

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph>

Wed, Jun 7, 2023 at 4:05 PM

To: LIBI@lbp-insurance.com

Cc: SHIRLEY.PALAPAL@lbp-insurance.com

Hi LBP LANDBANK OF THE PHIL INSURANCE BROKERAGE INC,

Valid files

- EAFS000160097ITRTY122022.pdf
- EAFS000160097AFSTY122022.pdf
- EAFS000160097OTHTY122022.pdf
- EAFS000160097RPPTY122022.pdf
- EAFS000160097TCRTY122022-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-7KDJCDJL024ZPV13ZMZNSZ4M10MRWQNMXN**Submission Date/Time: **Jun 07, 2023 04:05 PM**Company TIN: **000-160-097**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

DISCLAIMER

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

AS per BIR, this email
confirmation serves as a proof
that they have received LIBI's
Audited Financial statements
for the CY 2021-2022.



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)

For the Years ended December 31, 2022 and 2021

EXECUTIVE SUMMARY

INTRODUCTION

The LBP Insurance Brokerage, Inc. (LIBI) was organized as a wholly-owned subsidiary of the Land Bank of the Philippines on October 22, 1981 under Securities and Exchange Commission Registration No. 105764. LIBI was primarily established to service the bank's insurance requirements and other government offices. It was created for the purpose of engaging in the business of general insurance brokerage management and consultancy services on insurance-related activities.

Its secondary purpose is to engage in the business of buying and selling of foreign currencies; and buying, selling, importing, exporting and/or dealing in any manner, at wholesale or retail of goods and merchandise. However, the secondary purpose particularly the business of buying and selling of foreign currencies was discontinued on 18 May 2017 per Board Resolution No. 2017-004-016.

On May 16, 1983, its Articles of Incorporation was amended increasing the number of directors of the Board from nine to 11. This was further amended on October 17, 1994, increasing the Corporation's authorized capital stock from P20,000,000 to P300,000,000.

The LIBI is currently headed by the Acting President and CEO. The policy-making body of the Corporation is its Board of Directors presently consisting of 10 members, including the Chairman, appointed by the President of the Philippines. It has a total of 61 personnel complement, of which 55 are permanent and six are contractual.

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of accounts and transactions of LIBI for the period January 1 to December 31, 2022 in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2022 and 2021. Also, we conducted the audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2022	2021	Increase (Decrease)
Assets	1,867,671,528	1,750,384,074	117,287,454
Liabilities	398,394,938	438,339,384	(39,944,446)
Equity	1,469,276,590	1,312,044,690	157,231,900

II. Comparative Results of Operations

	2022	2021	Increase (Decrease)
Total Revenues	405,816,995	305,433,587	100,383,408
Personnel Services	45,101,822	35,237,316	9,864,506
Maintenance and Other Operating Expenses	32,922,724	23,858,972	9,063,752
Financial Expenses	429,434	126,190	303,244
Non-Cash Expenses	6,545,785	7,000,348	(454,563)
Total Expenses	84,999,765	66,222,826	18,776,939
Net Income Before Tax	320,817,230	239,210,761	81,606,469
Provision For Income Tax	69,571,876	51,060,502	18,511,374
Net Income After Tax	251,245,354	188,150,259	63,095,095
Other comprehensive income/(loss)	2,801,169	0	2,801,169
Total comprehensive income	254,046,523	188,150,259	65,896,264

III. Comparative Budget and Actual Expenditures

Particulars	Budget		Utilization	
	2022	2021	2022	2021
Personnel Services	49,492,506	39,849,107	45,101,822	35,237,316
Maintenance and Other Operating Expenses/ Financial Expenses/ Non-Cash Expenses/ Other Losses	55,647,055	46,229,598	39,897,943	30,985,510
Capital Expenditures	23,810,000	368,500,000	1,601,817	2,205,585
	128,949,561	454,578,705	86,601,582	68,428,411

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LIBI for the years ended December 31, 2022 and 2021.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Customers' Deposit Payable (CDP) balance of P127.057 million as at December 31, 2022 was not established due to presence of temporarily recognized liabilities aged less than a year to four years amounting to P50.848 million, and which are either for verification, reconciliation or settlement, contrary to paragraph 15 of PAS 1 and sound internal control on reconciliation and prompt settlement of accounts.

We recommended and Management agreed that:

a. In coordination with LBP Lending Centers (LCs), commit to a timeline to expedite the reconciliation of the insurance premiums received by LIBI amounting to P45,623,938

to determine whether these are excess payments for refund or for remittance to the insurance companies;

b. In coordination with LBP LCs, commit to a timeline to refund the soonest possible the excess insurance premium amounting to P5,224,238 to the insured;

c. Revisit the LIBI Manual to include guidelines, procedures and timelines on the periodic reconciliation/validation of outstanding insurance premiums received from insurance companies and/or LBP LCs and monitoring of the refund of excess insurance premium payments to the insured; and

d. Expedite execution of the Service Level Agreement and monitor compliance by concerned parties of the agreed-upon responsibilities and procedures contained therein.

2. Retained Earnings-Unappropriated amounting to P550,904,975 exceeded the Share Capital by P124,711,405 as at December 31, 2022, contrary to Section 42 of the Corporation Code of the Philippines. Further, the disclosure on excess of Retained Earnings over the Share Capital were not provided in the Notes to Financial Statements, contrary to the requirements Paragraphs 134 and 135 (a(ii)), (d) and (e) of Philippine Accounting Standards (PAS) 1.

We recommended that Management:

a. Strictly comply with Section 42 of the Corporation Code of the Philippines, which prohibits the retention of surplus profits in excess of 100 per cent of the paid-in-capital stock of stock corporations;

b. Consider the remittance to the National Government of the surplus profits in excess of 100 per cent of the paid-in-capital stock in compliance with Sections 4 and 5 of the Revised Implementing Rules and Regulations of Republic Act No. 7656 dated January 26, 2016, if not intended for committed and specific purposes within specific timelines;

c. Disclose in the Notes to the Financial Statements:

c.1 Retention of surplus profits to comply with Paragraphs 134 and 135 (a(ii)), (d) and (e) of PAS 1; and

c.2 Brief discussion of the Board Resolutions approving the appropriations amounting to P615,570,446, their basis/rationale and timelines of implementations.

3. The LIBI continued the implementation of the Retirement Benefit Plan which not specifically included in the authorization to implement the Compensation and Position Classification System (CPCS), and without the recommendation of the Governance Commission for GOCC (GCG) and approval of the President, contrary to Item VI(B)(4) CPCS under Executive Order (E.O.) No. 150, s. 2021.

We recommended that Management seek the guidance and recommendation of the GCG and the final approval of the President of the Philippines for the continued implementation of the LIBI Retirement Benefit Plan, pursuant to Chapter VI(B)(4) of the CPCS of the E.O. No. 150.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2022, LIBI had an outstanding audit disallowance of P1.697 million.

There were no audit suspensions and charges at the end of the year.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 14 audit recommendations embodied in the prior years' Annual Audit Reports, 13 were fully implemented and one was partially implemented.

PART I

AUDITED FINANCIAL STATEMENTS



STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, 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 LBP (Land Bank of the Phil.) Insurance Brokerage, Inc.’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 LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc.’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 stockholders.

Commission on Audit has audited the financial statements of the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. in accordance with International Standards of Supreme Audit Institutions, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

ALVIN G. DANS
Chairman of the Board

CHERRY MAY T. FREDERICK
Acting President and CEO

JAYLORD P. DELA CRUZ
Corporate Treasurer

Signed this 3rd day of April, 2023.





REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

LBP Insurance Brokerage, Inc.
12th Floor, Sycip Law Center,
105 Paseo De Roxas,
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LBP Insurance Brokerage, Inc. (LIBI)**, a wholly-owned subsidiary of Land Bank of the Philippines, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 LIBI in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the LIBI's ability to continue as 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 LIBI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LIBI'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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, 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 LIBI'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 and conditions that may cast significant doubt on the LIBI'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 LIBI to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations 15-2010 in Note 27 and the Revised Securities Regulation Code Rule 68 in Note 28 to the 2022 financial statements is presented for purposes of filing with the Bureau of Internal Revenue and the Securities and Exchange Commission, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


MARIE FRANCES HAZEL S. ACEBEDO
Supervising Auditor

April 04, 2023

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	235,637,099	300,171,912
Receivables, net	5	83,587,930	84,214,611
Inventories	6	361,099	229,044
Investments	8	234,072,742	453,144,195
Other Current Assets	7	21,266,286	14,646,884
Total Current Assets		574,925,156	852,406,646
Non-Current Assets			
Receivables, net	5	45,153,487	43,610,092
Investments	8	1,212,674,872	818,298,936
Investment Property	9	998,316	998,316
Property and Equipment, net	10	20,759,675	24,823,592
Intangible Assets	11	8,640,853	5,042,976
Deferred Tax Assets	25	4,011,348	4,190,505
Other Non-Current Assets	7	507,821	1,013,011
Total Non-Current Assets		1,292,746,372	897,977,428
Total Assets		1,867,671,528	1,750,384,074
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	186,470,526	167,848,497
Inter-Agency Payables	13	18,034,268	16,058,304
Trust Liabilities	14	99,312,124	165,009,648
Provisions	15	5,006,499	2,470,167
Other Current Payables	16	1,267,656	3,935,215
Total Current Liabilities		310,091,073	355,321,831
Non-Current Liabilities			
Financial Liabilities	12	50,703,697	47,218,752
Trust Liabilities	14	27,844,186	26,292,127
Provisions	15	8,324,937	9,417,237
Other Non-Current Payables	16	1,431,045	89,437
Total Non-Current Liabilities		88,303,865	83,017,553
Total Liabilities		398,394,938	438,339,384
EQUITY			
Share Capital	17	300,000,000	300,000,000
Retained Earnings	18	1,166,475,421	1,012,044,690
Other Comprehensive Income (Loss)			
Remeasurement of Retirement Benefit Obligation	24.2	2,801,169	0
Total Equity		1,469,276,590	1,312,044,690
Total Liabilities and Equity		1,867,671,528	1,750,384,074

The Notes on pages 9 to 55 form part of these financial statements.

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
Income			
Service and Business Income	19	404,857,520	304,861,198
Other Non-Operating Income	24.1	959,475	572,389
Total Income		405,816,995	305,433,587
Expenses			
Personnel Services	20	(45,101,822)	(35,237,316)
Maintenance and Other Operating Expenses	21	(32,922,724)	(23,858,972)
Financial Expenses	22	(429,434)	(126,190)
Non-Cash Expenses	23	(6,545,785)	(7,000,348)
Total Expenses		(84,999,765)	(66,222,826)
Net Income Before Tax		320,817,230	239,210,761
Income Tax Expense	25	(69,571,876)	(51,060,502)
Net Income for the year		251,245,354	188,150,259
Other Comprehensive Income (Loss)			
Item that will not be classified to profit and loss			
Remeasurement gain on retirement benefit obligation	24.2	2,801,169	0
Total Comprehensive Income		254,046,523	188,150,259

The Notes on pages 9 to 55 form part of these financial statements.

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(In Philippine Peso)

	Retained Earnings			Other Comprehensive	TOTAL
	Share Capital (Note 17)	Appropriated (Note 18b)	Unappropriated (Note 18 a and c)	Income (Note 24.2)	
BALANCE AT JANUARY 1, 2021	300,000,000	405,850,000	492,894,139	0	1,198,744,139
CHANGES IN EQUITY FOR 2021					
Add/(Deduct):					
Declaration of Cash Dividend			(74,842,249)		(74,842,249)
Payment of Deficiency Tax for 2018			(1,552,154)		(1,552,154)
Appropriations		290,957,008	(290,957,008)		0
Reversal of Appropriations		(174,600,000)	174,600,000		0
Other Adjustments			1,544,695		1,544,695
Net Income for the year			188,150,259		188,150,259
BALANCE AT DECEMBER 31, 2021	300,000,000	522,207,008	489,837,682	0	1,312,044,690
CHANGES IN EQUITY FOR 2022					
Add/(Deduct):					
Declaration of Cash Dividend			(96,474,244)		(96,474,244)
Appropriations		103,363,438	(103,363,438)		0
Reversal of Appropriations		(10,000,000)	10,000,000		0
Other Adjustments			(340,379)		(340,379)
Net Income for the year			251,245,354		251,245,354
Remeasurement gain on retirement benefit obligation				2,801,169	2,801,169
BALANCE AT DECEMBER 31, 2022	300,000,000	615,570,446	550,904,975	2,801,169	1,469,276,590

The Notes on pages 9 to 55 form part of these financial statements.

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Receipt of Advance Payment of Premium		1,408,313,161	1,213,962,507
Collection of Income/Revenue		12,042,144	30,253,632
Collection of Receivables		255,984,008	96,262,596
Total Cash Inflows		1,676,339,313	1,340,478,735
Cash Outflows			
Payment of Premiums to Insurance Companies		(1,314,066,583)	(1,446,064,329)
Payment of Expenses		(86,397,720)	(62,254,421)
Purchase of Inventories		(602,670)	(479,738)
Prepayments		(8,889,777)	(5,087,786)
Payments of Accounts Payable		(21,391,422)	(6,045,196)
Remittance of Personnel Benefit and Mandatory Deduction		(4,062,328)	(1,362,529)
Payment of Income Taxes		(73,297,376)	(45,178,349)
Total Cash Outflows		(1,508,707,876)	(1,566,472,348)
Net Cash Provided by/(Used in) Operating Activities		167,631,437	(225,993,613)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds of Matured Investments		5,534,682,988	10,078,000,000
Receipt of Interest Earned from Investments		42,687,306	37,886,595
Total Cash Inflows		5,577,370,294	10,115,886,595
Cash Outflows			
Purchase of Property, Plant, Equipment	10	(1,601,817)	(2,205,585)
Purchase of Intangible Assets	11	(4,506,824)	(103,200)
Placement of Investments		(5,706,953,659)	(10,044,955,089)
Total Cash Outflows		(5,713,062,300)	(10,047,263,874)
Net Cash (Used in)/Provided by Investing Activities		(135,692,006)	68,622,721
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Cash Dividends	18a	(96,474,244)	(74,842,249)
Cash Used in Financing Activities		(96,474,244)	(74,842,249)
Net Decrease in Cash and Cash Equivalents		(64,534,813)	(232,213,141)
CASH AND CASH EQUIVALENTS, JANUARY 1		300,171,912	532,385,053
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	235,637,099	300,171,912

The Notes on pages 9 to 55 form part of these financial statements.

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(All amounts in Philippine Peso, unless otherwise stated)

1. CORPORATE INFORMATION

1.1 Corporate Background

The LBP Insurance Brokerage, Inc. (LIBI or the "Corporation") was organized as a wholly-owned subsidiary of Land Bank of the Philippines (LBP) on October 22, 1981 under Securities and Exchange Commission (SEC) Registration No. 105764. On May 16, 1983, its Articles of Incorporation was amended increasing the number of directors of the Board from nine to 11. This was further amended on October 17, 1994 increasing the LIBI's authorized capital stock from P20,000,000 to P300,000,000 and revising its secondary purpose.

It was created primarily for the purpose of engaging in the business of general insurance brokerage management and consultancy more particularly as follows:

- To act as insurance broker for life, health, accident, motor car, casualty, surety and fidelity, marine cargo and hull, comprehensive liability insurance and other insurance coverage allied with and incident to the above-mentioned lines, and
- To engage in management and consultancy work on insurance and in this connection, to hold, own, purchase, acquire, underwrite, obtain participation in, and manage the business of any corporation, partnership or equity.

The LIBI's registered and principal office of business is located at the 12th Floor SSHG Law Centre Building, 105 Paseo de Roxas St., Legaspi Village, Makati City.

1.2 Authorization for Issue of the 2022 Financial Statements

The financial statements of LIBI for the years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on January 26, 2023 in Board Resolution No. 2023-001-008 dated January 26, 2023 and was signed by the Chairman of the Board on January 26, 2023.

2. STATEMENT OF COMPLIANCE AND BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Corporation have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as prescribed by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014, and adopted by SEC.

2.2 Basis of Preparation of Financial Statements

The LIBI's financial statements have been prepared on the historical cost except for investments in government securities which are stated at amortized cost using effective interest method. The financial statements are prepared on the accrual basis in accordance with PFRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented unless otherwise stated.

3.1 Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Corporation presents all items of income and expenses in a single statement of comprehensive income. The Corporation presents its statement of financial position broadly in order of liquidity. Analysis regarding recovery (asset) or settlement (liability) within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29 of the financial statements.

Current versus Noncurrent Classification

The LIBI presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period, or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The LIBI classifies all other assets and liabilities as noncurrent. Deferred tax assets are classified as noncurrent.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, the LIBI's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

3.2 Use of judgments and estimates

The preparation of financial statements in compliance with PFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in the most appropriate application of the accounting policies.

3.3 Changes in accounting policies and disclosures

- a. New standards and amendments that were issued and effective from January 1, 2022.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Corporation adopted effective for annual periods beginning on or after January 1, 2022.

- a) New standards, interpretations and amendments adopted from January 1, 2022:

- References to Conceptual Framework (Amendments to PFRS 3) - The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16) - The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37) - The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements to PFRS Standards 2018-2020
 - PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.
 - PFRS 9, Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in

paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- PFRS 16, Leases - The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- PAS 41, Agriculture - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the foregoing amendments had no material impact in the LIBI's financial statements.

b. New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2022, and have not been applied in preparing the financial statements are summarized below.

The following amendments are effective for the period beginning January 1, 2023:

- PAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current - The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure and Initiative – Accounting Policies - The amendments to PAS 1 require entities to disclose their material accounting policies information rather than their significant accounting policies. The amendments to PFRS Practice Statement 2 provide guidance on how an entity can identify a material accounting policy.
- Definition of Accounting Estimates (Amendments to PAS 8 - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12– the amendments that clarify how

companies account for deferred tax on transactions such as leases and decommissioning obligations.

The LIBI does not expect any other standards issued by the International Accounting Standards Board, but not yet effective, to have a material impact on the financial statements.

The following is a list of other new and amended standards which are effective in future periods. The amount of quantitative and qualitative detail to be given about each of the standards will depend on each entity's own circumstances.

- Amendments to PAS 1, Presentation of Financial Statements, Non-Current Liabilities with Covenants (effective January 1, 2024) – To clarify how conditions with which entity must comply within the twelve months after the reporting period affect the classification of a liability.
- Amendments to PFRS 16 Leases, Lease Liability in a Sale and Leaseback (Effective January 1, 2024) - The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.
- Initial Application of PFRS 17 and PFRS 9 — Comparative Information - Amendment to PFRS 17 (Effective January 1, 2025) - The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.
- PFRS 17 Insurance Contracts (Effective January 1, 2025) - The amendments address concerns and implementation challenges that were identified after PFRS 17 was published in 2017, including deferral of its date of initial application by two years to annual periods beginning on or after January 1, 2025.

The LIBI is currently assessing the impact of these new accounting standard and amendments.

3.4 Financial Instruments

LIBI recognizes a financial asset or a financial liability in its statement of financial position when, and only when, the Corporation becomes a party to the contractual provisions of the instrument.

a. Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets. As part of its classification process, LIBI assesses the contractual terms of financial assets to identify whether they meet the "solely payments of principal and interest" (SPPI) test. The "Principal", for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

Since 2019, the LIBI adopted PFRS 9, the Hold-to-Collect Business Model per Board Resolution No. 2019-012-041 in determining its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

Initial recognition and measurement

Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit and loss (FVPL), includes transaction cost. The LIBI determines the classification of its financial assets at initial recognition.

Classification

Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within the company's business model whose objective is to hold financial assets in order to collect contractual cash flows: and,
- The contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

The LIBI's financial assets at amortized cost include cash and cash equivalents and investments.

Subsequent measurement and Gains and Losses

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the LIBI has the positive intention and ability to hold it to maturity.

Held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount

or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

LIBI's existing policy is to invest excess funds in government securities (GS) because the servicing and repayments are fully guaranteed by the National Government. The Corporation's investments in financial instruments like GS - Fixed Treasury Notes and Retail Treasury Bonds are stated at amortized cost using effective interest method.

Derecognition

The LIBI derecognizes instruments or, where applicable, a part of a financial asset or part of LIBI of similar financial assets when:

1. The contractual right to the cash flows from the financial asset expire; and
2. The LIBI has transferred its contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients and either the entity has:
 - Transferred substantially all the risks and rewards of ownership of the financial asset; or
 - Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the financial asset.

Impairment of financial assets

The LIBI records the allowance for expected credit losses (ECL) for financial assets not held at FVPL, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under PFRS 9.

Under the expected loss methodology, impairment is more forward looking, in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. ECL represents credit losses that reflect an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either:

- i. 12-month ECL
- ii. Lifetime ECL for those financial instruments that have experienced a Significant Increase in Credit Risk (SICR) since initial recognition (General approach).

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of financial instrument.

Staging assessment

For no-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under stage 1 are as follows:
 - Past due up to 30 days
 - No significant increase in Probability of Default (PD)

The LIBI recognizes a 12-month ECL for Stage 1 financial instruments.

- Stage 2 is comprised of all financial instruments which have experienced a SICR since its initial recognition. A SICR is generally deemed present in accounts with:
 - More than 30 days up to 90 days past due, or
 - With significant increase in PD.

The LIBI recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

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

PFRS 9 Loss events:

- Significant financial difficulty of the issuer or borrower
- A breach of contract, such as default or past due event
- The Lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties
- The purchase or origination of a financial asset at deep discount that reflects the incurred credit losses

ECL parameters and methodologies

ECL is a function of the PD, Loss Given Default (LGD) and Exposure At Default (EAD), with the timing of loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experience credit judgement.

The PD is an estimate of the likelihood of default over 12-month horizon for Stage 1 or lifetime horizon for stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

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

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

Forward Looking Information

The LIBI incorporated forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

b. Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The LIBI's financial liabilities include insurance/reinsurance premium payable, accounts payable, due to officers and employees, other financial liabilities - handling fee payable.

Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

3.5 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

3.6 Accounts Receivables

LIBI acts as an agent in placing the insurable risks of its clients with insurers and as such, is not liable as principal for amounts arising from such transactions. However, Accounts Receivables (Premium Receivables) were recognized upon issuance of the Statement of Accounts. Accrual of service fees from accredited insurers are based on premium production.

To fairly present the net realizable value of Accrued Service Fees Receivable and Other Receivables, allowances for impairment have been provided. The allowances were then determined based on the aging schedule multiplied by the rate or per cent of loss experienced by LIBI.

3.7 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as an expense when consumed in the ordinary course of operations of the LIBI.

3.8 Investment Property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property is measured using the cost model and is depreciated over its estimated useful life and less any impairment in value.

Investment property is derecognized at disposal or when permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in the use.

3.9 Property and Equipment

Recognition

An item is recognized as property and equipment (PE) if it meets the characteristics and recognition criteria as PE.

The characteristics of PE are as follows:

- a. Tangible items;
- b. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

- c. Expected to be used during more than one reporting period.

An item of PE is recognized as an asset if:

- a. It is probable that future economic benefits or associated with the item will flow to the entity; and
- b. The cost or fair value of the item can be measured reliably; and cost is at as least P50,000

Measurement at initial recognition

An item recognized as property and equipment is measured at cost. A PE acquired through non-exchange transaction is measured at its fair value.

Cost includes the following:

- a. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b. Expenditure that is directly attributable to the acquisition of the items; and
- c. Initial estimate of the costs of dismantling and removing the items and restoring the site of which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for the purposes other than to produce inventories during the period.

Subsequent Measurement

After recognition, all PE are stated at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of PE are required to be replaced at intervals, LIBI recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PE as a replacement if the recognition criteria are satisfied.

Depreciation

Each part of an item of PE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

- a. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PE is available for use on or before the 15th of the month. However,

if the PE is available for use after the 15th of the month, depreciation will start on the succeeding month.

b. Depreciation Method

The straight-line method of depreciation is adopted.

i. Estimated useful life

The LIBI uses the life span of PE prescribed by the Commission on Audit in determining the specific estimated useful life for each asset based on its experience as follows:

Property and Equipment	Number of Years
Building	50
Information Technology	5
Furniture, Fixtures and Equipment	5
Motor Vehicle	7

ii. Residual Value

The LIBI uses a residual value equivalent to at least five per cent of the cost of the PE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

The LIBI derecognizes items of PE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.

3.10 Other Assets

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

Prepayments are classified in the statement of financial position as current assets and expected to be incurred within one year, otherwise, prepayments are classified as non-current assets.

Other assets pertain to expenditures which have future economic benefits and are not identified as financial assets, prepayments, or equipment. These are classified as current in the statement of financial position because the benefit from such assets are expected to be realized within one year from the financial reporting date, otherwise, they are classified as non-current.

3.11 Intangible Assets

Recognition and measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PAS 23, Borrowing Cost

Recognition of an expense

Expenditure on an intangible item is recognized when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight-line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset not yet available for use is assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in the statement of comprehensive income as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

3.12 Provisions, Contingent Liabilities, and Contingent Assets

a. Provisions

Provisions are recognized when (1) the Corporation has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation.

Where the LIBI expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense pertaining to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent Liabilities

The LIBI does not recognize a contingent liability but discloses details of any contingencies in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent Assets

The LIBI does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LIBI in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements on the period in which the change occurs.

3.13 Changes in Accounting Policies and Estimates

The LIBI recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LIBI recognizes the effects of changes in accounting estimates prospectively through the statement of comprehensive income.

The LIBI corrects material prior period errors retrospectively in the first set of financial

statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.14 Revenue from Contracts with Customers

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard focuses on the identification of performance obligations and distinguishes between performance obligations that are satisfied at a point in time and those that are satisfied over time, which is determined by the manner in which control of goods or services passes to the customer. An entity must apply the five-step model to comply with the revenue recognition standard:

- Step 1: Identify the contract(s) with customers
- Step 2: Define the performance obligations in each contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The amendments on PFRS 15, Revenue from Contracts with Customers, clarifies how entities:

- a. Identify a performance obligation—the promise to transfer a good or a service to a customer—in a contract;
- b. Determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided; and
- c. Determine whether the revenue from granting a license should be recognized at a point in time or over time.

LIBI assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Corporation has assessed that it acts as an agent in all of its revenue sources. The LIBI's existing brokerage agreements with the accredited insurance companies of its parent, LBP, aims to provide accessible, competitively priced, and responsive insurance services and to efficiently facilitate processing of insurance requirements of all LBP clients and direct individuals. Transaction price varies per line of insurance risks. The LIBI recognizes revenue as the brokering services and issuance of policies by the insurers are rendered at a point in time.

3.15 Leases

PFRS 16 requires lessees to recognize all leases on their statement of financial position except for relatively small-value assets and leases with terms of 12 months or less. This single accounting model no longer distinguishes a finance lease from an operating lease. Under its core principle, a lessee recognizes a right-of-use (ROU) asset and a lease liability on its balance sheet for most leases, including operating leases.

Leases, where the Corporation does not transfer substantially all the risks and rewards of ownership of the assets, are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

3.16 Income Taxes

Income tax on the profit for the year comprises current tax only. Income tax is recognized in the profit or loss. Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted as of the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred Tax Asset refers to tax consequences attributable to differences between the financial reporting bases of assets and liabilities. It is measured using the tax rate applicable to taxable income in the year in which those temporary differences are expected to be recorded or settled. Deferred Tax Asset is recognized to the extent of the realization of the related Income Tax Benefit through future taxable income.

3.17 Retirement Benefits

In compliance with the provisions of the Retirement Law [Republic Act (R.A.) No. 7641], which requires corporation to provide retirement benefits for their employees, and the National Internal Revenue Code (R.A. No. 8424), which allows tax deductibility of employer's contributions for the retirement benefits of its employees, LIBI has established a retirement fund pursuant to Board Resolution No. 2010-006-012 dated July 30, 2010.

a. Retirement benefit obligations

The LIBI retirement benefit plan is a defined benefit plan and is non-contributory, covering all its officers and regular employees. The net defined benefit liability or asset is the aggregate of the present value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset

- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. All re-measurements recognized in other comprehensive income account "Re-measurement gains (losses) on retirement plan" are not reclassified to another equity account in subsequent periods.

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

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

b. Compensated absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. These are included in "Leave Benefits Payable" account at the undiscounted amount that the LIBI expects to pay as a result of the unused entitlement.

c. Characteristics and funding

The LIBI has a funded non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 22.5 days pay for every year of service) after satisfying certain age and service requirements.

The set-up of Retirement Fund Liability was approved by the Board of Directors on September 01, 2010 per Board Resolution No. 2010-007-013.

LIBI appropriated its Retained Earnings from 2000 to 2008 a total amount of P10,000,000 for retirement benefit plan. On July 18, 2011, the Retirement Fund was finally set-up by LIBI of which the LBP-Trust Banking Group (LBP-TBG) was appointed as Trustee of the fund. LIBI treated this fund as off-book in accordance with PAS 26, Accounting and Reporting by Retirement Benefit Plan. The monitoring of this Fund would be done by the LIBI Administrative Head, which would be checked periodically by the Accounting Head

d. Actuarial assumptions

LIBI engaged the services of a duly certified independent actuarial firm to do actuarial valuation of LIBI's plan assets and present value of its defined benefit obligation using the Projected Unit Credit Method and in accordance with the provisions of PAS 19, as revised (PAS 19R).

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation are as of December 31, 2022.

The valuation results are based on the employee data as of the valuation dates provided by the LIBI to the independent actuarial firm.

The principal actuarial assumptions used as at the statements of financial position date follows:

	December 31, 2022		January 01, 2022	
Discount rate		7.10%		4.90%
Salary increase rate		3.00%		3.00%
Mortality rate	2017 Intercompany Table	Philippine Mortality	2017 Intercompany Table	Philippine Mortality
Disability rate	2013 SSS Total Disability Table		2013 SSS Total Disability Table	
Turnover Table	A range of rates starting with 10% annum for a new hire progressing to a 1% tail rate		A range of rates starting with 10% annum for a new hire progressing to a 1% tail rate	
Normal retirement age	60		60	
Projected retirement credit	22.5 days pay per year of service		22.5 days pay per year of service	
Actuarial cost method	Projected unit credit method		Projected unit credit method	
Manner of benefit payment	Lump sum		Lump sum	

The summary of valuation results as at the statements of financial position date follows:

	December 31, 2022	January 01, 2022
Number of employees	55	57
Average age in years	38.9	38.4
Average years of past service	9.8	9.2

	December 31, 2022	January 01, 2022
Average Expected Future Service	13.7	13.8
Total Annual Salary	26,156,388	26,999,172
Present value of defined benefit obligation	16,515,088	0
Current service cost	1,697,562	0
Net Interest Cost (Income)	(121,917)	0
Fair value of plan assets	20,228,719	
Deficit / (Surplus)	(3,713,631)	0
Contributions	0	0
Benefits paid from plan assets	1,202,805	0

e) Reconciliation of defined benefit obligation and fair value of plan assets

	Defined Benefit Obligation	Fair Vale of Plan Assets	Net Defined Liability
Balance, January 1	2,109,420	0	2,109,420
Opening balance adjustment	16,805,601	(21,403,128)	(4,597,527)
Adjusted balance, January 1	18,915,021	(21,403,128)	(2,488,107)
Service cost-current	1,697,562	0	1,697,562
Interest cost (income)	926,836	(1,048,753)	(121,917)
Included in Retained Earnings adjustment	2,624,398	(1,048,753)	1,575,645
Re-measurement loss(gain)			
a. (Gain) loss on defined benefit obligation from changes in:			
• Financial assumptions	(3,092,668)	0	(3,092,668)
• Demographic assumptions	0	0	0
• Due to Experience	(908,858)	0	(908,858)
b. Return on plan assets, excluding interest income	0	1,200,357	1,200,357
Included in other comprehensive income	(4,001,526)	1,200,357	(2,801,169)
Employer contributions	0	0	0
Withdrawals- benefit paid in 2022	(1,022,805)	1,022,805	0
Other movements	(1,022,805)	1,022,805	0
Balance, December 31	16,515,088	(20,228,719)	(3,713,631)

f) Allocation of Plan Assets

Cash and cash equivalents	2,854,166	14.1%
Government securities	17,414,363	86.1%
Miscellaneous receivables	2,177	0%
Trust Fee payables	(41,986)	0.2%
Plan Assets	20,228,719	100.00%

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

g) Maturity Profile and Maturity Benefit Analysis

The expected benefit stream considers plan benefits, increase in ages, service years, and salaries of the current plan participants as well as the assumed probability tables. The past and future service years were factored in the calculations.

a) Maturity Profile: Expected benefit Cash Flow

a.	Year 1	4,935,351
b.	Year 2	404,869
c.	Year 3	1,326,895
d.	Year 4	3,126,975
e.	Year 5	1,834,937
f.	Year 6-10	10,023,498
g.	Year 11-20	21,959,098
h.	Year 21-30	42,183,182
i.	Year 31-40	0

2. Maturity Benefit Analysis

a.	Actuarial Present Value of Benefits *	28,635,930
b.	Vested Benefit **	19,918,485
c.	Macaulay Duration ***	12:1

**Actuarial Present Value of Benefits is the present value of expected benefits after reflecting the time value of money.*

*** Vested Benefit is the estimated amount the Company needs to pay if all the employees voluntarily resigned or retired as of the valuation date.*

**** Macaulay duration is the weighted average of maturity tenors with weights equal to present value of expected cash flow. This is a key metric in the implementation of asset-liability matching and liability driven investment strategies.*

h) Sensitivity Analysis

This schedule shows the impact in key actuarial assumptions on the present value of defined benefit obligation. Each Sensitivity run is based on a change in a sole actuarial assumption while holding all other assumptions constant. However, the sensitivity runs may not be representative of the actual change in the defined benefit obligation as is unlikely that a change in assumption would occur in isolation as the assumptions may be correlated. Furthermore, defined benefit obligation figures in this sensitivity runs have been calculated using the projected unit credit method, the same method used in the calculation of defined benefit obligation.

Sensitivity Analysis on Defined Benefit Obligation

Defined Benefit Obligation Base Case from reconciliation of defined benefit obligation, as shown in table below.

Amount

a. Discount Rate + 100bps	15,415,578
b. Discount rate-100bps	17,789,658
c. Salary Rate +100bps	17,830,730
d. Salary Rate – 100bps	15,364,600
e. Turnover Rate = 0%	16,067,684
f. Turnover Rate*125%	16,600,693
g. Turnover Rate*75	16,420,568

Percentage Change Relative to Base Case

a. Discount Rate + 100bps	(7%)
b. Discount rate-100bps	8%
c. Salary Rate +100bps	8%
d. Salary Rate – 100bps	(7%)
e. Turnover Rate = 0%	(3%)
f. Turnover Rate*125%	1%
g. Turnover Rate*75	(1%)

100 basis points (bps) is equivalent to 1%

- i) The retirement plan of the LIBI is exposed to both financial and demographic risks:
- Liquidity risk: The inability to meet benefit obligation payout when due.
 - Interest rate risk: The present value of the defined benefit obligation is relatively sensitive and inversely related to the discount rate. If the discount rate decreases, the defined benefit obligation increases.
 - Salary risk: The present value of the defined benefit obligation is relatively sensitive and directly related to future salary increases. If the accrual salary increases in the future are higher than expected, then the defined benefit obligation and benefits are higher.

The Statement of Financial Position as at December 31, 2022 prepared by LBP-TBG showed the Net Assets balance of the Retirement Fund amounting to P20,228,719. The Net Assets balance is composed of Capital, Retained Earnings, and Net Unrealized Gain amounting to P15,767,188, P4,460,935, and P596, respectively as at December 31, 2022.

3.18 **Related Parties**

The parent, LBP, regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LIBI, or vice versa.

A member of key management is regarded as a related party such as the corporate secretary who is an employee of the parent, LBP.

Related party disclosures are shown in Note 28 of the financial statements.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2022	2021
Cash on Hand	50,000	50,000
Cash in Bank-Local Currency	235,587,099	300,121,912
Total	235,637,099	300,171,912

The LIBI Board issued Board Resolutions No. 2021-018-090A and 2021-018-090B approved the opening of Client's Money account and the adoption of compliance of the other provisions of Insurance Commission Circular 2021-65. The LIBI's Administrative Unit processed the opening the clients' monies account at the LBP-MBC Ayala Branch.

As of December 31, 2022, the opening of clients' money account is still in process. Hence, the clients' monies are still included in the Cash in Bank balance maintained at LBP- MBC Ayala Branch.

The clients' monies are represented by the following account balances as at December 31, 2022:

Customers' Deposit Payable (Note 14)	127,056,510
Accounts Payable (Note 12)	36,011,891
Total	163,068,401

The LIBI's Treasury and Accounting Units shall maintain a separate file to monitor the movement of client's money account once the client's money account is opened in 2023.

5. RECEIVABLES

This account consists of:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts Receivable	63,025,535	41,956,638	104,982,173	63,343,218	42,228,931	105,572,149
Accrued Service Fees Receivable	13,190,059	9,254,919	22,444,978	14,935,124	9,226,540	24,161,664
Allowance for Impairment-Accrued Service Fees Receivable	(1,617,074)	(9,254,919)	(10,871,993)	(2,438,950)	(9,226,540)	(11,665,490)
Net Value-Accrued Service Fees Receivable	11,572,985	0	11,572,985	12,496,174	0	12,496,174
Commission Receivable from Insurer	252,978	1,569,066	1,822,044	3,047,724	0	3,047,724
Interest Receivable	8,510,744	0	8,510,744	5,254,718	0	5,254,718
Inter-Agency Receivable						
Due from-SSS	196,768	36,000	232,768	32,280	18,000	50,280
Sub-total	83,559,010	43,561,704	127,120,714	84,174,114	42,246,931	126,421,045
Other Receivables						
Receivable-Disallowances / Charges	0	1,591,783	1,591,783	0	1,363,161	1,363,161
Due from Officers and employees	28,920	0	28,920	23,446	0	23,446
Other Receivables	0	0	0	7,051	0	7,051
Sub-total	28,920	1,591,783	1,620,703	30,497	1,363,161	1,393,658
Advances to Employees	0	0	0	10,000	0	10,000
Total	83,587,930	45,153,487	128,741,417	84,214,611	43,610,092	127,824,703

Accounts Receivable and Accrued Service Fees Receivable accounts include outstanding premium receivable from the assured whose insurance policies have been issued by insurance companies that are now under liquidation. Below is the breakdown:

Insurance Company	Premium	Accrued Service Fee
Unexpired Premium from Philippine Prudential Life Ins. (PPLICI)	40,876,291	9,023,564
Long Outstanding Receivable – Easy Home Loan (EHL) PP_ICI	283,214	45,516
Long Outstanding Receivable - Philippine Phoenix	638,173	129,338
Total	41,797,678	9,198,418

Relative to the termination of LIBI's insurance business with PPLICI in September 2013 which the latter did not concur, the PPLICI filed a complaint on March 7, 2016, against the LBP and LIBI to the Regional Trial Court (RTC) National Capital Judicial Region Pasig City, Branch 155, docketed as Civil Case No. 75133 for a sum of money relating to unpaid premiums by LIBI from 2013 to 2016.

On February 11, 2022, the OGCC filed a Memorandum in the Civil Case No. 75133 praying for the dismissal of the instant complaint about Accounting and Damages for lack of merit, and the ordering of the petitioner to pay LIBI Attorney's Fees and Litigation Expenses of at least P250,000.00 plus the cost of suit. All parties have already submitted their respective memorandum. Thus, the case was submitted for Resolution/Decision of the Court. On October 4, 2022, the OGCC received the favorable Decision, dated August

8, 2022, of the RTC National Capital Judicial Region Pasig City, Branch 155 docketed as Civil Case No. 75133. Plaintiff PPLICI filed a Motion for Reconsideration of the August 8, 2022 Decision which was subsequently denied by the RTC for lack of merit.

Reconciliation of carrying amounts of Allowance for Impairment - Accrued Service Fee Receivable for CY 2022:

Particulars	2022	2021
At January 1	11,665,490	11,294,774
Provisions for the year (Note 23)	1,617,074	2,430,310
	13,282,564	13,725,084
Adjustment:		
Reversal of CY 2021 due to collections	(2,410,571)	0
Reversal of CY 2020 due to collections	0	(2,059,594)
	(2,410,571)	(2,059,594)
At December 31	10,871,993	11,665,490

6. INVENTORIES

This account consists of inventories held for consumption, namely:

	2022	2021
Office supplies inventory	180,473	142,143
Accountable forms inventory	100,125	42,288
Non-accountable forms	24,536	1,890
Semi-expendable – Office Equipment	28,212	0
Semi-expendable – Information and Technology Equipment	20,800	42,723
Semi-expendable – Furniture and Fixtures	6,953	0
	361,099	229,044

Reconciliation of carrying amounts:

	2022	2021
Carrying Amount, January 1	229,044	105,798
Additions/Acquisitions during the year	658,635	479,738
Consumption during the year	(483,857)	(356,492)
Adjustments due to reclassification of semi-expendable inventories	(42,723)	0
Carrying Amount, December 31	361,099	229,044

7. OTHER ASSETS

This account consists of:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Prepayments	21,232,686	365,799	21,598,485	14,646,884	752,799	15,399,683
Deposits	33,600	142,022	175,622	0	260,212	260,212
Total	21,266,286	507,821	21,774,107	14,646,884	1,013,011	15,659,895

The prepayments consist of creditable withholding taxes, prepaid subscription-annual licenses for computer software like Microsoft, Adobe Acrobat, prepaid registration, zoom and cloud hosting; prepaid insurance, input tax and other prepayments like the prepaid tax and brokers' fee on investment placements, advertising and internet google workspace subscription.

The deposits consist of one month deposit as required by LIBI's suppliers of services for the subscription of internet, condominium dues and rental for print-all-you-can printers.

8. INVESTMENTS

This account consists of held to maturity investments. Below is the summary of changes in this account during the year:

As at December 31, 2022

	Treasury Bills	Retail Treasury Bonds	Fixed Treasury Notes	DBP Tier II	Total
Balance, Jan. 1, 2022, at Par Value	451,955,089	671,558,000	30,000,000	75,000,000	1,228,513,089
Additional investment	515,036,792	191,480,000	389,150,000	0	1,095,666,792
Investment sold/collected	(913,529,988)	(10,000,000)	0	0	(923,529,988)
Total Investment at Par Value	53,461,893	853,038,000	419,150,000	75,000,000	1,400,649,893
Discount on Investment	0	0	(347,541)	0	(347,541)
Premium on Investment	6,535,532	40,294,082	0	0	46,829,614
Allowance for Impairment, Jan. 1	0	0	0	(307,482)	(307,482)
Impairment loss for the year	0	0	0	(76,870)	(76,870)
Allowance for Impairment, Dec. 31	0	0	0	(384,352)	(384,352)
Balance, December 31, 2022	59,997,425	893,332,082	418,802,459	74,615,648	1,446,747,614

As at December 31, 2021

	Treasury Bills	Retail Treasury Bonds	Fixed Treasury Notes	DBP Tier II	Total
Balance, January 1, 2021, at Par Value	0	556,558,000	210,000,000	75,000,000	841,558,000
Additional investment	451,955,089	150,000,000	0	0	601,955,089
Investment sold/collected	0	(35,000,000)	(180,000,000)	0	(215,000,000)

	Treasury Bills	Retail Treasury Bonds	Fixed Treasury Notes	DBP Tier II	Total
Total Investment at Par Value	451,955,089	671,558,000	30,000,000	75,000,000	1,228,513,089
Discount on Investment	0	0	(123,807)	0	(123,807)
Premium on Investment	1,189,106	42,172,225	0	0	43,361,331
Allowance for Impairment, January 1	0	0	0	(230,612)	(230,612)
Impairment loss for the year	0	0	0	(76,870)	(76,870)
Allowance for Impairment, December 31	0	0	0	(307,482)	(307,482)
Balance, December 31, 2021	453,144,195	713,730,225	29,876,193	74,692,518	1,271,443,131

The current and non-current portion of the Investments are broken down as follows:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Treasury Bill	59,997,425	0	59,997,425	453,144,195	0	453,144,195
Retail Treasury Bonds	69,480,000	823,852,082	893,332,082	0	713,730,225	713,730,225
Fixed Treasury Notes	29,979,669	388,822,790	418,802,459	0	29,876,193	29,876,193
DBP Tier II	74,615,648	0	74,615,648	0	74,692,518	74,692,518
Total	234,072,742	1,212,674,872	1,446,747,614	453,144,195	818,298,936	1,271,443,131

The current portion pertains to Treasury Bill for 131 days with an interest rate of 4.360 per cent to mature on April 12, 2023. Retail Treasury Bonds, Fixed Treasury Notes and DBP Tier II which will mature on February 11, 2023 and August 15, 2023, March 11, 2023 and November 20, 2023, respectively were transferred to current assets since the maturities are less than one year as of December 31, 2022.

Financial Asset - Held-to-Maturity investments of LIBI carry interest rates at December 31 as follows:

	2022	2021
Retail Treasury Bonds	6.125%, 4.875%, 4.625%, 4.375%, 3.500%, 3.250%, 2.625% and 2.375% 2.625% and 2.375%	6.125%, 4.875%, 4.625%, 3.250%, 2.625% and 2.375%
DBP-Tier II	4.875%	4.875%
Fixed Treasury Notes	5.750%, 5.500% and 5.250%	5.500%

Total interest earned from the investments amounts to P42,529,727 and P34,968,752 for years 2022 and 2021, respectively, as disclosed in Note 19.

Board Resolution No. 2014-009-027 dated October 29, 2014 approved the request of LBP Leasing and Finance Corporation (LLFC), for the assignment of LIBI's P500,000,000 worth of government securities – Retail Treasury Bonds as partial collateral for LLFC's existing short-term loan from LBP. The Deed of Assignment (DOA) by way of security was executed on October 31, 2014 by and between LIBI and LLFC. The DOA shall be irrevocable until the Line shall have been paid in full and shall be subject to the terms and conditions of the contracts relative to the Line herein secured. Any release of the assigned Collateral or cancellation of this Assignment shall be subject to the prior consent of the LIBI.

In consideration of the assignment, LLFC shall pay LIBI a guarantee/assignment fee equivalent to 1/8 of 1 per cent or P625,000 per annum or P52,083.33 per month. The guarantee/assignment fee is being paid by LLFC on a quarterly basis. However, due to the maturity of the Retail Treasury Bonds on August 19, 2015 and March 03, 2016 totaling P82,855,000, the assignment fee was reduced to P530,638.92 per annum or P44,219.91 per month which was based on the remaining amount of P424,511,129.56 with the same guarantee/assignment fee rate. LLFC did not request for replacement of the matured assigned investment.

9. INVESTMENT PROPERTY

This account consists of assets acquired through dacion en pago from the former employee with outstanding obligation amounting to P998,316. The dacioned properties consist of two parcels of land containing a total area of 5,847 square meters located at Catbalogan, Western Samar. The appraised value of these properties amounted to P2,924,000 per appraisal report of the LBP Property Valuation and Credit Information Department dated May 22, 2017. There's a notation in the appraisal report that there is a plan to reclassify the area from "Agricultural" to "Residential" but still pending for approval by the Sangguniang Bayan of Catbalogan City. On September 02, 2022, the management sent a formal request for an appraisal service coursed through the LBP Department Manager of Agrarian Operations Center VIII located at the 2nd floor of LandBank Bldg. Real St., Sagkahan District, Tacloban City. An ocular visit was done with LBP personnel and LIBI's Administrative Unit on September 08, 2022.

10. PROPERTY AND EQUIPMENT

This account consists of the following:

As at December 31, 2022

	Office Equipment	Information and Communi- cation Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Cost, January 1	16,542,436	5,876,504	3,774,833	40,237,325	7,847,768	74,278,866
Acquisitions	1,262,531	339,286	0	0	0	1,601,817
Adjustments:						
a. Reclassification	(3,148,858)	0	(1,017,432)	0	0	(4,166,290)
b. Derecognition- loss due to burglary and theft	(116,070)	0	0	0	0	(116,070)
c. Due to rounding-off	(2)	0	(1)	0	0	(3)
Cost, December 31	14,540,037	6,215,790	2,757,400	40,237,325	7,847,768	71,598,320
Accumulated Depreciation, January 1	10,615,949	2,132,063	2,466,238	30,010,710	4,230,314	49,455,274
Depreciation	1,706,051	543,794	177,233	905,298	610,518	3,942,894
Adjustments:						
Reversal due reclassification	(1,611,325)	0	(919,217)	0	0	(2,530,542)

	Office Equipment	Information and Communication Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Reversal of accumulated depreciation due to loss	(28,981)	0	0	0	0	(28,981)
Accumulated Depreciation, December 31	10,681,694	2,675,857	1,724,254	30,916,008	4,840,832	50,838,645
Net Carrying Amount, December 31	3,858,343	3,539,933	1,033,146	9,321,317	3,006,936	20,759,675

As at December 31, 2021

	Office Equipment	Information and Communication Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Cost, January 1	14,941,998	5,681,415	3,364,775	40,237,325	7,847,768	72,073,281
Acquisitions	1,600,438	195,089	410,058	0	0	2,205,585
Cost, December 31	16,542,436	5,876,504	3,774,833	40,237,325	7,847,768	74,278,866
Accumulated Depreciation, January 1	8,477,513	1,615,935	2,330,166	29,105,412	3,461,786	44,990,812
Depreciation	2,138,436	516,128	136,072	905,298	768,528	4,464,462
Accumulated Depreciation, December 31	10,615,949	2,132,063	2,466,238	30,010,710	4,230,314	49,455,274
Net Carrying Amount, December 31	5,926,487	3,744,441	1,308,595	10,226,615	3,617,454	24,823,592

a. In compliance with COA Circular No. 2022-004 dated May 31, 2022, tangible items amounting to P15,000.00 up to P50,000.00 that were previously capitalized as Property and Equipment were charged to Retained Earnings-unappropriated account. The cost of the various PPE as follows:

Semi-Expendable-Office Equipment	3,148,858
Semi-Expendable-Furniture and Fixtures	1,017,432
	4,166,290

b. The other adjustment made pertain to the lost two laptops issued to the Acting President and CEO and one of the Marketing staff valued at P71,428 and P44,643, respectively for a total of P116,070. Both were lost due to theft and burglary in their respective homes in 2022.

11. INTANGIBLE ASSETS

This account consists of the cost of computer software upgrade of the LIBI's existing Integrated Insurance Business System (IIBS) version 3.3 to 4.0 web version system. The LIBI Board of Directors approved the full payment of the IIBS Ver. 4 Upgrade Project, after

certification by LIBI Management that the project was completed per Board Resolution No. 2022-003-017 dated February 24, 2022.

Another intangible asset procured in CY 2018 is the Online Insurance Application system with Virtual Assistant (CHATBOT) which will help clients in facilitating their insurance queries and needs. LIBI management has an on-going negotiation between the IBS provider and CHATBOT developer for the integration of CHATBOT with IBS version 4.0.

Further, LIBI's has an ongoing upgrade on its existing payroll system which was proposed to the LIBI Board of Directors for inclusion in the Annual Procurement Plan (APP) for CY 2022. The APP for CY 2022 was approved per Board Resolution No. 2021-018-089 dated November 19, 2021. LIBI engaged the services of My Creative Panda Web Design and Development, Consultancy Services to develop the software program *Electronic Human Resource Information System (eHRIS)* - LIBI's timekeeping payroll and human resource information system with a contract price of P916,888.88 (VAT inclusive). The development started in June 2022 and progress billings were billed. Upon the issuance of certificates of completion for timekeeping, Payroll and Human Resource Information System, the full payment was made on December 15, 2022. However, the schedule of parallel run test was set in the 1st quarter of 2023 after the Administrative Unit is done encoding the personnel data of all the LIBI employees. This is to check whether both the old payroll system and the *eHRIS* tallies. Likewise, the walkthrough from the system developer will also be in the 1st quarter of 2023.

As at December 31, 2022

	Development in Progress	Computer Software	Total
Cost, January 1	4,995,133	143,529	5,138,662
Acquisitions	818,651	3,688,173	4,506,824
Adjustments (transferred to Computer Software)	(2,187,990)	2,187,990	0
Cost, December	3,625,794	6,019,692	9,645,486
Accumulated Amortization, January 1	0	95,686	95,686
Amortization	0	908,947	908,947
Accumulated Amortization, December 31	0	1,004,633	1,004,633
Net Carrying Amount, December 31	3,625,794	5,015,059	8,640,853

As at December 31, 2021

	Development in Progress	Computer Software	Total
Cost, January 1	4,891,933	143,529	5,035,462
Acquisitions	103,200	0	103,200
Cost, December	4,995,133	143,529	5,138,662
Accumulated Amortization, January 1	0	66,980	66,980
Amortization	0	28,706	28,706

Accumulated Amortization, December 31	0	95,686	95,686
Net Carrying Amount, December 31	4,995,133	47,843	5,042,976

12. FINANCIAL LIABILITIES

This account consists of:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Insurance/Reinsurance						
Premium Payable	124,151,839	46,250,573	170,402,412	116,568,347	44,007,257	160,575,604
Accounts Payable	36,285,844	4,453,124	40,738,968	33,904,868	3,211,495	37,116,363
Due to Officers and Employees	156,706	0	156,706	28,501	0	28,501
Other Financial Liabilities - Handling Fees Payable	25,876,137	0	25,876,137	17,346,781	0	17,346,781
Total	186,470,526	50,703,697	237,174,223	167,848,497	47,218,752	215,067,249

Insurance/Reinsurance Premium Payable pertains to outstanding insurance premiums, and paid insurance premiums to be remitted to insurance companies as of December 31, 2022.

Accounts Payable includes unreleased checks, authority to debit and outstanding check premium refunded to client totaling P36,011,891 for payment of insurance premiums to various insurance companies that remain under the custody of the Cashiering Unit as at December 31, 2022 awaiting corresponding tax certificates (BIR Form 2307) from various insurance companies. This also includes accrual of expenses awaiting billing from suppliers.

Due to Officers and Employees pertains to tax refunds to officers and employees.

Other Financial Liabilities account pertains to handling fees payable to LBP Head Office and LBP subsidiaries due for payment every March and September of the year.

13. INTER-AGENCY PAYABLES

This account consists of:

	2022	2021
Income Tax Payable	14,591,820	12,941,659
Value Added Tax Payable	3,103,070	2,768,298
Due to BIR	339,378	348,347
Total	18,034,268	16,058,304

Following the BIR Revenue Memorandum Circular No. 5-2021 issued on April 08, 2021, the Income Tax Payable account represents 25 per cent corporate income tax remitted to

the BIR within 60 days following the close of each of the first three quarters of the taxable year and April 15 of the following year.

The Value Added Tax Payable account represents the 12 per cent output tax on the collected accrued service fees receivable for the month and remitted to the BIR every twenty 25th day following end of the month while the quarterly remittance is filed not later than the 25th day following the close of each taxable quarter.

The Due to BIR account represents five per cent government VAT withheld from suppliers of goods and services; withholding tax withheld on compensation and the one per cent or two per cent withholding tax at source. Withholding taxes withheld during the month are remitted to the BIR every 10 days and 15 days following the end of the month, respectively.

14. TRUST LIABILITIES

This account consists of:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Customer's Deposits Payable	99,288,324	27,768,186	127,056,510	165,009,648	26,064,927	191,074,575
Guaranty/Security Deposits Payable	23,800	76,000	99,800	0	227,200	227,200
Total	99,312,124	27,844,186	127,156,310	165,009,648	26,292,127	191,301,775

The Customer's Deposits Payable pertains to advance payments of premiums by clients/assured awaiting issuance of insurance policies and/or matching of premium invoices. Transactions representing excess payments of premiums are also recorded under this account awaiting instruction from assured/LBP for refund or application to future renewal of policies.

15. PROVISIONS

This account consists of:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Leave Benefits Payable	2,771,693	4,992,373	7,764,066	2,470,167	3,975,254	6,445,421
Pension Payable	0	0	0	0	2,109,420	2,109,420
Other Provisions	2,234,806	3,332,564	5,567,370	0	3,332,563	3,332,563
Total	5,006,499	8,324,937	13,331,436	2,470,167	9,417,237	11,887,404

Pension Payable pertains to the accrual of Annual Normal Cost (ANC) under the Accrual Benefit Valuation Method. No accrual of ANC was provided for CY 2021 due to the result of the actuarial valuation in CY 2020.

Based on the result of the December 31, 2022 actuarial valuation on the reconciliation of defined benefit liability as disclosed in Note 3.17e there is still a surplus of P3,713,631.

Other Provisions account refers to the estimated Performance-Based Bonus (PBB) of LIBI's officers and staff and the Performance-Based Incentive (PBI) of LIBI's Board of Directors is estimated to be sufficient to cover the years 2022, 2021 and 2020.

16. OTHER PAYABLES

This account consists of Undistributed Collection, which pertains to credit advices issued by the LBP branches and LBP Domestic Banking Department as of the close of the transaction date. However, LIBI had not issued yet official receipts due to the lack of details.

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Undistributed Collection	1,267,656	1,431,045	2,698,701	3,935,215	89,437	4,024,652

17. SHARE CAPITAL

As at December 31, 2022, the total authorized, paid, issued and outstanding shares are 3,000,000 shares with par value of P100.

18. RETAINED EARNINGS

a) Dividend Declaration

In compliance with Republic Act No. 7656 requiring the GOCCs to declare and remit dividends to the National Government (NG) of at least 50 per cent of their annual earnings, the Board of Directors on April 28, 2022, declared and approved a cash dividend of P96,474,244 through Board Resolution No. 2022-006-038.

Further, on November 3, 2022, the LIBI Board approved, through Board Resolution No. 2022-017-076, additional retained earnings appropriations amounting to P103,363,438 after the reversal of P10,000,000 appropriated earnings.

b) Appropriations

As at December 31, 2022, total appropriations amounted to P615,570,446, detailed as follows:

Particulars	Amount
Appropriations for procurement of office space	P200,000,000
Appropriation for the additional amount for the procurement of office space to cover taxes and incidental charges	50,000,000
Appropriation for the procurement of Off-site Office for Business Continuity Plan	- 50,000,000
Appropriation for other contingencies	- 00,000,000
Appropriation improvement of office space	10,000,000
Appropriation for replacement of lighting system and replacement of office ceiling	8,000,000
Appropriation for computer peripherals	8,000,000
Appropriations for the re-arrangement and renovation of office area	6,000,000

Particulars	Amount
Appropriation for furniture and fixtures for off-site office	5,000,000
Appropriation seminars/trainings	5,000,000
Appropriation for office equipment and accessories	5,000,000
Appropriation for furniture and fixtures for office space	5,000,000
Appropriation for Directors' Training on Good Governance	5,000,000
Appropriation for QMS/Surveillance Audit	5,000,000
Appropriation for PABX	3,000,000
Appropriation for replacement of carpets	2,500,000
Appropriation for skills/competency training	2,000,000
Appropriation for system change/adjustment request for IBS Version 4	2,000,000
Appropriation for alternate two (2) units of back-up servers	2,000,000
Appropriation for server back-up storages	2,000,000
Appropriation for structured cabling of data	1,750,000
Appropriation for IT disaster recovery back-up system	1,500,000
Appropriation for Chatbot Integration with IBS Version 4	1,000,000
Appropriation for procurement of office equipment, furniture, and fixtures	1,000,000
Appropriation for Time Keeping and Payroll System	957,008
Appropriation for the enhancement of Documents Management System	500,000
Appropriations for Retirement Plan, IBS System Enhancement, and Energy Consumption	33,363,438
	615,570,446

c) Adjustments

Other adjustments to the Retained Earnings for CY 2022 and 2021 are presented below:

CY2022

Accounts Affected	Particulars	Amount
Property and Equipment-PPE	Reclassification of acquired PPE of below P50,000 per RA No. 11639 and Circular No. 2022-004	(4,209,013)
Depreciation Expense-Office Equipment	Recognition of additional depreciation expense on reclassified Office Equipment below P50,000	(41,845)
Accumulated Depreciation-PPE	Adjustment due reversal of those PPE P50,000 and below per RA No. 11639 and COA Circular No. 2022-004	2,584,404
Allowance for probable losses-Accrued Service Fee Receivable (ASFR) and Deferred Tax Asset	Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment of accrued service fee in prior years	2,410,571
Retained Earnings-Unappropriated	Retro-active application of salary adjustments due to the implementation of CPCS effective October 05, 2021	(949,671)

Accounts Affected	Particulars	Amount
Accrued Expenses Payable- Audit Fee	Reversal of accrued expense- auditing services of COA for year 2020 and 2021	691,010
Due from Employees and Officers	Collection of disallowed of group life insurance for employees and directors CY2021	178,911
Deferred Tax Asset	Reversal of deferred tax asset relating to allowance for impairment on accrued service fees receivable	(602,643)
Receivables- Disallowance/Charges	To take up additional receivables of various retired LIBI Board of directors as per ND LBP-Subs. 2008-015 (2002-2003)	334,289
PPE-Office Equipment Pension Payable	Derecognition of lost laptop To recognize prior year's expense as a result of the actuarial valuation on December 31,2022	(44,643) (1,575,645)
Pension Payable	To reverse over accrual of pension benefit expense as a result of the actuarial valuation on December 31, 2022	883,896
		(340,379)

CY2021

Accounts Affected	Particulars	Amount
Allowance for probable losses- Accrued Service Fee Receivable and Deferred Tax Asset	Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment of accrued service fee in prior years	2,059,594
Deferred Tax Asset	Reversal of deferred tax asset relating to allowance for impairment on accrued service fees receivable	(514,899)
		1,544,695

19. SERVICE AND BUSINESS INCOME

	2022	2021
Service Income		
Fees and Commission Income	407,437,301	296,029,144
Other Discounts	(45,109,508)	(26,136,698)
Net Fees and Commission Income	362,327,793	269,892,446
Business Income		
Interest Income	42,529,727	34,968,752
Total Business Income	42,529,727	34,968,752
Total	404,857,520	304,861,198

The fees and commission income were derived from the performance of services to customers/clients, while the other discounts pertain to the handling fee expenses given to

LBP and LBP subsidiaries for appraisal, inspection of a property to be insured, and, for the performance of other administrative matters such as the collection of payments of insured properties.

Interest income pertains to earnings from investments such as Retail Treasury Bonds, DBP-Tier II, Fixed Treasury Notes, and Treasury Bills and from depository bank accounts.

20. PERSONNEL SERVICES

	2022	2021
<i>Salaries and Wages</i>		
Salaries and Wages-Regular	25,320,155	21,190,007
Salaries and Wages-Contractual	1,425,992	344,099
	26,746,147	21,534,106
<i>Other Compensation</i>		
Year-End Bonus	2,372,719	1,803,576
Mid-year Bonus	2,298,488	1,585,078
Overtime and Night Pay	1,863,902	945,098
Personnel Economic Relief Allowance (PERA)	1,441,704	1,329,632
Service Recognition Incentive	1,240,000	542,500
Performance Based Bonus	954,806	725,231
Representation Allowance	561,250	440,818
Transportation Allowance	354,250	278,000
Clothing/Uniform Allowance	315,991	312,562
Productivity Enhancement Incentive	310,000	289,500
Cash Gift	275,000	278,000
Honoraria	228,000	160,000
Anniversary Bonus	165,000	0
Rice Allowance	62,000	0
Longevity Pay	30,000	8,334
Hazard Pay	0	660,500
	12,473,110	9,358,829
<i>Personnel Benefit Contributions</i>		
Employees Compensation Insurance Premium	1,448,883	1,284,828
PhilHealth Contributions	469,574	291,821
Pag-IBIG Contributions	74,700	67,300
	1,993,157	1,643,949
<i>Other Personnel Benefits</i>		
Other Personnel Benefits	3,889,408	2,700,432
	3,889,408	2,700,432
Total	45,101,822	35,237,316

The other personnel benefits pertain to the money value of leave credits that were earned by LIBI personnel and the ANC under Note 15 Provisions - Pension payable.

21. MAINTENANCE AND OTHER OPERATING EXPENSES

	2022	2021
Travelling Expenses	2,028,484	1,628,518
Training and Scholarship Expenses	922,107	55,304
Supplies and Materials Expenses		
Office Supplies Expenses	725,770	576,368
Accountable Forms Expenses	128,559	119,819
Semi-Expendable Machinery and Equipment	24,330	36,046
Non-Accountable Forms	9,795	8,913
	888,454	741,146
Utility Expenses		
Electricity Expenses	1,416,155	786,033
Water Expenses	149,953	67,603
	1,566,108	853,636
Communication Expenses		
Internet Subscription Expenses	2,120,051	1,319,338
Telephone Expenses	651,632	332,984
Postage and Courier Services	462,557	316,158
	3,234,240	1,968,480
Professional Fees		
Other Professional Services	1,618,917	981,025
Auditing Services	990,042	1,095,554
Legal Services	240,000	180,000
Consultancy Services	52,500	937,786
	2,901,459	3,194,365
Other General Services		
Other General Services	458,722	345,981
Security Services	363,412	320,815
	822,134	666,796
Repairs and Maintenance		
Repairs and Maintenance-Machinery and Equipment	420,575	468,669
Repairs and Maintenance-Transportation Equipment	314,010	240,737
Repairs and Maintenance-Furniture, Fixture and Books	5,457	3,193
Repairs and Maintenance-Semi-Expendable Machinery and Equipment	1,000	5,629
	741,042	718,228
Taxes, Insurance Premium and Other Fees		
Taxes, Duties and Licenses	2,513,338	1,923,750
Insurance Expenses	2,094,775	611,132
	4,608,113	2,534,882
Other Maintenance and Operating Services		
Directors' and Committee Members' Fees	5,205,700	3,784,000
Representation Expenses	3,821,355	2,379,982
Subscription Expenses	696,096	1,424,530
Extraordinary and Miscellaneous Expenses	327,546	219,746
Rent/Lease Expenses	270,110	239,909
Donation	100,911	100,000
Advertising, Promotional and Marketing	50,000	51,467
Membership Dues and Contribution to Organizations	12,000	12,000

	2022	2021
Other Maintenance and Operating Expenses	4,726,865	3,285,983
	15,210,583	11,497,617
Total	32,922,724	23,858,972

The Other Maintenance and Operating Expenses comprise of the Covid-19 pandemic prevention expenses, housekeeping, and material expenses, plannings, sports and development expense and other supplies and material expenses like the corporate giveaways and other expenses of small value in the Petty Cash Fund that do not fall under the definition or not included in the existing COA's Revised Chart of Account (RCA).

22. FINANCIAL EXPENSES

	2022	2021
Other Financial Charges	405,144	102,049
Bank Charges	24,290	24,141
Total	429,434	126,190

Other Financial Charges pertain to broker's fee and other incidental charges in the placement or sale of investment securities.

23. NON-CASH EXPENSES

	2022	2021
<i>Depreciation</i>		
Depreciation-Office Equipment	1,706,051	2,138,436
Depreciation-Building	905,298	905,298
Depreciation-Motor Vehicle	610,518	768,528
Depreciation-Information and Communication Technology	543,794	516,128
Depreciation-Furniture and Fixtures	177,233	136,072
	3,942,894	4,464,462
<i>Amortization</i>		
Amortization-Intangible Assets (Note 11)	908,947	28,706
<i>Impairment Loss</i>		
Impairment Loss-Receivables (Note 5)	1,617,074	2,430,310
Impairment Loss-investment in Bonds-Local (Note 8)	76,870	76,870
	1,693,944	2,507,180
Total	6,545,785	7,000,348

24. NON-OPERATING INCOME, GAINS OR LOSSES

24.1 Other Non-Operating Income

	2022	2021
Other Non-Operating Income		
Rental income	19,214	33,652
Donation in kind	35,165	0
Miscellaneous Income	905,096	538,737
Total	959,475	572,389

The miscellaneous income account consists of the yearly guarantee fee of P530,638.92 being paid by LBP Leasing Finance Corporation (LLFC) in consideration of the Deed of Assignment of LIBI's investments as stated in Note 8. The miscellaneous income account also includes the award money received from Alpha Insurance and Surety Inc. in March 2020 amounting to P280,000 where LIBI emerged as one of the winners for their "Vision and Motion" promotional campaign for year 2020.

The donation in kind represents the carrying value of various office equipment and furniture and fixtures donated by LIBI's previous tenant, Masaganang Sakahan Inc.

24.2 Other Comprehensive Income/(Loss)

	Remeasurement on Retirement Benefit Obligation
Balance, January 1, 2022	0
Add/(Deduct): Transactions during the year	2,801,169
Balance, December 31, 2022	2,801,169

25. INCOME TAX EXPENSE

The provision for/ (benefit from) income tax consists of the following:

	2022	2021
Income tax expense	69,995,362	51,687,297
Income tax benefit	(423,486)	(626,795)
	69,571,876	51,060,502

The income tax benefit is computed as follows:

	2022	2021
Impairment loss- loans and receivables	1,617,074	2,430,310
Impairment Loss-Expected Credit Loss	76,870	76,870
Total	1,693,944	2,507,180
Income tax rate	25%	25%

Income tax benefit	423,486	626,795
--------------------	----------------	----------------

Reconciliation of Income before income tax against taxable income is as follows:

	2022	2021
Income before income tax	320,817,230	239,210,761
Non-deductible expenses		
Impairment loss-loans and receivables	1,617,074	2,430,310
Expected Credit Loss	76,870	76,870
Non-taxable income and income subjected to final tax:		
Interest income (Note 19)	(42,529,727)	(34,968,752)
	(40,835,783)	(32,461,572)
Net taxable income	279,981,447	206,749,189
Income tax rate	25.00%	25.00%
Income Tax Expense	69,995,362	51,687,297

Deferred tax asset is computed as follows:

	2022	2021
Balance, beginning of year	4,190,505	4,078,608
Less: Reversal of PY 2020 deferred tax asset on provision of probable losses due to subsequent collection	0	(514,898)
Reversal of deferred tax asset for PY 2020 and 2021 due to subsequent collection (Note 18c)	(602,643)	0
	(602,643)	(514,898)
Sub-total	3,587,862	3,563,710
Add: Income tax benefit for PY2021 (2,507,181 x 25%) Note 25		626,795
Income tax benefit for CY2022 (1,693,944 x 25%) Note 25	423,486	
Deferred Tax Asset, December 31	4,011,348	4,190,505

Income tax benefits shall be deducted from the LIBI's future tax obligations to the extent of the amount of provision for accrued service fees receivable that will have no economic benefits to the Corporation.

26. COMPLIANCE WITH THE INSURANCE COMMISSION (IC) CIRCULAR LETTER (LC) NOS. 2018-52 AND 2021-65

The following are the required disclosures by the IC from insurance/reinsurance brokers:

Net Worth Compliance

The Company is required to comply with the minimum net worth requirement for an insurance broker amounting to P25,000,000 per IC CL No. 2018-52. As of December 31, 2022, the LIBI's net worth of P1,469,287,700 is compliant with the minimum net worth requirement set forth by the IC.

Fiduciary Ratio

The Company is required to comply with the fiduciary ratio requirement per IC CL No. 2021-65. The fiduciary ratio is a measure to assess the Company's conduct of handling premiums from the policyholder (if insurance broker) or ceding company (if reinsurance broker), given that a broker is expected to be acting on a fiduciary capacity. The fiduciary ratio is computed by dividing the total fiduciary assets (either cash or receivables being held by an insurance and/or reinsurance broker, over the total fiduciary liabilities). The fiduciary ratio to be maintained shall be 1:1.

Amounts used are gross of the commissions, allowances for impairment, taxes, fees and other charges. The fiduciary assets and liabilities used are in accordance with IC-CL No 2021-69 or the Revised Standard Chart of Accounts for insurance and/or Reinsurance Brokers.

Fiduciary Ratio Computation

As of December 31, 2022, the LIBI's fiduciary ratio is computed as follows:

<i>Fiduciary Assets</i>	
Cash in Bank/Clients' monies	232,069,970
Checks and Other Cash Items	120,159
Local Currency on Hand	26,750
Accounts Receivable	104,982,173
Total	337,199,052
<i>Fiduciary Liabilities</i>	
Insurance/Reinsurance Premium Payable	170,402,412
Customers' Deposit Payable	127,056,510
Undistributed Collections (Note 16)	2,698,701
Total	300,157,623
Fiduciary Ratio	1.12: 1

Based on the computation, the LIBI is compliant with the requirement per IC CL No. 2021-65 as of December 31, 2022.

27. SUPPLEMENTARY INFORMATION ON REVENUE REGULATIONS (RR) NO. 15-2010

In compliance with the requirements set forth in RR 15-2010 issued by the Bureau of Internal Revenue (BIR), hereunder are the information on taxes, duties and license fees paid and accrued during the taxable year.

A. LBP Insurance Brokerage, Inc. is a VAT-registered Corporation with VAT output tax declaration of P48,080,535 based on actual collections during the year of fees and commission amounting to P400,671,135. Actual VAT paid for the year amounted to P45,161,726 after applying Input Tax of P2,908,253 and creditable withholding tax of

P10,556. The VAT payable of P3,103,070 (Note 13) was remitted in the following month/year. Government VAT of P798,457 withheld from payments to suppliers of goods and services was also remitted to the BIR within the reglementary period.

Changes in the balance of the input tax are as follows:

Balance, beginning of year		859,424
Current year's purchases:		
Capital goods	558,384	
Goods other than for resale or manufacture	712,772	
Services lodged under other accounts	1,417,951	
Input taxes claimed for the year	(2,908,253)	(219,146)
Balance, end of year		640,278

Other taxes and licenses recorded under the Taxes and licenses account (Note 21) are as follows:

Local		
Mayor's permit		2,240,049
Real property tax		188,063
Community Tax		10,500
		2,438,612
National		
Renewal of Insurance Commission License		65,650
Registration of motor vehicle at LTO		7,646
Certification of 2021 Audited Financial Statements		700
BIR annual registration		500
Document stamp and Tax Clearance		130
		74,626
		2,513,238

B. The income taxes/withholding taxes paid/accrued for the year amounted to:

Corporate tax		
Income Tax		14,580,659
Creditable withholding tax at source (paid in advance by LIBI and used as tax credits)		55,861,481
		70,442,140
Tax on compensation and benefits		3,908,733
Expanded withholding tax from suppliers		6,242,208
		80,593,081

Reconciliation of the corporate tax paid for the year is as follows:

Net fees and commission income (Note 19)	362,327,793
Other non-operating income (Note 24)	959,475
Total	363,287,268
Allowable deductions (Note 20 to 23 excluding impairment loss)	83,305,821

Total Taxable income	279,981,447
Tax rate	25%
Tax due (Note 25)	69,995,362
Tax credits/payments	
Prior years excess credits	0
Tax payments 1 st to 3 rd quarter 2022	14,339,320
Creditable withholding tax at source used in previous quarters	41,064,222
Creditable withholding tax BIR Form 2307 for the 4 th quarter	14,797,259
Total tax credits/payments	70,200,801
Tax still due (excess credits) after application of 4th quarter tax	(205,439)

The income tax payable as of December 31, 2022, amounted to P14,591,820 (Note 13).

28. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVISED SECURITIES REGULATION CODE (SRC) RULE 68

The financial soundness indicators of LIBI are as follows:

	2022	2021
Current Ratio	1.85	2.40
Quick Ratio	1.51	2.12
Solvency Ratio	0.64	0.44
Debt to Equity Ratio	0.27	0.33
Asset to Equity Ratio	1.27	1.33
Gross Profit Margin	1.00	1.00
Return on Average Assets	0.14	0.11
Return on Average Equity	0.18	0.15

Return on Average Equity (ROE) for CY 2022 is 18.07 per cent, while Return on Average Asset (ROA) is 13.89 per cent, higher by 20.53 per cent and 23.14 per cent compared to last year's ROE of 15 per cent and ROA of 11.28 per cent, respectively. Likewise, per capita income is P4.05 million, higher by 31.49 per cent or P0.97 million compared to the per capita income of P3.08 last year.

29. RELATED PARTY DISCLOSURES

The financial statements include various transactions with its parent and affiliated companies. The more significant related party transactions, arising from normal course of business include the following:

- a. To defray expenses in the appraisal, inspection of property to be insured and other administrative matters such as collection of insurance premium payments of insured properties; handling fees are given to LBP and LBP subsidiaries. For the current year, handling fee accrued and payable to LBP subsidiaries reached P45,109,508 (Note 19). Out of that amount, P19,149,264 was remitted to LBP Head Office Cash Department and P84,107 to LBP Leasing and

Finance Corporation in September. The remaining Other Financial Liability - Handling Fee of P25,876,137 (Note 12) will be remitted in March 2023.

b. Compensation of key management personnel for 2022 and 2021 are as follows:

	2022	2021
For the President and General Manager		
Total salaries and wages	3,978,633	2,135,721
Total short-term employee benefits (RA, PEI, SRI, per diem, bonuses)	4,256,077	1,959,551
	8,234,710	4,095,272
For Corporate officers who are employees of the parent, LBP:		
Total short-term employee benefits (per diems and reimbursable expenses)	329,540	329,894
	8,564,250	4,425,166

c. A Trust Agreement was made and entered into by and between LBP Insurance Brokerage, Inc. (LIBI) and LBP – Trust Banking Group (LBP-TBG) on July 18, 2011 thereby appointing the latter as the Trustee of the LIBI's Retirement Benefit Plan. The essential terms and conditions of the agreement are as follows:

- The Trustor (LIBI) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contribution for the current year in the amount of PESOS: Ten Million One Thousand Pesos (P10,001,000.00).
- The Trustor hereby waives all its rights and interest to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits pursuant to the Plan.
- The Trustee shall hold the title to the Fund to be held in trust for the purpose stated in and subject to all the terms and conditions of the Agreement as well as the Plan, which shall be deemed part of this Agreement. The Trustee shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities like Treasury Bills or Notes, Agrarian Reform Bonds, Retail Treasury Bonds, BSP Special Deposit Account and other financial instruments duly guaranteed by the Republic of the Philippines; deposit arrangements/special deposit account with reputable banks including the Trustee's own commercial banking sector; and common or preferred shares of stocks, bonds or note issued by blue-chips private and government-owned corporations. Other investment outlets shall require prior written approval of the Trustor.
- To cause any asset acquired from the investment/reinvestment of the Fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. To pay

all costs, fees, charges and such other expenses connected with the investments, administration, reservation and maintenance of the Fund and to charge the same to the Fund.

- In the management of the fund, the Trustee shall pay to the beneficiaries the benefits under the Plan upon written advice of the Trustor. To keep and maintain books of accounts and/or records of the management and operations of the Fund, which the Trustor or its authorized representative may inspect from time to time. At the end of every calendar quarter, to submit the financial reports, investment activity reports or such other reports as may be requested by the Trustor. The Trustee shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims.

- For its services, the Trustee shall be entitled to a fee equivalent to 0.75 per cent per annum of the average total assets of the Fund, computed daily and collected at the end of each quarter. The Trustee is hereby authorized to debit its fees from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.

- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any losses or depreciation in the value of the Fund resulting from investments or reinvestments thereof as authorized herein, or from the performance of any act in accordance with the provision of the Agreement. This Agreement shall not guarantee a yield, return of income on the investment/reinvestments of the Fund as the same can fall as well as rise depending on prevailing market conditions and is not covered by Philippine Deposit Insurance Corporation. Losses, if any, shall be for the account of the Trustor (pursuant to Section X409.1 of the Manual of Regulations for Banks-Part IV).

- The Agreement shall remain in full force and effect until the termination of the Plan unless sooner terminated by either party hereto by giving thirty days advance notice to the other.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

LIBI recognizes the importance of an effective financial risk management program and a Risk Management Manual was finalized and approved by the members of the Board in 2009.

The objective of the Manual is to serve as basis and reference for consistent risk management that is applicable to all employees of LIBI. It aims to create a culture of risk-awareness, not risk-aversion based on the prudential framework required by BSP circulars. It provides a general set of risk principles delegated to each business unit through its reporting and approval procedures.

An Audit and Risk Management Committee was created to be primarily responsible for the development and oversight of the risk management programs of LIBI which include oversight of management functions and approval of proposals regarding LIBI's policies, procedures and best practices relative to asset and liability management, credit, market and business operations risks ensuring that: (a) insurance requirements of its parent, LBP, and their lending units are passed on to LIBI; (b) system of limits remain effective; and (c) immediate corrective actions are taken whenever limits are breached or whenever necessary.

As part of identification risk, the following are classified as major risks that LIBI manages in the course of its business.

Market Risk

Market risk can be generally defined as risk of loss, immediate or over time, due to adverse, fluctuations in price or market value of instruments, products and transactions in LIBI's overall portfolio. Market risks are central focus of risk measurement methodologies and limits, as well as gauge by which LIBI can determine the returns it will require for its activities.

The net premium volume produced during the year reached P1,622,447,665 representing an increase of 29.26 per cent or P367,305,094 compared last year's net premium volume of P1,255,142,571. This was primarily due to the increase in the Credit Life Insurance (CLI)/Mortgage Redemption Insurance (MRI) of LBP Branch Loan Borrowers with a share of 64.89 per cent or P1,052,806,283 from the total premium produced this year.

Net service fees from insurance brokering for the year of P362,327,793 is P92,435,347 or 34.25 per cent higher compared to last year's P269,892,446 net service fees (Note 19).

LIBI, as a subsidiary of LBP, has already a captured LBP as market for its products and services. Nonetheless, LIBI continues to intensify its campaign to solicit more direct business from private corporations and other government entities.

Liquidity Risk

It is the risk that LIBI will be unable to make a timely payment of any of its financial obligations to customers or counterparties in any currency.

Prudent liquidity risk management implies sufficient cash and cash equivalents and marketable securities. Insurance cash inflows from operations and readily marketable government securities investments provide the bulk of LIBI's liquidity buffer.

Interest Rate Risk

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. LIBI's fixed rate investments in held-to-maturity investments are exposed to such risk. Interest income derived from investments and savings deposits this year of P42,529,727 is higher by 21.62 per cent or equivalent to P7,560,975 compared to last year's interest income of P34,968,752 (Note 19).

It is the policy of LIBI to invest excess funds in government securities (GS) where the servicing and repayments are fully guaranteed by the government. The investment in GS may be placed with the LBP Treasury and Investment Banking Group or LBP-TBG.

LIBI's Investment Committee observes diversified GS portfolio, varied maturity spectrum and optimum yields in deciding the type and term of investment. When yields of GS are expected to go down, LIBI buys long-term GS in order to lock-in on high yielding GS. Conversely, when yields are expected to go up, it buys short-term GS to stay liquid and be able to switch to high yielding GS when rates start to pick up.

LIBI's principal financial instruments comprise of cash deposits, held-to-maturity (HTM) investments consisting primarily of investment in government securities like Retail Treasury Bonds (RTBs), Fixed Treasury Notes (FXTN), and DBP Tier-II (Note 8). These are not subjected to mark-to-market valuation but impairment testing is being done on HTM in DBP Tier-II

Total investments as at December 31, 2022 is P1,446,747,614 which is 77.46 per cent of the LIBI's total assets of P1,867,671,528. Liquid assets of P469,709,841 are 1.51 times the current liabilities of P310,091,073.

The table below summarizes the Maturity Profile of the Corporation's Assets and Liabilities.

	Up to 3 mos.	3 to 6 mos.	6 mos. to 1 year	More than 1 year	TOTAL
ASSETS					
Cash and Cash equivalents	235,637,099	0	0	0	235,637,099
Receivables, net	60,406,902	7,719,024	15,462,004	45,153,487	128,741,417
Inventories	175,706	83,467	101,926	0	361,099
Investments	139,072,742	0	96,000,000	1,212,674,872	1,446,747,614
Investment Property	0	0	0	998,316	998,316
Property and Equipment, net	0	0	0	20,759,675	20,759,675
Intangible Assets, net	0	0	0	8,640,853	8,640,853
Deferred Tax Assets	0	0	0	4,011,348	4,011,348
Other Assets	16,024,820	5,045,137	196,329	507,821	21,774,107
Total Assets	451,317,269	12,847,628	110,760,259	1,292,746,372	1,867,671,528
LIABILITIES					
Financial Liabilities	151,268,407	28,645,588	6,556,531	50,703,697	237,174,223
Inter-agency payables	18,034,268	0	0	0	18,034,268
Trust liabilities	66,663,189	7,471,579	25,177,356	27,844,186	127,156,310
Provisions	2,981,323	742,816	1,282,360	8,324,937	13,331,436
Other payables	1,267,656	0	0	1,431,045	2,698,701
Total Liabilities	240,214,843	36,859,983	33,016,247	88,303,865	398,394,938
Asset-Liability Gap	211,102,426	(24,012,355)	77,744,012	1,204,442,507	1,469,276,590

Credit Risk

a. Direct Credit Risk is the risk that a customer or counterparty will be unable to pay obligations on time or in full as expected or previously contracted, subjecting LIBI to a financial loss. It lasts for the entire tenor and is set at the full amount of a transaction. The possibility of non-collection of Accounts Receivable within one year is moderate due to intensified collection through faster sending of Statement of Accounts through fax, email,

mail, and frequent follow-ups by phone. LIBI's collection rate of 97 per cent for the current year is 1 per cent higher than the 96 per cent collection rate last year.

b. Management has negotiated with LBP for the advance payment of policies by the branches/lending units.

31. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

LIBI received the appraisal report conducted by said LBP Department through email on April 03, 2023. As stated on their letter dated March 3, 2023, the examination and appraisal were done on February 23, 2023. Based on the appraisal report, the plan to reclassify the area from "Agricultural" to "Residential" remains pending for the approval of the Sangguniang Bayan of Catbalogan. It also mentioned that there were notable institutional establishments/improvements in the vicinity of the property like the Catbalogan City Hall, 2 kilometers away and Camp Maulong 8th Infantry Division Philippine Army, 500 meters away. After the analysis of the market data, considering factors such as time element, size, location, shape, utility and desirability, the market value of the appraised land, as of February 23, 2023, is estimated at P800 per square meter or equivalent to P4,677,600 representing an increase of P1,743,600 compared to the last appraisal report on May 22, 2017.