

SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly-Owned Subsidiary of Sun Life of Canada
(Netherlands), B.V.]

Financial Statements December 31, 2024 and 2023

Sun Life Centre, 5th Avenue corner
Rizal Drive, Bonifacio Global City
Taguig City, Philippines



SECURITIES AND EXCHANGE COMMISSION

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Company Type: Stock Corporation

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of Sun Life of Canada (Philippines), Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the Shareholders.

Navarro Amper & Co., the independent auditor appointed by the Shareholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

A black rectangular box redacting the signature of Jose Isidro N. Camacho.

JOSE ISIDRO N. CAMACHO
Chairman of the Board

A black rectangular box redacting the signature of Benedicto C. Sison.

BENEDICTO C. SISON
Chief Executive Officer

A black rectangular box redacting the signature of Candy S. Esteban.

CANDY S. ESTEBAN
Chief Financial Officer

Signed this 7th day of April 2025

APR 28 2025

MAKATI CITY

SUBSCRIBED AND SWORN TO BEFORE ME THIS ___ day of ___ 2025 at ___ by affiants, who personally exhibiting as proof of identity the following competent evidence of identification.

Affiant Jose Isidro N. Camacho
Issued at PE Singapore

Exhibiting his/her [redacted]
on [redacted]

Affiant Benedicto C. Sison
Issued at DFA Manila

Exhibiting his/her [redacted]
on [redacted]

Affiant Candy S. Esteban
Issued at Mandaluyong City

Exhibiting his/her [redacted]
on [redacted]

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Series of 2025

ATTY. JOEL L. VILLALON
Notary Public for Makati City until 12-31-2026
Roll No. 51808, Appointment No. M-008
IBP Lifetime No. 018385, 12-27-17, PPLM
MCLE Compliance No. VII-0028633
PTR No. 10465921/1-02-2025
Unit 203 Carreon Bldg.,
2746, Zenaida St., Poblacion, Makati City, 1210

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

To the Board of Directors and Shareholders
SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City


Gentlemen:

We have audited the financial statements of Sun Life of Canada (Philippines), Inc. for the year ended December 31, 2024, on which we have rendered our report dated April 25, 2025.

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

Navarro Amper & Co.

BOA/PRC ACR. No. 0004, valid until September 22, 2027


Nina Cecilia S. Felismino

Partner

CPA Certificate No. 0103737

IC ACR. No. 103737-IC (Group A), December 29, 2020, valid to audit 2020 to 2024
financial statements

TIN 218-720-328

BIR ACR. No. 08-002552-046-2022, June 8, 2022; effective until June 7, 2025

BOA/PRC ACR. No. 0004/P-003, valid until September 22, 2027

PTR No. A-6396507, January 4, 2025, Taguig City

Taguig City, Philippines

April 25, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sun Life of Canada (Philippines), Inc. (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Insurance Commission (IC) Annual Statements and the Company's Annual Report, which are prepared by the Management and submitted after the issuance of the audited financial statements with our auditor's report attached thereon.

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The IC Annual Statements and Annual Report are 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 audits 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. When we read the other information identified above which have not yet been received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



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

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

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 45 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.

BOA/PRC ACR. No. 0004, valid until September 22, 2027



Nina Cecilia S. Felismino

Partner

CPA Certificate No. 0103737

IC ACR. No. 103737-IC (Group A), December 29, 2020, valid to audit 2020 to 2024
financial statements

TIN 218-720-328

BIR ACR. No. 08-002552-046-2022, June 8, 2022; effective until June 7, 2025

BOA/PRC ACR. No. 0004/P-003, valid until September 22, 2027

PTR No. A-6396507, January 4, 2025, Taguig City

Taguig City, Philippines

April 25, 2025



SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF FINANCIAL POSITION

| | | December 31 | |
|--|--------------|-------------------------|------------------|
| | Notes | 2024 | 2023 |
| ASSETS | | | |
| Cash and cash equivalents | 6 | P 4,082,751,642 | P 7,077,170,977 |
| Financial assets at fair value through profit or loss | 10 | 173,802,477,658 | 162,692,743,968 |
| Available-for-sale financial assets | 7 | 134,212,457,920 | 120,061,322,081 |
| Uncollected policyholder premiums | 27 | 1,067,772,759 | 960,065,440 |
| Policyholders' loans | 11 | 7,734,344,394 | 7,415,761,810 |
| Loans and receivables | 8 | 1,419,531,541 | 1,453,564,909 |
| Due from related parties | 16 | 207,428,921 | 87,105,501 |
| Investment income earned and accrued | 12 | 3,080,230,876 | 2,794,236,811 |
| Other receivables | 17 | 424,275,487 | 613,232,435 |
| Loan to a fellow subsidiary | 16 | 3,813,286,167 | 3,491,758,524 |
| Investments in subsidiaries - net | 9 | 311,556,168 | 271,308,539 |
| Intangible asset - net | 14 | 9,666,666 | 13,666,666 |
| Retirement benefit assets | 35 | 1,661,227,900 | 1,537,146,400 |
| Leasehold, property and equipment - net | 13 | 5,689,981,074 | 4,704,236,546 |
| Investment property - net | 15 | 410,369,463 | 397,699,167 |
| Prepaid taxes | 18 | 86,377,417 | 236,661,119 |
| Prepayments and other assets | 19 | 522,146,497 | 418,021,057 |
| TOTAL ASSETS | | P338,535,882,550 | P314,225,701,950 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Variable un t-linked liabilities | 20 | P173,426,250,200 | P162,618,801,360 |
| Insurance contract liabilities | 21 | 57,614,822,811 | 51,806,565,786 |
| Due to policyholders | 22 | 31,274,233,589 | 31,036,001,703 |
| Due to related parties | 16 | 749,445,568 | 330,513,791 |
| Deferred tax liabilities - net | 39 | 1,345,400,530 | 1,769,438,876 |
| Accounts payable, accrued expenses and other liabilities | 23 | 14,813,490,369 | 11,665,475,818 |
| | | 279,223,643,067 | 259,226,797,334 |
| Equity | | | |
| Share capital | 24 | 500,000,200 | 500,000,200 |
| Reserves | 25 | 7,167,094,539 | 9,201,883,430 |
| Retained earnings | | 51,645,144,744 | 45,297,020,986 |
| | | 59,312,239,483 | 54,998,904,616 |
| TOTAL LIABILITIES AND EQUITY | | P338,535,882,550 | P314,225,701,950 |

See Notes to Financial Statements.

SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF COMPREHENSIVE INCOME

| | | For the Years Ended December | |
|--|--------------|-------------------------------------|-----------------|
| | Notes | 2024 | 2023 |
| Income | | | |
| Gross premiums | 27 | P57,807,813,561 | P56,367,586,801 |
| Less: Premiums ceded | 27 | 652,798,518 | 579,965,492 |
| Premiums - net | | 57,155,015,043 | 55,787,621,309 |
| Investment income - net | 28 | 17,261,400,615 | 14,079,939,812 |
| Fee income | 29 | 948,474,940 | 818,134,271 |
| Other income | 30 | 986,960,632 | 954,894,796 |
| | | 76,351,851,230 | 71,640,590,188 |
| Benefits, Changes in Reserves and Operating Expenses | | | |
| Variable unit-linked fund allocation | 20 | 10,807,448,840 | 13,441,860,780 |
| Increase in insurance contract liabilities | 21 | 4,495,099,185 | 5,407,683,524 |
| Surrenders and maturities | 22 | 20,100,989,873 | 16,106,577,426 |
| Death, disability and other policy benefits | 22 | 5,967,476,264 | 5,850,150,972 |
| Commissions, bonuses and other agents' expenses | 31 | 9,093,252,346 | 9,789,025,293 |
| General and administrative expenses | 32 | 10,277,907,688 | 8,380,492,758 |
| Insurance taxes, licenses and fees | 33 | 863,262,189 | 775,958,662 |
| | | 61,605,436,385 | 59,751,749,415 |
| Income Before Tax | | 14,746,414,845 | 11,888,840,773 |
| Income tax expense | 38 | 3,398,291,087 | 3,041,653,472 |
| Profit for the Year | | 11,348,123,758 | 8,847,187,301 |
| Other Comprehensive Income (Loss) | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement of insurance contract liabilities | 21 | (1,313,157,840) | (666,508,513) |
| Remeasurement of defined benefit obligation | 35 | 42,356,500 | (104,111,800) |
| Deferred tax effect | 39 | 317,700,335 | 192,655,080 |
| | | (953,101,005) | (577,965,233) |
| Item that will be reclassified to profit or loss | | | |
| Net gain (loss) on fair value measurement | 25 | (1,081,687,886) | 5,769,629,293 |
| Other Comprehensive Income (Loss) | | (2,034,788,891) | 5,191,664,060 |
| Total Comprehensive Income for the Year | | P9,313,334,867 | P14,038,851,361 |

See Notes to Financial Statements.

SUNLIFE OF CANADA (PHILIPPINES), INC.

[(A Wholly-Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.)]

STATEMENTS OF CHANGES IN EQUITY

| | For the Years Ended December 31 | | | | | | | |
|---|--|---|--|--|---|------------------------------------|---------------------------------------|------------------------|
| Notes | Share Capital (Note 24) | Contributed Surplus (Note 25) | Investment Revaluation Surplus (Note 25) | Remeasurement of Define Benefit Obligation (Note 25) | Remeasurement of Insurance Contract Liabilities (Note 25) | Total Reserves (Note 25) | Retained Earnings (Note 26) | Total |
| Balance, January 1, 2023 | P500,000,200 | P50,000,000 | (P4,391,837,055) | P1,291,176,606 | P7,060,879,819 | P4,010,219,370 | P41,449,833,685 | P45,960,053,255 |
| Profit for the year | - | - | - | - | - | - | 8,847,187,301 | 8,847,187,301 |
| Other comprehensive income (loss) - net | 21, 25, 35, 39 | - | 5,769,629,293 | (78,083,850) | (499,881,383) | 5,191,664,060 | - | 5,191,664,060 |
| Total comprehensive income (loss) | | - | 5,769,629,293 | (78,083,850) | (499,881,383) | 5,191,664,060 | 8,847,187,301 | 14,038,851,361 |
| Dividends declared and paid | 26 | - | - | - | - | - | (5,000,000,000) | (5,000,000,000) |
| Balance, December 31, 2023 | 500,000,200 | 50,000,000 | 1,377,792,238 | 1,213,092,756 | 6,560,998,436 | 9,201,883,430 | 45,297,020,986 | 54,998,904,616 |
| Profit for the year | - | - | - | - | - | - | 11,348,123,758 | 11,348,123,758 |
| Other comprehensive income (loss) - net | 21, 25, 35, 39 | - | (1,081,687,886) | 31,767,375 | (984,868,380) | (2,034,788,891) | - | (2,034,788,891) |
| Total comprehensive income (loss) | | - | (1,081,687,886) | 31,767,375 | (984,868,380) | (2,034,788,891) | 11,348,123,758 | 9,313,334,867 |
| Dividends declared and paid | 26 | - | - | - | - | - | (5,000,000,000) | (5,000,000,000) |
| Balance, December 31, 2024 | P500,000,200 | P50,000,000 | P296,104,352 | P1,244,860,131 | P5,576,130,056 | P7,167,094,539 | P51,645,144,744 | P59,312,239,483 |

See Notes to Financial Statements.

SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF CASH FLOWS**For the Years Ended December 31**

| | Notes | 2024 | 2023 |
|---|--------------|-------------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Income before tax | | P 14,746,414,845 | P 11,888,840,773 |
| Adjustments for: | | | |
| Depreciat on and amortization | 32 | 1,147,171,549 | 1,043,126,817 |
| Unrealized loss on foreign exchange on financial assets at AFS | 7 | 230,919,545 | 4,333,832,697 |
| Impairment loss on AFS financial assets | 7 | 329,212,061 | 376,158,648 |
| Impairment loss (reversal of allowance) on investment in subsidiary | 9 | (40,247,629) | 57,125,730 |
| Amortization of bond premiums - net on financial assets at AFS | 7 | 349,753,621 | 349,047,761 |
| Realized fair value loss from | | | |
| AFS financial assets and investment in associate | 28 | (213,144,144) | 145,417,935 |
| Gain on disposal of leasehold, property and equipment | 30 | (8,598,757) | (3,863,108) |
| Loss on written-off leasehold, property and equipment | 13 | 17,804 | - |
| Interest income | 28, 30 | (11,225,722,703) | (10,156,656,341) |
| Dividend income | 28 | (3,758,798,744) | (4,033,525,466) |
| Decrease in insurance contract liabilities | 21 | 4,495,099,185 | 5,407,683,524 |
| Interest expense on lease liability | 37 | 99,009,350 | 90,804,056 |
| Dividends to policyholder | 22 | 1,698,156,426 | 1,718,212,779 |
| Interest on dividends to policyholder | 22 | 1,168,559,076 | 1,148,524,876 |
| Operating cash flows before working capital changes | | 9,017,801,485 | 12,364,730,681 |
| Decrease (Increase) in: | | | |
| Financial assets at fair value through profit or loss | | (11,109,733,690) | (13,748,562,239) |
| Uncollected policyholder premiums | | (107,707,319) | (203,805,686) |
| Receivable from agents and employees | | (48,907,986) | (17,265,575) |
| Due from related parties | | (120,323,420) | (22,948,583) |
| Other receivables | | 188,956,948 | 448,820,091 |
| Retirement benefit asset | | (81,725,000) | (112,458,900) |
| Prepaid taxes | | 161,634,738 | (223,744,535) |
| Prepayments and other assets | | (104,125,440) | (172,657,866) |
| Increase (Decrease) in: | | | |
| Variable unit-linked liabilities | 20 | 10,807,448,840 | 13,441,271,268 |
| Due to policyholders | | (201,916,931) | 161,397,954 |
| Due to related parties | 16 | 418,931,777 | (63,993,891) |
| Accounts payable, accrued expenses and other liabilities | | 2,789,737,760 | 561,990,695 |
| Cash generated from operations | | 11,610,071,762 | 12,412,773,414 |
| Income taxes paid | | (3,468,917,110) | (3,106,162,352) |
| Interest and dividends paid to policyholders | | (2,426,566,685) | (2,528,688,391) |
| Net cash generated from operating activities | | P 5,714,587,967 | P 6,777,922,671 |

(Forward)

SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF CASH FLOWS

For the Years Ended December 31

| | Notes | 2024 | 2023 |
|---|----------|-------------------------|------------------|
| Net cash from operating activities (<i>balance forwarded</i>) | | P 5,714,587,967 | P 6,777,922,671 |
| Cash Flows from Investing Activities | | | |
| Interest received from | | | |
| Guaranteed loans | | 59,315,766 | 118,988,301 |
| Receivables from agents and employees | 8, 30 | 8,652,751 | 7,004,597 |
| Policyholders' loans | | 588,725,055 | 576,711,214 |
| Loan to a fellow subsidiary | | 3,062,353 | - |
| Investments in AFS financial assets | | 7,689,927,513 | 6,484,559,692 |
| Investments in financial assets at FVTPL | | 2,269,289,319 | 2,099,261,227 |
| Cash and cash equivalents | | 132,085,939 | 162,465,088 |
| Dividend received | | 3,785,941,044 | 3,979,499,819 |
| Proceeds from sale/maturities of investments in | | | |
| AFS financial assets | 7 | 9,719,094,825 | 8,318,425,741 |
| Investment in associate | 7 | - | 388,448,369 |
| Acquisitions of investments in | | | |
| AFS financial assets | 7 | (25,648,659,633) | (27,293,202,215) |
| Acquisition of leasehold, property and equipment | 13 | (1,433,366,748) | (1,113,585,174) |
| Proceeds from disposal of leasehold, property and equipment | | 11,531,468 | 5,023,850 |
| Collect ons of: | | | |
| Guaranteed loans | | 82,941,354 | 2,750,983,232 |
| Policyholders' loans | | 2,058,376,992 | 1,981,871,344 |
| Releases of: | | | |
| Guaranteed loans | | - | (500,000,000) |
| Loan to a fellow subsidiary | 16 | (160,000,000) | (70,000,000) |
| Policyholders' loans | | (2,376,959,576) | (2,131,219,080) |
| Net cash used in investing activities | | (3,210,041,578) | (4,234,763,995) |
| Cash Flows from Financing Activities | | | |
| Payment of lease liabilities | 37 | (415,414,593) | (397,041,024) |
| Finance cost paid | 37 | (99,009,350) | (90,804,056) |
| Dividends paid | 26 | (5,000,000,000) | (5,000,000,000) |
| Net cash used in financing activities | | (5,514,423,943) | (5,487,845,080) |
| Effect of Changes in Foreign Exchange Rates | | 15,458,219 | (835,255) |
| Net Increase (Decrease) in Cash and Cash Equivalents | | (2,994,419,335) | (2,945,521,659) |
| Cash and Cash Equivalents, Beginning | | 7,077,170,977 | 10,022,692,636 |
| Cash and Cash Equivalents, End | 6 | P4,082,751,642 | P7,077,170,977 |

See Notes to Financial Statements.

SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

NOTES TO THE FINANCIAL STATEMENTS**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023****1. CORPORATE INFORMATION**

Sun Life of Canada (Philippines), Inc. (the "Company"), a wholly owned subsidiary of Sun Life of Canada (Netherlands) B.V., is a stock, life insurance company authorized to engage in, conduct, transact, carry on and undertake the business of life insurance, including accident and health insurance. The ultimate parent company is Sun Life Financial, Inc. (SLF, Inc.), a company incorporated under the laws of Canada.

The Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 28, 1999. On December 22, 1999, the Company was granted a Certificate of Authority by the Insurance Commission (IC) to operate as a life insurance company and started commercial operations on April 1, 2000. On July 29, 2004, the IC approved the Company's license to sell variable insurance or investment-linked insurance, a life insurance product that is linked to investment funds.

The registered office address and principal place of business of the Company is Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION**Statement of Compliance**

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

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis, except for:

- financial instruments measured at fair value;
- financial instruments measured at amortized cost;
- insurance contract liabilities computed based on assumptions which are in accordance with the Insurance Code of the Philippines and the regulations set by the IC;
- liabilities for cash-settled share-based payment arrangements measured at fair value; and
- the retirement benefit asset recognized as the net of the fair value of plan assets less the present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company is also required to file an annual statement with the IC, which is different from this set of financial statements. In certain respects, insurance accounting principles and reporting practices differ from PFRS. For the annual statement submitted with the IC, the significant principles and practices are as follows:

- a. Policyholder premiums are recognized as earned when due or received instead of over the life of the policy; commissions on reinsurance ceded are recognized when cessions are made;
- b. Policy acquisition costs are charged to current operations as incurred rather than amortized over the premium-paying period of the policies;
- c. Investments in marketable bonds and shares of stocks are stated at fair value based on the recommended value published by the IC rather than closing prices used for statutory reporting;
- d. Legal policy reserves and other policy liabilities are computed based on actuarial assumptions, in accordance with the Philippine insurance regulations and are modified as the need arises to reflect current experience; and
- e. Policy benefits are recognized in the accounts when paid or when claims are filed and approved.

Functional Currency

These financial statements are presented in Philippine peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded in the nearest peso, except when otherwise indicated.

Separate Financial Statements

These are the Company's separate financial statements. Separate financial statements are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

The Company did not present consolidated financial statements having met the following criteria set out in PFRS 10, *Consolidated Financial Statements*:

- the Company is itself a wholly owned subsidiary of another entity and its owners including those not otherwise entitled to vote, have been informed about, and do not object to, the Company not preparing consolidated financial statements;
- the Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- the Company did not file, nor is it in the process of filing, its consolidated financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- the ultimate parent of the Company produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The consolidated financial statements are prepared in accordance with IFRS by SLF, Inc., a publicly traded company and is the holding company of Sun Life Assurance Company of Canada (Sun Life Assurance) and Sun Life Global Investments Inc. Both SLF, Inc. and Sun Life Assurance are incorporated under the Insurance Companies Act of Canada, and are regulated by the Office of the Superintendent of Financial Institutions (OSFI) in Canada. The consolidated financial statements can be obtained from SLF, Inc., the ultimate parent, at <https://www.sunlife.com/en/investors/financial-results-and-reports/annual-reports/>.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of Revised Accounting Standards Effective in 2024

The Company has applied all amendments to PFRS Accounting Standards that are mandatorily effective for accounting periods beginning on or after January 1, 2024. Their adoption has not had a material impact on the disclosures or the amounts reported in these financial statements.

New and Revised Accounting Standards Effective after the Reporting Period Ended December 31, 2024

PFRS 17 Insurance Contracts

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4, Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 to address concerns and implementation challenges that were identified after PFRS 17 was published.

An amendment issued on December 2021 for the Initial Application of PFRS 17 and PFRS 9, Comparative Information (Amendment to PFRS 17), to address implementation challenges that were identified after PFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2027, as amended by the FSRSC from January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date, from January 1, 2023 to January 1, 2025. The effective date is further extended by Circular Letter No. 2025-04, from January 1, 2025 to January 1, 2027. Earlier application is permitted.

The management of the Company is still evaluating the impact of the new standard.

PFRS 9, Financial Instruments

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Based on the initial assessment made by Management and to comply with the disclosure requirements of the amendment to PFRS 4, the table below presents the classification of the Company's financial assets as at December 31, 2024 under PAS 39 and how they will likely be classified under PFRS 9.

Management will continue to evaluate such classification based on the specific criteria and guidelines in classifying financial instruments under PFRS 9 taking into consideration the Company's business model in managing financial assets.

| Financial Assets | Classification under PAS 39 | Classification under PFRS 9 |
|--|---|--|
| Cash and cash equivalents | Loans and receivables | Financial assets at amortized cost |
| Financial assets at fair value through profit or loss | Financial assets at fair value through profit or loss | Financial assets at fair value through profit or loss |
| Available-for-sale financial assets | Available-for-sale financial assets | Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss or Financial assets at amortized cost |
| Loans and receivables | Loans and receivables | Financial assets at amortized cost |
| Security deposits | Loans and receivables | Financial assets at amortized cost |
| Due from related parties | Loans and receivables | Financial assets at amortized cost |
| Investment income earned and accrued | Loans and receivables | Financial assets at amortized cost |
| Other receivables | Loans and receivables | Financial assets at amortized cost |
| Loan to a fellow subsidiary | Loans and receivables | Financial assets at amortized cost |
| Due to related parties | Other financial liabilities | Financial liabilities at amortized cost |
| Accounts payable, accrued expenses and other liabilities | Other financial liabilities | Financial liabilities at amortized cost |

The Company applies the exemption from applying PFRS 9 as permitted by the amendments to PFRS 4 Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts* issued in September 2016. The temporary exemption permits the Company to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2018. The Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 98% of the total carrying amount of all its liabilities. Since December 31, 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

Fair value disclosures

The table below presents an analysis of the fair value of classes of financial assets of the Company as of December 31, 2024 and 2023, as well as the corresponding change in fair value for the year then ended. The financial assets are divided into two categories:

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

| | 2024 | | | |
|---|------------------------------|--------------------------|-------------------------------|--------------------------|
| | SPPI financial assets | | Other financial assets | |
| | Fair value | Fair value change | Fair value | Fair value change |
| Available-for-sale financial assets | | | | |
| Government and corporate debt securities | P109,840,341,866 | (P1,039,136,327) | P15,228,557,111 | (P499,630,116) |
| Equity securities | - | - | 9,129,114,879 | 477,231,537 |
| UITF | - | - | 14,444,064 | (20,152,980) |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | - | - | 109,324,680,620 | 2,780,750,105 |
| Government and corporate debt securities | - | - | 47,255,439,783 | (352,555,767) |
| Mutual fund | - | - | 15,720,599,687 | (50,171,373) |
| Savings deposits | - | - | 1,501,757,568 | - |
| Cash and cash equivalents | 4,082,751,642 | - | - | - |
| Uncollected policyholder premiums | 1,067,772,759 | - | - | - |
| Policyholders' loans | 7,734,344,394 | - | - | - |
| Loans and receivables | 1,330,980,277 | - | - | - |
| Due from related parties | 207,428,921 | - | - | - |
| Loan to a fellow subsidiary | 3,346,010,646 | - | - | - |
| Other receivables | 424,275,487 | - | - | - |
| Security deposit | 92,390,079 | - | - | - |
| Investment income earned and accrued | 3,080,230,876 | - | - | - |
| | P131,206,526,947 | (P1,039,136,327) | P198,174,593,712 | P2,335,471,406 |

| 2023 | | | | | |
|---|-------------------------|-----------------------|-------------------|-------------------------|-----------------------|
| | | SPPI financial assets | | Other financial assets | |
| | | Fair value | Fair value change | Fair value | Fair value change |
| Available-for-sale financial assets | | | | | |
| Government and corporate | | | | | |
| debt securities | 102,828,166,878 | P5,421,809,833 | | P8,725,548,227 | P191,042,649 |
| Equity securities | - | - | | 7,776,226,891 | 118,470,610 |
| UITF | - | - | | 731,380,085 | (16,360,291) |
| Financial assets at fair value through profit or loss | | | | | |
| Stocks | | | | | |
| Government and corporate | - | - | | 107,524,461,291 | 1,751,234,659 |
| debt securities | - | - | | 40,383,974,011 | 1,862,775,921 |
| Mutual fund | - | - | | 9,251,593,451 | 767,383,166 |
| Savings deposits | - | - | | 4,946,577,015 | - |
| Foreign Currency-Linked Notes | - | - | | 586,138,200 | - |
| Cash and cash equivalents | 7,077,170,977 | - | | - | - |
| Uncollected policyholder premiums | 960,065,440 | - | | - | - |
| Policyholders' loans | 7,415,761,810 | - | | - | - |
| Loans and receivables | 1,339,460,543 | - | | - | - |
| Due from related parties | 87,105,501 | - | | - | - |
| Loan to a fellow subsidiary | 3,155,101,779 | - | | - | - |
| Other receivables | 613,232,435 | - | | - | - |
| Security deposit | 81,550,153 | - | | - | - |
| Investment income earned and accrued | 2,794,236,811 | - | | - | - |
| | P126,351,852,327 | P5,421,809,833 | | P179,925,899,171 | P4,674,546,714 |

Credit risk disclosures

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

| 2024 | | | | | | |
|--------------------------------------|-------------------------|-----------------------|------------|------------|------------|-------------------------|
| Credit Rating | | | | | | |
| | Total | AAA | AA/A | BBB | BB/B | Unrated |
| Available-for-sale financial assets | | | | | | |
| Government and corporate | | | | | | |
| debt securities | P125,068,898,977 | P4,902,263,791 | P - | P - | P - | P120,166,635,186 |
| Cash and cash equivalents | 4,082,751,642 | - | - | - | - | 4,082,751,642 |
| Uncollected policyholder premiums | 1,067,772,759 | - | - | - | - | 1,067,772,759 |
| Policyholders' loans | 7,734,344,394 | - | - | - | - | 7,734,344,394 |
| Loans and receivables | 1,419,531,541 | 888,300,000 | - | - | - | 531,231,541 |
| Due from related parties | 207,428,921 | - | - | - | - | 207,428,921 |
| Loan to a fellow subsidiary | 3,813,286,167 | - | - | - | - | 3,813,286,167 |
| Other receivables | 424,275,487 | - | - | - | - | 424,275,487 |
| Security deposit | 124,909,507 | - | - | - | - | 124,909,507 |
| Investment income earned and accrued | 3,080,230,876 | - | - | - | - | 3,080,230,876 |
| | P147,023,430,271 | P5,790,563,791 | P - | P - | P - | P141,232,866,480 |

| 2023 | | | | | | |
|--------------------------------------|-------------------------|-----------------------|------------|------------|------------|-------------------------|
| Credit Rating | | | | | | |
| | Total | AAA | AA/A | BBB | BB/B | Unrated |
| Available-for-sale financial assets | | | | | | |
| Government and corporate | | | | | | |
| debt securities | P111,553,715,105 | P4,923,402,227 | P - | P - | P - | P106,630,312,878 |
| Cash and cash equivalents | 7,077,170,977 | - | - | - | - | 7,077,170,977 |
| Uncollected policyholder premiums | 960,065,440 | - | - | - | - | 960,065,440 |
| Policyholders' loans | 7,415,761,810 | - | - | - | - | 7,415,761,810 |
| Loans and receivables | 1,453,564,909 | 892,300,000 | - | - | - | 561,264,909 |
| Due from related parties | 87,105,501 | - | - | - | - | 87,105,501 |
| Loan to a fellow subsidiary | 3,491,758,524 | - | - | - | - | 3,491,758,524 |
| Other receivables | 613,232,435 | - | - | - | - | 613,232,435 |
| Security deposit | 108,859,942 | - | - | - | - | 108,859,942 |
| Investment income earned and accrued | 2,794,236,811 | - | - | - | - | 2,794,236,811 |
| | P135,555,471,454 | P5,815,702,227 | P - | P - | P - | P129,739,769,227 |

Financial assets that passed the SPPI test have low credit risk as at December 31, 2024 and 2023.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2027, as amended by the FSRSC from January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date, from January 1, 2023 to January 1, 2025. The effective date is further extended by Circular Letter No. 2025-04, from January 1, 2025 to January 1, 2027. Earlier application is permitted.

Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17.

The main amendment in Initial Application of PFRS 17 and PFRS 9 – Comparative Information (Amendment to PFRS 17) is a narrow-scope amendment to the transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9.

Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9.

There are no changes to the transition requirements in PFRS 9.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2027, as amended by the FSRSC from January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date, from January 1, 2023 to January 1, 2025. The effective date is further extended by Circular Letter No. 2025-04, from January 1, 2025 to January 1, 2027. Earlier application is permitted.

The Company is still evaluating the impact of the amendments.

PFRS 18, Presentation and Disclosure in Financial Statements

PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some PAS 1 paragraphs have been moved to PAS 8 and PFRS 7. Furthermore, the FSRSC has made minor amendments to PAS 7 and PAS 33 Earnings per Share.

PFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

The Company is still evaluating the impact of the standard.

The new standards, amendments to standards, and interpretations that are issued, but not yet effective, up to the date of issuance of the Company are listed below.

The Company intends to adopt these when they become effective. The Company anticipates that the application of these standards and amendments to standards will not have a material impact on the Company's financial statements in future periods.

Effective for annual period beginning or after January 1, 2025

- a) Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Effective for annual period beginning or after January 1, 2026

- a) Amendments to PFRS 9, *Financial Instruments*, and PFRS 7 *Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments*
- b) Annual Improvements to PFRS Accounting Standards—Volume 11
- c) *Amendments to PFRS 9, Financial Instruments and PFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity*

Effective for annual period beginning or after January 1, 2027

- a) PFRS 19, *Subsidiaries without Public Accountability: Disclosures*

Deferred effectivity

- a) Amendments to PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. MATERIAL ACCOUNTING POLICY INFORMATION

Financial Instruments

Financial Assets

Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, except for investments classified as at fair value through profit or loss (FVTPL).

Classification and subsequent measurement

Financial assets are classified into the following categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets as at December 31, 2024 and 2023 consist of loans and receivables, financial assets at FVTPL and AFS financial assets.

Loans and receivables

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's financial assets classified under this category include cash and cash equivalents, loans and receivables, loan to a fellow subsidiary, investment income earned and accrued, policyholders' loans, uncollected policyholder premiums, due from related parties, other receivables, and security deposits.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL.

AFS financial assets are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated in investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. The Company classified its investments in government debt securities, equity securities and other debt securities as AFS financial assets.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses are recognized in profit or loss.

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

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including fixed income securities classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract such as, default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets,

although the decrease cannot yet be identified with the individual financial assets in the Company.

For certain categories of financial assets, such as uncollected policyholders premiums, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

AFS financial assets

When a decline in the fair value of listed shares and fixed income securities classified as AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative gain or loss that had been recognized in other comprehensive income are reclassified to profit or loss in the period even though the financial asset has not been derecognized.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Investments in Subsidiaries

Investments in subsidiaries are measured initially at cost. Subsequently, these are carried in the Company's financial statements at cost less any accumulated impairment losses.

The Company's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in subsidiaries. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Company's accounting policy on impairment of tangible and intangible assets as a single asset. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The investment in subsidiary is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in subsidiary and is recognized in profit or loss.

When the Company loses control of a subsidiary, the Company recognizes the fair value of the consideration received, if any, from the transaction that resulted in the loss of control. The carrying amount of the investment in subsidiary is derecognized and any investment retained in the former subsidiary is recognized at its fair value at the date the control is lost. Any resulting difference is recognized in profit or loss.

Subsidiaries of investment entities

An investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

An investment entity does not consolidate when it obtains control over a subsidiary. Instead, investments in subsidiaries are measured at fair value with gains and losses charged to profit or loss.

Variable Unit-linked Insurance Contracts

Variable unit-linked insurance contracts are products for which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in particular variable unit-linked (VUL) fund. Although the underlying assets are registered in the Company's name, the VUL fund policyholder bears the risk and rewards of the fund's investment performance. The deposit component received from variable unit-linked insurance contracts is shown as part of gross premiums.

Variable unit-linked liabilities

Variable unit-linked liabilities is increased by additional deposits and changes in unit prices and decreased by policy administration fees, fund changes, and any withdrawals. At the end of each reporting period, variable unit-linked liabilities is computed based on the basis of the number of units allocated to the policyholder multiplied by the unit price of the underlying investment funds. The assets, liabilities, income and expenses of the internal investment funds have been reflected in the appropriate accounts in the statement of financial position and statements of comprehensive income.

Leasehold, Property and Equipment

Leasehold, property and equipment are initially measured at cost.

Major spare parts and stand-by equipment qualify as leasehold, property and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of leasehold, property and equipment, they are accounted for as leasehold, property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, item of leasehold, property and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on a straight-line method based on their estimated useful lives of the assets as follows:

| | |
|------------------------------------|-------------|
| Building and building improvements | 18-36 years |
| Condominium units | 25 years |
| Furniture and fixtures | 10 years |
| Office equipment | 5 years |
| Transportation equipment | 3 years |
| Computer equipment | 3 years |

Leasehold improvements are amortized over the improvement's useful life of ten years or when shorter, the term of the relevant lease.

Construction in progress relates to ongoing leasehold projects, software projects and enhancements. Upon completion, the cost of completed projects are reclassified to the appropriate asset account.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of leasehold, property and equipment.

An item of leasehold, property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Right-of-use asset is classified within Leasehold, property and equipment – net. Refer to accounting policy on Leases in this Note.

Investment Property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is computed on the straight-line method based on the estimated useful life of 36 years.

Investment property is derecognized by the Company upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Intangible Asset

The Company's intangible asset relates to naming rights with finite useful life and was initially measured at cost.

At the end of each reporting period, intangible assets are carried at cost less any accumulated depreciation and impairment losses.

Amortization for intangible assets with finite useful life is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets, from the date that this is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods of the naming rights is 10 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss when the asset is derecognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

Financial liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Subsequent measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company's financial liabilities as at December 31, 2024 and 2023 consist of variable unit-linked liabilities, insurance contract liabilities, due to policyholders, due to related parties, accounts payable, accrued expenses, and other liabilities.

Derecognition

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

Equity instruments issued by the Company are recognized as the proceeds are received, net of direct issue costs.

Share Capital

Share capital consisting of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Contributed Surplus

Contributed surplus represents the original contribution of the stockholders in addition to share capital.

Remeasurement of Insurance Contract Liabilities

Remeasurement of insurance contract liabilities represents the accumulated gain or loss arising from the impact of discount rate in the valuation of insurance contract liabilities.

Investment Revaluation Surplus

Investment revaluation surplus represents the accumulated unrealized gain or loss arising from mark to market adjustment of AFS financial assets and investments in associates.

Remeasurement of Defined Benefit Obligation

Remeasurement of defined benefit obligation represents the actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability).

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Insurance Contract Liabilities

Life insurance contract liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts and riders for variable unit-linked are calculated on the basis of a stringent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission.

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience using the gross premium valuation which considers assumptions on mortality, morbidity, lapse and/or persistency, expenses, non-guaranteed benefits, discount rate and margin for adverse deviation. The initial assumptions could not be altered if the Company deems the current assumptions to still be reflective of their experience. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities and related assets.

Movements in legal policy reserves attributable to changes in discount rate are recorded under Remeasurement of insurance contract liabilities in other comprehensive income and the changes in policies and assumptions are recorded under Increase (Decrease) in insurance contract liabilities in the statements of comprehensive income.

Insurance contracts with fixed and guaranteed terms

Premiums are recognized as revenue when they become due from the policyholders which for single premium business, is the date on which the policy becomes effective.

Benefits are recorded as an expense when they are incurred and are accrued as a liability.

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

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

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

Unit-linked insurance contracts

The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payments to insurance investment funds set-up by the Company with consideration received from the policyholders. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products. Premiums received from the issuance of unit-linked insurance contracts are recognized as premium revenue. Consideration received from policyholders that are transferred to the segregated funds is recognized as part of Increase (Decrease) in insurance contract liabilities in the statements of comprehensive income.

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

The investment returns on the insurance investment funds belong to policyholders and the Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders have the same corresponding change in the reserve for unit-linked liabilities. Such changes have no effect on the Company's results of operations. Management fee income earned by the Company for managing the insurance investment funds, periodic charges, and cost of insurance charges are included in fee income.

Insurance investment funds primarily include investments in debt securities, equities, short-term investments and cash and cash equivalents. The methodology applied to determine the fair value of the investments held in these funds is consistent with that applied to investments held by general fund. Reserve for unit-linked liabilities is measured based on the value of the insurance investment funds attributable to the policyholders. The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to its total number of outstanding units multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by its total number of outstanding units.

Other Insurance Policy and Contract Liabilities

Other insurance policy and contract liabilities are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event; when it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits and; when the amount of the obligation can be estimated reliably.

An amount equal to the policyholders' dividends expected to be allotted to policyholders over the next twelve months is set up as provision for policyholders' dividends.

Reserves for claims Incurred But Not Reported (IBNR) pertain to the estimate of the sum of individual claims that have already occurred but on which notice has not yet been received by the Company. This is computed using factors resulting from the review of prior years' experience.

Outstanding claims, premiums on deposit, premiums paid in advance, proceeds on deposit and dividends on deposit are obtained directly from the policy administration system. These represent actual claims payable to the policyholders, premiums paid in advance and balances of benefits and dividends left on deposit with the Company including any interest accruals.

Other insurance policy and contract liabilities are determined and reviewed at end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, such liabilities shall be reversed and the carrying amount of the liabilities derecognized are reflected in profit or loss.

Provisions

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Share-based Payments

The Company recognizes the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

Employee Benefits

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

The Company has a funded non-contributory defined benefit retirement plan. For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected as a separate equity component. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item retirement benefit expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit assets recognized in the statements of financial position represents the fair value of plan assets, and as reduced by the present value of the defined benefit obligation as adjusted for unrecognized past service cost.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting date. Actual contributions are made on the first quarter of the year after the valuation date.

Revenue Recognition

Life insurance premiums

Life insurance premiums written are recognized as earned at policy anniversary date. When premiums are recognized, actuarial liabilities are computed to match benefits and expenses with such revenue.

Recoveries from ceded reinsurance

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Interest and dividend revenues

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Fee income

Management and service fee are recognized as revenue over time as the related services are rendered. Revenue is measured based on the consideration specified in the contract.

Expense Recognition

Expenses are recognized in profit or loss when incurred. Expenses in the statements of comprehensive income are presented using the nature of expense method.

Death, Disability, and Other Policy Benefits

Death, Disability, and Other Policy Benefits are recorded as expense when incurred. Death and health claims, as well as policy surrenders, are recorded when notices of claims and surrenders have been received. Dividends are recognized when earned by the policy holders upon policy anniversary date or when policies reach maturity.

Commissions, bonuses and other agents' expenses

Commissions, bonuses and other agents' expenses are recognized when the insurance contracts are entered into and the premiums are recognized.

Leases

The Company assess whether a contract is, or contains, a lease at the inception of the contract.

The Company as lessee

For leases where the Company act as the lessee, the Company recognize a right-of-use asset and a lease liability at the commencement date of the lease, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease as it represents the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost, which is composed of the initial amount of the lease liability with certain adjustments, and subsequently depreciated using the straight-line method over the shorter of the lease term and the estimated useful lives of the assets, with depreciation expense included in General and Administrative expenses in the statements of comprehensive income. Right-of-use assets are subject to impairment. Refer to the accounting policies on impairment of nonfinancial assets discussed in Note 5.

The lease liability is initially measured at the present value of lease payments over the term of the lease using a discount rate that is based on the Company's incremental borrowing rate. The discount rate is specific to each lease and is determined by various factors, such as the lease term and currency. The lease term includes the non-cancellable period and the optional period where it is reasonably certain the Company will exercise or not exercise an extension or termination option, considering various factors that create an economic incentive to do so.

Subsequently, the lease liability is measured at amortized cost using the effective interest method, with interest charged to General and administrative expenses in the statements of comprehensive income.

Lease liabilities and right-of-use assets are remeasured when a lease modification occurs.

The Company's right-of-use asset are presented as part of Leasehold, Property and Equipment while lease liabilities are included in Accounts payable, accrued expenses and other liabilities in the statements of financial position.

The Company as lessor

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the gains and losses of such non-monetary items are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Taxation

Income tax expense represents the sum of current tax expense and deferred tax expense.

Current tax

The current tax expense is composed of the regular corporate income tax (RCIT), the minimum corporate income tax (MCIT) or final tax. The RCIT and MCIT are based on taxable profit for the year which may differ from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Final tax

Final tax expense represents final taxes withheld on interest income from cash in banks, special savings deposits and fixed-income securities and final taxes withheld on proceeds from sale of listed equity securities.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax

Current and deferred tax are recognized as an expense or income in profit or loss, except when these relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax are also recognized outside profit or loss.

5. MATERIAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Material Accounting Judgment

The following are the material judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Investment entities

Management exercises its judgment whether an entity will qualify as investment entity by evaluating the structure and nature of transactions of the entity. The recognition and measurement of an investment entity's subsidiary will depend on the result of the judgment made.

Since the VUL funds obtain funds from one or more policyholders for the purpose of providing those policyholders with investment management services; commit to its policyholders that its business purpose is to invest funds solely for returns from investment income; and measure and evaluate the performance of substantially all of its investments on a fair value basis, the VUL funds qualify as investment entities. Accordingly, an associate of the VUL funds is carried at fair value with gains and losses charged to profit or loss.

Savings deposits designated at FVTPL

The Company designated the savings deposits held by the VUL funds as financial assets at FVTPL since it forms part of a group of managed financial assets whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. The information about the group of managed financial assets is provided internally on that basis to the Company's management.

As at December 31, 2024 and 2023, the carrying amount of savings deposits designated as financial assets at FVTPL amounted to P1,501,757,568 and P4,946,577,015, respectively, as disclosed in Note 10.

Key Sources of Estimation Uncertainty

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

Estimating useful lives of assets

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease the assets.

The estimated useful life of the building under leasehold, property and equipment was determined to be 36 years.

As at December 31, 2024 and 2023, the carrying amounts of the Company's leasehold, property and equipment amounted to P5,689,981,074 and P4,704,236,546, respectively, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2024 and 2023 amounted to P4,767,595,775 and P6,566,456,680, respectively, as disclosed in Note 13.

As at December 31, 2024 and 2023, the carrying amount of the Company's intangible assets amounted to P9,666,666 and P13,666,666, respectively, as disclosed in Note 14. Total accumulated amortization as at December 31, 2024 and 2023 amounted to P30,333,334 and P26,333,334, respectively, as disclosed in Note 14.

As at December 31, 2024 and 2023, the carrying amount of the Company's investment property amounted to P410,369,463 and P397,699,167, respectively, as disclosed in Note 15. Total accumulated depreciation as at December 31, 2024 and 2023 amounted to P406,463,021 and P337,359,467, respectively, as disclosed in Note 15.

Asset impairment

Impairment of AFS financial assets

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats 'significant' generally as 30% or more of the cost and 'prolonged' as greater than 12 months. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the issuer, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income. As at December 31, 2024 and 2023, the carrying value of AFS equity securities amounted to P9,129,114,879 and P7,776,226,891, respectively, as disclosed in Note 7. In 2024 and 2023, the Company recognized an impairment loss of P329,212,061 and P376,158,648 on its AFS equity securities, respectively, as disclosed in Note 28.

Impairment of nonfinancial assets

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amounts of leasehold, property and equipment, intangible assets, investment property and investments in subsidiaries requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that leasehold, property and equipment, intangible assets, investment property and investments in subsidiaries are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

The non-financial assets of the Company are composed of its leasehold, property and equipment, intangible assets, investment property, and investment in subsidiaries. The carrying amounts of its non-financial assets as at December 31, 2024 and 2023 are as follows:

| | Notes | 2024 | 2023 |
|---|--------------|-----------------------|----------------|
| Leasehold, property and equipment – net | 13 | P5,689,981,074 | P4,704,236,546 |
| Intangible asset - net | 14 | 9,666,666 | 13,666,666 |
| Investment property - net | 15 | 410,369,463 | 397,699,167 |
| Investments in subsidiaries - net | 9 | 311,556,168 | 271,308,539 |
| | | P6,421,573,371 | P5,386,910,918 |

As at December 31, 2024 and 2023, Management believes that the recoverable amounts of the Company's leasehold, property and equipment, intangible assets, and investment property exceed their carrying amounts.

The Company performed impairment assessment for its investment in subsidiaries by computing the recoverable amount and comparing it to the carrying amount of the investment. The recoverable amount was based on the higher of value in use and fair value less cost of disposal, estimated as the subsidiaries net assets as of December 31, 2024 and 2023. The Company recognized a reversal of impairment loss of P40,247,629 in 2024, and an impairment loss of P57,125,730 in 2023 on its investment in subsidiaries, as disclosed in Note 9.

Deferred tax assets

The Company reviews the carrying amounts at the end of each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Based on Management's expectation of the Company's future taxable income, the Company did recognize the deferred tax assets amounting to P928,262,864 and P821,924,853 as at December 31, 2024 and 2023, respectively, as disclosed in Note 39.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The unrecognized deferred tax assets amounted to P245,201,105 and P255,263,013 as at December 31, 2024 and 2023, respectively, as disclosed in Note 39.

Estimating allowances for doubtful accounts

The Company estimates the allowance for doubtful accounts related to its loans and receivables, investment income earned and accrued, loan to a fellow subsidiary, uncollected policyholder premiums, due from related parties and other receivables based on assessment of specific accounts when the Company has information that certain counterparties are unable to meet their financial obligations.

In these cases, judgment used was based on the best available facts and circumstances including, but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts.

These specific reserves are re-evaluated and adjusted as additional information obtained impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As at December 31, 2024 and 2023, Management believes that the receivables are fully recoverable, accordingly, no doubtful accounts expense was recognized in both years.

The carrying amounts of the receivables are as follows:

| | Notes | 2024 | 2023 |
|--------------------------------------|-------|------------------------|-----------------|
| Policyholders' loans | 11 | P 7,734,344,394 | P 7,415,761,810 |
| Loan to a fellow subsidiary | 16 | 3,813,286,167 | 3,491,758,524 |
| Investment income earned and accrued | 12 | 3,080,230,876 | 2,794,236,811 |
| Loans and receivables | 8 | 1,419,531,541 | 1,453,564,909 |
| Uncollected policyholder premiums | 27 | 1,067,772,759 | 960,065,440 |
| Due from related parties | 16 | 207,428,921 | 87,105,501 |
| Security deposits | 19 | 124,909,507 | 108,859,942 |
| Other receivables | 17 | 424,275,487 | 613,232,435 |
| | | P17,871,779,652 | P16,924,585,372 |

Estimating legal policy reserves

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

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

- *Mortality and morbidity*
The mortality and morbidity assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered based on the Company's actual experience.
- *Discount rates*
Discount rates relate to the time value of money. The risk-free discount rate shall be the equivalent zero-coupon spot and forward yield of the yield curve with matching duration for durations less than or equal to 20 years. The valuation interest rate assumptions are consistent with risk free rates as provided by IC.

The assumptions are reviewed and revised at each reporting date. A decrease in discount rate would result in remeasurement loss on life insurance reserves.
- *Non-guaranteed benefits*
The level of non-guaranteed benefits under traditional life insurance policies to be valued, including policy dividends, are determined with due regard to the Company's duty to treat its policyholders fairly and meet policyholders' reasonable expectations.
- *Expenses*
The expense assumptions are based on the Company's experience derived from its latest expense study.
- *Lapses and/or persistency rates*
Lapse and/or persistency rates reflective of the Company's actual experience are taken as the best estimate lapse and/or persistency assumption, with regard to changing Company practices and market conditions.

As at December 31, 2024 and 2023, insurance contract liabilities amounted to P57,614,822,811 and P51,806,565,786, respectively, as disclosed in Note 21. Increase in insurance contract liabilities due to change in policies and assumptions amounted to P4,495,099,185 and P5,407,683,524 in 2024 and 2023, respectively, as disclosed in Note 21.

Post-employment and other retirement benefits

The determination of the retirement benefit cost and other retirement benefits is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates and rates of compensation increase. Actual results that differ from the assumptions are directly charged to other comprehensive income and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

The Company recognized total retirement benefit expense amounting to P 40,280,800 in 2024, and total retirement benefit income amounting to P12,374,600 in 2023, as disclosed in Note 35. As at the end of 2024 and 2023, retirement benefit assets amounted to P1,661,227,900 and P1,537,146,400 respectively, as disclosed in Note 35.

Contingencies

The Company is currently involved in various legal proceedings, as disclosed in Note 40. Estimates of probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defenses in these matters and are based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to these proceedings.

6. CASH AND CASH EQUIVALENTS

The details of the Company's cash and cash equivalents are as follows:

| | 2024 | 2023 |
|---------------------------|-----------------------|----------------|
| Cash on hand and in banks | P2,453,239,532 | P3,473,345,599 |
| Cash equivalents | 1,629,512,110 | 3,603,825,378 |
| | P4,082,751,642 | P7,077,170,977 |

Cash equivalents represent short-term deposits with periods varying from one day to three months depending on the cash requirements of the Company and earn annual interest rates ranging from 2.88% to 5.40% in 2024 and 2.75% to 6.0% in 2023 for peso placements and from 4.15% to 4.90% in 2024 and 3.40% to 5.35% in 2023 for dollar placements.

Interest earned on cash and cash equivalents amounted to P131,300,492 and P162,235,882 in 2024 and 2023, respectively, as disclosed in Note 28.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details of available-for-sale financial assets are as follows:

| | 2024 | 2023 |
|---|-------------------------|------------------|
| Investments in government and corporate debt securities | P125,068,898,977 | P111,553,715,105 |
| Investments in equity securities | 9,129,114,879 | 7,776,226,891 |
| Investments in UITF | 14,444,064 | 731,380,085 |
| | P134,212,457,920 | P120,061,322,081 |

Investments in equity securities represent opportunities for return through dividend income and trading gains.

The movements in the available-for-sale financial assets are summarized as follows:

| | Notes | 2024 | 2023 |
|---|-------|-------------------------|------------------|
| Balance, beginning | | P120,061,322,081 | P100,512,698,994 |
| Additions | | 25,648,659,633 | 27,293,202,215 |
| Disposals | | (9,719,094,825) | (8,318,425,741) |
| Fair value adjustments | 25 | (1,197,755,803) | 5,256,727,067 |
| Unrealized Foreign exchange differences | | (230,919,545) | (4,333,832,697) |
| Amortization of premiums - net | | (349,753,621) | (349,047,761) |
| Reclassification from Investment in Associate | | - | 4 |
| Balance, ending | | P134,212,457,920 | P120,061,322,081 |

In 2023, the Company sold substantially all its interest in Dynamic Fund that is classified as Investment in Associate with a carrying amount of P451,789,218 for P388,448,369, resulting to a loss on sale of P63,340,849, as disclosed in Note 28. Investment revaluation reserves derecognized as a result of the sale amounted to P54,666,492, as disclosed in Note 25.

An analysis of the carrying amount are as follows:

| | Note | 2024 | 2023 |
|---|------|-------------------------|------------------|
| Cost | | | |
| Investments in government and corporate debt securities | | P126,044,871,842 | P110,990,921,527 |
| Investments in equity securities | | 7,857,353,519 | 6,981,697,068 |
| Investments in UITF | | 14,128,207 | 710,911,248 |
| | | 133,916,353,568 | 118,683,529,843 |
| Accumulated fair value adjustments | 25 | 296,104,352 | 1,377,792,238 |
| | | P134,212,457,920 | P120,061,322,081 |

Investment income and losses from available-for-sale financial assets reported in profit or loss are summarized below:

| | Notes | 2024 | 2023 |
|---------------------------------------|-------|-----------------------|----------------|
| Interest income | 28 | P7,983,623,642 | P6,940,944,869 |
| Realized fair value gain (loss) - net | 25,28 | 213,144,144 | (82,077,086) |
| Dividend income | 28 | 242,475,444 | 205,997,836 |
| Impairment loss | 25,28 | (329,212,061) | (376,158,648) |
| | | P8,110,031,169 | P6,688,706,971 |

The Company recognized impairment losses on equity securities amounting to P329,212,061 and P376,158,648 in 2024 and 2023, respectively, as disclosed in Notes 25 and 28, due to either prolonged or significant decline in the investments' fair value below cost. Accordingly, the net fair value losses previously accumulated in other comprehensive income were reclassified to profit or loss.

Debt securities classified as available-for-sale carry coupon interest rates of:

| | 2024 | 2023 |
|---------------------------------------|------------------------|-----------------|
| Investment in government peso bonds | 2.63% to 18.25% | 2.63% to 18.25% |
| Investment in government dollar bonds | 3.45% to 10.63% | 3.45% to 10.63% |
| Investment in private bonds | 4.93% to 8.49% | 4.93% to 8.49% |

8. LOANS AND RECEIVABLES

The details of the Company's loans and receivables are shown below:

| | 2024 | 2023 |
|---------------------------------------|-----------------------|----------------|
| Guaranteed loans | P1,073,850,414 | P1,156,791,768 |
| Receivables from agents and employees | 345,681,127 | 296,773,141 |
| | P1,419,531,541 | P1,453,564,909 |

Guaranteed loans represent amounts extended to top Philippine corporations, which carry terms of five to ten years. Receivables from agents and employees pertain to short-term emergency and personal loans with terms of one and two years, respectively, and long-term car and housing loans with maximum terms of six years and twenty years, respectively.

As at December 31, 2024 and 2023, Management believes that the loans and receivables are fully recoverable, accordingly, no impairment loss was recognized in both years.

Guaranteed loans earn annual interest rates ranging from 4.29% to 7.00% in 2024 and 2023.

Interest income from loans and receivables reported in profit or loss are summarized below:

| | Notes | 2024 | 2023 |
|---------------------------------------|-------|--------------------|--------------|
| Guaranteed loans | 28 | P68,403,907 | P113,210,779 |
| Receivables from agents and employees | 30 | 8,652,751 | 7,004,597 |
| | | P77,056,658 | P120,215,376 |

9. INVESTMENTS IN SUBSIDIARIES – net

Subsidiaries Carried at Cost

The details of the Company's investments in subsidiaries carried in the books at cost, net of allowance for impairment, are shown below:

| Name of Subsidiary | Place of Incorporation | Proportion of Ownership Interest | Principal Activity | 2024 | 2023 |
|--|------------------------|----------------------------------|--------------------------|-----------------------|----------------|
| Sun Life Financial Plans, Inc. (SLFPI) | Philippines | 100% | Pre-need Company | P1,187,000,000 | P1,187,000,000 |
| Sun Life Asset Management Company, Inc. (SLAMCI) | Philippines | 100% | Asset Management Company | 105,360,590 | 105,360,590 |
| | | | | 1,292,360,590 | 1,292,360,590 |
| | | | | 980,804,422 | 1,021,052,051 |
| | | | | P 311,556,168 | P 271,308,539 |

The rollforward of the changes in the allowance for impairment losses on Investments in Subsidiaries follow:

| | Note | 2024 | 2023 |
|-------------------------------|------|-----------------------|----------------|
| At January 1 | | P1,021,052,051 | P963,926,321 |
| Provision (reversal) | 28 | (40,247,629) | 57,125,730 |
| Allowance for impairment loss | | P 980,804,422 | P1,021,052,051 |

The Company recognized a reversal of impairment loss on its investments in SLFPI amounting to P40,247,629 in 2024, and an impairment loss of P57,125,730 in 2023, as disclosed in Note 28. No impairment was recognized on investments in SLAMCI as at December 31, 2024 and 2023.

In 2023, the recoverable amount of SLFPI was based on the fair value less cost of disposal, estimated as SLFPI's net assets as of December 31, 2023. In 2024, the recoverable amount was based on the value in use. The change in the basis for recoverable amount is due to the increase in estimated future cash flows of the investment in SLFPI, resulting to higher value in use in 2024.

In 2023, the Company received cash dividends from SLAMCI amounting to P150,000,000, as disclosed in Note 28. No dividends were received for 2024.

Aggregated audited financial information of the subsidiaries as at and for the years ended December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| SLFPI | | |
| Cash and cash equivalents | P 83,601,526 | P 81,736,797 |
| Other current assets | 4,057,883 | 72,827,430 |
| Current assets | 87,659,409 | 154,564,227 |
| Non-current assets | 3,430,335,645 | 4,217,014,044 |
| Total assets | P3,517,995,054 | P4,371,578,271 |
| Current liabilities | P 286,247,861 | P 314,402,860 |
| Non-current liabilities | 3,049,172,747 | 3,891,227,461 |
| Total liabilities | 3,335,420,608 | 4,205,630,321 |
| Total equity | 182,574,446 | 165,947,950 |
| Total liabilities and equity | P3,517,995,054 | P4,371,578,271 |
| Revenues | P 303,109,595 | P 322,823,929 |
| Expenses | (233,328,883) | (486,350,648) |
| Income tax expense | (3,301,639) | (3,303,371) |
| Net income (loss) for the year | 66,479,073 | (166,830,090) |
| Other comprehensive income (loss) | (49,852,580) | 109,704,360 |
| Total comprehensive loss | P16,626,493 | (P 57,125,730) |
| SLAMCI | | |
| Cash and cash equivalents | P 214,734,424 | P 278,890,130 |
| Other current assets | 873,504,568 | 769,230,495 |
| Current assets | 1,088,238,992 | 1,048,120,625 |
| Non-current assets | 512,593,578 | 520,330,816 |
| Total assets | P1,600,832,570 | P1,568,451,441 |
| Current liabilities | P 156,645,831 | P 168,830,496 |
| Non-current liabilities | - | 4,147,909 |
| Total liabilities | 156,645,831 | 172,978,405 |
| Total equity | 1,444,186,739 | 1,395,473,036 |
| Total liabilities and equity | P1,600,832,570 | P1,568,451,441 |
| Revenues | 773,193,341 | P 833,197,558 |
| Expenses | (713,974,746) | (873,797,030) |
| Income tax expense | (8,486,073) | (34,168,698) |
| Net (loss) income for the year | 50,732,522 | (74,768,170) |
| Other comprehensive (loss) income | (3,222,675) | (4,655,475) |
| Total comprehensive (loss) income | P47,509,847 | (P79,423,645) |

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account pertains to the financial assets of the VUL funds managed by the Company. Details are as follows:

| | Notes | 2024 | 2023 |
|---|-------|--------------------------|------------------|
| Investment in equity securities | | P 109,324,680,620 | P107,524,461,291 |
| Investments in government and corporate debt securities | | 47,255,439,783 | 40,383,974,011 |
| Investment in mutual fund | | 15,720,599,687 | 9,251,593,451 |
| Investments in savings deposits | | 1,501,757,568 | 4,946,577,015 |
| Foreign currency-linked notes | | - | 586,138,200 |
| | 20 | P173,802,477,658 | P162,692,743,968 |

Variable unit-linked funds are composed of investments in government and corporate debt securities, equity securities, and investments in mutual funds while designated financial assets are composed of investments in savings deposits.

As at December 31, 2024 and 2023, the Company's investment in mutual fund include investment in Sun Life Prosperity Peso Starter Fund, Inc. and Sun Life Prosperity Dollar Starter Fund, Inc. amounting to P550,131,534 and P3,061,571,067, respectively, as disclosed in Note 16.

The movements in the financial assets at fair value through profit or loss are summarized as follows:

| | Note | 2024 | 2023 |
|------------------------------|------|-------------------------|-------------------|
| Balance, beginning | | P162,692,743,968 | P148,944,181,729 |
| Additions | | 106,289,702,896 | 120,896,378,902 |
| Disposals | | (94,073,182,436) | (110,015,028,947) |
| Fair value gains | 28 | 2,298,794,866 | 1,198,768,400 |
| Foreign exchange differences | | (3,405,581,636) | 1,668,443,884 |
| Balance, ending | | P173,802,477,658 | P162,692,743,968 |

Debt securities classified as financial assets at FVTPL carry coupon interest rates of:

| | 2024 | 2023 |
|---------------------------------------|-----------------------|----------------|
| Investments in savings deposits | 3.00% to 5.4% | 3.40% to 5.80% |
| Investment in government peso bonds | 2.38% to 9.25% | 2.38% to 9.25% |
| Investment in government dollar bonds | 1.38% to 9.5% | 1.38% to 9.5% |
| Investment in private bonds | 3.00% to 8.3% | 3.00% to 8.11% |

Investment income (loss) earned and incurred from financial assets at FVTPL are as follows:

| | Note | 2024 | 2023 |
|--------------------------------|------|-----------------------|-----------------|
| Unrealized fair value gain | 28 | P2,378,022,965 | P4,381,393,746 |
| Interest income | 28 | 2,257,122,662 | 2,197,810,231 |
| Dividends | 28 | 3,516,323,300 | 3,677,527,630 |
| Realized fair value loss – net | 28 | (79,228,099) | (3,182,625,346) |
| | | P8,072,240,828 | P7,074,106,261 |

Details of the Company's interest income from financial assets at FVTPL are as follows:

| | Note | 2024 | 2023 |
|---|------|-----------------------|----------------|
| Interest income from: | | | |
| Investments in government and corporate debt securities | | P2,117,641,986 | P1,981,607,352 |
| Investments in savings deposits | | 139,480,676 | 216,202,879 |
| | 28 | P2,257,122,662 | P2,197,810,231 |

Details of the Company's realized and unrealized fair value gain (loss) are as follows:

| | Note | 2024 | 2023 |
|---|------|-----------------------|------------------|
| Realized fair value gain (loss) from: | | | |
| Equity securities | | (P648,913,769) | (P2,653,174,319) |
| Fixed income securities | | (215,434,893) | (513,687,260) |
| Mutual funds | | 785,120,563 | (15,763,767) |
| | 28 | (79,228,099) | (3,182,625,346) |
| Unrealized fair value gain (loss) from: | | | |
| Equity securities | | 2,780,750,105 | 1,751,234,659 |
| Fixed income securities | | (352,555,767) | 1,862,775,921 |
| Mutual funds | | (50,171,373) | 767,383,166 |
| | 28 | 2,378,022,965 | 4,381,393,746 |
| | | P2,298,794,866 | P 1,198,768,400 |

11. POLICYHOLDERS' LOANS

Policy loans are either policyholder's direct borrowing or borrowing to pay premiums. These are carried at their unpaid balance and are fully secured by the cash surrender values on their policies to which the loans are made. Interest is accrued on a daily basis. Unpaid accrued interest forms part of the unpaid balance at the end of the policy anniversary.

Interest income recognized amounted to P599,715,821 and P578,400,580 in 2024 and 2023, respectively, as disclosed in Note 30.

As at December 31, 2024 and 2023, the carrying amount of the loans amounted to P7,734,344,394 and P7,415,761,810, respectively. The Management believes that the policyholders' loans are fully recoverable, accordingly, no impairment was recognized in both years.

12. INVESTMENT INCOME EARNED AND ACCRUED

The details of the investment income earned and accrued are shown below:

| | Note | 2024 | 2023 |
|-----------------------------|------|-----------------------|----------------|
| Accrued interest from: | | | |
| AFS financial assets | | P2,104,435,052 | P1,810,738,923 |
| Financial assets at FVTPL | | 513,859,471 | 526,026,128 |
| Policyholders' loans | | 269,055,679 | 258,064,913 |
| Loan to a fellow subsidiary | 16 | 79,190,428 | 66,876,995 |
| Guaranteed loans | | 52,754,000 | 43,665,859 |
| Cash equivalents | | 1,172,665 | 1,958,112 |
| Dividends receivable | | 59,763,581 | 86,905,881 |
| | | P3,080,230,876 | P2,794,236,811 |

13. LEASEHOLD, PROPERTY AND EQUIPMENT – net

The movements in leasehold, property and equipment are summarized as follows:

| | Office Equipment | Computer Equipment | Furniture and Fixtures | Transportation Equipment | Leasehold Improvements | Condominium Units | Building and Building Improvements | Right-of-Use Asset | Construction in Progress | Total | |
|--|---------------------|-----------------------|---------------------------|-----------------------------|---------------------------|----------------------|--|-----------------------|-----------------------------|-----------------------|-----------------------|
| Cost | | | | | | | | | | | |
| At January 1, 2023 | P236,894,073 | P2,689,052,707 | P570,403,817 | P205,824,954 | P1,385,551,488 | P83,900,348 | P1,102,844,356 | P2,968,407,373 | P632,655,147 | P9,875,534,263 | |
| Additions | 29,865,867 | - | 5,516,068 | 43,814,840 | - | - | - | 469,543,711 | 1,034,388,399 | 1,583,128,885 | |
| Disposals | (5,121,427) | (2,257,610) | (31,652) | (45,541,800) | - | - | - | - | - | (52,952,489) | |
| Transfers/Adjustments | - | 638,710,010 | - | - | 65,748,152 | - | (135,017,431) | - | (704,458,164) | (135,017,433) | |
| December 31, 2023 | 261,638,513 | 3,325,505,107 | 575,888,233 | 204,097,994 | 1,451,299,640 | 83,900,348 | 967,826,925 | 3,437,951,084 | 962,585,382 | 11,270,693,226 | |
| Additions | 26,601,699 | 222,070,288 | 14,704,278 | 40,997,925 | 5,622,019 | - | - | 711,170,140 | 1,123,370,539 | 2,144,536,888 | |
| Disposals | (61,425,980) | (8,726,802) | (53,910,185) | (46,305,336) | - | - | - | - | - | (170,368,303) | |
| Transfers/Adjustments | - | 330,654,804 | - | - | 36,040,519 | - | (81,773,850) | - | (366,695,323) | (81,773,850) | |
| Write-off | (127,186,531) | (1,825,317,363) | (226,138,969) | - | - | - | (526,868,249) | - | - | (2,705,511,112) | |
| December 31, 2024 | 99,627,701 | 2,044,186,034 | 310,543,357 | 198,790,583 | 1,492,962,178 | 83,900,348 | 359,184,826 | 4,149,121,224 | 1,719,260,598 | 10,457,576,849 | |
| Accumulated Depreciation and Amortization | | | | | | | | | | | |
| January 1, 2023 | 200,378,590 | 2,007,987,342 | 405,432,217 | 149,722,504 | 795,026,745 | 81,663,005 | 551,013,026 | 1,473,058,572 | - | 5,664,282,001 | |
| Depreciation (Note 32) | 15,757,459 | 343,104,895 | 33,481,878 | 34,114,328 | 98,143,701 | 2,237,343 | 37,531,710 | 446,343,336 | - | 1,010,714,650 | |
| Disposals | (5,085,200) | (2,257,428) | (21,527) | (44,427,594) | - | - | - | - | - | (51,791,749) | |
| Transfers/Adjustments | - | - | - | - | - | - | (56,748,222) | - | - | (56,748,222) | |
| December 31, 2023 | 211,050,849 | 2,348,834,809 | 438,892,568 | 139,409,238 | 893,170,446 | 83,900,348 | 531,796,514 | 1,919,401,908 | - | 6,566,456,680 | |
| Depreciation (Note 32) | 17,314,872 | 440,488,987 | 31,953,948 | 41,209,505 | 92,427,552 | - | 39,546,432 | 448,657,288 | - | 1,111,598,584 | |
| Disposals | (61,378,040) | (8,726,631) | (51,902,997) | (45,427,924) | - | - | - | - | - | (167,435,592) | |
| Transfers/Adjustments | - | - | - | - | - | - | (37,530,589) | - | - | (37,530,589) | |
| Write-off | (127,183,996) | (1,825,308,974) | (226,132,161) | - | - | - | (526,868,177) | - | - | (2,705,493,308) | |
| December 31, 2024 | 39,803,685 | 955,288,191 | 192,811,358 | 135,190,819 | 985,597,998 | 83,900,348 | 6,944,180 | 2,368,059,196 | - | 4,767,595,775 | |
| Carrying Amounts | | | | | | | | | | | |
| December 31, 2024 | P59,824,016 | P1,088,897,843 | P117,731,999 | P63,599,764 | P507,364,180 | P | - | P352,240,646 | P1,781,062,028 | P1,719,260,598 | P5,689,981,074 |
| Carrying Amounts | | | | | | | | | | | |
| December 31, 2023 | P50,587,664 | P976,670,298 | P136,995,665 | P64,688,756 | P558,129,194 | P | - | P436,030,411 | P1,518,549,176 | P962,585,382 | P4,704,236,546 |

Gain on disposal of property and equipment amounted to P8,598,757 in 2024 and P3,863,108 in 2023, as disclosed in Note 30. In 2024 and 2023, Management believes that there is no indication that an impairment loss has occurred.

In 2024 and 2023, there are transfers to Investment Property from Building and Building Improvements with a net carrying amount of P44,243,261 and P78,269,209, respectively, as disclosed in Note 15. The net transfers represent the portion of the carrying amount of Sun Life building leased out to tenants allocated based on the area occupied.

Cost of completed software projects and enhancements reclassified from construction in progress to computer equipment amounted to P330,654,804 and P638,710,010 in 2024 and 2023, respectively. Cost of completed leasehold projects reclassified from construction in progress to leasehold improvements amounted to P36,040,519 and P65,748,152 in 2024 and 2023, respectively.

In 2024, the Company wrote off leasehold, property and equipment with P1 and nil book values. The total carrying amount of the assets written off amounted to P17,804.

14. INTANGIBLE ASSET – net

Movements in intangible asset, naming rights, are summarized as follows:

| | Note | Naming Rights |
|---------------------------------|------|-------------------|
| Cost | | |
| Balance, beginning and end | | P40,000,000 |
| Accumulated Amortization | | |
| January 1, 2023 | | 22,333,334 |
| Amortization | 32 | 4,000,000 |
| December 31, 2023 | | 26,333,334 |
| Amortization | 32 | 4,000,000 |
| December 31, 2024 | | 30,333,334 |
| Carrying Amount | | |
| December 31, 2024 | | P9,666,666 |
| Carrying Amount | | |
| December 31, 2023 | | P13,666,666 |

In 2015, the Company entered into a Deed of Conditional Donation with Bonifacio Arts Foundation, Inc. (BAFI). The contract states that the Company would donate P40,000,000 for the construction of the Performing Arts Center Amphitheatre. In return BAFI provides the Company the 10-year naming rights to amphitheatre which shall be called "Sun Life Amphitheatre". The construction was completed in June 2017.

Management believes that there is no indication that an impairment loss has occurred on its intangible assets with definite useful lives.

15. INVESTMENT PROPERTY – net

Carrying amount of the Company's investment property is summarized as follows:

| | Notes | |
|---------------------------------|-------|---------------------|
| Cost | | |
| January 1, 2023 | | 600,041,203 |
| Transfers | 13 | 135,017,431 |
| December 31, 2023 | | 735,058,634 |
| Transfers | 13 | 81,773,850 |
| December 31, 2024 | | 816,832,484 |
| Accumulated Depreciation | | |
| January 1, 2023 | | 252,199,078 |
| Depreciation | 32 | 28,412,167 |
| Transfers | 13 | 56,748,222 |
| December 31, 2023 | | 337,359,467 |
| Depreciation | 32 | 31,572,965 |
| Transfers | 13 | 37,530,589 |
| December 31, 2024 | | 406,463,021 |
| Carrying Amount | | |
| December 31, 2024 | | P410,369,463 |
| Carrying Amount | | |
| December 31, 2023 | | P397,699,167 |

The Company leased out a portion of Sun Life building as office space to its subsidiaries, related parties and third parties.

In 2024, the Management engaged an independent appraiser accredited by the SEC, to determine the fair value of the investment property. Based on the result of the appraisal, the fair value of the investment property amounted to P1,549,000,000. The fair value was determined using the Cost Approach which is based on the reproduction cost of the subject property or asset, less total depreciation. As such, the fair value hierarchy is considered as Level 3. Management believes that the fair value of the investment property has not significantly changed since the last valuation date as the economic condition which may affect the volatility of the fair value of the property has remained constant.

The rental income earned by the Company from its investment property, all of which are leased out under operating leases, amounted to P150,976,277 and P147,708,383 in 2024 and 2023, respectively, as disclosed in Note 30. Direct operating expenses such as depreciation, repairs and maintenance and real property taxes, arising from holding the investment property amounted to P67,380,293 and P32,465,268 during 2024 and 2023, respectively and are included in general and administrative expenses, as disclosed in Note 32.

Management believes there is no indication that an impairment loss has occurred on its investment property in 2024 and 2023.

16. RELATED PARTY TRANSACTIONS

The Company has the following transactions and outstanding balances with related parties as at and for the years ended December 31:

| Nature of Transactions | Notes | Amounts of Transactions During the Year | | Outstanding Balance Assets (Liabilities) | | Terms | Conditions |
|---|----------|---|---------------|--|----------------|--|-----------------------|
| | | 2024 | 2023 | 2024 | 2023 | | |
| Parent | | | | | | | |
| Sun Life Assurance Company of Canada | | | | | | | |
| Expense chargebacks | 16.h | P823,454,884 | P414,979,313 | (P179,468,580) | (P107,805,894) | 90-day; non-interest bearing | Unsecured |
| Immediate Parent | | | | | | | |
| Sun Life of Canada (Netherlands) B.V | | | | | | | |
| Dividends | 26 | 5,000,000,000 | 5,000,000,000 | - | - | | |
| Fellow Subsidiaries | | | | | | | |
| Sun Life Philippine Holding Company, Inc | | | | | | | |
| Loan | 16.a-d | 321,527,643 | 223,760,710 | 3,813,286,167 | 3,491,758,524 | 5-10 years; fixed rate ranging from 2.94% to 8.62% | Unsecured, Unimpaired |
| Intercompany payable | 16.d | - | 237,204 | - | (237,204) | non-interest bearing; settled in cash | Unsecured, Unimpaired |
| Interest income | 16.d, 30 | 176,903,428 | 157,049,403 | 79,190,428 | 66,876,995 | - | - |
| Sun Life Assurance Company of Canada – RHQ | | | | | | | |
| Reimbursable expenses | 16.h | 135,744,968 | 78,672,449 | 10,054,007 | (5,167,175) | 90-day; non-interest bearing | Unsecured |
| Sun Life Financial Asia Services Limited | | | | | | | |
| Expense chargebacks | 16.i | 2,067,903,659 | 1,617,962,567 | (545,503,530) | (203,824,057) | 30-day; non-interest bearing | Unsecured |
| Fee income | 29 | 26,629,106 | 26,194,482 | 5,382,079 | 6,476,330 | | |
| Reimbursable expenses | 16.h | 5,272,645 | 780,533 | | - | | |
| Rental income | 16.g | 74,462,950 | 75,369,737 | | - | | |
| Other (rental dues) | 16.g | 25,891,323 | 19,570,151 | | - | | |

| Nature of Transactions | Notes | Amounts of Transactions During the Year | | Outstanding Balance Assets (Liabilities) | | Terms | Conditions |
|--|----------|--|-------------|---|-------------|--|-----------------------|
| | | 2024 | 2023 | 2024 | 2023 | | |
| Sun Life Hong Kong Limited | | | | | | | |
| Reimbursable expenses | 16.h | P7,100,592 | P6,559,853 | (P7,052,861) | P 28,932 | 90-day; non-interest bearing | Unsecured, Unimpaired |
| Joint venture of fellow subsidiary | | | | | | | |
| Sun Life Grepa Financial, Inc. | | | | | | | |
| Reimbursable expenses | 16.h | 126,477,930 | 17,238,466 | 46,210,790 | 11,409,567 | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Fee income | 16.e, 29 | 318,737,621 | 299,134,099 | 91,106,634 | 32,538,568 | Transaction fees with 6.8% markup; 30-day; non-interest bearing | Unsecured, Unimpaired |
| Sale and purchase of investments | 16.k | 71,414,613 | 766,949,678 | - | - | | |
| Sun Life Global Solutions Private Limited | | | | | | | |
| Reimbursable expenses | 16.h | 93,654,209 | 75,145,806 | (16,523,888) | (6,984,115) | 90-day; non-interest bearing | Unsecured, Unimpaired |
| Subsidiaries | | | | | | | |
| Sun Life Asset Management Company, Inc. | | | | | | | |
| Reimbursable expenses | 16.h | 7,050,076 | 5,120,930 | - | (19,016) | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Dividend income | 9 | - | 150,000,000 | - | - | | |
| Fee income | 16.e, 29 | 267,236,338 | 250,157,538 | 24,858,778 | 24,663,868 | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Rental income | 16.g | 7,899,516 | 7,776,469 | - | - | | |
| Others (rental dues) | 16.g | 2,696,150 | 4,223,964 | - | - | | |
| Sun Life Financial Plans, Inc. | | | | | | | |
| Reimbursable expenses | 16.h | 107,957 | 504,198 | - | - | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Fee income | 29 | 15,057,074 | 16,714,707 | - | - | 30-day; non-interest bearing | Unsecured |
| Rider premiums | 16.f | 295,735 | 751,298 | - | - | 30-day; non-interest bearing | Unsecured, Unimpaired |

| Nature of Transactions | Notes | Amounts of Transactions During the Year | | Outstanding Balance Assets (Liabilities) | | Terms | Conditions |
|---|------------|---|----------------|--|----------------|---------------------------------|-----------------------|
| | | 2024 | 2023 | 2024 | 2023 | | |
| Sun Life Prosperity Peso Starter Fund, Inc. | | | | | | | |
| Subscription of redeemable shares | 16.k | P858,185,455 | P1,830,721,290 | P | - | P | - |
| Sale and purchase of investments | 16.k | 21,345,281 | 715,217,440 | | - | | - |
| Sun Life Prosperity Dollar Starter Fund, Inc. | | | | | | | |
| Subscription of redeemable shares | 16.k | 56,933,041 | - | | - | | - |
| Sun Life Investment Management and Trust Company | | | | | | | |
| Reimbursable expenses | 16.h | 13,096,765 | 14,805,018 | 5,532,529 | 8,582,693 | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Fee income | 29 | 48,737,434 | 45,978,711 | 22,337,990 | 2,595,408 | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Rental income | 16.g | 13,434,328 | 14,329,918 | - | - | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Others (rental dues) | 16.g | 4,498,301 | 4,276,949 | - | - | 30-day; non-interest bearing | Unsecured, Unimpaired |
| Trust Fees | 16.n | 95,088,191 | - | (54,733,899) | - | | |
| Investment Management Fee | 16.m | 14,733,333 | 13,600,000 | - | (2,266,667) | 30-day; non-interest bearing | Unsecured |
| Contributor | | | | | | | |
| Sun Life Financial Philippines Foundation, Inc. | | | | | | | |
| Reimbursable expenses | 16.h | 1,810,091 | 961,272 | 1,049,403 | 810,135 | 90-day; non-interest bearing | Unsecured, Unimpaired |
| Donation | 16.l | 120,000,000 | 60,000,000 | - | - | | |
| Sun Life of Canada (Philippines), Inc. Multi-Employer Employee's Retirement Plan | | | | | | | |
| Contribution | 35 | 121,364,400 | 100,304,600 | - | - | | |
| Key Management Personnel | | | | | | | |
| Loans | 16.j | 5,972,005 | (3,989,031) | P29,294,610 | 23,322,605 | 1 to 20 years; interest-bearing | Unsecured, Unimpaired |
| Loan to a fellow subsidiary | 16.a-d | P- | p- | P3,813,286,167 | P3,491,758,524 | | |
| Due from related parties | | P- | p- | P207,428,921 | P87,105,501 | | |
| Due to related parties | | P- | p- | P749,445,568 | P330,513,791 | | |
| Accounts payable, accrued expenses and other liabilities | | | | P54,733,899 | - | | |
| Interest income earned and accrued | 12 16.d | P- | p- | P79,190,428 | P66,876,995 | | |
| Financial assets at FVTPL | 10 | P- | P- | P550,131,534 | P3,061,571,067 | | |

Details of the Company's related party transactions are as follows:

- a. On February 14, 2011 and October 26, 2015; the Board of Directors (BOD) approved a maximum loanable amount of P2,000,000,000 and P265,000,000 excluding interest transfers, respectively, to Sun Life Financial Philippine Holding Company, Inc (HoldCo).
 - 1) On September 22, 2019, the loan agreement dated September 17, 2014 was amended to extend the term of the loans up to 5 years for the principal amount of P1,255,000,000 and change the compounding interest rates from 4.2159% to 4.439% per annum.
 - 2) On February 16, 2020, the loan agreement dated February 16, 2015 was amended to extend the term of the loans up to 5 years for the principal amount of P580,000,000 and change the compounding interest rates from 3.5568% to 4.2860% per annum.
 - 3) On March 7, 2021, the loan agreement dated March 7, 2016 was amended to extend the term of the loans up to 5 years for the principal amount of P40,000,000 and change the compounding interest rates from 4.1800% to 2.994% per annum.
 - 4) On March 11, 2021, the loan agreement dated March 16, 2016 was amended to extend the term of the loans up to 5 years for the principal amount of P40,000,000 and change the compounding interest rates from 4.0277% to 3.304% per annum.
 - 5) On July 10, 2021, the loan agreement dated July 10, 2016 was amended to extend the term of the loans up to 5 years for the principal amount of P40,000,000 and change the compounding interest rates from 2.8327% to 2.936% per annum.
 - 6) On September 8, 2021, the loan agreement dated September 8, 2016 was amended to extend the term of the loans up to 5 years for the principal amount of P40,000,000 and change the compounding interest rates from 2.8821% to 2.9487% per annum.
 - 7) On October 26, 2018, the loan agreement dated October 26, 2015 was amended to extend the term of the loans up to 5 years for the principal amount of P40,000,000 and change the interest rates from 3.1713% to 8.6161% per annum. On October 26, 2023, the loan agreement was amended to extend the term of the loans up to 5 years for the principal amount of P40,000,000 and change the compounding interest rates from 8.6161% to 6.5725% per annum.
 - 8) On September 25, 2024, the loan agreement was further amended. The revised provision states that the interest will now be computed solely on the initial principal amount, which amended the original provision that provides for the annual compounding of interest. The changes in the agreement are to be applied prospectively.
 - 9) On November 4, 2024, the loan agreement dated September 25, 2019 was amended to extend the term of the loan up to 10 years for the principal amount of P1,255,000,000 and change the interest rates from 4.4390% to 5.6520% per annum, and the mode of interest payment from compounding to simple, following the amendment in the main loan agreement on September 25, 2024.

- b. On December 5, 2018, the Company's BOD approved a new loan facility of P1,508,970,000.
- 1) On November 26, 2019, the Company issued a new 10-year loan amounting to P80,000,000 with compounding interest rate of 4.718%.
 - 2) On September 14, 2023, the Company issued a new 5-year loan amounting to P20,000,000 with compounding interest rate of 6.3307%.
 - 3) On December 21, 2023, the loan facility was amended. The revised provision states that the interest will now be computed solely on the initial principal amount, which amended the original provision that provides for the annual compounding of interest. The changes in the agreement are to be applied prospectively.
 - 4) On December 21, 2023, the Company issued a new 5-year loan amounting to P50,000,000 with simple interest rate of 6.0243%.
 - 5) On August 13, 2024, the Company issued a new 10-year loan amounting to P40,000,000 with simple interest rate of 6.1534%.
 - 6) On October 2, 2024, the Company issued a new 10-year loan amounting to P120,000,000 with simple interest rate of 5.6520%.
 - 7) On December 21, 2024, the Company collected the annual fixed interest of loan issued on December 21, 2023 amounting to P3,062,353.
- c. On June 15, 2022, the Company's BOD approved a new loan facility of P500,000,000. On the same day, the Company issued a new 10-year loan amounting to P500,000,000 with compounding interest rate of 5.9056%.
- d. The details of the loan are as follows:

| Due Date | Interest Rate | Ref | 2024* | 2023* |
|--------------------|---------------|--------|-----------------------|----------------|
| February 16, 2025 | 4.2860% | 16.a.2 | P505,011,399 | P483,979,917 |
| March 7, 2026 | 2.9940% | 16.a.3 | 58,596,989 | 56,866,044 |
| March 15, 2026 | 3.3040% | 16.a.4 | 53,949,527 | 52,196,221 |
| July 10, 2026 | 2.9360% | 16.a.5 | 55,143,408 | 53,545,122 |
| September 8, 2026 | 2.9487% | 16.a.6 | 50,472,279 | 49,003,238 |
| September 14, 2028 | 6.3307% | 16.b.2 | 21,287,242 | 20,000,000 |
| October 26, 2028 | 6.5725% | 16.a.7 | 71,347,524 | 66,878,664 |
| December 21, 2028 | 6.0243% | 16.b.4 | 50,000,000 | 50,000,000 |
| November 26, 2029 | 4.7180% | 16.b.1 | 101,079,642 | 96,453,139 |
| June 15, 2032 | 5.9056% | 16.c | 561,755,737 | 529,938,111 |
| August 13, 2034 | 6.1534% | 16.b.5 | 40,000,000 | - |
| September 25, 2034 | 5.6520% | 16.a.9 | 2,124,642,419 | 2,032,898,068 |
| September 25, 2034 | 5.6520% | 16.b.6 | 120,000,000 | - |
| | | | P3,813,286,167 | P3,491,758,524 |

*Amounts presented include both original principals plus capitalized interests

The Company also transfers the interest receivable to the loan to a fellow subsidiary every anniversary date of each individual loan agreement. As at December 31, 2024 and 2023, the amount of interest receivable transferred as part of the loan is P161,527,643 and P153,760,710, respectively.

Accrued interest receivable as at December 31, 2024 and 2023 amounted to P79,190,428 and P66,876,995, respectively, as disclosed in Note 12. Interest income earned in 2024 and 2023 amounted to P176,903,428 and P157,049,403, respectively, as disclosed in Note 30.

Intercompany payable pertains to additional withholding tax billed by HoldCo on interest payments to intercompany loans last July 14, 2022.

- e. In 2011, a Service Level Agreement was executed between the Company and Grepalife Financial, Inc. The Company will be the service provider of Sun Life Grepa Financial, Inc.'s (SLGFI) and Grepalife Asset Management Corporation's (GAMC) back-office individual and group services in the areas of operations, finance, actuarial, investment, information technology, administrative services, product development, legal, compliance and risk management. The Company will be paid its actual cost to provide those services with VAT and an agreed mark-up. In 2022, pursuant to Section 14 of the Service Level Agreement, the parties amended the same to reflect the latest service levels agreed upon by the Company and SLGFI.

In 2018, the Company and Sun Life Asset Management, Inc. (SLAMCI) executed an Service Level Agreement with SLOCPI as service provider for shared costs, integrated sales force, marketing and promotional initiatives such as investors' forum, annual sales recognition programs and the use of branch facilities, personnel and services.

- f. In the normal course of business, the Company provides insurance riders to SLFPI's planholders. This is settled on a monthly basis.
- g. The Company has entered into lease agreements with its subsidiaries and fellow subsidiary. Leases are negotiated for an average term of one year to five years, renewable at the option of the Company under such terms and conditions, which are mutually acceptable to both parties. The rental charges shall be subject to 5% escalation beginning in the second year of the term of the lease as disclosed in Note 37.
- h. Reimbursable expenses pertain to transactions with subsidiaries and related parties which consist mainly of inter-company billings made by the Company to related parties for shared costs and operating expenses for integrated backroom services (such as the operations of systems and human resources, legal and internal audit teams, rent and others) which are recognized as deductions from the related expenses.
- i. Expense chargebacks pertain to expenses paid by related parties on behalf of the Company. Transactions with subsidiaries are settled every month while other intercompany transactions are settled quarterly through inter-company billing.
- j. Loans granted to key management personnel are as follows:

| | 2024 | 2023 |
|------------------|--------------------|-------------|
| Short-term loans | P 476,750 | P 154,167 |
| Long-term loans | 28,817,860 | 23,168,438 |
| | P29,294,610 | P23,322,605 |

These interest bearing loans are presented as part of receivables from agents and employees with maximum terms of one year and 20 years for short-term and long-term loans, respectively.

- k. Sale and purchase of investments pertain to buying and selling of the same security between portfolios of two separate affiliated legal entities and whose assets are managed by the same Portfolio Managers. Portfolio Managers determine that this is appropriate and in the best interest of certain portfolios and ensure that the trade will be executed in a manner that is fair and equitable to the parties involved.
- l. The Company donates a portion of its net profit to Sun Life Financial – Philippines Foundation, Inc. for the achievement of its purposes and objectives.
- m. In 2021, the Company entered into a Consultancy Agreement with Sun Life Investment Management and Trust Company (SLIMTC). Under the agreement, SLIMTC will perform consultancy services.

- n. In 2024, the Company entered into an Investment Management Agreement with SLIMTC. Under the agreement, SLIMTC will perform investment management services.
- o. All outstanding balances will be settled in cash.

Remuneration of Key Management Personnel

The remuneration of key management personnel of the Company is set out below in aggregate as specified in PAS 24.

| | 2024 | 2023 |
|------------------------------|---------------------|---------------|
| Short-term employee benefits | P880,027,870 | P 777,272,304 |
| Post-employment benefits | 5,182,254 | 4,196,715 |
| Share-based payments | 73,106,767 | 71,245,891 |
| | P958,316,891 | P852,714,910 |

Significant Information on the Retirement Plan

The Company has a funded retirement plan for its employees maintained with a trustee bank. The details of the fund are disclosed in Note 35.

The Company's Multi-Employer Employee's Retirement Plan entered into a Purchase of Long-term Leasehold Interest Agreement with the SLACC Philippine Branch. The Agreement provided for a 25-year absolute interest to possess and use the real property for a price of P526,240,741. The leasehold interest was transferred by the SLACC Philippine Branch in 1997 to the Company as a result of its demutualization. On December 22, 2022, the lease agreement has been extended for another 25 years.

17. OTHER RECEIVABLES

The details of the Company's other receivables are as follows:

| | 2024 | 2023 |
|-------------------|---------------------|--------------|
| Due from brokers | P401,854,491 | P532,885,264 |
| Rental receivable | 3,609,628 | 30,601,036 |
| Others | 18,811,368 | 49,746,135 |
| | P424,275,487 | P613,232,435 |

Due from brokers account refers to amounts receivable from brokers for the sale of investments processed on or before the reporting period, that are settled three days after the transaction date.

Others pertain to travel and expense advances given to employees, receivables from resigned employees and miscellaneous deposits.

18. PREPAID TAXES

The details of the Company's prepaid taxes are shown below.

| | 2024 | 2023 |
|-------------------------------|--------------------|--------------|
| Creditable withholding tax | P55,023,940 | P 66,374,976 |
| Input tax | 23,129,429 | 14,263,553 |
| Prepaid documentary stamp tax | 8,224,048 | 6,064,606 |
| Prepaid income tax | - | 149,957,984 |
| | P86,377,417 | P236,661,119 |

Creditable withholding tax pertains to taxes withheld from the Company from its investments and other revenue subject to withholding tax.

Prepaid income taxes pertain to overpayment of regular corporate income taxes for the year.

19. PREPAYMENTS AND OTHER ASSETS

The details of the Company's prepayments and other assets are shown below.

| | Note | 2024 | 2023 |
|--------------------------|------|---------------------|--------------|
| Prepayments | | P285,926,436 | P148,292,377 |
| Security deposits | 37 | 124,909,507 | 108,859,942 |
| Prepaid supplies | | 102,839,837 | 152,582,692 |
| Investment in trust fund | | 4,845,043 | 4,660,371 |
| Other assets | | 3,625,674 | 3,625,675 |
| | | P522,146,497 | P418,021,057 |

Investment in trust fund is a portfolio of assets managed by professional fund managers set aside for loans to agents and restricted for other use.

20. VARIABLE UNIT-LINKED LIABILITIES

On July 29, 2004, the IC approved the Company's license to sell variable or investment-linked insurance, a life insurance product that is linked to investment funds. The portion of the premium invested separately in identifiable funds managed by the Company is known to the policyholder at the outset. The funds are valued regularly and divided into units allocated to the investment-linked policyholder's share in the fund.

VUL liabilities represent net assets of the VUL funds attributable to the policyholders. Details are as follows:

| | Note | 2024 | 2023 |
|---|------|-------------------------|-------------------|
| Assets | | | |
| Financial assets at FVTPL | 10 | P173,802,477,658 | P 162,692,743,968 |
| Other assets | | 755,101,065 | 849,948,947 |
| | | 174,557,578,723 | 163,542,692,915 |
| Liabilities | | | |
| | | 578,588,987 | 294,993,412 |
| Net Assets | | | |
| | | 173,978,989,736 | 163,247,699,503 |
| Less: Net assets attributable to seed capital | | 552,739,536 | 628,898,143 |
| Net assets attributable to policyholders | | P173,426,250,200 | P162,618,801,360 |

Other assets are included under other receivables, prepayments and other assets.

Liabilities are presented as part of accounts payable, accrued expenses and other liabilities in the statements of financial position.

Movement of VUL net assets attributable to policyholders are as follows:

| | Notes | 2024 | 2023 |
|-------------------------------|-------|-------------------------|------------------|
| Balance beginning of the year | | P162,618,801,360 | P149,177,530,092 |
| VUL fund contributions | 27 | 34,262,361,580 | 34,292,283,859 |
| VUL fund withdrawals | 22 | (16,757,427,741) | (12,975,471,294) |
| VUL fund loss for the year | | (6,697,484,999) | (7,875,541,297) |
| | | P173,426,250,200 | P162,618,801,360 |

The details of VUL fund allocation recognized in profit or loss are as follows:

| | Notes | 2024 | 2023 |
|--|-------|-------------------------|------------------|
| VUL fund loss for the year | | (P6,697,484,999) | (P7,875,541,297) |
| Gain attributable to seed capital | | - | 589,512 |
| Loss attributable to VUL policyholders | | (6,697,484,999) | (7,874,951,785) |
| VUL fund contributions | 27 | 34,262,361,580 | 34,292,283,859 |
| VUL fund withdrawals | 22 | (16,757,427,741) | (12,975,471,294) |
| | | P10,807,448,840 | P13,441,860,780 |

The breakdown of the Company's net income generated from general fund and segregated fund with combined amounts presented in the statements of comprehensive is as follows:

| | Notes | 2024 | | |
|---|-------|------------------------|-------------------------|------------------------|
| | | General Fund | Segregated Fund | Total |
| Income | | | | |
| Gross premiums | 27 | P23,545,451,981 | P34,262,361,580 | P57,807,813,561 |
| Less: Premiums ceded | 27 | 652,798,518 | - | 652,798,518 |
| Premiums - Net | | 22,892,653,463 | 34,262,361,580 | 57,155,015,043 |
| Investment income - net | 28 | 8,699,130,712 | 8,562,269,903 | 17,261,400,615 |
| Fee income | 29 | 14,951,363,396 | (14,002,888,456) | 948,474,940 |
| Other Income | 30 | 952,698,663 | 34,261,969 | 986,960,632 |
| | | 47,495,846,234 | 28,856,004,996 | 76,351,851,230 |
| Benefits, Changes in Reserves and Operating Expenses | | | | |
| Variable unit-linked fund allocation | 20 | - | 10,807,448,840 | 10,807,448,840 |
| Increase (decrease) in insurance contract liabilities | 21 | 4,495,099,185 | - | 4,495,099,185 |
| Surrenders and maturities | 22 | 3,343,562,132 | 16,757,427,741 | 20,100,989,873 |
| Death, disability and other policy benefits | 22 | 5,967,476,264 | - | 5,967,476,264 |
| Commissions, bonuses and other agents' expenses | 31 | 9,093,252,346 | - | 9,093,252,346 |
| General and administrative expenses | 32 | 9,512,682,137 | 765,225,551 | 10,277,907,688 |
| Insurance taxes, licenses and fees | 33 | 851,759,357 | 11,502,832 | 863,262,189 |
| | | 33,263,831,421 | 28,341,604,964 | 61,605,436,385 |
| Income Before Tax | | 14,232,014,813 | 514,400,032 | 14,746,414,845 |
| Income tax expense | 38 | 2,883,891,055 | 514,400,032 | 3,398,291,087 |
| Profit for the year | | P11,348,123,758 | - | P11,348,123,758 |

| | Notes | 2023 | | |
|---|-------|-----------------|------------------|-----------------|
| | | General Fund | Segregated Fund | Total |
| Income | | | | |
| Gross premiums | 27 | P22,075,302,942 | P34,292,283,859 | P56,367,586,801 |
| Less: Premiums ceded | 27 | 579,965,492 | - | 579,965,492 |
| Premiums - Net | | 21,495,337,450 | 34,292,283,859 | 55,787,621,309 |
| Investment income - net | 28 | 7,040,812,071 | 7,039,127,741 | 14,079,939,812 |
| Fee income | 29 | 14,694,482,827 | (13,876,348,556) | 818,134,271 |
| Other Income | 30 | 936,553,876 | 18,340,920 | 954,894,796 |
| | | 44,167,186,224 | 27,473,403,964 | 71,640,590,188 |
| Benefits, Changes in Reserves and Operating Expenses | | | | |
| Variable unit-linked fund allocation | 20 | - | 13,441,860,780 | 13,441,860,780 |
| Increase (decrease) in insurance contract liabilities | 21 | 5,407,683,524 | - | 5,407,683,524 |
| Surrenders and maturities | 22 | 3,131,106,132 | 12,975,471,294 | 16,106,577,426 |
| Death, disability and other policy benefits | 22 | 5,850,150,972 | - | 5,850,150,972 |
| Commissions, bonuses and other agents' expenses | 31 | 9,789,025,293 | - | 9,789,025,293 |
| General and administrative expenses | 32 | 7,823,807,893 | 556,684,865 | 8,380,492,758 |
| Insurance taxes, licenses and fees | 33 | 770,201,064 | 5,757,598 | 775,958,662 |
| | | 32,771,974,878 | 26,979,774,537 | 59,751,749,415 |
| Income Before Tax | | 11,395,211,346 | 493,629,427 | 11,888,840,773 |
| Income tax expense | 38 | 2,547,434,533 | 494,218,939 | 3,041,653,472 |
| Profit for the year | | P8,847,776,813 | P(589,512) | P8,847,187,301 |

21. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities or legal policy reserves are computed based on Insurance Commission Circular No. 2016-66 which prescribes the valuation standards for life insurance policy reserves. Under this circular, the valuation of traditional life insurance policy reserves will be primarily on gross premium basis with discount rates as prescribed by the Insurance Commission as of a certain valuation date.

Insurance contract liabilities is analyzed as follows:

| | Insurance Contract Liabilities | Reinsurers' Share of Liabilities | Net |
|--------------------------|--------------------------------|----------------------------------|------------------|
| December 31, 2024 | | | |
| Ordinary life | P 75,853,194,275 | P 105,019,476 | P 75,748,174,799 |
| Group life | 276,335,200 | 136,848 | 276,198,352 |
| Accident and health | 16,562,650 | - | 16,562,650 |
| Variable life | (18,206,585,508) | 219,527,482 | (18,426,112,990) |
| | P 57,939,506,617 | P 324,683,806 | P 57,614,822,811 |
| December 31, 2023 | | | |
| Ordinary life | P 70,370,407,037 | P 86,711,035 | P 70,283,696,002 |
| Group life | 188,066,205 | 134,264 | 187,931,941 |
| Accident and health | 15,613,461 | - | 15,613,461 |
| Variable life | (18,481,957,473) | 198,718,145 | (18,680,675,618) |
| | P 52,092,129,230 | P 285,563,444 | P 51,806,565,786 |

The movements during the year in insurance contract liabilities are as follows:

| | Note | 2024 | 2023 |
|---|------|------------------------|------------------|
| Balance at January 1 | | P51,806,565,786 | P 45,732,373,749 |
| Due to change in discount rates | 25 | 1,313,157,840 | 666,508,513 |
| Due to change in policies and Assumptions | | 4,495,099,185 | 5,407,683,524 |
| Balance at December 31 | | P57,614,822,811 | P51,806,565,786 |

The Key Assumptions are Determined as Follows:

Mortality and morbidity tables

Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate of accident or sickness, and recovery therefrom, for a defined group of people. Best estimate assumptions for both mortality and morbidity are generally based on the Company's historical experience of its policyholders' portfolio profile. Increase in mortality or morbidity rates would generally increase the liability for life insurance contracts.

Interest rates

Interest rates for the purpose of liability valuation is based on the risk-free discount rate which is prescribed by the Insurance Commission. Changes in interest rates may increase or decrease the liability.

Expenses

Operating expenses include costs of premium collection, claims processing, preparation and mailing of policy statements and related indirect expenses and overheads. Best estimate expense assumptions are mainly based on recent Company experience using an internal expense allocation methodology. Future expense assumptions reflect inflation. Increase in unit expenses would result in an increase in liability.

Policy terminations

Policyholders may allow their policies to terminate prior to the end of the contractual coverage period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options in the contract. Best estimate assumptions for termination on life insurance are generally based on the Company's experience. Termination rates may vary by plan, age at issue, method of premium payment, and policy duration. Changes in termination rates may increase or decrease the liability.

Other insurance policy liabilities

Outstanding claims, premiums on deposit, and premiums paid in advance are obtained directly from the policy administration system. These represent actual claims payable to the policyholders, premiums paid in advance and balances of benefits and dividends left on deposit with the Company including any interest accruals.

22. DUE TO POLICYHOLDERS

The details of due to policyholders are as follows:

| | 2024 | 2023 |
|---|------------------------|-----------------|
| Dividends payable to policyholders | P29,568,744,528 | P29,128,595,711 |
| Death benefits | 1,042,584,329 | 1,243,860,822 |
| IBNR claims | 360,964,556 | 351,496,098 |
| Surrenders and maturities | 288,411,001 | 296,724,734 |
| Hospitalization and disability benefits | 13,529,175 | 15,324,338 |
| | P31,274,233,589 | P31,036,001,703 |

Dividends payable to policyholders pertains to dividends and anticipated endowments from outstanding insurance contracts issued by the Company.

IBNR claims are estimated by the actuary of the Company on the basis of past experiences.

Death, disability and other policyholder benefits expense charged to profit or loss are as follows:

| | 2024 | 2023 |
|----------------------------|-----------------------|----------------|
| Death claims | P2,567,135,253 | P2,497,069,341 |
| Dividends to policyholders | 1,698,156,426 | 1,718,212,779 |
| Interest on dividends | 1,168,559,076 | 1,148,524,876 |
| Other benefits | 533,625,509 | 486,343,976 |
| | P5,967,476,264 | P5,850,150,972 |

Claims paid and incurred for matured, cancelled or surrendered policies as well as anticipated endowments are as follows:

| | Note | 2024 | 2023 |
|-------------------------------|-------------|------------------------|-----------------|
| VUL fund withdrawals | 20 | P16,757,427,741 | P12,975,471,294 |
| Anticipated endowment expense | | 1,678,274,525 | 1,476,059,026 |
| Cash surrender value expense | | 1,532,435,495 | 1,411,449,045 |
| Matured endowment expense | | 132,852,112 | 243,598,061 |
| | | P20,100,989,873 | P16,106,577,426 |

23. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

The details of the Company's accounts payable, accrued expenses and other liabilities are as follows:

| | Notes | 2024 | 2023 |
|--|--------------|------------------------|-----------------|
| Premiums received in advance | | P1,974,263,816 | P1,356,152,133 |
| Lease liabilities | 37 | 1,861,107,236 | 1,596,106,277 |
| Banking suspense | | 1,720,046,360 | 1,619,201,409 |
| Digital enterprise | | 1,585,308,414 | 1,436,514,099 |
| Taxes, licenses and fees due and accrued | | 1,319,566,207 | 592,883,605 |
| Agent related payable | | 1,251,675,825 | 1,113,440,214 |
| Premium suspense | | 1,195,393,440 | 838,374,297 |
| Salaries and employee benefits | | 945,902,575 | 982,616,891 |
| Due to brokers | | 658,131,467 | 181,415,243 |
| Investment management fee | | 274,268,772 | 268,019,540 |
| Reinsurance liabilities | | 199,490,799 | 178,525,088 |
| Commissions payable | | 186,875,625 | 250,217,193 |
| Share-based payment liability | 36 | 183,367,557 | 173,150,784 |
| VAT payable | | 152,295,097 | 112,281,449 |
| Advertising | | 74,799,677 | 78,976,077 |
| Professional fees | | 65,202,593 | 69,163,636 |
| Refundable deposits | 37 | 58,859,845 | 55,427,242 |
| Utilities payable | | 12,138,905 | 18,009,270 |
| Miscellaneous payable | | 1,094,796,159 | 745,001,371 |
| | | P14,813,490,369 | P11,665,475,818 |

Premiums received in advance pertain to the premiums collected on policies which were requested by policyholders to be paid in advance at a discounted amount determined by Sun Life.

Banking suspense pertains to stale checks and unidentified bank credits. Stale checks refer to checks issued which had not been presented to banks for more than 6 months. Unidentified bank credits pertain to the unidentified bank collections temporarily recorded in a suspense account pending the confirmation of the policyholder's identification.

Premium suspense account represents premiums collected on policies not yet issued, pending the receipt of requirements from the prospective policyholders.

Due to brokers account pertains to amounts payable to brokers for the purchase of investments processed on or before the reporting period, that are settled three days after the transaction date.

Miscellaneous payable pertains to miscellaneous policy liabilities, accrued postage and courier, and other liabilities.

24. SHARE CAPITAL

Components of share capital in 2024 and 2023 are as follows:

| | 2024 | 2023 |
|--|-----------------------|----------------|
| Authorized: | | |
| 10,000,000 ordinary shares at P100 par value | P1,000,000,000 | P1,000,000,000 |
| Issued, outstanding and fully paid: | | |
| 5,000,002 ordinary shares at P100 par value | P 500,000,200 | P 500,000,200 |

The Company has one class of ordinary shares which carry no right to fixed income.

25. RESERVES

The details of the Company's reserves are as follows:

| | Note | 2024 | 2023 |
|---|------|-----------------------|----------------|
| Investment revaluation reserve: | | | |
| Available-for-sale financial assets | 7 | P 296,104,352 | P1,377,792,238 |
| Remeasurement of insurance contract liabilities | | 5,576,130,056 | 6,560,998,436 |
| Remeasurement of retirement benefit plan | | 1,244,860,131 | 1,213,092,756 |
| Contributed surplus | | 50,000,000 | 50,000,000 |
| | | P7,167,094,539 | P9,201,883,430 |

Investment Revaluation Reserves

Movement of investment revaluation reserves are as follows:

| | Notes | 2024 | 2023 |
|--|-------|------------------------|------------------|
| Balance, beginning | | P1,377,792,238 | (P4,391,837,055) |
| Movements: | | | |
| Net gain (loss) on fair value measurement: | | | |
| Available-for-sale financial assets | 7 | (1,197,755,803) | 5,256,727,067 |
| Reclassification adjustments relating to impairment losses on AFS financial assets during the year | 7, 28 | 329,212,061 | 376,158,648 |
| Reclassification adjustments relating to AFS financial assets disposed of during the year | 7,28 | (213,144,144) | 82,077,086 |
| Reclassification adjustments relating to Investment in associates disposed of during the year | 7 | - | 54,666,492 |
| | | (1,081,687,886) | 5,769,629,293 |
| Balance, end | | P 296,104,352 | P1,377,792,238 |

Investments revaluation reserves represent accumulated gains and losses arising on the revaluation of AFS financial assets and investments in associates that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Remeasurement of Insurance Contract Liabilities

Movement of insurance contract liability reserves under Other Comprehensive Income are as follows:

| | Notes | 2024 | 2023 |
|--|--------------|------------------------|-----------------|
| Balance, beginning | | P8,747,997,913 | P9,414,506,426 |
| Remeasurement loss of insurance contract liabilities | 21 | (1,313,157,840) | (666,508,513) |
| Total | | 7,434,840,073 | 8,747,997,913 |
| Deferred tax effect | 39 | (1,858,710,017) | (2,186,999,477) |
| Balance, end | | P5,576,130,056 | P6,560,998,436 |

Remeasurement of insurance contract liabilities represents the accumulated gain or loss arising from the impact of discount rate in the valuation of insurance contract liabilities.

Remeasurement of Retirement Benefit Asset

Movement of defined benefit asset are as follows:

| | Notes | 2024 | 2023 |
|--|--------------|-----------------------|----------------|
| Balance, beginning | | P1,617,457,008 | P1,721,568,808 |
| Remeasurement gain (loss) of defined benefit asset | 35 | 42,356,500 | (104,111,800) |
| Total | | 1,659,813,508 | 1,617,457,008 |
| Deferred tax effect | 39 | (414,953,377) | (404,364,252) |
| Balance, end | | P1,244,860,131 | P1,213,092,756 |

Remeasurement of defined benefit obligation represents the accumulated gain or loss on retirement plan.

26. RETAINED EARNINGS

On March 13, 2024 and March 2, 2023, the Company declared cash dividends of P5,000,000,000 (P1,000 per share) out of the Company's unrestricted retained earnings to stockholders of record as at December 31, 2023 and December 31, 2022, respectively. The dividends were paid on May 14, 2024 and May 16, 2023, respectively.

Under IC Circular Letter 2016-66, for traditional life insurance policy where the calculation based on the gross premium valuation results in a negative reserve, the Company shall appropriate from the unassigned surplus an amount equal to the aggregate of the negative reserves calculated on a per policy basis. The total amount of negative reserves is P30,606,342,127 and P30,168,501,869 as of December 31, 2024 and 2023, respectively. The appropriated surplus on account of the negative reserves are not available for dividend declaration. As per Board Resolution dated March 3, 2022, the BOD delegated / authorized the President or the Chief Financial Officer to make annual appropriation of retained earnings on account of negative reserves. The appropriation for December 31, 2024 and December 31, 2023 negative reserves was approved by the Chief Financial Officer on February 6, 2025 and February 2, 2024, respectively.

27. PREMIUMS – net

The details of premiums – net are as follows:

| | Note | 2024 | 2023 |
|--------------------------|------|------------------------|-----------------|
| Premiums from: | | | |
| VUL insurance contracts | 20 | P34,262,361,580 | P34,292,283,859 |
| Life insurance contracts | | 23,545,451,981 | 22,075,302,942 |
| | | 57,807,813,561 | 56,367,586,801 |
| Less: Premiums ceded | | 652,798,518 | 579,965,492 |
| | | P57,155,015,043 | P55,787,621,309 |

The uncollected policyholder premiums, which are all current, amounted to P1,067,772,759 and P960,065,440 as at December 31, 2024 and 2023, respectively.

A unit-linked product is a non-traditional product. It includes a protection element in the form of a term insurance. In addition, a portion of the premium is placed in segregated funds. The value of each fund depends on the returns from the investments held by the fund.

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

Whole life and term insurance are traditional products that provide for lump sum payments to the beneficiary upon death of the insured as long as death occurred within the terms of the policy.

An endowment product provides for lump sum payment to the beneficiary upon death of the insured if death occurred within the terms of the policy, or to the insured if he survives the endowment period.

28. INVESTMENT INCOME – net

The details of investments income– net are as follows:

| | Notes | 2024 | 2023 |
|--|-------|------------------------|-----------------|
| Interest income from: | | | |
| Available-for-sale financial assets | 7 | P7,983,623,642 | P6,940,944,869 |
| Financial assets at FVTPL | 10 | 2,257,122,662 | 2,197,810,231 |
| Cash and cash equivalents | 6 | 131,300,492 | 162,235,882 |
| Loans and receivables – guaranteed loans | 8 | 68,403,907 | 113,210,779 |
| | | 10,440,450,703 | 9,414,201,761 |
| Realized fair value gain (loss) – net from: | | | |
| Available-for-sale financial assets | 7, 25 | 213,144,144 | (82,077,086) |
| Financial assets at FVTPL | 10 | (79,228,099) | (3,182,625,346) |
| Investment in associate | 7 | - | (63,340,849) |
| | | 133,916,045 | (3,328,043,281) |
| Dividend income from: | | | |
| Available-for-sale financial assets | 7 | 242,475,444 | 205,997,836 |
| Subsidiary (SLAMCI) | 9 | - | 150,000,000 |
| Financial assets at FVTPL | 10 | 3,516,323,300 | 3,677,527,630 |
| | | 3,758,798,744 | 4,033,525,466 |
| Others: | | | |
| Unrealized fair value gain (loss) – net from financial assets at FVTPL | 10 | 2,378,022,965 | 4,381,393,746 |
| Foreign exchange gain | | 839,176,590 | 12,146,498 |
| Reversal of (Provision for) impairment – subsidiary | 9 | 40,247,629 | (57,125,730) |
| Impairment loss from Available-for-sale financial assets | 7, 25 | (329,212,061) | (376,158,648) |
| | | 2,928,235,123 | 3,960,255,866 |
| | | P17,261,400,615 | P14,079,939,812 |

29. FEE INCOME

The details of fee income are as follows:

| | Note | 2024 | 2023 |
|--------------------------------------|------|---------------------|--------------|
| Fee Income from: | | | |
| Subsidiaries and affiliated entities | 16 | P357,659,952 | P339,045,438 |
| Asset Management - Joint Venture | 16 | 318,737,621 | 299,134,099 |
| Periodic charges | | 223,571,827 | 141,274,825 |
| Surrender charges | | 39,343,016 | 38,679,909 |
| Others | | 9,162,524 | - |
| | | P948,474,940 | P818,134,271 |

30. OTHER INCOME

The details of other income are as follows:

| | Notes | 2024 | 2023 |
|--|--------|---------------------|--------------|
| Interest from policyholders' loans | 11 | P599,715,821 | P578,400,580 |
| Interest income from loan to a fellow subsidiary | 16 | 176,903,428 | 157,049,403 |
| Rental income | 15, 37 | 150,976,277 | 147,708,383 |
| Interest income from receivables from agents and employees | 8 | 8,652,751 | 7,004,597 |
| Gain on disposal of leasehold, property and equipment | 13 | 8,598,757 | 3,863,108 |
| Others | | 42,113,598 | 60,868,725 |
| | | P986,960,632 | P954,894,796 |

31. COMMISSIONS, BONUSES AND OTHER AGENTS' EXPENSES

The details of commissions, bonuses and other agents' expenses are as follows:

| | 2024 | 2023 |
|------------------------|-----------------------|----------------|
| Commissions | P5,055,148,254 | P5,424,656,487 |
| Bonuses and benefits | 3,354,134,955 | 3,793,221,182 |
| Other agents' expenses | 683,969,137 | 571,147,624 |
| | P9,093,252,346 | P9,789,025,293 |

Commissions are based on premiums due and received or accrued by the Company and are paid in local currency regardless of the policy currency.

Other agents' expenses pertain to allowances, either cash or in kind, and agents' training and conference expenses.

32. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

| | Notes | 2024 | 2023 |
|------------------------------------|----------|------------------------|----------------|
| Materials, supplies and facilities | | P 2,856,095,411 | P2,204,862,349 |
| Employee salaries and benefits | 34 | 2,774,329,122 | 2,619,670,352 |
| Depreciation and amortization | 13,14,15 | 1,147,171,549 | 1,043,126,817 |
| Repairs and maintenance | | 1,094,669,108 | 624,609,814 |
| Investment expenses | | 590,751,406 | 542,225,924 |
| Outside services | | 439,591,353 | 330,466,662 |
| Rent and utilities | | 376,386,383 | 304,650,968 |
| Advertising and promotions | | 297,774,990 | 247,937,375 |
| Bank charges | | 176,174,073 | 160,904,821 |
| Interest expense on leases | 37 | 99,009,350 | 90,804,056 |
| Miscellaneous expense | | 425,954,943 | 211,233,620 |
| | | P10,277,907,688 | P8,380,492,758 |

Details of depreciation and amortization are summarized below:

| | Notes | 2024 | 2023 |
|-----------------------------------|-------|-----------------------|----------------|
| Leasehold, property and equipment | 13 | P1,111,598,584 | P1,010,714,650 |
| Investment property | 15 | 31,572,965 | 28,412,167 |
| Intangible assets | 14 | 4,000,000 | 4,000,000 |
| | | P1,147,171,549 | P1,043,126,817 |

33. INSURANCE TAXES, LICENSES AND FEE

The details of insurance taxes, licenses and fees are as follows:

| | 2024 | 2023 |
|-------------------------|---------------------|--------------|
| Premium taxes | P670,748,612 | P632,958,884 |
| Local business taxes | 110,996,963 | 80,546,242 |
| Documentary stamp taxes | 37,898,289 | 26,146,000 |
| Real property taxes | 12,075,962 | 12,075,962 |
| Other licenses and fees | 31,542,363 | 24,231,574 |
| | P863,262,189 | P775,958,662 |

Other licenses and fees consist of municipal taxes, community taxes, barangay clearance and filing fees.

34. EMPLOYEE SALARIES AND BENEFITS

The details of employee salaries and benefits charged to profit or loss are as follows:

| | Notes | 2024 | 2023 |
|--------------------------|-------|-----------------------|----------------|
| Short term benefits | | P2,660,941,555 | P2,560,799,061 |
| Post-employment benefits | 35 | 40,280,800 | (12,374,600) |
| Share-based payments | 36 | 73,106,767 | 71,245,891 |
| | | P2,774,329,122 | P2,619,670,352 |

Post-employment benefit charged to other comprehensive income amounted to a gain of P42,356,500 in 2024 and a loss of P104,111,800 in 2023, as disclosed in Note 35.

35. RETIREMENT BENEFIT PLAN

The components of the Company's retirement benefit asset as presented in the statements of financial position are as follows:

| | 2024 | 2023 |
|--|-----------------------|----------------|
| Post-employment defined benefit asset | P1,722,099,300 | P1,588,925,500 |
| Other post-employment benefit obligation | (60,871,400) | (51,779,100) |
| | P1,661,227,900 | P1,537,146,400 |

The details of defined benefit costs (income) recognized in profit or loss are as follows:

| | 2024 | 2023 |
|---|-----------------------|---------------|
| Post-employment defined benefit | P36,247,800 | (P15,873,300) |
| Other post-employment benefit | 4,033,000 | 3,498,700 |
| Defined benefit costs (income) recognized in profit or loss | 34 P40,280,800 | (P12,374,600) |

The details of defined benefit costs (income) recognized in other comprehensive income are as follows:

| | 2024 | 2023 |
|---|-------------------------|--------------|
| Post-employment defined benefit | (P47,415,800) | P93,881,600 |
| Other post-employment benefit | 5,059,300 | 10,230,200 |
| Defined benefit costs (income) recognized in other comprehensive income | 25 (P42,356,500) | P104,111,800 |

Post-employment benefits - Requirement of Republic Act (RA) 7641

RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19.

An employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at December 31, 2024 and 2023, respectively. The Company is a participant to the Sun Life of Canada (Philippines), Inc. Multi-Employer Employees' Retirement Plan (the "Retirement Plan"), a funded and non-contributory defined benefit retirement plan covering substantially all of its qualified employees. The other participants to the Retirement Plan are Sun Life Financial Asia Services Limited (ROHQ), Sun Life Financial Philippines Foundation, Inc., Sun Life Investment Management and Trust Corporation, Sun Life Global Solutions - Philippines, and SLAMCI.

Under the plan, the employees, who are 50 years old and with at least 10 years of credited service or who are 65 years old, are entitled to a lump sum post-retirement benefit amounting to 50% to 200% of average monthly salary during the last three years immediately preceding the month of termination or a minimum benefit under the RA 7641, whichever is higher.

The retirement plan typically expose the participants to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a strategic mix of investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in debt securities and in real estate to leverage the return generated by the fund.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2024 by Willis Towers Watson, an independent actuary. The valuation includes information for comparative periods as at December 31, 2023. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | Valuation at | |
|---|--------------|-------|
| | 2024 | 2023 |
| Discount rate | 6.00% | 6.25% |
| Expected rates of salary increases | 6.00% | 6.00% |
| Average longevity at retirement age for current pensioners (years) | 37.60 | 37.22 |
| Average longevity at retirement age for current employees (future pensioners) (years) | 11.10 | 11.00 |

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

| | Notes | 2024 | 2023 |
|--|-------|----------------------|---------------|
| Service cost | | | |
| Current service cost | | P139,348,300 | P105,421,000 |
| Net interest income | | (103,100,500) | (121,294,300) |
| Components of defined benefit costs recognized in profit or loss | | 36,247,800 | (15,873,300) |
| Remeasurement on the net defined benefit liability: | | | |
| Return on plan assets (excluding amounts included in net interest expense) | | (71,087,600) | (179,766,200) |
| Actuarial gains and losses: | | | |
| from changes in financial assumptions | | 54,699,100 | 219,474,900 |
| from experience adjustments | | (31,027,300) | 54,172,900 |
| Components of defined benefit costs recognized in other comprehensive income | 25,39 | (47,415,800) | 93,881,600 |
| | | (P11,168,000) | P78,008,300 |

Total retirement cost for 2024 and 2023 has been included as employee benefits as disclosed in Note 34.

As at December 31, 2024 and 2023, an analysis of the Company's post-employment defined benefit asset is shown below.

| | 2024 | 2023 |
|--|-------------------------|------------------|
| Present value of defined benefit obligations | (P2,023,349,300) | (P1,842,664,300) |
| Fair value of plan assets | 3,745,448,600 | 3,431,589,800 |
| Post-employment defined benefit asset | P1,722,099,300 | P1,588,925,500 |

Movements in the present value of defined benefit obligations are as follows:

| | 2024 | 2023 |
|---|-----------------------|----------------|
| Balance, January 1 | P1,842,664,300 | P1,427,703,200 |
| Current service cost | 139,348,300 | 105,421,000 |
| Interest cost | 111,175,300 | 104,357,900 |
| Remeasurement (gains) losses: | | |
| Actuarial gains arising from changes in financial assumptions | 54,699,100 | 219,474,900 |
| Actuarial losses due to liability experience | (31,027,300) | 54,172,900 |
| Benefits paid from plan assets | (89,982,800) | (64,186,300) |
| Benefits paid directly by the Company | (489,600) | - |
| Transfer payments | (3,038,000) | (4,279,300) |
| Balance, December 31 | P2,023,349,300 | P1,842,664,300 |

Movements in the fair value of plan assets are as follows:

| | Note | 2024 | 2023 |
|--|------|-----------------------|----------------|
| Balance, January 1 | | P3,431,589,800 | P2,994,807,700 |
| Interest income | | 214,275,800 | 225,652,200 |
| Remeasurement gains (losses): | | | |
| Return on plan assets (excluding amounts included in net interest expense) | | 71,087,600 | 179,766,200 |
| Contributions from the employer | 16 | 121,364,400 | 100,304,600 |
| Benefits paid | | (89,982,800) | (64,186,300) |
| Transfers | | (2,886,200) | (4,754,600) |
| Balance, December 31 | | P3,745,448,600 | P3,431,589,800 |

Fair value of plan assets represents the Company's share in Sun Life Philippines Group Retirement Plan's assets as at December 31, 2024 and 2023. The assets of the Retirement Plan were allocated to the participating companies by taking into consideration actual contribution and benefit payments during the year.

The defined benefit plans are administered by a Retirement Plan Trustee that is legally separated from the entity. The appointed Retirement Trustee is responsible for the general administration and management of the Retirement Fund.

Transfers pertain to adjustments arising from intercompany employee transfers.

The expected rate of return is 6.25% and 7.75% in 2024 and 2023, respectively, and analysis of the fair value of allocated plan assets at the end of each reporting period is as follows:

| | 2024 | 2023 |
|--------------------------------|-----------------------|----------------|
| Cash and Cash Equivalents | P 265,926,850 | P 45,296,985 |
| Domestic Government Securities | 643,842,614 | 733,673,899 |
| Foreign Corporate Bonds | 32,585,403 | - |
| Domestic Corporate Bonds | 19,101,788 | 45,640,144 |
| Foreign Equity Instruments | 64,796,261 | - |
| Domestic Equity Instruments | 56,556,274 | 150,303,633 |
| Real Estate | 2,662,639,410 | 2,483,098,379 |
| Payables | - | (26,423,241) |
| | P3,745,448,600 | P3,431,589,800 |

The determination of the defined benefit obligation used significant actuarial assumptions including discount rate and expected salary growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

| | Change in Assumption | | Increase (Decrease) on Retirement Benefit Obligation | |
|-----------------------------|----------------------|-------------|--|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Discount rate | 1% increase | 1% increase | (P205,933,500) | (P179,106,970) |
| | 1% decrease | 1% decrease | 243,416,000 | 211,537,862 |
| Expected salary growth rate | 1% increase | 1% increase | 222,048,400 | 193,295,485 |
| | 1% decrease | 1% decrease | (192,362,000) | (167,498,185) |

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

The Asset-Liability Matching Strategies are set and reviewed from time to time by the plan trustees by taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

There has been no change in the process used to manage its risks from prior periods.

The average duration of the benefit obligation for active employees is 12.20 years and 11.47 years as at December 31, 2024 and 2023, respectively.

The Company expects to contribute P143,321,100 to the retirement fund in 2025.

The maturity analysis of the undiscounted benefit payments follows:

| | 2024 | 2023 |
|-----------------------------|-----------------------|----------------|
| Within 1 year | P 72,334,600 | P 127,719,000 |
| More than 1 year to 5 years | 480,838,200 | 463,751,400 |
| More than 5 years | 10,989,641,600 | 10,105,503,600 |

Other Post-Employment Benefits

The Company recognizes other post-employment benefit (OPEB) liability, using projected unit credit method, for the lifetime insurance coverage it provides to retired employees through a group term life insurance policy which was determined to be a defined benefit plan. As at December 31, 2024 and 2023, the OPEB liability amounted to P60,871,400 and P51,779,100, respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | Valuation at | |
|------------------------------------|--------------|-------|
| | 2024 | 2023 |
| Discount rate | 6.00% | 6.25% |
| Expected rates of salary increases | 6.00% | 6.00% |

Amounts recognized in comprehensive income in respect of these other post-employment benefits are as follows:

| | Notes | 2024 | 2023 |
|--|--------------|-------------------|-------------|
| Service cost | | | |
| Current service cost | | P 826,500 | P 655,000 |
| Net interest expense | | 3,206,500 | 2,843,700 |
| Components of defined benefit costs recognized in profit or loss | | 4,033,000 | 3,498,700 |
| Remeasurement on the net defined benefit liability: | | | |
| Actuarial (gains) and losses: | | | |
| from changes in financial assumptions | | 2,862,100 | 10,859,100 |
| from changes in demographic assumptions | | - | - |
| from experience adjustments | | 2,197,200 | (628,900) |
| Components of defined benefit costs recognized in other comprehensive income | 25,39 | 5,059,300 | 10,230,200 |
| | | P9,092,300 | P13,728,900 |

Movements in the present value of defined benefit obligations are as follows:

| | 2024 | 2023 |
|---|--------------------|--------------|
| Balance, January 1 | P51,779,100 | P 38,305,200 |
| Current service cost | 826,500 | 655,000 |
| Interest cost | 3,206,500 | 2,843,700 |
| Remeasurement (gains) losses: | | |
| Actuarial gains arising from changes in financial assumptions | 2,862,100 | 10,859,100 |
| Actuarial gains from changes in demographic assumptions | - | - |
| Actuarial losses due to liability experience | 2,197,200 | (628,900) |
| Benefits paid | - | (255,000) |
| Balance, December 31 | P60,871,400 | P51,779,100 |

36. SHARE-BASED COMPENSATION

Sun Share Unit ("Sun Share") Plan

Under the Sun Share plan, participants are granted units that are equivalent in value to one common share and have a grant price equal to the average of the closing price of a common share on the TSX on the five trading days immediately prior to the date of grant. Participants generally hold units for up to 36 months from the date of grant. The units earn dividend equivalents in the form of additional units at the same rate as the dividends on common shares. Units may vest or become payable if we meet specified threshold performance targets. The plan provides for performance factors to motivate participants achieve a higher return for shareholders (performance factors are determined through a multiplier that can be as low as zero or as high as two times the number of units that vest). Payments to participants are based on the number of units vested multiplied by the average closing price of a common share on the TSX on the five trading days immediately prior to the vesting date.

Share based compensation expense recognized in profit or loss amounted to P73,106,767 and P71,245,891 in 2024 and 2023, respectively, as disclosed in Note 34.

Share based payment liability as at December 31, 2024 and 2023 amounted to P183,367,557 and P173,150,784, respectively, as disclosed in Note 23. The amount of liability recognized is settled through intercompany charges between the Company and SLF, Inc.

37. LEASE AGREEMENTS

The Company as Lessee

The Company leases several office facilities and operating equipment under cancellable and non-cancellable lease agreements. Rental charges are subject to escalation of between 3% to 15%.

Security deposits relating to the Company's leases amounted to P124,909,507 and P108,859,942 as at December 31, 2024 and 2023, respectively, as disclosed in Note 19.

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

| | 2024 | 2023 |
|---|---------------------|---------------|
| Depreciation expense of right-of-use assets included in leasehold, property and equipment | P448,657,288 | P 446,343,336 |
| Interest expense on lease liabilities | 99,009,350 | 90,804,056 |
| Expenses relating to short-term leases (included in general and administrative expenses) | 15,159,216 | 11,708,592 |
| Total amounts recognized in statements of comprehensive income | P562,825,854 | P548,855,984 |

Movements in the lease liabilities are presented below:

| | 2024 | 2023 |
|------------------------|-----------------------|-----------------|
| Balance at January 1 | P1,596,106,277 | P 1,587,560,537 |
| Additions | 680,415,552 | 405,586,764 |
| Accretion of interest | 99,009,350 | 90,804,056 |
| Payments | (514,423,943) | (487,845,080) |
| Balance at December 31 | P1,861,107,236 | P1,596,106,277 |

The maturity analysis of the contractual undiscounted cash flows of lease liability payments are as follows:

| | 2024 | 2023 |
|--|-----------------------|----------------|
| Not later than 1 year | P298,620,776 | P 412,724,328 |
| Between Two to Five Years | 692,168,450 | 753,798,944 |
| Later than 5 years | 1,099,480,815 | 1,209,032,308 |
| Total undiscounted lease liabilities | 2,090,270,041 | P2,375,555,580 |
| Lease liabilities included in accounts payable, accrued expenses and other liabilities | P1,861,107,236 | P1,596,106,277 |

The Company as Lessor

The Company leases out its office space under an operating lease to its subsidiaries, related parties and third parties. Leases are negotiated for an average term of one year to five years, renewable at the option of the Company under such terms and conditions, which are mutually acceptable to both parties. The rental charges shall be subjected to 5% escalation beginning in the second year of the term of the lease.

Property rental income earned amounted to P150,976,277 and P147,708,383 in 2024 and 2023, respectively as discussed in Notes 15 and 30.

Total refundable deposits recognized in the statements of financial position as part of accounts payable, accrued expenses and other liabilities amounted to P58,859,845 and P55,427,242 as at December 31, 2024 and 2023, respectively, as disclosed in Note 23.

At the end of each reporting period, the Company had contracted with tenants for the following future minimum lease payments:

| | 2024 | 2023 |
|------------------------------|---------------------|--------------|
| Not later than one year | P133,150,717 | P123,057,663 |
| more than 1 year to 2 years | 119,952,313 | 123,684,943 |
| more than 2 years to 3 years | 61,613,537 | 110,782,510 |
| more than 3 years to 4 years | 23,215,993 | 52,829,445 |
| more than 4 years to 5 years | - | 16,044,683 |
| | P337,932,560 | P426,399,244 |

38. INCOME TAXES

Components of income tax expense charged to profit or loss are as follows:

| | 2024 | 2023 |
|----------------------|-----------------------|----------------|
| Current | | |
| RCIT | P1,663,991,610 | P1,455,983,395 |
| Final taxes | 1,840,637,488 | 1,741,858,923 |
| | 3,504,629,098 | 3,197,842,318 |
| Deferred tax benefit | (106,338,011) | (156,188,846) |
| | P3,398,291,087 | P3,041,653,472 |

Final taxes are taxes withheld on the Company's interest income on cash and cash equivalents and government bonds and proceeds from sale of equity securities.

Reconciliation between tax expense and the product of accounting profit multiplied by 25% in 2024 and 2023 are as follows:

| | 2024 | 2023 |
|--|------------------------|-----------------|
| Accounting profit before tax | P14,746,414,845 | P11,888,840,773 |
| Tax expense at 25% in 2024 and 2023 | P3,686,603,711 | P2,972,210,193 |
| Tax effects of: | | |
| Income subject to lower tax rate and tax exempt | (205,467,589) | (203,960,010) |
| Dividend income | (60,618,861) | (88,999,459) |
| Non-deductible expenses | 76,971,842 | 330,705,122 |
| Unrealized forex (gain)/loss related to financial instruments exempt from income tax | (89,136,108) | 17,416,193 |
| Change in unrecognized deferred tax assets | (10,061,908) | 14,281,433 |
| | P3,398,291,087 | P3,041,653,472 |

39. DEFERRED TAXES - net

The composition of the Company's deferred tax as at December 31 are as follows:

| | 2024 | 2023 |
|--|-------------------------|------------------|
| Charged to profit or loss: | | |
| Deferred tax assets | | |
| Lease liabilities | P481,769,690 | P415,015,806 |
| Agent's benefit pension | 429,122,532 | 391,817,604 |
| Accrued expenses | 367,365,150 | 364,294,788 |
| IBNR claims | 90,241,139 | - |
| Other post-employment benefits | 20,991,825 | 19,983,575 |
| Unamortized past service cost | 4,005,010 | 3,302,026 |
| Unrealized forex loss | 1,273,186 | 5,523,893 |
| Deferred tax liabilities | | |
| Right of use asset | (445,265,507) | (378,051,828) |
| Retirement benefit assets, net of other comprehensive income portion | (21,240,161) | 38,989 |
| | 928,262,864 | P821,924,853 |
| Recognized in other comprehensive income: | | |
| Deferred tax liabilities | | |
| Remeasurement of insurance contract liabilities | (P1,858,710,017) | (P2,186,999,477) |
| Remeasurement of defined benefit obligation | (414,953,377) | (404,364,252) |
| | (2,273,663,394) | (2,591,363,729) |
| Deferred Tax Liabilities - net | (P1,345,400,530) | (P1,769,438,876) |

Unrecognized Deferred Tax Assets

The Company reviews the carrying amounts at the end of each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. As at December 31, 2024 and 2023, the deferred tax asset amounting to P245,201,105 and P255,263,013, respectively, related to the allowance for impairment loss on its investment in SLFPI will continue to be unrecognized as the amount will not reverse in the foreseeable future since there is no concrete plan to liquidate or dissolve SLFPI. The Company does not have unutilized MCIT as of the end of 2024 and 2023.

40. CONTINGENCIES

In the normal course of the Company's operations, there are various outstanding contingent liabilities which are not reported in the accompanying financial statements. The Company recognizes in its books losses and liabilities incurred in the normal course of operations as these become determinable and quantifiable. In the opinion of management and its legal and tax counsels, it is not liable to and has strong position on these contingent liabilities, and if decided adversely, will not have a material effect on the Company's financial position and result of operations.

41. FAIR VALUE INFORMATION

Financial Instruments

Assets and liabilities measured at fair value on a recurring basis

The following table gives information about how the fair values of the Company's assets and liabilities, which are measured at fair value at the end of each reporting period.

| | Level 1 | Level 2 | Total |
|---|-------------------------|--------------------|-------------------------|
| December 31, 2024 | | | |
| Financial Assets | | | |
| Financial assets at FVTPL | | | |
| Investments in stocks | P109,324,680,620 | P - | P109,324,680,620 |
| Investments in Government and corporate debt securities | 47,255,439,783 | - | 47,255,439,783 |
| Investment in mutual fund | 15,720,599,687 | - | 15,720,599,687 |
| Investments in savings deposits | 1,501,757,568 | - | 1,501,757,568 |
| Available-for-sale financial assets | | | |
| Investments in Government and corporate debt securities | 125,068,898,977 | - | 125,068,898,977 |
| Investments in stocks | 9,128,284,978 | 829,901 | 9,129,114,879 |
| Investments in UITF | - | 14,444,064 | 14,444,064 |
| | P307,999,661,613 | P15,273,965 | P308,014,935,578 |
| December 31, 2023 | | | |
| Financial Assets | | | |
| Financial assets at FVTPL | | | |
| Investments in stocks | P107,524,461,291 | P - | P107,524,461,291 |
| Investments in Government and corporate debt securities | 40,383,974,011 | - | 40,383,974,011 |
| Investment in mutual fund | 9,251,593,451 | - | 9,251,593,451 |
| Investments in savings deposits | 4,946,577,015 | - | 4,946,577,015 |
| Currency-linked notes | - | 586,138,200 | 586,138,200 |
| Available-for-sale financial assets | | | |
| Investments in Government and corporate debt securities | 111,553,715,105 | - | 111,553,715,105 |
| Investments in stocks | 7,775,396,990 | 829,901 | 7,776,226,891 |
| Investments in UITF | - | 731,380,085 | 731,380,085 |
| Investments in associates | - | - | - |
| | P281,435,717,863 | P1,318,348,186 | P282,754,066,049 |

The fair values of investments in government and corporate debt securities classified as Level 1 are based on quoted prices of either done deals or bid rates of identical instruments published in Bloomberg Valuation Services (BVAL) while the fair value of fixed-income securities classified as Level 2 are based on quoted prices of either done deals and bid rates of similar instruments and interpolated yields derived from benchmark rates of the same market price provider.

Investments in mutual funds and investments in UITF are valued at its published Net Assets Values Per Share (NAVPS) as at reporting date.

The fair values of the special savings deposits are based on discounted cash flow analysis using prevailing market interest rates. However, due to their short-term maturity, their carrying amounts approximate their fair values.

The carrying amounts and fair values of the Company's financial assets and financial liabilities not measured at fair value in the statements of financial position are shown below:

| | 2024 | | 2023 | | Fair Value Hierarchy |
|--|------------------------|------------------------|-----------------|-----------------|----------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | |
| Financial Assets | | | | | |
| Cash and cash equivalents | P4,082,751,642 | P4,082,751,642 | P7,077,170,977 | P7,077,170,977 | Level 1 |
| Uncollected policyholder premiums | 1,067,772,759 | 1,067,772,759 | 960,065,440 | 960,065,440 | Level 3 |
| Policyholders' loans | 7,734,344,394 | 7,734,344,394 | 7,415,761,810 | 7,415,761,810 | Level 3 |
| Loans and receivables | 1,419,531,541 | 1,330,980,277 | 1,453,564,909 | 1,339,460,543 | Level 3 |
| Due from related parties | 207,428,921 | 207,428,921 | 87,105,501 | 87,105,501 | Level 3 |
| Loan to a fellow subsidiary | 3,813,286,167 | 3,346,010,646 | 3,491,758,524 | 3,155,101,779 | Level 3 |
| Other receivables | 424,275,487 | 424,275,487 | 613,232,435 | 613,232,435 | Level 3 |
| Security deposits | 124,909,507 | 92,390,079 | 108,859,942 | 81,550,153 | Level 3 |
| Investment income earned and accrued | 3,080,230,876 | 3,080,230,876 | 2,794,236,811 | 2,794,236,811 | Level 3 |
| | P21,954,531,294 | P21,366,185,081 | P24,001,756,349 | P23,523,685,449 | |
| Financial Liabilities | | | | | |
| Due to policyholders | P31,274,233,589 | P31,274,233,589 | P31,036,001,703 | P31,036,001,703 | Level 3 |
| Due to related parties | 749,445,568 | 749,445,568 | 330,513,791 | 330,513,791 | Level 3 |
| Accounts payable, accrued expenses and other liabilities | 9,322,890,456 | 9,322,890,456 | 7,834,901,570 | 7,834,901,570 | Level 3 |
| | P41,346,569,613 | P41,346,569,613 | P39,201,417,064 | P39,201,417,064 | |

Accounts payable, accrued expenses and other liabilities are net of premiums received in advance, share-based payment liability, and government payables which are not considered as financial liabilities, and ROU liability.

The fair value of loan receivables, loan to a fellow subsidiary and security deposit were determined based on a discounted cash flow analysis using the Company's average incremental cost of borrowing of 5.43% and 5.63% in 2024 and 2023, respectively.

42. RISK MANAGEMENT

The Company's overall Risk Management Framework (RMF), adopted after the Company's parent company, prescribes a comprehensive set of protocols and programs that need to be followed in conducting business activities. The risks that arise when providing products and services to clients, which are in line with the company's purpose to help its Clients achieve lifetime financial security and live healthier lives, are managed within these protocols and programs. Effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of the Company. While all risk cannot necessarily be eliminated or known with certainty, the RMF seeks to ensure that risks to a business undertaking are appropriately managed to achieve the Company's business objectives over time and are not expected to exceed pre-established boundaries for risk taking.

Board of Directors

The Company's Board of Directors is ultimately responsible for ensuring the oversight of all risks across the enterprise and has primary responsibility for taking action to ensure risk management policies, programs and practices are in place.

Three Lines of Defense

The Company has adopted the Three Lines of Defense model to provide a consistent, transparent and clearly documented allocation of accountability and segregation of functional responsibilities. This segregation of responsibility helps to establish a robust control framework that promotes transparent and independent challenge of all risk taking activities, and encourages that all functions engage in self-critical examination to foster continuous improvement of the management of risk in its business.

The first line of defense (“LOD”) is represented by the business segment management who own the risks that are intrinsic to the business and have the primary responsibility to identify, measure, manage, monitor and report these risks. Some of the first LOD risk related responsibilities include:

- Identification of key and emerging risks;
- Manage, measure, monitor and report on risk within their business operations;
- Accountability for the risks taken to achieve business results and the resulting impact of those risks; and
- Operating within risk appetite and according to risk management policies

The second line of defense includes the Risk Officer and heads of the oversight functions who are responsible for providing independent oversight of the Company-wide risk management programs. Some of the key second LOD risk related responsibilities include:

- Establishment of the risk management framework and policies;
- Providing oversight and effective independent challenge of the first line (effective challenge ensures the integrity of risk data and facilitates ongoing monitoring of key control activities and changes in the risk profile); and
- Independent reporting to the Board of Directors on the level of risk against risk appetite.

The Internal Audit function is the third LOD and is responsible for providing independent assurance to management and the Audit Committee of the Board on the design and operational effectiveness of the risk management practices carried out by first LOD and second LOD. Internal Audit provides a quarterly opinion on the effectiveness of internal controls, risk management and governance processes to the Risk Management Committee. In addition, the Risk Management Committee may engage third-party independent reviews to supplement the third LOD review of the effectiveness of the Company’s risk management programs.

Risk Management Process

The risk management process as set out in the company’s risk management framework is described below:

Risk Identification and Measurement

The company employs a common approach to identify and measure risks. Business units have accountability for identifying and managing risks facing their business. It has a process to identify and monitor emerging risks that may have a material impact on its finances, operations or reputation.

Risk measurement involves determining and evaluating potential risk exposures and includes a number of techniques such as monitoring key risk indicators, assessing probability and severity of risks, and conducting stress testing.

Risk Management, Monitoring and Reporting

Risk management decisions are formed by evaluating how well the outcomes of the risk measurements and risk assessments for a business activity conform to the company’s risk appetite, including an assessment of risk-adjusted return. Monitoring processes include oversight by the Board of Directors, which is exercised through Board Committees and senior management committees.

Risk Categories

The company group all risks into six major risk categories: credit, market, insurance, business and strategic, operational and liquidity risks.

Credit risk

Credit risk is the possibility of loss from amounts owed by borrowers or financial counterparties. It is the uncertainty surrounding the likelihood of default or credit downgrades.

The Company has no significant concentration of credit risk except on Philippine government securities as required by Philippine laws and regulations. It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

Credit risks associated with fixed income investments are managed using:

- a. Detailed credit and underwriting policies
- b. Specific diversification requirements
- c. Comprehensive due diligence and on-going credit analysis
- d. Aggregate counterparty exposure limits
- e. Monitoring against pre-established limits

Provisions for impaired assets are charged against the carrying value of the asset with additional allowances provided for in actuarial liabilities.

Limits to the aggregate general life fixed income portfolio for the Company for 2024 and 2023 are governed by numerous policies. This include, but are not limited to, the General Life segment Portfolio Policies and Parameters (PPP), Credit Business Group Operating Guidelines (BGOG) and Outstanding Money Market Concentration Limits Memo, among others.

For 2024 and 2023, exposure to government securities generally ranges from 55% - 100% depending on the PPPs approved in a particular General Life segment.

Aggregate credit exposure (public bonds, private placements and commercial loans, derivatives, common and private single name specific equities, commercial mortgages, and 50% of short term securities and/or money market instruments,) to a single name shall not exceed the prescribed limits assigned by SLF, Inc. Established at the business unit and regional levels, these limits are based on international credit ratings/credit rating equivalence.

The Money Market concentration limits vary in three (3) tiers depending on the bank's asset size. The total cash of Sun Life Group should not exceed the assigned credit limit of each depository banks. Maximum limits are assigned per original currency (i.e. PHP and USD). The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

| | Notes | 2024 | 2023 |
|--------------------------------------|-------|-------------------------|------------------|
| Cash in banks and cash equivalents | 6 | P4,080,325,847 | P7,075,196,777 |
| Available-for-sale financial assets | 7 | 125,083,343,041 | 112,285,095,190 |
| Financial Assets at FVTPL | 10 | 64,477,797,038 | 55,168,282,677 |
| Loans and receivables | 8 | 1,419,531,541 | 1,453,564,909 |
| Loan to a fellow subsidiary | 16 | 3,813,286,167 | 3,491,758,524 |
| Policyholders' loans | 11 | 7,734,344,394 | 7,415,761,810 |
| Investment income earned and accrued | 12 | 3,080,230,876 | 2,794,236,811 |
| Uncollected policyholder premiums | 27 | 1,067,772,759 | 960,065,440 |
| Due from related parties | 16 | 207,428,921 | 87,105,501 |
| Security deposit | 19 | 124,909,507 | 108,859,942 |
| Other receivables | 17 | 424,275,487 | 613,232,435 |
| | | P211,513,245,578 | P191,453,160,016 |

The Company has no past due accounts.

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

High Grade - applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

Satisfactory Grade - applies to financial assets that are performing as expected.

Acceptable Grade - applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.

Low Grade - applies to risks that is neither past due nor expected to result in loss but where the Company requires a workout of the relationship unless an early reduction in risk is achievable.

The following table details the credit quality of the Company's neither past due nor impaired financial assets:

| | High Grade | Satisfactory Grade | Total |
|--------------------------------------|-------------------------|------------------------|-------------------------|
| 2024 | | | |
| Cash and cash equivalents | P 4,080,325,847 | P - | P 4,080,325,847 |
| Available-for-sale financial assets | 125,083,343,041 | - | 125,083,343,041 |
| Financial assets at FVTPL | 64,477,797,038 | - | 64,477,797,038 |
| Loans and receivables | - | 1,419,531,541 | 1,419,531,541 |
| Loan to a fellow subs diary | - | 3,813,286,167 | 3,813,286,167 |
| Policyholders' loans | - | 7,734,344,394 | 7,734,344,394 |
| Investment income earned and accrued | 2,618,294,523 | 461,936,353 | 3,080,230,876 |
| Uncollected policyholder premiums | - | 1,067,772,759 | 1,067,772,759 |
| Due from related parties | - | 207,428,921 | 207,428,921 |
| Security deposit | 124,909,507 | - | 124,909,507 |
| Other receivables | - | 424,275,487 | 424,275,487 |
| | P196,384,669,956 | P15,128,575,622 | P211,513,245,578 |
| 2023 | | | |
| Cash and cash equivalents | P 7,075,196,777 | P - | P 7,075,196,777 |
| Available-for-sale financial assets | 112,285,095,190 | - | 112,285,095,190 |
| Financial assets at FVTPL | 55,168,282,677 | - | 55,168,282,677 |
| Loans and receivables | - | 1,453,564,909 | 1,453,564,909 |
| Loan to a fellow subs diary | - | 3,491,758,524 | 3,491,758,524 |
| Policyholders' loans | - | 7,415,761,810 | 7,415,761,810 |
| Investment income earned and accrued | 2,336,765,051 | 457,471,760 | 2,794,236,811 |
| Uncollected policyholder premiums | - | 960,065,440 | 960,065,440 |
| Due from related parties | - | 87,105,501 | 87,105,501 |
| Security deposit | 108,859,942 | - | 108,859,942 |
| Other receivables | - | 613,232,435 | 613,232,435 |
| | P176,974,199,637 | P14,478,960,379 | P191,453,160,016 |

As at December 31, 2024 and 2023, the Company has no financial assets with credit quality of acceptable or low grade.

As at December 31, 2024 and 2023, the Company does not have any undrawn loan balance, which is considered as high grade.

Market risk

The company is exposed to financial and capital market risk, which is defined as the risk that the fair value or future cash flows of an insurance contract or financial instrument will fluctuate because of changes or volatility in market prices. Market risk includes equity, interest rate, and foreign currency risks. The objective and management of these risks are discussed below.

Equity price risk

The Company is exposed to equity price risks arising from equity investments. Equity price risk is the risk that the fair value of equity investment decreases as the result of changes in the value of individual stocks. Equity investments are held for strategic purposes. Equity exposure is managed through the equity asset class allocation target and range defined in the Portfolio Policies & Parameters in accordance with the Asset Liability Management Operating Guideline. Exposure is monitored periodically and reported to the Asset Liability Committee on a quarterly basis.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices for investment classified as available for sale have been 10% higher or lower, equity reserves would have increased or decreased by P913 million in 2024 and P734 million in 2023, as a result of the changes in fair value of available-for-sale shares.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest. This is the risk of asset-liability mismatch resulting from the interest rate volatility.

The primary source of the Company's interest rate risk relates to cash and cash equivalents, loans and receivables, debt securities classified as financial assets at FVPTL and available-for-sale, policyholders' loans, loan to a fellow subsidiary, and dividends payable to policyholders. The interest rates on these assets and liabilities are disclosed in Notes 6, 7, 8, 10, 11, 16, and 22.

This risk is managed by cash flow and/or duration matching strategies and by providing reasonable long term returns based on asset allocation strategies. The Company has established policies and operating guidelines in managing interest rate risk.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of each reporting period. A 100 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents Management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's:

- a. Profit for the years ended December 31, 2024 and 2023 would have increased or decreased by P79 million and P83 million, respectively. This is mainly attributable to the impact of new money yields on reinvestments; and
- b. Other equity reserves would have increased by P8.5 billion as at December 31, 2024 and P7.9 billion as at December 31, 2023 if interest rates had been 100 basis points lower, or decreased by P7.4 billion as at December 31, 2024 and P6.9 billion as at December 31, 2023 if interest rates had been 100 basis points higher, mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments and change of Gross Premium Valuation (GPV) discount rates.

Foreign currency exchange risk

Foreign currency risk results from the mismatches in the currency of assets and liabilities (inclusive of capital), and cash flows. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US dollars. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

Assets are currency matched to the liabilities they support, and the Company's assets are invested as specified in the Asset Liability Management Operating Guideline, unless otherwise approved by the Asset Liability Committee (ALCO). The said guideline also defines the approved foreign currency exposure through an early-warning threshold, and through soft and hard tolerance limits thereafter. When a breach of the soft limit occurs, at a maximum no action should be taken that will worsen the situation. The focus is on identifying cause and assessing the risk of a hard breach. When a hard breach of the hard limit occurs, the focus is on taking immediate corrective action to restore the foreign exchange position within a reasonable time horizon.

The carrying amounts of the Company's foreign currency denominated monetary financial assets and monetary financial liabilities at the end of each reporting period are as follows:

| | 2024 | 2023 |
|--|------------------------|-----------------|
| Cash and cash equivalents | P 363,831,623 | P 692,931,306 |
| Available-for-sale financial assets | 9,187,132,841 | 8,995,013,890 |
| Financial assets at FVTPL | 10,342,798,389 | 9,177,385,858 |
| Policyholders' loans | 254,493,203 | 254,407,161 |
| Uncollected policyholder premiums | 9,718,923 | 13,301,218 |
| Investment income earned and accrued | 160,801,152 | 151,626,154 |
| Other receivables | 21,843,517 | 29,220,406 |
| Due to policyholders | (2,465,019,871) | (2,431,143,056) |
| Accounts payable, accrued expenses and other liabilities | (1,880,487,139) | (1,663,776,701) |
| | P15,995,112,638 | P15,218,966,236 |

The following table details the Company's sensitivity to a 5% increase and decrease in the Philippine peso against the US Dollar. The sensitivity rate used for reporting foreign currency risk internally to key management personnel is 5% and it represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only US Dollar denominated monetary financial assets and liabilities and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in net profit when the Philippine peso weakens by 5% against the relevant currency. For a 5% strengthening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net profit and the amounts below would be negative.

| | Effect on Profit for the Year | |
|--|--------------------------------------|---------------|
| | 2024 | 2023 |
| Cash and cash equivalents | P 18,191,581 | P 34,646,565 |
| Available-for-sale financial assets | 459,356,642 | 449,750,695 |
| Financial assets at FVTPL | 517,139,919 | 458,869,293 |
| Policyholders' loans | 12,724,660 | 12,720,358 |
| Uncollected policyholder premiums | 485,946 | 665,061 |
| Investment income earned and accrued | 8,040,058 | 7,581,308 |
| Other receivables | 1,092,176 | 1,461,021 |
| Total Impact on Assets | 1,017,030,982 | 965,694,300 |
| Due to policyholders | (123,250,994) | (121,557,153) |
| Accounts payable, accrued expenses and other liabilities | (94,024,356) | (83,188,836) |
| Total Impact on Liabilities | (217,275,350) | (204,745,988) |
| | P799,755,632 | P 760,948,312 |

Insurance risks

Insurance risk is the uncertainty of product performance due to actual experience emerging differently than expected in the areas of policyholder behaviour, mortality, morbidity, and longevity.

Insurance risk is managed through a number of enterprise wide controls addressing a wide range of insurance risk factors, as follows:

- Enterprise wide Insurance Underwriting and Claims, Product Development and Pricing, and Reinsurance Risk management policies
- Product development and pricing policies require detailed risk assessment and provision for material insurance risks.
- Target capital levels established that exceed regulatory minimums.
- Board approved maximum retention limits (amounts issued in excess of these limits are reinsured).

- Various limits, restrictions and fee structures may be introduced into plan designs in order to establish more homogeneous policy risk profile and limit potential for anti-selection.
- Enterprise underwriting and risk selection standards with oversight by Corporate underwriting and claims risk management function.
- Diversification and risk pooling is managed by aggregation of broad exposures across product lines, geography, distribution channels, etc.
- Experience studies (both Company specific and industry level) and Source of Earnings analysis are periodically monitored and factored into ongoing valuation, renewal and new business pricing processes.
- Stress-testing techniques are used to measure the effects of large and sustained adverse movements in insurance risk factors.
- The Company has established a reinsurance ceded policy to set acceptance criteria and protocols to monitor the level of reinsurance ceded to any single reinsurer or group of reinsurers. Our reinsurance counterparty risk profile is monitored closely, including through regular reporting to the Risk Review Committee of the Sun Life Financial BOD.

The table below sets out the Company's concentration of insurance risk based on the sum assured:

| | 2024 | | 2023 | |
|----------------------|--------------------|---------------------------|--------------------|---------------------------|
| | Number of Policies | Amount of Insurance | Number of Policies | Amount of Insurance |
| Group life | 2,125 | P 221,699,000,815 | 1,918 | P 193,123,592,242 |
| Whole life | 456,918 | 369,188,415,894 | 419,743 | 331,431,379,771 |
| Endowment | 23,861 | 19,364,062,044 | 21,249 | 16,203,787,019 |
| Term | 62,785 | 73,893,675,815 | 56,342 | 67,047,172,457 |
| Accident and health | 807 | 37,457,427,150 | 863 | 35,756,585,061 |
| Variable unit-linked | 1,350,081 | 1,567,563,422,597 | 1,340,823 | 1,542,861,365,193 |
| | 1,896,577 | P2,289,166,004,315 | 1,840,938 | P2,186,423,881,743 |

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use 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 Code and guidelines set by the IC.

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

- Mortality and morbidity rates

Assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered based on the Company's actual experience. The increase in mortality and morbidity rates will increase the legal policy reserves and result in a corresponding decrease in profit or loss.

- Discount rates

The risk-free discount rate provided by IC shall be used for all cash flows to determine the liability of a traditional life insurance policy. The yield curve used as basis for the risk-free discount shall be obtained from the following sources:

- For Philippine peso policies: BVAL rates
- For US Dollar policies: International Yield Curve (IYC) from Bloomberg

The increase in discount rate will decrease the legal policy reserves and result in a corresponding increase in remeasurement on legal policy reserves in OCI.

Policyholder behaviour risk

The Company can incur losses due to adverse policyholder behaviour relative to that assumed in the liabilities with regard to lapse of policies or exercise of other embedded policy options.

Uncertainty in policyholder behaviour can arise from several sources including unexpected events in the policyholder's circumstances, the general level of economic activity (whether higher or lower than expected), changes in pricing and availability of current products, the introduction of new products, changes in underwriting technology and standards as well as changes in financial strength or reputation. Uncertainty in future cash flows affected by policyholder behaviour can be further exacerbated by irrational behaviour during times of economic turbulence or at key option exercise points in the life of an insurance contract.

Various types of provisions are built into many of the Company's products to reduce the impact uncertain policyholder behaviour. These provisions include:

- surrender charges which adjust the payout to the policyholder by taking into account prevailing market conditions;
- limits on the amount that policyholders can surrender or borrow;
- restrictions on the timing of policyholders' ability to exercise certain options; and
- restrictions on both the types of funds customers can select and the frequency with which they can change funds.

Mortality and morbidity risk

Mortality and morbidity risk is the risk of incurring higher than anticipated mortality and morbidity claim losses on any one policy or group of policies. It can arise in the normal course of business through the random fluctuation in realized experience, through catastrophes, or in association with other risk factors such as product development and pricing or model risk. Adverse mortality and morbidity experience could also occur through systemic anti-selection, which could arise due to poor plan design or underwriting process failure or the development of investor owned and secondary markets for life insurance policies.

Detailed uniform underwriting procedures have been established to determine the insurability of applicants and to manage exposure to large claims. These underwriting requirements are regularly scrutinized against industry guidelines and oversight is provided through a corporate underwriting and claim management function.

Individual and group insurance policies are underwritten prior to initial issue and renewals based on selection, plan design and rating techniques.

Underwriting and claims risk policies approved by the Risk Review Committee of the Sun Life Financial BOD include limits on the maximum amount of insurance that may be issued under one policy and the maximum amount that may be retained. These limits vary by geographic region and amounts in excess of limits are reinsured to ensure there is no exposure to unreasonable concentration of risk.

Longevity risk

Longevity risk is the potential for economic loss, accounting loss or volatility in earnings arising from adverse changes in rates of mortality improvement relative to the assumptions used in the pricing and valuation of products. This risk can manifest itself slowly over time as socioeconomic conditions improve and medical advances continue. It could also manifest itself more quickly, for example, due to medical breakthroughs that significantly extend life expectancy. Longevity risk affects contracts where benefits or costs are based upon the likelihood of survival (for example, annuities, pensions, pure endowments, reinsurance, segregated funds, and specific types of health contracts).

To improve management of longevity risk, the company monitor research in the fields that could result in a change in expected mortality improvement. Stress-testing techniques are used to measure and monitor the impact of extreme mortality.

Business and Strategic Risk

Business and strategic risk include risks related to changes in the economic or political environment, changes in distribution channels or Client behaviour, changes in the competitive environment, risks relating to the design or implementation of business strategy, changes in the legal or regulatory environment.

Business and strategic risk is managed through strategic and business planning process and controls over the implementation of these plans. These plans are reviewed and discussed by the Executive Team and the key themes, issues and risks emerging are discussed by the Board of Directors and the Board Committees.

Operational risk

Operational risk is the risk of loss (financial or non-financial) resulting from inadequate or failed internal processes, controls, people and systems. Categories of operational risks may fall under: sales and distribution, human resources, information technology, processes and people, accounting and finance, model risk, legal and regulatory and third party relationships.

The Company ensures that internal controls and practices are consistent with enterprise wide policies supporting the management of operational risks.

Liquidity risk

Liquidity risk is the possibility that we will not be able to fund all cash outflow commitments and collateral requirements as they fall due.

Entities within the Sun Life Financial Group are required to have appropriate liquidity. This means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, while not having excessive liquidity that entails an opportunity cost in terms of product competitiveness and asset yields.

Exposure to liquidity risk will be measured and managed by using liquidity ratios calculated over various scenarios and time horizons. The Company measures and manages their liquidity ratios within prescribed tolerances and target ranges, and monitors and reports their liquidity ratios as set forth in the Liquidity Operating Guideline developed in compliance with the Asset Liability Management Corporate Operating Guideline. This will also contain a contingency plan for the management of liquidity in the event of a liquidity crisis.

The table below illustrates the net cash flows over the lifetime of the Company's existing portfolio. Positive net cash flows are assumed to be reinvested at a conservative net annual effective yield and equity holdings are assumed to have zero market value growth.

| Financial Assets Portfolio for: | Within One Year | More than One to Five Years | More than Five Years | Total |
|---------------------------------|--------------------|-----------------------------------|-------------------------|------------------|
| | (In Million Pesos) | | | |
| December 31, 2024 | | | | |
| Asset cash flow | P13,948 | P39,398 | P594,415 | P647,761 |
| Liability cash flow | 7,886 | 18,432 | (379,728) | (353,410) |
| | P21,834 | P57,830 | P214,687 | P294,351 |
| December 31, 2023 | | | | |
| Asset cash flow | P11,901 | P33,486 | P555,801 | P601,188 |
| Liability cash flow | 5,675 | 19,093 | (337,165) | (312,397) |
| | P17,576 | P52,579 | P218,636 | P288,791 |

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

| | Within one year | Beyond one year | Total |
|--|------------------------|------------------------|------------------------|
| December 31, 2024 | | | |
| Due to policyholders | P1,003,358,466 | P30,270,875,123 | P31,274,233,589 |
| Due to related parties | 749,445,568 | - | 749,445,568 |
| Accounts payable, accrued expenses and other liabilities | 9,621,511,232 | 1,791,649,265 | 11,413,160,497 |
| | P11,374,315,266 | P32,062,524,388 | P43,436,839,654 |
| December 31, 2023 | | | |
| Due to policyholders | P1,239,942,966 | P29,796,058,737 | P31,036,001,703 |
| Due to related parties | 330,513,791 | - | 330,513,791 |
| Accounts payable, accrued expenses and other liabilities | 8,247,625,898 | 1,962,831,252 | 10,210,457,150 |
| | P9,818,082,655 | P31,758,889,989 | P 41,576,972,644 |

Regulatory Compliance Management Policy

The Compliance Risk Management Framework of Sun Life sets out the framework for the management and mitigation of Compliance Risk that enables the Company to achieve key objectives and make better business decisions, while meeting regulatory and client expectations. Compliance Risk arises from potential non-conformance with laws, rules, regulations, prescribed practices or ethical standards on anti-money laundering and anti-terrorist financing, market conduct, privacy, prevention of bribery and corruption, and related party transactions.

In line with this framework, the Company adopted various Operating Guidelines ("Guidelines"), with the objective of establishing a strong, sustainable compliance risk management program that conforms to regulatory and industry standards, and provides reasonable assurance that the following outcomes are achieved:

- a) Identification of applicable regulatory requirements;
- b) Assessment of inherent compliance risks of applicable regulatory requirements;
- c) Development of key controls designed to comply with the applicable regulatory requirements and to manage and mitigate compliance risks;
- d) Assessment of the design and operating effectiveness of controls to determine residual risk;
- e) Testing and monitoring of the ongoing operation of the controls and identification of gaps and other issues; and
- f) Reporting to management on the overall effectiveness of the regulatory compliance management program and the state of compliance of the business.

The Board provides the highest level of independent oversight of the management and operations of the Company. The Board is also responsible for approving regulatory compliance Guidelines, and ensuring that the same are reviewed and assessed on its effectiveness.

Management is the first line of defense and is responsible for day-to-day compliance with the Guidelines. It is accountable for identifying and assessing Compliance Risks, specifically incorporating consideration of Compliance Risks in business activities and decisions, and managing compliance risks in day-to-day activities.

The Company's Compliance team are the second line of defense. The Chief Compliance Officer has oversight responsibility for the Guidelines and the Code of Business Conduct. The Chief Compliance Officer promotes a tone from the top and an atmosphere that fosters high ethical standards and conduct, and an appropriate risk culture.

43. CAPITAL RISK MANAGEMENT

This policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the demutualization agreements and the appropriate regulatory requirements.

The BOD establishes the written policies, standards and procedures necessary to effectively implement policies.

The level of capital adequacy risk accepted by the Company should be prudent as determined by Management. Capital adequacy risk is mitigated through appropriate risk management policies and processes.

Capital Structure

Maximizing returns on capital requires maintenance of an optimal capital structure. The Company seeks to maintain the optimal mixture of available financial instruments within its capital structure.

The overall quality of the capital base is a function of the characteristics and amounts of the individual types of capital within the overall capital structure. In general, the quality of individual capital item is measured by the capital's permanency, degree of subordination, ability to absorb losses and fixed charge obligations.

The Company is committed to maintaining a sufficiently high quality capital structure to:

- a. Maintain the target level of financial strength;
- b. Achieve the target financial ratings; and
- c. Comply with the capital adequacy requirements.

The Company has established capital risk management policies and operating guidelines and the BOD and Management review the capital structure on a quarterly basis. A corporate capital management committee monitors the capital management program of the Company to ensure adherence to the policies and to the local regulatory capital requirements. A capital plan is prepared on an annual basis as part of the business planning process.

The capital structure of the Company consists of equity comprising issued capital, reserves and retained earnings.

The Company maintains at least the minimum net worth required by the IC which is P1.3 billion. In addition, the Company maintains an appropriate operational minimum capital ratio and move towards an optimal target capital ratio.

The equity ratio at year end is as follows:

| | 2024 | 2023 |
|--------------|-------------------------|-----------------|
| Equity | P59,312,239,483 | P54,998,904,616 |
| Total assets | P338,535,882,550 | 314,225,701,950 |
| Equity ratio | 0.18:1 | 0.18:1 |

Management believes that the above ratio is within the acceptable range.

The Company's strategy has remained unchanged in 2024 and 2023.

Regulatory Capital Requirement

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 capital requirement.

As of date of approval of the financial statements, the Company is yet to receive the 2023 AS synopsis from IC. However, for the 2022 Annual Statement, the synopsis was issued by IC on October 19, 2023 where the total assets admitted amounted to P277,947,738,055 and those assets that are not admitted are as follows:

| | 2022 | 2021 |
|---|------------------------|-----------------|
| Cash on Hand and in Banks | P 154 | P 5,959,573 |
| Loans and Receivables | 3,510,667,754 | 2,821,886,876 |
| AFS Financial Assets | 21,867,701 | 290,076 |
| Uncollected policyholder premiums | 1,061,573 | 4,655,015 |
| Investment Income Due and Accrued | 1,364,062 | 37,490,810 |
| Other Receivables | 76,966,271 | 114,629,791 |
| Investment in Subsidiaries and Associates | 1,135,249 | - |
| Segregated Fund Assets | 34,343,116 | 406,787,866 |
| Leasehold, property and equipment – net | 1,422,777,738 | 1,235,935,121 |
| Right-of Use Asset | 4,644,912 | 31,576,686 |
| Security Fund Contribution | 731,700 | |
| Pension Asset | 1,528,799,300 | 1,186,064,900 |
| Other assets | 1,402,025,205 | 3,253,998,718 |
| | P 8,006,384,735 | P 9,099,275,432 |

On January 19, 2023, the Company filed for reconsideration on the admission of 2021 policy loans amounting to P1,026,776,274. On May 10, 2023, IC approved the admission of said policy loans. As a result, non-admitted Loans and Receivables decreased from P3,848,663,150 to P2,821,886,876.

Fixed capitalization requirements

In 2016, the IC issued Circular Letter No. 2017-02-A which provides for the minimum capitalization requirements of all life, non-life and reinsurance companies in pursuant to Section 194 of the Insurance Code as Amended (RA 10607). Under this circular, a minimum statutory net worth for domestic insurance company has been stipulated at each compliance date. The statutory net worth shall include the Company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the IC and this shall remain unimpaired at all times.

As at December 31, 2024 and 2023, the required statutory net worth for the Company is P1.3 billion.

The Company has fully complied with the net worth requirements of Circular Letter No. 2017-02-A as at the end of each reporting period.

Risk-based capital requirements (RBC)

In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

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

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

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

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels. As of the latest filing made by the Company to the IC, the RBC ratio on December 31, 2023 is 231%. The Company's 2024 RBC ratio is still subject to examination by the IC.

Retention of profits in excess of paid-in capital

On September 28, 2023, the SEC Memorandum Circular No. 16, s. 2023 became effective providing for the revised guidelines on the determination of retained earnings available for dividend declarations of stock corporations by taking into account the unrealized gains and other items affecting the unrestricted retained earnings following the effective reporting standards. Stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-in capital stock. Based on the guidelines set forth by SEC, the Company's total retained earnings available for dividend amounted to P14,394,007,318 and P8,590,061,829 as at December 31, 2024 and 2023, respectively.

Management will continue to evaluate the need to declare dividends after considering the regulatory capital requirement of IC on fixed capitalization and risk-based capital requirement. Approval of the Company's Board of Directors will be requested as deemed necessary.

As at December 31, 2024 and 2023, the Company's retained earnings is in excess of 100% of its share capital Under Section 42 of the Revised Corporation Code, stock corporations are prohibited from retaining surplus profit in excess of 100% of its paid up capital. The Company decided to reserve its retained earnings for capital repatriation and dividend declaration.

Financial Reporting Framework (FRF)

In 2015, IC issued Circular Letter (CL) No. 2015-29, Financial Reporting Framework under Section 189 of the amended Insurance Code (RA No. 10607). Whereas, the FRF will adopt the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles.

Subsequently, the IC issued CL No. 2016-65 to supersede the CL No. 2015-29 which states that the new regulatory requirement is hereby promulgated effective January 1, 2017. Accordingly, the Financial Reporting Framework will be used on the statutory quarterly and annual reporting for net worth requirements.

44. EVENTS AFTER THE REPORTING PERIOD

On January 22, 2025, the Company issued another 10-year loan amounting to P70,000,000, with interest rate of 6.2917% under a New Loan Agreement dated January 20, 2025, with HoldCo, subject to the terms and conditions of the said Loan Agreement.

On February 14, 2025, the loan agreement with HoldCo dated February 16, 2020, which is maturing on February 16, 2025, was amended to extend the term of the loan up to 10 years for the principal amount of P580,000,000 and change the interest rates from 4.286% to 6.1077% per annum, and the mode of interest payment from compounding to simple, following the amendment in the main loan agreement on September 25, 2024.

On March 4, 2025, the Company issued an additional 10-year loan of P50,000,000 to HoldCo at an interest rate of 6.1168%. This loan was obtained under a New Loan Agreement dated March 4, 2025, and is subject to the terms and conditions stipulated therein.

On April 7, 2025, the Company declared P5,000,000,000 cash dividends out of the Company's unrestricted retained earnings to shareholders of record as at December 31, 2024.

45. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU of INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NOS. 15-2010

The following supplementary information for 2024 are presented for purposes of filing with the BIR and are not required part of the basic financial statements.

Percentage Tax

The Company is engaged in the business of life insurance and paid the amount of P670,748,612 as percentage tax pursuant to the provisions of Sec. 244 of the National Internal Revenue Code of 1997, as last amended by Revenue Memorandum Circular No. 22-2010.

Output VAT

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

| | |
|--------------------------|-----------------------|
| Fee income: | |
| Asset management | P3,191,965,339 |
| Partial fund with charge | 21,805,126 |
| | 3,213,770,465 |
| Rental income | 152,839,320 |
| Transaction fees | 856,191,415 |
| Other income | 93,406,526 |
| | 4,316,207,726 |
| Output VAT rate | 12% |
| | P 517,944,927 |

Input VAT

Details of the Company's input VAT claimed in 2024 are as follows:

| | |
|---|--------------------|
| Balance, January 1 | P14,263,553 |
| Current year's domestic purchases/payments for services lodged under other accounts | 62,679,891 |
| Creditable Value Added Tax | 2,833,168 |
| Total available input VAT | 79,776,612 |
| Less: Claims for tax credit | 56,647,183 |
| Balance, December 31 | P23,129,429 |

Documentary stamp tax

The Company's documentary stamp tax paid or accrued in 2024 amounted to P37,898,289.

Other taxes and licenses

Details of the Company's other taxes and licenses and permit fees paid or accrued charged to operating expenses in 2024 are as follows:

| | |
|----------------------------|---------------------|
| Permit fees | 110,996,963 |
| Real property tax | 12,075,962 |
| Residence or community tax | 10,500 |
| Others | 31,531,863 |
| | P154,615,288 |

Withholding taxes

Details of the Company's withholding taxes paid or accrued in 2024 are as follows:

| | |
|--|-----------------------|
| Withholding tax on compensation and benefits | P529,363,713 |
| Expanded withholding taxes | 803,028,860 |
| Final withholding taxes | 557,825,346 |
| Withholding VAT | 27,837,252 |
| | P1,918,055,171 |

Deficiency tax assessments and tax cases

The Company has outstanding tax assessments covering taxable years 2020, 2021 and 2022 as of December 31, 2024. The Company received the Final Assessment Notice covering taxable year 2020 on 28 October 2024, which has been protested with a request for reinvestigation.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at December 31, 2024 and 2023 and for the years then ended were approved by the Board of Directors on April 7, 2025 and were authorized for issuance on April 25, 2025. There were no significant events that occurred, requiring adjustment or disclosure, from the date of the approval of the financial statements up to the issuance date on April 25, 2025.

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