments which are matched against expected payouts of claims benefits (i.e., amount and duration of assets are matched against amount and duration of liabilities). In addition, significant outflows due to operating expenses (e.g., salaries, bonuses, IT expenditures, etc.) are scheduled based on an agreed budget timeline. It is unusual for a Company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities with respect to insurance liabilities are thus based on management's best estimates based on statistical techniques and past experience.

The table shows the maturity profile of the Company's financial instruments that are used to manage liquidity and other financial liabilities based on contractual receipts and payments as at December 31 (in thousands of PHP).

2022	Up to a year*	1-3 years	3-5 years	Over 5 years	No maturity date	Total
Financial assets:						
At amortized cost						
Cash and cash equivalents	468,380	-	-	-	-	468,380
Short-term investments	173,937	-	-	-	-	173,937
Insurance receivables	21,118	-	-	-	-	21,118
Benefit certificate loans	615,345	-	-	-	-	615,345
Long-term investments	-	87,650				87,650
Mortgage and collateral loans	238	529	608	375	-	1,750
Due from related parties	2,037	-	-	-	-	2,037
Other receivables	38,921	-	-	-	-	38,921
Accrued income	38,660	-	-	-	-	38,660
At FVTPL						
Preferred shares	-	-	-	-	424,628	424,628
Common shares	-	-	-	-	73,310	73,310
At amortized cost						
Government bonds	230,495	346,068	50,918	382,895		1,010,376
Corporate bonds	322,450	878,600	892,050	552,330	-	2,645,430
Retail treasury bonds	286,700	-	140,000	50,000	-	476,700
ROP bonds	-	138,556	33,838	28,166	-	200,560
Government securities with IC	-	-	20,000	30,000	-	50,000
At FVOCI						
Club shares	-	-	-	-	167	167
Total financial assets	2,198,281	1,451,403	1,137,414	1,043,766	498,105	6,328,969
Financial liabilities						
Other financial liabilities						
Claims payable	160,390	-	-	-	-	160,390
Other investment contract liabilities	236,657	-	-	-	-	236,657
Other insurance contract liabilities	3,935	-	-	-	-	3,935
Member's participation payable	122,932	-	-	-	-	122,932
Accounts payable and other liabilities						
Accounts payable	107,170	-	-	-	-	107,170
Accrued expenses	16,847	-	-	-	-	16,847
Advance contribution payment	11,039	-	-	-	-	11,039
Contribution deposits	10,013	-	-	-	-	10,013
Unearned interest on benefit certificate loans	27,927	-	-	-	-	27,927
Due to reinsurers	565	-	-	-	-	565
Others	11,649	-	-	-	-	11,649
Total financial liabilities	709,124	-	-	-	-	709,124
Liquidity position	1,489,157	1,451,403	1,137,414	1,043,766	498,105	5,619,845

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

2021	Up to a year*	1-3 years	3-5 years	Over 5 years	No maturity date	Total
Financial assets:						
At amortized cost						
Cash and cash equivalents	339,128	-	-	-	-	339,128
Short-term investments	5,102	-	-	-	-	5,102
Insurance receivables	20,281	-	-	-	-	20,281
Benefit certificate loans	586,487	-	-	-	-	586,487
Long-term investments	-	130,174	-	-	-	130,174
Mortgage and collateral loans	1,057	1,185	1,573	-	-	3,815
Due from related parties	1,810	-	-	-	-	1,810
Other receivables	38,632	-	-	-	-	38,632
Accrued income	41,449	-	-	-	-	41,449
At FVTPL						
Preferred shares	-	-	-	-	474,087	474,087
Common shares	-	-	-	-	-	-
At amortized cost						
Government bonds	286,155	193,311	393,365	383,362	-	1,256,193
Corporate bonds	465,951	321,704	1,267,332	546,433	-	2,601,420
Retail treasury bonds	25,608	386,122	19,970	-	-	431,700
ROP bonds	-	55,377	94,094	35,950	-	185,421
Government securities with IC	-	-	-	50,000	-	50,000
At FVOCI						-
Club shares	-	-	-	-	167	167
Total financial assets	1,811,660	1,087,873	1,776,334	1,015,745	474,254	6,165,866
Financial liabilities:						
Other financial liabilities						
Claims payable	191,855	-	-	-	-	191,855
Other investment contract liabilities	246,826	-	-	-	-	246,826
Other insurance contract liabilities	3,650	-	-	-	-	3,650
Member's participation payable	127,940	-	-	-	-	127,940
Accounts payable and other liabilities						
Accounts payable	126,004	-	-	-	-	126,004
Accrued expenses	15,552	-	-	-	-	15,552
Advance contribution payment	7,931	-	-	-	-	7,931
Contribution deposits	12,648	-	-	-	-	12,648
Unearned interest on benefit certificate loans	26,400	-	-	-	-	26,400
Due to reinsurers	357	-	-	-	-	357
Others	5,466	-	-	-	-	5,466
Total financial liabilities	764,629	-	-	-	-	764,629
Liquidity position	1,047,031	1,087,621	1,776,334	1,015,674	474,254	5,401,237

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

The Company believes that cash generated from its operating activities and its portfolio of financial assets is sufficient to meet currently maturing obligations required to operate the business.

25.4.3 Market risk

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

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

- Set out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment; and
- Establish asset allocation and portfolio limit structure, to ensure that assets back specific benefit certificate holders' liabilities and that assets are held to deliver income and gains for benefit certificate holders which are in line with expectations of the benefit certificate holders.

25.4.4 Currency risk

The Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to US Dollar, in which some of its investments and products are denominated. The Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than in which the insurance contracts are expected to be settled. The following table shows the details of the Company's foreign currency denominated monetary assets and liabilities and their Philippine Peso equivalents as of December 31.

	2022		2021	
	US$	PHP	US$	PHP
Assets				
Cash and cash equivalents	227,816	12,701,901	383,291	19,547,463
Financial assets at amortized cost	5,368,645	299,328,790	5,459,981	278,453,567
	5,596,461	312,030,691	5,843,272	298,001,030
Liabilities				
Legal policy reserves	3,215,868	179,300,703	3,204,006	163,401,116
Members' participation payable	8,400	468,358	8,480	432,463
Claims payable	340,443	18,981,399	432,116	22,037,495
Accounts payable and other liabilities	46,676	2,602,408	47,009	2,397,421
	3,611,387	201,352,868	3,691,611	188,268,495
Net dollar assets	1,985,074	110,677,823	2,151,661	109,732,535

The exchange rate used is P55.755 to US$1 in 2022 and P50.999 to US$1 in 2021.

The analysis below is performed for reasonably possible movements in Peso-US Dollar exchange rates with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of currency sensitive monetary assets and liabilities) for the years ended December 31.

Effect on excess of revenue over expenses before tax	2022	2021
Change in variables		
+/-1.00%	+/-11,067,782	+/-1,097,350

The Company determined the reasonably possible change in foreign exchange rates using percentage changes in year-end closing rate for the past two years. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities as at reporting date.

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

Details of the Company's net foreign exchange gain, net, for the years ended December 31 follow:

	2022	2021
Unrealized foreign exchange loss, net	(17,279,354)	(10,888,295)
Realized foreign exchange gain, net	42,807,931	22,717,181
	25,528,577	11,828,886

25.4.5 Interest rate risk

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

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also result in losses in the event that unexpected movements arise. The Company's investment portfolio is exposed to market risk depending on the nature of underlying securities. For example, a bond fund which is comprised mainly of debt securities are primarily exposed to interest rate risk, while an equity fund is exposed to price risk.

The Company's government securities, corporate debts at amortized cost and other financial assets and liabilities bear fixed interest rates, hence, not subject to significant cash flow and fair value interest rate risk.

The Company does not have government securities and corporate debts at FVTPL; hence, not subject to fair value interest rate risk.

25.4.6 Equity price risk

The Company's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, FVTPL and FVOCI financial assets. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in price index with all other variables held constant, showing the impact on OCI (that reflects adjustments on changes in fair value of FVOCI financial assets). The impact of sensitivity of equity prices on the Company's OCI already excludes the impact on transactions affecting profit or loss for the years ended December 31.

	Change in price index	Impact on net worth
2022	+/-5.00%	+/- 24,896,920
2021	+/-5.30%	+/-25,125,411

The expected equity price change is arrived at using the reasonable possible change of PSEi year-on-year and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

Note 26 - Capital management

26.1 Capital management framework

The Company manages its capital through its compliance with the statutory requirements on Margin of Solvency (MOS), minimum paid-up capital and minimum net worth. The Company is also complying with the statutory regulations on Risk-based Capital (RBC) to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, insurance contribution and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items.

Thus, the target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

A substantial portion of the Company's long term insurance business includes policies where the investment risk is borne by benefit certificate holders. Risk attributable to benefit certificate holders is actively managed keeping in view their investment objectives and constraints.

On April 4, 2021, the Company's BOT approved the appropriation of its surplus for COVID-related contingencies amounting to P5,000,000. Subsequently, on April 28, 2022, the Company's BOT approved the reversal of the appropriation.

26.2 Regulatory framework

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

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

Externally-imposed capital requirements are set and regulated by the IC. These requirements are put in place to ensure that the Company remains financially viable to pay its short and long-term liabilities.

Guaranty fund

As a mutual benefit Company, the IC also requires the Company to possess a guaranty fund of P12.50 million. This minimum amount shall be maintained at all times. The Company has a guaranty fund consisting of government securities amounting to P50,000,000 as of December 31, 2022 and 2021.

Margin of solvency

Under the Code, a life insurance Company doing business in the Philippines shall maintain at all times a MOS equal to P500,000 or P2 per thousand of the total amount of its insurance in force as of the preceding calendar year on all benefit certificates, except term insurance, whichever is higher. The MOS shall be the excess of the value of its admitted assets (as defined under the Code), exclusive of paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. The estimated amounts of the Company's non-admitted assets, as defined in the Code, are included in the accompanying statements of financial position. These assets, which are subject to final determination by the IC as at December 31, are as follows:

	2022	2021
Property and equipment	7,565,838	7,640,459
Accounts receivable and other assets	39,686,354	25,231,138
	47,252,192	32,871,597

The Company exclusively writes life benefit certificates, hence, has only minimal MOS requirement of P500,000 to which it complies.

The final amount of the MOS can only be determined after the accounts of the Company have been examined by the IC, particularly with respect to the determination of admitted and non-admitted assets as defined under the Code.

If an insurance Company failed to meet the minimum required MOS, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such Company until its authority is restored by the IC.

As at December 31, the surplus available for MOS for the Company follows:

	2022	2021
Admitted assets	7,100,833,530	6,888,817,870
Admitted liabilities	5,859,455,706	5,671,985,086
Net worth	1,241,377,824	1,216,832,784
Less unappropriated surplus	918,412,877	894,889,070
Surplus available for MOS	322,964,947	321,943,714

Fixed Capitalization Requirement

On August 5, 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. The following presents the schedule of compliance and the amount of required net worth per New Insurance Code:

Compliance date	Networth
June 30, 2013	250,000,000
December 31 ,2018	550,000,000
December 31, 2019	900,000,000
December 31, 2022	1,300,000,000

The above new capitalization requirements is not applicable to the Company since it is a mutual benefit association.

26.3 Risk-based Capital Requirements (RBC2)

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), etc.]. Tier 2 Capital shall not exceed 50% of Tier 1 Capital.

The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test.

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

The following shows how the RBC was determined as at December 31:

	2022	2021
Member's Equity/Net worth	1,241,377,824	1,216,832,783
RBC requirement	567,928,186	643,163,095
RBC ratio	218.58%	189.20%

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

Note 27 - Summary of significant accounting and financial reporting policies

27.1 Basis of preparation

The accompanying separate financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), and retirement plan assets that have been measured at fair value, and land, building and improvements which have been measured at revalued amounts. The Company's financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency, and all values are rounded to the nearest Philippine Peso unit, unless otherwise indicated.

27.2 Statement of compliance

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

The Company also prepares and issues consolidated financial statements for the same period as the Company's financial statements presented in accordance with PFRS. These may be obtained at the Company's registered office address as indicated in Note 1.

27.3 Amendments to existing standards adopted by the Company

The Company has adopted the following amendments to existing standards effective January 1, 2022:

- Amendments to PAS 16, 'Property, Plant and Equipment' *(effective January 1, 2022)*

  The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendment to PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' *(effective January 1, 2022)*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRSs 2018-2020 *(effective January 1, 2022)*

  The following improvements were finalized in May 2020:

  i. PFRS 9, 'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  ii. PFRS 16, 'Leases', amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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

There are no other new standards, amendments to existing standards or interpretations which are effective beginning on January 1, 2022 that are considered relevant on the financial statements of the Company.

27.4 Standards issued but not yet effective

The following relevant new accounting standards and interpretations are not mandatory for the December 31, 2022 reporting period and has not been early adopted by the Company:

- Amendments to PAS 1, 'Classification of Liabilities as Current or Non-current' *(effective January 1, 2024)*

  The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendment also clarifies what PAS 1 means when it refers to the 'settlement' of a liability.

- Amendment to PAS 1 and PFRS Practice Statement 2, 'Disclosure of Accounting Policies' *(effective January 1, 2023)*

  The amendment requires entities to disclose their material rather than their significant accounting policies. The amendment defines what is a 'material accounting policy information' and explain how to identify when accounting policy information is material. It further clarifies that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendments to PAS 8, 'Definition of Accounting Estimates' *(effective January 1, 2023)*

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

- PFRS 17, 'Insurance Contracts' *(effective January 1, 2025)*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, "Insurance Contracts". PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, "Financial instruments." An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2023. Taking into consideration the implications of the pandemic, the IC recognizes that the insurance industry has to realign its priority programs and focus on modifying its business operations under the new normal. The IC sees the need to support the insurance industry and hence, it delays full implementation of the standard to January 1, 2025, two (2) years after IASB's implementation in 2023. The IC, in coordination with industry associations, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The Company is still assessing the impact as at December 31, 2022.

There are no other new standards, amendments to existing standards or interpretations effective subsequent to December 31, 2022 that are expected to be relevant or to have a material impact on the financial statements of the Company.

27.5 Summary of significant accounting policies

27.5.1 Product classification

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

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 expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

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

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign currency exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract

27.5.2 Cash and cash equivalents; short-term investments

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of change in value. Short-term investments consist of time deposits maturing within one year are subject to an insignificant risk of change in value.

27.5.3 Insurance receivables

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

27.5.4 Financial instruments

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of loans and receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Loans and receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through profit or loss

(iii) Financial assets at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation, and are not held for trading. The classification is determined on an instrument-by-instrument basis. Changes in fair value is recognized in OCI and accumulated as part of "Other reserves" in the net worth section of the Company statement of financial position. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the Company statement of income when right of payment has been established, except when the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at December 31, 2022 and 2021, the Company's financial assets at FVOCI pertains to club shares.

(iv) Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, short-term and long-term investments, insurance receivables, loans and receivables, accrued income, government bonds, corporate bonds, retail treasury bonds, Republic of the Philippines (ROP) bonds and other government securities with the IC.

(v) Financial assets at FVTPL

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the Company statements of financial position at fair value with net changes in fair value recognized in the Company statements of income. This category includes listed equity securities held by Company.

Income earned on these equity investments is reported in the Company statements of income under "Dividend income".
As at December 31, 2022 and 2021, the Company's financial assets at FVTPL pertains to preferred and common shared in listed equity securities.

(vi) Reclassification

Once the initial classification has been determined, PFRS 9 provides guidance on when an entity should reclassify a (group of) financial instrument(s).

PFRS 9 establishes that, if cash flows are realized in a way that is different from the entity's expectations at the date that management assessed the business model, this fact does not give rise to a prior period error in the entity's financial statements (in accordance with PAS 8).

Reclassifications should be accounted for only when an entity changes its business model for managing financial assets. Changes to the business model are expected to be infrequent; the change is determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and should be evident to external parties. A change in an entity's business model will occur when an entity either begins or ceases to perform an activity that is significant to its operations.

Reclassifications should be accounted for prospectively from the reclassification date. An entity should not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

(vii) Impairment

Expected credit loss (ECL) represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Company records ECL for all loans and receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

The Company's cash and cash equivalents, short term investments and investments in bonds are rated as investment grade by the global rating agency. Accordingly, these investments are considered to be low credit risk investments. The ECL calculation is based on historical loss experience adjusted for current conditions and forecasts of future economic conditions using reasonable and supportable information available as of the reporting date. The Company applied simplified approach in calculating ECL on these investments and does not track changes in credit risk but instead recognizes an allowance based on lifetime ECL at each reporting period.

(viii) Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all financial instruments which have not experienced a Significant Increase in Credit Risk (SICR) since initial recognition or is considered of low credit risk as of the reporting date. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Company recognizes a lifetime ECL for Stage 3 financial instruments.

(ix) Definition of "default"

- The Company defines a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

The Company assesses the impairment of financial assets based on a forward-looking ECL model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. This applies to financial assets measured at amortized cost or at FVOCI.

(x) Significant increase in credit risk

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if based on the Company's aging information, the customer becomes past due over 90 days. In subsequent periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

(xi) ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

(xii) Forward-looking factors

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(xiii) Financial liabilities

Financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities. The category depends on the purpose for which the liabilities were incurred and whether they are quoted in an active market. Management determines the category of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. The Company does not have financial liabilities at FVTPL.

Financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company.

The Company's financial liabilities at amortized cost include claims payable, other investment contract liabilities, other insurance contract liabilities, member's participation payable and accounts and other liabilities (other than liabilities covered by the other accounting standards, such as pension liability and government and statutory liabilities).

The Company recognizes a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are recognized when the Company becomes a party to the contractual provision of the instruments. Financial liabilities at amortized cost are initially measured at fair value plus transaction costs.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, the Company's financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortised 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 method. The amortisation is included as "Interest expense" in the statement of income.

(xiv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle, on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting arrangements, thus, the related assets and liabilities are presented on a gross basis in the Company statements of financial position. There were no financial instruments which were offset as at December 31, 2022 and 2021.

(xv) Derecognition of financial assets and liabilities

Financial assets

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

- the right to receive cash flows from the assets 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 substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

Financial liabilities are 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.

27.5.5 Benefit certificate loans

Benefit certificate loans are initially measured at fair value plus transaction cost and subsequently carried at amortized cost using effective interest method which approximates their unpaid balance. These are fully secured with the cash surrender value of the benefit certificate serving as collateral. Interest earned from these loans is at 10% to 11% and 8% per annum on Peso and US Dollar denominated loans, respectively.

27.5.6 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 the Company.

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

A fair value measurement of a 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 circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

27.5.7 Reinsurance

Contracts entered into by the Company with reinsurers, which compensate the Company for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company

under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Income from reinsurance contracts are classified within "Reinsurers' share of gross earned contribution on insurance contracts" in the Company statements of income.

The benefits recoverable by the Company under its reinsurance contracts are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within "Insurance receivables" account in the Company statements of financial position. Due to reinsurers for reinsurance contracts are recognized as an expense upon recognition of premiums on the related insurance contract, classified within "Accounts payable and other liabilities" account in the Company statements of financial position. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment at lease annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for financial assets.

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to benefit certificate holders.

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

27.5.8 Investments in subsidiaries

Subsidiary is an entity controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investment in a subsidiary is carried at cost less any impairment in value in the Company's financial statements. Distributions from accumulated profits of the investee are recognized as dividend income from the investments.

27.5.9 Property and equipment

Property and equipment are measured at cost, net of accumulated depreciation and amortization and any impairment loss, except for land which is measured at fair value, and buildings and improvements which are measured at fair value less accumulated depreciation and amortization and any impairment loss.

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

Following initial recognition at cost, land and buildings and improvements are carried at revalued amounts which are the fair values at the date of the revaluation, as determined by an independent firm of appraisers, less any subsequent accumulated depreciation and amortization (on buildings and improvements) and accumulated impairment loss. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Revaluations are performed normally every three to five years such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Depreciation and amortization are computed on a straight-line basis over the estimated useful life (EUL) of the respective assets. Leasehold improvements are amortized over the shorter of the related lease terms or their EUL. The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method are consistent with the expected pattern of economic benefits from items of property and equipment.

The EUL of property and equipment follow:

Category	Years
Buildings and building improvements	5-40
Transportation equipment	5
Leasehold improvements	5
Office and building equipment	3-5
Furniture and fixtures	5

Any revaluation increment is credited to the revaluation increment on property and equipment in OCI and accumulated as part of "Other reserves" in the net worth section of the Company statement of financial position. Decreases in valuation is charged to profit or loss, except to the extent that it reverses the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the other reserves. In case a subsequent revaluation increase of an asset reverses a revaluation decrease previously recognized in profit or loss, such increase is credited to income in profit or loss.

An annual transfer from the revaluation increment on property to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Upon disposal, any revaluation increment on property relating to the particular asset being sold is transferred to unappropriated surplus.

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 arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Company statement of income in the year the asset is derecognized.

27.5.10 Impairment of nonfinancial assets

The Company assesses at each reporting date whether there is an indication that nonfinancial assets such as property and equipment and investment in subsidiaries may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

27.5.11 Insurance contract liabilities

Life insurance contract liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the insurance contributions are recognized. The reserve for life benefit certificates is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life operation. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by Insurance Commission (IC). The insurance contract liabilities for life benefit certificates is measured using the Net Premium Valuation (NPV).

Insurance contracts with fixed and guaranteed terms

The liability is determined as the expected discounted value of the benefit payments less the expected discounted value of the theoretical insurance contributions that would be required to meet the benefits based on the valuation assumptions used. The liability is based on mortality, morbidity and investment income assumptions that are established at the time the contract is issued.

The Company has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates not to be more than 6.0% compound interest and mortality and morbidity rates to be in accordance with the standard table of mortality. Reserves are computed per thousand of sum insured and depend on the issue age and benefit certificate duration.

Legal policy reserves

Legal policy reserves are determined by the Company's actuary in accordance with the requirements of the Code and represent the amounts which, together with future premiums and investment income, are required to discharge the obligations of the benefit certificates. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

Claims provision and Incurred But Not Reported (IBNR) Losses

These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The liability is derecognized when the contract is discharged, cancelled or has expired.

Investment contracts

When contracts contain both financial risk and insurance risk components and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premium relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit in the Company statement of financial position.

Liability adequacy test

Liability adequacy tests are performed annually to ensure the adequacy of the benefit certificates liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against Company statement of income initially by establishing a provision for losses arising from the liability adequacy tests.

27.5.12 Members' participation payable

Discretionary participation feature (DPF) is a contractual right that gives benefit certificate holders the right to receive supplementary discretionary returns through participation in the surplus arising from participating business. These returns are subject to the discretion of the Company and are within the constraints of the terms and conditions of the benefit certificate.

Participation of benefit certificate holders during the year is taken to profit or loss. Amount not yet paid to the members as of reporting date is presented as "Member's Participation Payable."

27.5.13 Unappropriated surplus

Unappropriated surplus represents accumulated earnings of the Company less dividends declared.

27.5.14 Provisions

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in Company statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

27.5.15 Retirement cost

The Company has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise of the following:

(a) Service costs
(b) Net interest on the net defined benefit liability or asset
(c) Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Actuarial gain (loss) on defined benefit plan" in the period in which they arise and accumulated as part of "Other reserves" in the net worth section of the Company statement of financial position. Remeasurements are not recycled to Company statement of income in subsequent periods.

27.5.16 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be measured reliably. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or as an agent. The Company has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

Insurance contributions earned

Revenue is recognized upon collection of insurance contributions of effective insurance policies and upon due date of uncollected insurance contributions, excluding the insurance contributions received for flexible and college savings plan (CSP) annuity, which is recognized as part of "Other investment contract liabilities" in the Company statements of financial position.

Interest income

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

Final tax on interest income is presented as provision for final tax in the Company statement of income.

Dividend income

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

Other income

Other income is recognized once it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

27.5.17 Benefits, claims and expenses recognition

Benefits and claims

Benefits and claims consist of benefits and claims paid to benefit certificate holders as well as changes in the valuation of benefit certificates liabilities and reserve for benefit certificate holders' participation. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General and administrative expenses

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

Commission expense and other underwriting expenses

Commissions are recognized when the benefit certificates are issued and the insurance contributions are recognized.

Interest expense

Interest expense on accumulated benefit certificate holders' dividends, liabilities for supplementary contracts and insurance contribution deposit fund is recognized in profit or loss as it accrues and is calculated by using the EIR method.

27.5.18 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to the statement of income, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income, the gain or loss is then recognized net of the exchange component in other comprehensive income.

27.5.19 Contingencies

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

27.5.20 Events after the reporting date

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

27.5.21 Comparatives

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

Note 28 - Supplementary information required under revenue regulations 34-2020 and 15-2010

In compliance with Revenue Regulations (RR) 15-2010, issued by the BIR on November 25, 2010, the following presents information on taxes and license fees paid or accrued for the year ended December 31, 2022:

(i) Value-Added Tax (VAT)

The Company has no output and input VAT as it is a non-VAT registered Company.

(ii) Other taxes and licenses

The Company reported and/or paid the following taxes and licenses in 2022:

	Amount
Registration fee	6,390
License and permits fees	722,694
Fringe benefits taxes	305,112
Others	18,774
	1,052,970

The Company is exempt from payment of percentage tax and documentary stamp tax on insurance premiums collected.

(iii) Withholding taxes

Details of withholding taxes during the year follow:

	Paid	Accrued	Total
Withholding taxes on compensation benefits	6,345,227	696,748	7,041,975
Expanded withholding taxes	4,270,812	551,989	4,822,801
Final withholding taxes	305,112	7,124	312,236
	10,921,151	1,255,861	12,177,012

(iv) Tax assessments and cases

The Company has no ongoing tax assessments as of December 31, 2022.

(v) Revenue Regulations No. 34-2020

The Company is not required to file the *Information Return on Transactions with Related Party* regardless of whether such taxpayer had dealings with a related party that falls under Section 2 of Revenue Regulations No. 34-2020, since as clarified by Revenue Memorandum Circular No. 54-2021, taxpayers exempt from payment of income tax are not covered by the requirement.

Knights of Columbus Fraternal Association of the Philippines, Inc.
(A Nonstock, Not-for-Profit Fraternal beneficiary Society)
Index to Financial Statements and Supplementary Schedules

Supplementary Schedules of Sources of funds other than Contributions and Donations
For the year ended December 31, 2022

Maturity of placements	1,423,483,749
Contributions on insurance contracts	895,752,473
Investments and other income	381,203,469
Collections of receivables	88,139,471
Sale and disposal of assets	135,000
Other receipts	163,287,103
Total Receipts	2,952,001,265

Supplementary Schedule of Disbursements according to Sources and Activities
For the year ended December 31, 2022

Placements of investments	1,344,569,498
Benefits paid	602,955,388
Loan releases	177,410,897
Operating expenses	129,186,900
Direct expenses	80,382,757
Purchase of assets	7,225,238
Other disbursements	481,016,648
Total disbursement	2,822,749,326

Corporate Information

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KofC Family ... Our Concern

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TIMELINE FOR THE CAUSE OF

Blessed Michael J. McGivney

March 1982 – Early plans are made for considering a cause for canonization during the centennial observances of the Knights of Columbus, when the Vatican and McGivney family members permit the bodily remains of Father McGivney to be moved from the family plot in Old St. Joseph Cemetery in Waterbury, Connecticut, and interred in a sarcophagus in St. Mary's Church (where he founded the Knights of Columbus in 1882), where they now serve as a focal point of prayer and devotion.

May 1, 1997 – Most Reverend Daniel A. Cronin, archbishop of Hartford, recognizes the Knights of Columbus as the "actor" (promoter) in the canonization cause of Father McGivney and Father Gabriel B. O'Donnell, O.P., as postulator.

June 19, 1997 – Archbishop Cronin presents the cause of Father McGivney at a meeting of the United States Conference of Catholic Bishops (USCCB) and receives the unanimous endorsement of the nation's assembled bishops.

Sept. 15, 1997 – An official Nihil obstare ("nothing obstructs") is received from the Vatican's Congregation for the Causes of Saints for the cause to commence. Father McGivney is accorded the title of Servant of God. The Father McGivney Guild, with Father O'Donnell as its director, releases the new "Prayer for Canonization."

Dec. 18, 1997 – Father McGivney's cause officially opens at the Chancery of the Archdiocese of Hartford, with Archbishop Cronin presiding at the ceremony and Supreme Knight Virgil C. Dechant in attendance. Archbishop Cronin appoints an archdiocesan historical commission to investigate all public and archival sources regarding the life of Father McGivney and an archdiocesan tribunal to record testimony on all aspects of Father McGivney's life, works and reputation for holiness.

March 6, 2000 – A ceremony for the closing session of a diocesan tribunal is held, with Archbishop Cronin presiding in the presence of Most Reverend Thomas V. Daily, bishop of Brooklyn and supreme chaplain, and Supreme Knight Virgil C. Dechant.

2002 – Father O'Donnell completes the official Positio, a 1,000-page document incorporating all the information from the historical commission and tribunal, which provides a "spiritual biography" of Father McGivney, focusing on his heroic virtue and holiness of life. The Positio is presented to the Congregation for the Causes of Saints with the following conclusions: Father McGivney was the "Saint of the Ordinary"; his spirituality was "sacramental" with a strong 2 ecclesial sense; he was a man of deep prayer and practical action who was always among the people of God and working for the people of God.

2008 – The Rome phase of the cause begins with Supreme Knight Carl A. Anderson's appointment of Dr. Andrea Ambrosi as the new postulator. Father O'Donnell becomes vice-postulator and remains director of the Father McGivney Guild.

March 15, 2008 – Father McGivney is declared a Venerable Servant of God in a decree by Pope Benedict XVI that confirms his heroic virtue. The decree states, in part: "Concerning the theological virtues of Faith, Hope, and Love both toward God and neighbor as well as the cardinal virtues of Prudence, Justice, Temperance, and Fortitude, and those others joined to them, they existed to a heroic degree in the Servant of God Michael McGivney, Diocesan Priest and Founder of the Fraternal Order the Knights of Columbus."

April 2016 – Research begins on a possible miracle in the case of a child who was healed in utero of a fatal condition after his family and others prayed to Father McGivney.

Sept. 2017 – Findings of the tribunal on the possible miracle are sent to the Congregation for the Causes of Saints at the Vatican.

April 27, 2018 – The congregation recognizes the juridic validity of the submitted miracle.

May 26, 2020 – After extensive medical and theological reviews at the congregation, Pope Francis approves the decree of validity for the miracle attributed to the intercession of Father McGivney, and the way is opened for the beatification of the Venerable Servant of God. The Vatican announced the pope's approval the next day, May 27.

Oct. 31, 2020 – Father McGivney's beatification Mass took place at the Cathedral of St. Joseph in Hartford, Connecticut. At that liturgical celebration, an apostolic letter from the Holy Father was read bestowing the title of Blessed on Father McGivney.

One more miracle is needed for Blessed Michael McGivney to be canonized as saint worthy of universal veneration. Kindly send answered prayers to this email: frmcgivneyph@gmail.com or send text to 09215685477.

Prayer for the Beatification of the Servant of God

Father George J. Willmann

Blessed are You, Almighty Father, source of all goodness and wisdom. Look down upon us Your children, who are trying to serve You with all our heart. Deign to raise Fr. George J. Willmann to the honors of the altar.

He was the prayerful, strong, dauntless model that we all need in this new era, he was a pastor in the care and formation of the youth; the relief of victims of war and violence; the alleviation of the suffering of the poor and the preservation and promotion of the sanctity of life, marriage, and the family.

Make him the lamp on the lamp stand giving light to all in the house. Make him the city set on the mountain which cannot be hidden, so that all of us may learn from his courage, his integrity, his indomitable spirit in propagating and living the Gospel.

**Through his intercession, bestow on us the favor we ask You in faith (pause here and silently entrust to the Lord your petitions).
Through Christ our Lord. Amen.**

Our Father, Hail Mary, Glory be.