



# SECURITIES AND EXCHANGE COMMISSION

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## Company Information

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**SEC Registration No.:** PW00000333

**Company Name:** COMMONWEALTH INSURANCE COMPANY

**Industry Classification:** J67030

**Company Type:** Stock Corporation

## Document Information

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Acceptance of this document is subject to review of forms and contents

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 3 3

## COMPANY NAME

C O M M O N W E A L T H I N S U R A N C E C O M P A N Y

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

3 5 T H F L O O R , T H E E N T E R P R I S E  
C E N T E R , 6 7 6 6 A Y A L A A V E N U E  
C O R N E R P A S E O D E R O X A S  
M A K A T I C I T Y

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, if Applicable

## COMPANY INFORMATION

Company's Email Address

info@cic.com.ph

Company's Telephone Numbers

818-7626

Mobile Number

9186813750

No. of Stockholders

27

Annual Meeting (Month / Day)

Apr-12

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

EDEN P. CADAY

Email Address

eden.caday@cic.com.ph

Telephone Number/s

818-7626 loc. 1027

Mobile Number

## CONTACT PERSON'S ADDRESS

35th Floor, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City

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

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

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Submission Date/Time: **Apr 22, 2026 04:02 PM**  
Company TIN: **000-445-883**

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# **2025**

## **AUDITED FINANCIAL STATEMENTS**

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### **COMMONWEALTH INSURANCE COMPANY**

December 31, 2025 and 2024

**R. R. TAN & ASSOCIATES**  
Certified Public Accountants



# COMMONWEALTH INSURANCE COMPANY

Head Office: 35th Floor, Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas Ave., Makati City  
Telephone: (02) 8818-7626 • Email: info@cic.com.ph • Website: www.cic.com.ph

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Commonwealth Insurance Company** (the "Company"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, 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 Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

**R. R. Tan and Associates, CPAs**, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**MARIO A. NOCHE**  
President

  
**RAFAEL C. REGALA**  
Chairman of the Board

  
**JOSE PAOLO F. NOCHE**  
Treasurer

Signed this 8<sup>th</sup> day of April, 2026.

***Report of Independent Public Accountants***

The Board of Directors and Stockholders  
**COMMONWEALTH INSURANCE COMPANY**  
35<sup>th</sup> Floor, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas  
Makati City

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the financial statements of **COMMONWEALTH INSURANCE COMPANY** (the Company), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, 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 Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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


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

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

**Report on the Supplementary Information Required Under Revenue Regulations (RR) 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **COMMONWEALTH INSURANCE COMPANY** taken as a whole. The Company's supplementary information disclosed in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**R. R. TAN AND ASSOCIATES, CPAs**

By:  **DOMINGO A. DAZA, JR.**

Partner

CPA Certificate No. 109993

Tax Identification No. 203-917-449

PTR No. 3986699, January 12, 2026, Pasig City

PRC-BOA Reg. No. 0132/P-001, valid until August 13, 2027

BIR Accreditation No. 07-100997-003-2025, valid until September 1, 2028

SEC Accreditation No. 109993-SEC (Group A), valid to cover audit of  
2025 financial statements

IC Accreditation No. IC EA-2025-0079-R (Group A), valid to cover audit of  
2025 to 2027 financial statements

April 8, 2026  
Pasig City

**COMMONWEALTH INSURANCE COMPANY**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2025 AND 2024**

	Notes	2025	2024
<b>ASSETS</b>			
Cash and cash equivalents	8	P 2,100,296,600	P 1,810,639,071
Short-term bank investments	8	16,555,273	29,090,000
Investments			
Available-for-sale	9	325,311	187,675
Held-to-maturity	9	1,250,443,820	1,233,342,942
Insurance balances receivable	10	460,393,855	652,122,632
Reinsurance assets	11	70,337,823	51,735,994
Investment properties	12	432,762,795	437,983,746
Property and equipment - net	13	667,910,462	697,358,264
Deferred acquisition cost	14	138,868,569	158,108,654
Accrued investment income	15	15,683,064	14,004,288
Deferred tax assets - net	29	16,041,181	15,616,601
Other assets	16	3,531,930	4,219,654
<b>TOTAL ASSETS</b>		<b>P 5,173,150,683</b>	<b>P 5,104,409,521</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Insurance claims payable	17	P 243,848,578	P 251,924,089
Reserve for unearned premiums	18	688,305,282	813,715,149
Reinsurance liabilities	19	6,748,450	513,634
Accounts payable and accrued expenses	20	374,778,505	365,327,432
Deferred commission income	14	8,981,622	8,632,032
Defined benefit liability	28	104,491,185	106,746,649
<b>Total Liabilities</b>		<b>1,427,153,622</b>	<b>1,546,858,985</b>
<b>EQUITY</b>			
Share capital	21	1,300,000,000	1,300,000,000
Additional paid-in capital	21	91,250,000	91,250,000
Contributed surplus		500,000	500,000
Revaluation reserve on:			
Available-for-sale investments	9	259,541	121,905
Property and equipment - net of tax	13	46,720,254	46,935,258
Remeasurement loss on defined benefit liability - net of tax	28	(19,926,476)	(20,553,293)
Retained earnings - December 31			
Appropriated for company expansion	21	900,000,000	900,000,000
Unappropriated		1,427,193,742	1,239,296,666
<b>Total Equity</b>		<b>3,745,997,061</b>	<b>3,557,550,536</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 5,173,150,683</b>	<b>P 5,104,409,521</b>

*See accompanying notes to financial statements*

**COMMONWEALTH INSURANCE COMPANY**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<i>Notes</i>	2025	2024
<b>REVENUES</b>			
Gross premiums earned	23	P 1,614,465,540	P 1,769,862,626
Reinsurance premium ceded	23	72,820,320	83,098,581
Net insurance revenue		1,541,645,220	1,686,764,045
Commission income	25	19,038,483	22,722,000
Interest income	26	129,082,928	137,613,901
Other income	26	2,321,979	1,303,211
		<b>1,692,088,610</b>	<b>1,848,403,157</b>
<b>CLAIMS, LOSSES AND ADJUSTMENT EXPENSES</b>			
Insurance claims, losses and adjustment expenses paid - net of salvages and recoveries	24	709,064,218	780,774,391
Paid insurance claims, losses and adjustment expenses recovered from reinsurers	24	(8,842,465)	(3,983,640)
Changes in insurance claims payable		(8,075,511)	(2,626,594)
Changes in reinsurers' share of claims, losses and adjustment expenses		(11,376,900)	3,102,163
Other underwriting expenses		25,636,722	22,251,196
		<b>706,406,064</b>	<b>799,517,516</b>
<b>COST AND EXPENSES</b>			
Commission expense	25	415,013,768	445,434,630
Administrative expenses	27	363,906,630	388,347,774
		<b>778,920,398</b>	<b>833,782,404</b>
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>206,762,148</b>	<b>215,103,237</b>
<b>INCOME TAX EXPENSE - NET</b>	29	<b>19,151,744</b>	<b>26,204,122</b>
<b>PROFIT FOR THE PERIOD</b>		<b>P 187,610,404</b>	<b>P 188,899,115</b>

*See accompanying notes to financial statements*

**COMMONWEALTH INSURANCE COMPANY  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<i>Notes</i>	<b>2025</b>	<b>2024</b>
<b>PROFIT FOR THE PERIOD</b>	<b>P</b>	<b>187,610,404</b>	<b>P 188,899,115</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items to be reclassified to profit or loss in subsequent periods:</b>			
Fair value changes in AFS investments	9	137,636	(3,823)
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>			
Remeasurement gain on defined benefit plan	28	835,756	9,913,550
Effect of deferred income tax		(208,939)	(2,478,388)
		626,817	7,435,162
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P</b>	<b>188,374,857</b>	<b>P 196,330,454</b>

*See accompanying notes to financial statements*

**COMMONWEALTH INSURANCE COMPANY**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	Notes	2025	2024
<b>SHARE CAPITAL</b>			
Preferred shares	21	P 20,000,000	P 20,000,000
Common shares			
<i>Issued and outstanding</i>			
Balance, January 1	21	1,280,000,000	1,280,000,000
Issuance during the year		-	-
Balance, December 31		1,280,000,000	1,280,000,000
Total share capital		1,300,000,000	1,300,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance, January 1		91,250,000	91,250,000
Addition during the year		-	-
Balance, December 31		91,250,000	91,250,000
<b>CONTRIBUTED SURPLUS</b>			
		500,000	500,000
<b>REVALUATION RESERVE ON AVAILABLE-FOR-SALE INVESTMENTS</b>			
Balance, January 1		121,905	125,728
Fair value changes		137,636	(3,823)
Balance, December 31	9	259,541	121,905
<b>REVALUATION RESERVE ON PROPERTY AND EQUIPMENT - NET OF TAX</b>			
Balance, January 1		46,935,258	47,150,262
Realized portion of revaluation reserve absorbed through depreciation		(215,004)	(215,004)
Balance, December 31	13	46,720,254	46,935,258
<b>REMEASUREMENT LOSS ON DEFINED BENEFIT LIABILITY - NET OF TAX</b>			
Balance, January 1		(20,553,293)	(27,988,455)
Remeasurement gain during the year		626,817	7,435,162
Balance, December 31	28	(19,926,476)	(20,553,293)
<b>RETAINED EARNINGS</b>			
Appropriated for company expansion	21	900,000,000	900,000,000
Unappropriated			
Balance, January 1		1,239,296,666	1,950,110,879
Appropriation for company expansion	21	-	(900,000,000)
Profit for the period		187,610,404	188,899,115
Realized portion of revaluation reserve on property and equipment absorbed through depreciation		286,672	286,672
Balance, December 31		1,427,193,742	1,239,296,666
		2,327,193,742	2,139,296,666
		P 3,745,997,061	P 3,557,550,536

*See accompanying notes to financial statements*

**COMMONWEALTH INSURANCE COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	Notes	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax expense		P 206,762,148	P 215,103,237
Adjustments for:			
Amortization of premium/discount on HTM investments	9	(12,586,026)	(12,559,173)
IBNR and other reserves - net		(20,195,700)	2,096,710
Depreciation	12, 13	40,160,783	37,103,422
Amortization of deferred acquisition cost - net	14	19,589,675	9,770,878
Provision for retirement benefits	28	17,862,613	18,512,848
Provision for probable losses	10, 11	888,488	5,195,899
Reserve for unearned premiums - net		(129,776,414)	(85,713,433)
Interest income	26	(129,082,928)	(137,613,901)
Operating income (loss) before working capital changes		(6,377,361)	51,896,487
(Increase) Decrease in Operating Assets:			
Insurance balances receivable		190,841,763	123,370,368
Reinsurance assets		(2,859,856)	4,606,795
Other assets		687,724	(580,021)
Increase (Decrease) in Operating Liabilities:			
Insurance claims payable		743,289	(1,621,141)
Reinsurance liabilities		6,234,816	(25,548,651)
Accounts payable and accrued expenses		10,447,912	(48,691,406)
Cash Provided by Operations		199,718,287	103,432,431
Contributions to retirement fund	28	(8,133,787)	(9,776,241)
Benefits paid directly from book reserve	28	(11,148,534)	(6,964,826)
Income taxes paid		(20,710,435)	(18,027,558)
<b>Net Cash Provided by Operating Activities</b>		<b>159,725,531</b>	<b>68,663,806</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale/maturities of:			
Held-to-maturity investments	9	357,016,388	529,705,469
Acquisition of:			
Held-to-maturity investments	9	(361,531,240)	(531,098,389)
Investment properties	12	-	(21,383,036)
Property and equipment	13	(5,492,030)	(22,527,291)
Interest received		127,404,153	133,112,765
<b>Net Cash Provided by (Used in) Investing Activities</b>		<b>117,397,271</b>	<b>87,809,518</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS AND</b>			
<b>SHORT-TERM INVESTMENTS</b>		<b>277,122,802</b>	<b>156,473,324</b>
<b>CASH AND CASH EQUIVALENTS AND SHORT-TERM</b>			
<b>INVESTMENTS AT BEGINNING OF YEAR</b>		<b>1,839,729,071</b>	<b>1,683,255,747</b>
<b>CASH AND CASH EQUIVALENTS AND SHORT-TERM</b>			
<b>INVESTMENTS AT END OF YEAR</b>		<b>P 2,116,851,873</b>	<b>P 1,839,729,071</b>

*See accompanying notes to financial statements*

**COMMONWEALTH INSURANCE COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

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**1. Corporate Information**

Commonwealth Insurance Company (the "Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1935. Its corporate term was extended for another fifty (50) years commencing upon the expiration of its initial fifty (50)-year term on December 26, 1985, as per SEC Certificate of Filing of Amended Articles of Incorporation dated January 30, 1985.

The Company is engaged in the business of non-life insurance and is organized primarily to insure houses, tenements, merchandise and all other property and effects, real and personal, against loss or damage by fire, storm, earthquake shock, fire resulting from earthquake, accident or otherwise, and to carry on the ordinary business of fire insurance in all aforesaid branches and to rebuild, repair, replace or reinstate houses, buildings, machinery and every other description of property which may be insured by the Company and to carry on any kind of business necessary or expedient for any such purpose.

The financial statements of the Company as of and for the years ended December 31, 2025 and 2024 were authorized for issue by the Board of Directors on April 8, 2026.

The registered office of the Company is located at 35<sup>th</sup> Floor, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City.

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**2. Statement of Compliance and Basis of Preparation and Presentation**

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards include PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC, including SEC pronouncements.

Basis of Financial Statement Preparation and Presentation

The accompanying financial statements have been prepared on a historical cost basis except for available-for-sale financial assets which are measured at fair value and certain property and equipment which are carried at their revalued amounts.

The financial statements are presented in Philippine Peso and all values represent absolute amount except when otherwise indicated.

The Company presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in the Note 32.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

### 3. Changes in Accounting Policies and Disclosures

#### New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2025

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2025. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

#### *Amendments to PAS 1, Lack of Exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Company's financial statements.

#### New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2025

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2025 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

#### *Effective beginning on or after January 1, 2026*

#### *Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, Disclosure about Uncertainties in the Financial Statements*

The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements. The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation. The illustrative examples are not an integral part of PFRS Accounting Standards and, as such, do not have an effective date or transition requirements. However, an entity is expected to be entitled to sufficient time to implement any changes to align the information disclosed in its financial statements with the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any changes on a timely basis. The expected adoption will not materially affect the Company.

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

The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments. The expected adoption will not materially affect the Company.

*Amendments to PFRS 9 and PFRS 7, Contracts Referencing Nature-dependent Electricity*

The amendments only apply to contracts that reference nature-dependent electricity such as contracts to buy or sell nature-dependent electricity, as well as financial instruments that reference such electricity. This amendment cannot be applied by analogy to other contracts, items or transactions. The amendments clarify the application of the 'own-use' requirements for in-scope contracts, amend the designation requirements for a hedge item in a cash flow hedging relationship for in-scope contracts and include new disclosure requirements. The expected adoption will not materially affect the Company.

*Annual Improvements to PFRS Accounting Standards - Volume 11*

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

- *Amendments to PFRS 1, Hedge Accounting by a First-time Adopter*  
The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.
- *Amendments to PFRS 7, Gain or Loss on Derecognition*  
The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.
- *Amendments to PFRS 9*
  - a) *Lessee Derecognition of Lease Liabilities*  
The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.
  - b) *Transaction Price*  
The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to 'transaction price as defined by PFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying PFRS 15'. The term 'transaction price' in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.
- *Amendments to PFRS 10, Determination of a 'De Facto Agent'*  
The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.
- *Amendments to PAS 7, Cost Method*  
The amendments to paragraph 37 of PAS 7 replaced the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

The expected adoption of these amendments will not materially affect the Company.

*Effective beginning on or after January 1, 2027*

*PFRS17, Insurance Contracts*

PFRS 17 replaces PFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2027. The Company will apply PFRS 17 starting January 1, 2027 with full comparative figures for 2026. A transition team has been created for this purpose to ascertain the impact of transition.

#### Premium Allocation Approach

The measurement model to calculate the Liability for Remaining Claims (LRC) will be the Premium Allocation Approach (PAA). This approach is most appropriate since most of the Company's coverage period is one year or less. For insurance contracts with coverage exceeding one year, PAA will be applied only if it can be demonstrated that using the PAA would produce a measurement that is a reasonable approximation of the general model. Acquisition cash flows will be expensed as incurred. Discounting and Risk adjustment will not be applied unless the group of contracts is onerous.

#### Liability for Incurred Claims

Liability for Incurred Claims (LIC) will comprise the present value of future cash flows and the risk adjustments that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information.

#### Level of Aggregation

PFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined first by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together and are established at initial recognition. No group may contain contracts issued more than one year apart. No group may contain contracts issued more than one year apart. The Company has defined groups of insurance and reinsurance contracts issued based on its product lines and underwriting year. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

#### Onerous Group of Contracts

The Company issues some contracts before the coverage period starts and the premium becomes due. The Company will determine whether any contracts issued from a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

#### Changes to Presentation and Disclosure

For presentation purposes, the Company will aggregate insurance contracts issued and reinsurance contracts held based on portfolios and these will be presented separately in the statement of financial position. The presentation of the insurance revenue account and statement of other comprehensive income will require separate presentation of insurance revenue and service expenses, insurance finance income or expenses and income or expenses from reinsurance contracts held. There will no longer be items such as gross, net or earned premiums or net claims incurred shown on the insurance revenue account. The Company will also provide disaggregated qualitative information about significant judgements, and changes in those judgements, when applying the standard.

As of December 31, 2025, the full impact of adopting PFRS 17 is not currently estimable.

#### PFRS 18, *Presentation and Disclosure in Financial Statements*

The standard replaces PAS 1 Presentation of Financial Statements and responds to investors' demand for better information about companies' financial performance. The new requirements include:

- Required totals, subtotals and new categories in the statement of profit or loss
- Disclosure of management-defined performance measures
- Guidance on aggregation and disaggregation

The expected adoption of this standard will not materially affect the Company.

*PFRS 19, Subsidiaries without Public Accountability*

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

The expected adoption of this standard will not materially affect the Company.

*Amendment to PAS 21, Translation to a Hyperinflationary Presentation Currency*

The amendments introduce translation requirements for entities translating their financial statements, or the results and financial position of a foreign operation, from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy.

The expected adoption of this standard will not materially affect the Company.

*Deferred effectivity*

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

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

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#### **4. Summary of Material Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of amendments to PFRS discussed in Note 3. The adoption however did not result in any material adjustment or reclassification in the financial statements.

*Financial Instruments*

*Date of Recognition*

Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

*Initial Recognition*

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. Transaction costs of financial assets and liabilities at FVPL are recognized in profit or loss.

*Determination of Fair Value*

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statements of income unless it qualifies for recognition as some other type of asset.

#### *Offsetting of Financial Instruments*

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

#### *Classification of Financial Instruments*

The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

#### (i) Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as FVPL. After initial recognition, financial assets and financial liabilities at FVPL are carried at fair value.

A financial asset or financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis.
- It forms part of a contract containing one or more embedded derivatives.

As of December 31, 2025, and 2024, there are no financial assets and liabilities under this category.

#### (ii) Available-for-sale (AFS)

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in equity account as "Revaluation reserves on available-for-sale investments". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

Included under this category are the Company's equity investments listed in Philippine Stock Exchange.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are cash and cash equivalents, short-term bank investments, insurance balances receivables, reinsurance assets, other receivables and deposits.

(iv) Held-to-maturity (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in the statements of income.

Included under this category are peso denominated investments in government securities.

(v) Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statements of income.

Included under this category are accounts payable and accrued expenses, reinsurance liabilities, insurance claims payable and other liabilities.

*Reclassification of Financial Assets*

A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

#### *Impairment of Financial Assets*

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) *Assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) *Available-for-sale investments*

Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

#### *Derecognition of Financial Instruments*

##### *Financial assets*

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

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

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

#### *Financial liabilities*

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

#### Accounting Policies for Insurance and Reinsurance Contracts

- **Insurance Contract**  
Insurance contract is an agreement under which one party (the insurer), accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured events) adversely affects the policyholder.
- **Contract Classification**  
All the Company's existing products are insurance contracts as defined under PFRS 4. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

The Company issues short-term insurance contracts categorized as (i) Casualty, (ii) Property, (iii) Guaranty and (iv) Short-duration life accident insurance.

Casualty insurance contracts protect the assured against the risk of causing them harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. Property insurance contracts mainly compensate the Company's assured for damages suffered to their properties or for the value of property lost. Short-duration accident insurance protects the assured from the consequences of events such as death or disability.

- **Insurance Balances Receivable**  
These include amounts due to and from agents, brokers and insurance contract holders which comprise the balance of uncollected policy premiums and reinsurance premiums from reinsurers arising from reinsurance contracts measured at amortized cost, using the effective interest method.
- **Reinsurance**  
The Company assumes and cedes (Treaty and Facultative) insurance risk in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered as direct business, taking into account the product classification of the reinsured business.

Amounts recoverable from reinsurers that relate to paid and unpaid claims and claim adjustment expenses are classified as assets. Reinsurance receivables and the related liabilities are reported separately.

Reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs.

Reinsurance assets and liabilities are derecognized when the contractual rights are extinguished or expired.

- **Impairment**  
An impairment review is performed on all insurance and reinsurance assets when an indication of impairment occurs. These assets are impaired only if there is objective evidence that the Company may not receive the amounts due to it under the terms of the contract and that it can be measured reliably.
- **Deferred Acquisition Costs**  
Commissions and other expenses directly attributable to the production and renewal of insurance contracts are deferred in proportion to premium revenue recognized. Deferred acquisition costs are amortized over the life of the policy in which it was incurred.

Deferred acquisition costs are reviewed at each reporting date and the carrying value is written down to the recoverable amount.

- **Reserve for Unearned and Reinsurance Premiums**  
Reserve for unearned premiums is calculated on the following basis:
  - (i) Reserve for unearned premium and inward treaties, are calculated using the 24<sup>th</sup> method based on gross premiums written. Under the 24<sup>th</sup> method, it is assumed that the average date of issue of all policies written during any one month is the middle of that month.
  - (ii) Reserve for unearned premiums on inward treaties is taken up based on the dates the statement is received.

Reserve for reinsurance premium represents the portion of reinsurance premiums ceded computed in the same manner as the reserve for unearned premiums.

The changes in reserves for unearned and reinsurance premiums is reported in the statements of income.

- **Claim Cost Recognition**  
Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur.

The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim cost resulting from continuous review process and differences between estimates and payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

- **Insurance Claims Payable**  
Liabilities for claims is calculated as the sum of Outstanding claims reserve, Claims handling expense, and Incurred but not reported claims (IBNR), with Margin for Adverse Deviation (MfAD). At end of each reporting period, liability adequacy tests are performed, to ensure the adequacy of liabilities for claims. In performing the test for premium liabilities, the Unearned Risk Reserve (URR) is compared to the Unearned Premium Reserve (UPR). If the URR is greater than the UPR, the excess is set up as an additional premium liability on top of the UPR.

In calculating IBNR, the following primary reserving methodologies were applied in the valuation process:

- Chain Ladder or Loss Development Triangles Method
- Bornhuetter-Ferguson Method.
- Expected Loss Ratio Method

The Actuary determines the appropriateness of the methodology considering the characteristics of the data available. The Actuary also assesses the reliability of the expected loss ratios by obtaining estimates from various sources, such as underwriters, the business plan, pricing actuaries, market statistics, or from a historic view of profitability and loss ratios. In valuing the claims liabilities, the Actuary also considers other factors such as, but not limited to, varying expense structure in run-off situations, large losses arising from significant past events, operational changes in claims management, underwriting changes such as business mix and premium rate changes, changes in reinsurance program, changes in claims handling process, and external conditions.

To ensure sufficiency of reserves, the Actuary conducts a back-testing exercise by comparing actual and expected experience based on previous valuations. Claim liabilities also include MfAD to allow for inherent uncertainty of the best estimate.

- **Premium Reserves**  
Premium reserves refer to all future claim payments arising from future events after the valuation date that are insured under unexpired policies, as well as expenses for policy management and claims settlement, and is computed as the higher of the UPR and URR at a designated level of confidence, on both gross and net of reinsurance basis.

UPR is the reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date, and is recognized as revenue over the period of the policy using the 24th method. URR is an estimate of the total liability (including expenses), at a designated level of confidence, in respect of the risk after the valuation date of policies written prior to that date including expenses for policy management and claims settlement costs. In estimating URR, the Company adopted the loss ratio approach by multiplying the UPR with loss ratios adjusted by taking into account all potential future payments including but not limited to future claims payments, retrocession costs, unallocated loss adjustment expense and ongoing policy administration costs arising from the unearned portion of premium collected. A computation is performed to determine whether the URR required is greater or less than the UPR. If the URR is greater, then the difference should be booked as an additional reserve on top of the UPR.

- **Options and Guarantees**  
Options and guarantees within insurance are treated as derivative financial instruments which are closely related to the host insurance contracts and are therefore not separated subsequently.

#### Cash and Cash Equivalents and Short-term Bank Investments

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents with original maturities beyond three months is presented as short-term bank investments.

#### Investment Properties

Investment properties are those that are held to earn rentals or for capital appreciation or both and that are not owner-occupied. Investment properties are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, investment properties are measured at cost, less accumulated depreciation and accumulated impairment in value, if any.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. For transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy under property and equipment up to the date of change in use.

The useful lives and method of depreciation of the assets are reviewed and adjusted, if appropriate, at each reporting period.

Depreciation for condominium units is computed using the straight-line method over the estimated useful life of 50 years.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statements of income in the period of retirement or disposal.

#### Property and Equipment

Property and equipment are initially recognized at cost including the costs to get the property ready for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

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

Buildings and improvements	50 years
Condominium units	50 years
Office improvements	10 years
Office furniture, fixtures and equipment	5 years
EDP equipment	5 years
Transportation equipment	10 years

An asset's residual value, useful life and depreciation method are reviewed periodically to ensure that the period, residual value and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Expenditures for additions, major improvements and renewals are capitalized while minor repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in the statement of income for the period.

When the carrying amount of an asset is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount with the resulting impairment recognized in profit or loss. Fully depreciated assets are retained in the accounts until they are no longer in use.

When a revalued property and equipment is reclassified to investment property, Revaluation Model is applied until the date of transfer. The carrying value of the property at the time of reclassification is treated as its deemed cost under investment property.

#### Change in accounting policy

Effective January 1, 2025, the Company changed its measurement basis for certain condominium units from revaluation model to the cost model. The change in accounting policy was made to provide more reliable and relevant financial information and to align the measurement basis with management's current use and monitoring of these assets. In addition, the change reduces the cost and complexity associated with periodic external valuations.

Under the cost model, the condominium units are carried at cost less accumulated depreciation and any accumulated impairment losses.

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy has been applied retrospectively.

However, the retrospective application of the change did not result in any adjustment to the carrying amounts of the affected assets, nor to the opening balances of retained earnings and other components of equity as of the beginning of the earliest comparative period presented. Accordingly, no restatement of comparative figures was necessary.

Prior to January 1, 2025, certain condominium units were carried under the revaluation model, whereby assets were stated at appraised values determined by independent professional appraisers, less accumulated depreciation and impairment losses, if any. Any increase in value was recognized in other comprehensive income and accumulated in equity under revaluation surplus. The revaluation surplus of such condominium units is recognized in statements of financial position under "Revaluation Reserve on Property and Equipment" account. The depreciation pertaining to revaluation reserve is transferred to unappropriated retained earnings.

#### Impairment of Non-financial Assets

The Company's investment properties and property and equipment are subject to impairment testing. All other individual asset or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's recoverable amount exceeds its carrying amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indication that an impairment loss previously recognized may no longer exists and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

#### Equity

Share capital is determined at par value of shares that have been issued.

Contributed surplus represent additional contribution of stockholders to the Company in compliance with the requirement of the Insurance Commission.

Retained earnings include all current and prior period results as disclosed in the statements of income, dividends declared and realized portion of revaluation surplus absorbed through depreciation.

#### Other comprehensive items

Revaluation reserve on AFS investment represents the difference between acquisition cost of the investment and its fair value at end of the reporting period.

Revaluation surplus pertains to the excess of the revalued amount over the carrying amount of property and equipment recognized upon revaluation, net of the related deferred tax liability. The revaluation surplus is reduced over the useful life of the related assets through annual transfers to retained earnings representing the difference between depreciation based on the revalued carrying amount and depreciation based on the asset's original cost.

Remeasurement gain or loss on retirement benefit obligation, upon the adoption of revised PAS 19, represents all actuarial gains and losses during the year on the retirement obligation arising from experience adjustments, which are the differences from the previous actuarial assumptions and what has actually occurred.

#### *Dividends*

Dividends declared are recognized in the financial statements when approved by the BOD.

In accordance with Section 195 of the Insurance Code, dividend declaration or distribution from accumulated profits remaining on hand can only be made after retaining unimpaired the following:

- The entire paid-up capital stock;
- The margin of solvency required;
- The legal reserve fund required; and
- A sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

#### *Revenue Recognition*

The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured at the transaction price which the entity expects to be entitled in exchange for a good or service. The following specific recognition criteria must also be met before revenue is recognized:

##### *Premiums*

Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method wherein revenue is recognized based on the provisions in the Insurance Code. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "Reserve for unearned premiums" and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "Reserve for reinsurance premiums" and presented under "Reinsurance assets" in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

##### *Commission*

Reinsurance commissions are recognized as revenue over the period of the contracts. The portion of commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "Deferred commission income" in the liabilities section of the statement of financial position.

##### *Interest income*

Interest income from bank deposits, special savings account, available-for-sale and held-to-maturity investment is recognized as interest accrues taking into account the effective yield on the related asset.

##### *Dividend income*

Dividend income is recognized when the right to receive dividends is established.

##### *Realized gains and losses*

Realized gains and losses on the sale of property and equipment are calculated as the difference between net sales proceeds and the net book value. Realized gains and losses on the sale of AFS financial assets are calculated as the difference between net sales proceeds and the original cost net of accumulated impairment losses. Realized gains and losses are recognized in profit or loss when the sale transaction occurred.

### Cost and Expense Recognition

#### *Claims*

Liabilities for claims and claims adjustments expenses relating to insurance contracts are accrued when insured events occur.

The liabilities for claims (including those incurred but not reported) are based on the estimated ultimate cost of settling these claims. The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claims cost resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period the estimates are made.

Share in recoveries in claim are evaluated in terms of the estimated realizable values of the salvage or recoveries. Recoveries on settled claims are recognized in profit or loss in the period the recoveries are determined, recoveries on the unsettled claims are recorded as reinsurance recoverable on losses shown as part of reinsurance assets.

#### *Acquisition cost*

Costs that vary with and primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting, and policy issue cost and inspection fees are deferred and charged to expense in proportion to the premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as deferred acquisition cost.

#### *Reinsurance commission*

Commissions paid to ceding companies are deferred and are included in deferred acquisition cost. The amortization process is co-terminus with the related premium income.

#### *Administrative expenses*

Administrative expenses are recognized when incurred.

### Income Taxes

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the end of the reporting period.

Deferred tax assets and liabilities are recognized using the balance sheet liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax liabilities are recognized for all taxable differences between the financial reporting bases of liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the periods when the asset is realized or the liability is settled.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of asset or liabilities are charged or credited directly to equity.

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

#### Employee Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, 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 (PUC) method.

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- 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 high quality corporate bonds to the net 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 OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

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

#### Compensated absences

Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at reporting date at the undiscounted amount the Company expects to pay as a result of the unused entitlement.

#### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16.

#### As a Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the

lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

The Company used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- Does not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months from the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

#### *Short-term Leases and Leases of Low-value Assets*

The Company has elected not to recognize right-of-use assets and lease liabilities for the leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *As a Lessor*

Leases where a significant portion of the risks and rewards of ownership over the asset are retained by the lessor, are classified as operating leases. Rental income on operating leases is recognized in profit or loss on a straight-line basis of accounting over the period of the lease.

#### Foreign Currency Transactions and Translations

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

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

#### Related Party Transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

#### Provisions

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example legal disputes for onerous contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. In addition, long term provisions are discounted at their present values, where time value of money is material.

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

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

#### Contingencies

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

#### Events after End of the Reporting Period

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

## 5. Summary of Significant Estimates and Judgments

The Company makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (i) Judgments

The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.

#### *Classification of investments*

In classifying its financial assets, the Company follows the guidance of PAS 39. In making the judgment, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

For non-derivative financial assets with fixed determinable payments and fixed maturity as held-to-maturity which requires significant judgments, the Company evaluates its intention and ability to hold its investments in bonds up to maturity as well as the requirement of the regulatory agency.

If the Company fails to keep these investments to maturity other than for specific circumstances explained in PAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value, not amortized cost.

Investments are classified in the statements of financial position as follows:

	2025		2024	
Available-for-sale	P	325,311	P	187,675
Held-to-maturity		1,250,443,820		1,233,342,942

#### *Impairment of Available-for-sale financial assets*

In making a judgment on whether an investment is impaired, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The Company treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its costs or where there are objective evidences that impairment exists. The Company evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and company's operating history for unquoted securities.

If assumptions are made regarding the duration and extent to which the fair value is less than cost, the Company would suffer an additional loss representing the write down of cost to its fair value.

As of December 31, 2025 and 2024, AFS investments amounted to P325,311 and P187,675, respectively. (see Note 9)

#### *Determination of fair value of assets and liabilities*

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

- in the principal market for the asset or liability, or

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

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

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

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

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

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

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

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

*Impairment of investment property and property and equipment*

The Company assesses at each reporting date whether there is an indication that the investment property and property and equipment may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The carrying amount of investment properties amounted to P432.76 million and P437.98 million as of December 31, 2025 and 2024, respectively (see Note 12). The carrying amount of property and equipment amounted to P667.91 million and P697.36 million as of December 31, 2025 and 2024, respectively. (see Note 13)

*Distinction between investment properties and owner-occupied properties*

In making this judgment, the Company assesses the purpose for which the property is held and considers whether the property generates cash flows largely independent of the other assets used in the conduct of the Company's nonlife insurance operations. Properties used in underwriting, claims handling, policy administration, customer service, and other corporate and administrative functions are considered owner-occupied, as the economic benefits derived from such properties are closely linked with the Company's core insurance operations and related assets. On the other hand, properties held to earn rentals and/or for capital appreciation are classified as investment property.

For properties with mixed use, judgment is applied in determining whether the property should be classified in whole as owner-occupied property or investment property, or whether separate portions should be accounted for separately, where practicable. In cases where the portions cannot be sold or leased out separately, the Company evaluates the significance of the portion used in operations relative to the portion held for rental purposes.

For certain properties, only an insignificant portion is leased out to third parties, while the substantial portion is used by the Company as office space for its insurance and administrative operations. Based on management's assessment that the leased-out portion is insignificant relative to the total area and use of the property, the entire property is classified as property and equipment.

Management reviews the classification of properties at each reporting date and reassesses the classification when there are changes in the use of the property.

*Change in accounting policy for property and equipment*

During the current year, management exercised significant judgment in determining that a change in the measurement basis for certain condominium units from the revaluation model to the cost model is appropriate and would result in more reliable and relevant financial information for users of the financial statements.

In making this determination, management considered, among others, the nature and intended use of the assets, the cost-benefit implications of obtaining periodic independent valuations, the stability of market values of comparable properties, and the consistency with the Company's financial reporting objectives.

Management likewise assessed the appropriate treatment of the related revaluation surplus, including the continued transfer to retained earnings of the portion realized through use for assets remaining under property and equipment, and the retention of the related surplus in equity for properties reclassified to investment property until disposal.

The change in accounting policy has been applied in accordance with PAS 8, including management's assessment as to whether retrospective application is practicable and the resulting effect on comparative information and equity balances.

*Determination of lease arrangements*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases.

Rent expense charged to operations amounted to P8.4 million in 2025 and P9.5 million in 2024. (see Note 27)

*Recoverability deferred tax assets*

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

The carrying value of deferred tax assets recognized in the statements of financial position amounted to P31.6 million in 2025 and P31.3 million in 2024. (see Note 29)

(ii) *Estimates*

*Liability for insurance claims*

The estimation process for insurance claims involves estimation of reserve of outstanding reported claims and estimation of additional reserves for IBNR and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims Incurred But Not Enough Reported (IBNER). Reported claims are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined by the Company after taking into account the certifying actuary's assessment. The total claim liabilities are subject to a quarterly actuarial review and a formal actuarial report is provided on the adequacy of the Company's claim liabilities. In forming their view on the adequacy of the reported claims, the actuary uses a variety of statistical projection techniques like the Incurred Chain Ladder/Development Approach (IDA), the Paid Chain Ladder Development Approach (PDA), the Bornhuetter-Ferguson Incurred Approach (BFIA) and the Bornhuetter-Ferguson Paid Approach (BFPA).

Under the IDA, incurred losses by accident year are multiplied by appropriate loss development factors to estimate ultimate losses. The PDA is similar to IDA. Paid loss development factors are applied to paid losses to estimate ultimate losses.

Under the BFIA, actual incurred losses and expected unreported losses are added to estimate the ultimate losses. Under the BFPA, actual paid losses and expected unpaid losses are to be added to estimate the ultimate losses. The initial ultimate loss estimates required for the BFIA and BFPA were based on selected loss ratios.

For all the approaches, the loss development factors are based on the Company's historical loss experience supplemented with industry triangles.

Claims reserve is separately analysed by class of business and it is intended to provide a 75% percentile level of sufficiency using the Stochastic Chain Ladder method. This methodology is commonly used in calculating claims reserve at various confidence levels. The Company's historical combined development triangles were used in estimating the claims development factors at the expected and 75% confidence level. The age-to-age and cumulative development factors follow a lognormal distribution.

As of December 31, 2025 and 2024, gross liability for insurance claims amounted to P243.8 million and P251.9 million, respectively. (see Note 17)

*Estimating fair values of AFS investments*

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques or other published price quotations. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. If the results of valuation techniques do not reflect fair values, financial instruments are carried at cost. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As of December 31, 2025 and 2024, AFS investments amounted to P325,311 and P187,675, respectively. (see Note 9)

*Estimating allowance for probable losses on receivables*

The Company maintains allowance for probable losses at a level considered adequate to provide for potential uncollectible insurance receivables. The level of allowance for probable losses is evaluated by management on the basis of factors affecting collectability of the receivables. In addition, a review of the accounts designed to identify accounts to be provided with allowance, is made on a continuing basis.

*Estimating useful lives of property and equipment and investment properties*

The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

The carrying value of investment properties as of December 31, 2025 and 2024 amounted to P432.76 million and P437.98 million, respectively. (see Note 12)

The carrying value of property and equipment as of December 31, 2025 and 2024 amounted to P667.91 million and P697.36 million, respectively. (see Note 13)

*Estimating retirement benefits*

The determination of the Company's obligation and cost for retirement and other retirement benefits is dependent on selection of certain assumptions used by actuaries in computing such amounts. The assumptions as discussed in Note 28 are believed to be reasonable and appropriate for the Company although actual experience or significant changes in assumption may affect retirement benefits and asset/obligation.

Retirement benefit cost charged to operations amounted to P17,862,613 and P18,512,848 in 2025 and 2024, respectively. (see Note 28)

*Contingencies*

The Company is currently involved in various insurance proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the adjusters and legal counsels and based upon an analysis of potential results. The Company does not believe these proceedings will have a material adverse effect on the Company's financial position.

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## 6. Fair Value Measurement

The fair value for assets and liabilities traded in active market at the reporting date is based on their quoted market price. For all other assets and liabilities not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statement of income unless it qualifies for recognition as some other type of asset.

Assets and liabilities measured at fair value and those which are not measured at fair value but fair value is required to be disclosed are categorized in a manner discussed below:

Level 1: Quoted market prices (unadjusted) in an active market for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table presents the carrying amounts and fair values of the Company's asset measured at fair value and asset for which fair value is disclosed and the corresponding fair value hierarchy:

		2025			
		Fair Value			
		Carrying	Quoted Prices	Significant	Significant
		Amount	in Active	Observable	Unobservable
			Markets	Inputs	Inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Assets Measured at Fair Value:</b>					
Available-for-sale investments	P	325,311	P 325,311	P -	P -
<b>Assets for which Fair Value is Disclosed:</b>					
Investment properties		432,762,795	-	-	1,250,910,748
Held-to-maturity investments		1,250,443,820	1,266,922,546	-	-
	P	1,683,531,926	P 1,267,247,857	P -	P 1,250,910,748

		2024			
		Fair Value			
		Carrying	Quoted Prices	Significant	Significant
		Amount	in Active	Observable	Unobservable
			Markets	Inputs	Inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Assets Measured at Fair Value/Revalued Amount:</b>					
Available-for-sale investments	P	187,675	P 187,675	P -	P -
Condominium units*		20,620,258	-	-	20,620,258
<b>Assets for which Fair Value is Disclosed:</b>					
Investment properties		437,983,746	-	-	1,113,960,390
Held-to-maturity investments		1,233,342,942	1,237,071,870	-	-
	P	1,692,134,621	P 1,237,269,545	P -	P 1,134,580,648

\* Included as part of Property and equipment. (see Note 13)

The Company used the following techniques to determine fair value measurements:

- *Available-for-sale and Held-to-maturity investments.* Fair values are based on quoted market prices from active markets classified under Level 1 category.
- *Condominium unit.* The fair value of condominium unit was estimated based on the appraisals performed by an independent, professionally qualified property appraiser and was determined with reference to the latest transacted prices of identical or similar properties. The fair valuation is classified under Level 3 category.

The significant unobservable inputs used in the fair value measurement of the Company's Condominium units (included under "Property and equipment" account) are the estimated net price per square meter and various factors such as size, location, and utility, among others. Significant increases (decreases) in the estimated net price per square meter in isolation would result in a significantly higher (lower) fair value measurement. Further, choosing comparables with different inputs would result in a significantly different fair value measurement.

The Company has determined that the current use of the condominium units classified as property and equipment as at December 31, 2024 is its highest and best use.

Effective January 1, 2025, Management changed the measurement basis of these condominium units from revaluation model to the cost model. Accordingly, fair value information in 2025 is not required to be disclosed.

- *Investment properties.* The fair value of investment properties was estimated using sales comparison approach where fair value was determined with reference to the latest transacted prices of identical or similar properties. The fair valuation is classified under Level 3 category.

The significant unobservable inputs used in the fair value measurement of the Company's investment properties are the estimated net price per square meter and various factors such as size, location, and utility, among others. Significant increases (decreases) in the estimated net price per square meter in isolation would result in a significantly higher (lower) fair value measurement. Further, choosing comparables with different inputs would result in a significantly different fair value measurement.

The highest and best use of investment property as at December 31, 2025 and 2024 is that of commercial use.

There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2025 and 2024.

The table below presents the financial assets and liabilities whose carrying amounts approximate their fair values as at December 31, 2025 and 2024:

	2025		2024	
<b>Financial Assets</b>				
Cash and cash equivalents	P	2,100,296,600	P	1,810,639,071
Short-term bank investments		16,555,273		29,090,000
Insurance balances receivable		460,393,855		652,122,632
Claims and losses recoverable		34,306,045		20,070,764
Accrued investment income		15,683,064		14,004,288
Other assets		3,531,930		4,219,654
	P	2,630,766,767	P	2,530,146,409
<b>Financial Liabilities</b>				
Insurance claims payable	P	243,848,578	P	251,924,089
Reinsurance liabilities		6,748,450		513,634
Accounts payable and accrued expenses*		46,979,558		69,974,223
	P	297,576,586	P	322,411,946

\* Excluding nonfinancial liabilities amounting to P327,798,947 and P295,353,209 in 2025 and 2024, respectively.

- *Current financial assets and liabilities.* The carrying values of cash and cash equivalents, short-term bank investments, insurance balances receivable, claims and losses recoverable, accrued investment income, accounts payable and accrued expenses, reinsurance liabilities and insurance claims payable approximate their fair values due to the short-term nature of these financial instruments.

- *Noncurrent assets.* The carrying amount of other assets approximates their fair value. Management believes that the effect of discounting the future receipts from these assets using the prevailing market rates is insignificant.

## 7. Management of Insurance risk, Financial risk and Capital

### Insurance Risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Apart from the Company's risk management function, regulators also play a vital role in the insurance industry in ensuring that policy holders and creditors are assured of any claims that may arise within the term of the policy. The Insurance Commission (IC) imposes (i) Risk-based capital framework that will effectively manage the equity requirement of the Company (ii) Margin of solvency which requires an appropriate ratio of admitted assets over admitted liabilities (iii) A mandatory reserve of highly-liquid debt instruments to answer the claims of policyholders and creditors (iv) and minimum statutory net worth to streamline the operation of insurance industry.

Internally, the Company manages its risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured events. Moreover, Excess of Loss (XOL) Reinsurance treaties are utilized to cushion any unexpected losses that may occur. Other reinsurance facility entered includes surplus treaties and facultative reinsurance.

The concentration of insurance claims, gross and net of reinsurers' share as of December 31, 2025 and 2024 is as follows:

	2025				2024									
		Gross*	Share of Reinsurer	Net Liability	%	Gross*	Share of Reinsurer	Net Liability	%					
Fire	P	2,261	P	-	P	2,261	7%	P	12,900	P	7,685	P	5,215	21%
Motor car		30,948		-		30,948	93%		19,652		-		19,652	79%
Accident		125		-		125	0%		90		-		90	0%
Other lines		115		-		115	0%		65		-		65	0%
	P	33,449	P	-	P	33,449	100%	P	32,707	P	7,685	P	25,022	100%

\*Amounts are net of IBNR, Mfad and Claims Handling Expenses amounting to P210,399 million in 2024 and P219,218 million in 2024

#### Financial Risk

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

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

#### Credit Risk

Credit risk is risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

The table below shows the gross maximum exposure to credit risk of the Company as of December 31, 2025 and 2024.

	2025	2024
Cash and cash equivalents*	P 2,083,963,161	P 1,756,290,454
Short-term bank investments	16,555,273	29,090,000
Financial Investments		
AFS - equity securities	325,311	187,675
HTM - gov't securities	1,250,443,820	1,233,342,942
Accrued investment income	15,683,064	14,004,288
Insurance balances receivable	464,913,053	655,754,816
Claims and losses recoverable	35,871,235	21,634,479
Other assets	3,531,930	4,219,654
	<b>P 3,871,286,847</b>	<b>P 3,714,524,308</b>

\*Excludes cash on hand

The credit quality of group of financial assets are as follows:

(i) *Cash in bank, Cash equivalents and Short-term investments*

A substantial portion of the Company's Cash in banks, Cash equivalents and Short-term investments is maintained in universal and commercial banks, thereby limiting credit risk. Limits are imposed on placements with thrift and lower-tier banks. This is consistent with the Company's internal policy on deposit maintenance. Cash-in-bank, cash equivalents and short-term investments classified by type of banks are as follows:

	2025	2024
Universal banks	P 1,681,896,561	P 1,415,189,740
Commercial banks	84,214,113	25,236,702
Thrift and rural banks	317,852,487	315,864,012
	<b>P 2,083,963,161</b>	<b>P 1,756,290,454</b>

(ii) *Available-for-sale and Held-to-maturity Investments*

The credit risk on investments represents the risk of actual default of the issuer. This risk is managed through limits which takes into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems.

Limits on government securities is guided by existing circulars issued by the Insurance Commission. Investment exposures and limits are monitored on a regular basis.

(iii) *Insurance, Reinsurance and Other Receivables*

Credit risk on Insurance, reinsurance and other receivables reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. The scope of credit risk alleviation includes risk-mitigating contracts on reinsurance arrangements and setting up maximum credit terms with agents.

Credit risk can arise also due to the purchase of reinsurance or other risk mitigation contracts. The Company minimizes this risk through policies on counterparty selection, collateral requirements and diversification. This risk is mitigated through close monitoring of outstanding counterparty default positions. Diversification and avoidance of low rated exposures are key elements in the mitigation of this risk.

The Company also limits its exposure to credit losses from its reinsurance business by entering into master netting arrangements with counterparties. Master netting arrangements do not generally result in an offset of assets and liabilities in the Statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are settled on a net basis. The Company maintains a normal credit term of 90 days for insurance balances receivable. Past due are those accounts which are outstanding beyond 90 days.

Exposure to credit risk on other receivable is low considering that these receivables is collected through salary deduction or deducted from the commissions due to them, as the case maybe. These counterparties have a good credit standing with no history of default.

Impairment for specific credit risk is established if there is objective evidence that the Company will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. Conditions for write-off may be that the debtor's bankruptcy proceedings have been reached and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e., the period within which all expenses will exceed the recoverable amount) has been reached.

The credit quality of the Company's assets exposed to credit risk as of December 31, 2025 and 2024 is as follows:

	As of December 31, 2025							
	Neither past due nor impaired		Past due but		Past due		Total	
	High grade	Standard grade	unimpaired	& impaired				
Cash and cash equivalents*	P 2,083,963,161	P -	P -	P -	-	-	P 2,083,963,161	
Short-term bank investments	16,555,273	-	-	-	-	-	16,555,273	
Financial Investments								
AFS - equity securities	-	325,311	-	-	-	-	325,311	
HTM - gov't securities	1,250,443,820	-	-	-	-	-	1,250,443,820	
Accrued investment income	15,683,064	-	-	-	-	-	15,683,064	
Insurance balances receivable	-	-	460,393,855	-	4,519,198	-	464,913,053	
Claims and losses recoverable	-	-	34,306,046	-	1,565,189	-	35,871,235	
Other assets	-	3,531,930	-	-	-	-	3,531,930	
	P 3,366,645,318	P 3,857,241	P 494,699,901	P 6,084,337	P -	P -	P 3,871,286,847	

\*Excludes cash on hand

	As of December 31, 2024							
	Neither past due nor impaired		Past due but		Past due		Total	
	High grade	Standard grade	unimpaired	& impaired				
Cash and cash equivalents*	P 1,756,290,454	P -	P -	P -	P -	P 1,756,290,454		
Short-term bank investments	29,090,000	-	-	-	-	29,090,000		
Financial Investments								
AFS - equity securities	-	187,675	-	-	-	187,675		
HTM - gov't securities	1,233,342,942	-	-	-	-	1,233,342,942		
Accrued investment income	14,004,288	-	-	-	-	14,004,288		
Insurance balances receivable	-	-	652,122,632	3,632,184	-	655,754,816		
Claims and losses recoverable	-	-	20,070,764	1,563,715	-	21,634,479		
Other assets	-	4,219,654	-	-	-	4,219,654		
	P 3,032,727,684	P 4,407,329	P 672,193,396	P 5,195,899	P 3,714,524,308			

\*Excludes cash on hand

Financial assets were graded as follows:

High grade cash and cash equivalents are short-term investments and working cash fund placed, invested, or deposited in banks belonging to the top banks in the Philippines in terms of resources and profitability.

High grade AFS investments are equity securities belonging to Philippine Stock Exchange Index with regular trading transactions. Standard grade accounts are equity securities not within the scope of high grade accounts.

High grade HTM investments are securities issued and guaranteed by the Philippine government.

Other high grade financial assets are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The aging analyses of past due but unimpaired receivables are as follows:

2025	Direct and assumed accounts							
	Due from	Due from	Funds held	Total	Reinsurance loss recoverable			
	agents & brokers	ceding companies	by ceding companies		Paid	Unpaid	Total	
30 days past due	P 261,430,161	P -	P -	P 261,430,161	P -	P -	P -	
60 days past due	154,915,336	486,422	-	155,401,758	-	29,522,159	29,522,159	
over 60 days	29,613,881	3,864,243	10,083,712	43,561,936	4,783,887	-	4,783,887	
	P 445,959,478	P 4,350,665	P 10,083,712	P 460,393,855	P 4,783,887	P 29,522,159	P 34,306,046	

2024	Direct and assumed accounts													
	Due from agents & brokers			Due from ceding companies		Funds held by ceding companies		Reinsurance loss recoverable						
	P		P	P	P	P	Total	Paid	Unpaid	Total				
30 days past due	P	382,190,769	P	-	P	-	P	382,190,769	P	3,489,220	P	10,460,433	P	13,949,653
60 days past due		222,944,615		513,695		-		223,458,310		-		-		-
over 60 days		31,423,579		4,349,781		10,700,193		46,473,553		-		6,121,111		6,121,111
	P	636,558,963	P	4,863,476	P	10,700,193	P	652,122,632	P	3,489,220	P	16,581,544	P	20,070,764

The table below provides information on the concentration of credit risk as of December 31 by type of financial assets:

	December 31, 2025											
	Cash and cash equivalents	Short-term investments	Available-for-sale	Held-to-maturity	Receivables and others	Total						
Insurance	P	-	P	-	P	-	P	500,784,288	P	500,784,288		
Financial institutions		2,083,963,161		16,555,273		-		-		2,950,587	2,103,469,021	
Government		-		-		-		1,250,443,820		12,732,477	1,263,176,297	
Holding companies		-		-		32,429		-		-	32,429	
Telecommunications		-		-		82,225		-		-	82,225	
Mining		-		-		189,387		-		-	189,387	
Others		-		-		21,270		-		3,531,930	3,553,200	
	P	2,083,963,161	P	16,555,273	P	325,311	P	1,250,443,820	P	519,999,292	P	3,871,286,847

	December 31, 2024											
	Cash and cash equivalents	Short-term investments	Available-for-sale	Held-to-maturity	Receivables and others	Total						
Insurance	P	-	P	-	P	-	P	677,389,295	P	677,389,295		
Financial institutions		1,756,290,454		29,090,000		-		-		2,840,240	1,788,220,694	
Government		-		-		-		1,233,342,942		11,954,048	1,244,506,990	
Holding companies		-		-		30,807		-		-	30,807	
Telecommunications		-		-		82,225		-		-	82,225	
Mining		-		-		53,373		-		-	53,373	
Others		-		-		21,270		-		4,219,654	4,240,924	
	P	1,756,290,454	P	29,090,000	P	187,675	P	1,233,342,942	P	695,613,237	P	3,714,524,308

#### Liquidity Risk

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

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Company is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

The table below summarizes the maturity profile of the Company's liabilities as of December 31, 2025 and 2024, based on undiscounted contractual payments.

2025		On demand	Not later than one month	Later than 1 month & not later than 3 months	Later than 3 months & not later than 1 year	Later than one year	Total
<b>Accounts payable and accrued expenses*</b>							
	P	12,324,128	P 8,663,858	P 15,594,944	P 10,396,628	P -	P 46,979,558
<b>Insurance claims payable</b>							
		163,378,547	32,919,558	28,042,586	7,315,458	12,192,429	243,848,578
<b>Reinsurance liabilities</b>							
		-	1,687,112	3,036,802	2,024,536	-	6,748,450
	P	175,702,675	P 43,270,528	P 46,674,332	P 19,736,622	P 12,192,429	P 297,576,586

\*Excluding nonfinancial liabilities amounting to P327,798,947.

2024		On demand	Not later than one month	Later than 1 month & not later than 3 months	Later than 3 months & not later than 1 year	Later than one year	Total
<b>Accounts payable and accrued expenses*</b>							
	P	21,718,819	P 14,552,300	P 1,790,722	P 31,912,382	P -	P 69,974,223
<b>Insurance claims payable</b>							
		168,789,140	34,009,752	28,971,270	7,557,724	12,596,203	251,924,089
<b>Reinsurance liabilities</b>							
		-	128,408	231,135	154,091	-	513,634
	P	190,507,959	P 48,690,460	P 30,993,127	P 39,624,197	P 12,596,203	P 322,411,946

\*Excluding nonfinancial liabilities amounting to P295,353,209.

#### Market Risk

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

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Company manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas. The Company structures the level of market risk it accepts through a sound market risk policy based on specific guidelines. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Sensitivity analysis of market risk exposure is as follows:

i. Currency risk

Currency risk is the risk of losing money due to unfavorable changes in foreign exchange rates. The Company has no foreign currency denominated financial instruments. Thus, it has no exposure to currency risk.

ii. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

Exposures to interest rate risk comprise the following:

2025 ('000 omitted)	Interest rate		Due in			Total
			1 year	2-5 years	Over 5 years	
Financial assets that are:						
Cash and cash equivalents	0.0125%-5.25%	P	2,083,963 P	- P	- P	2,083,963
Short-term bank investments	0.125%-5.0%		16,555	-	-	16,555
Held to maturity	3.375%-5.25%		198,304	1,052,140	-	1,250,444
Funds held:						
By ceding companies	1%		10,083	-	-	10,083
2024 ('000 omitted)	Interest rate		Due in			Total
Financial assets that are:						
Cash and cash equivalents	0.0125%-6.125%	P	1,756,290 P	- P	- P	1,756,290
Short-term bank investments	0.125%-4.75%		29,090	-	-	29,090
Held to maturity	2.375%-4.75%		357,016	876,327	-	1,233,343
Funds held:						
By ceding companies	1%		-	10,700	-	10,700

As of December 31, 2025 and 2024, financial instruments exposed to variable interest rate risk are cash in banks consisting of savings and short-term deposit accounts. Held to maturity investment are subject to fixed coupon rates. There are no items that are impacted with interest rate risk which are charged directly to equity.

(i) Available-for-sale

Available-for-sale financial assets represent equity instruments with quoted and unquoted market values. For securities with no active market, the carrying amounts are stated at cost.

Analysis of equity instruments is as follows:

		2025		2024
<b>Acquisition cost:</b>				
Quoted in the stock exchange	P	44,500	P	44,500
Not quoted in the stock exchange		21,270		21,270
		<b>65,770</b>		<b>65,770</b>
<b>Fair value gain:</b>				
Quoted in the stock exchange		259,541		121,905
<b>Carrying values</b>	<b>P</b>	<b>325,311</b>	<b>P</b>	<b>187,675</b>

The net change in fair values over the acquisition cost is reflected in the Equity section of statement of financial position, net of related tax effect.

(ii) Held-to-maturity

Held-to-maturity financial assets represent debt instruments issued by the Philippine government and private corporations. The term of the issues ranges from 2 to 6 years and earns a coupon rate ranging from 3.375% to 5.25% and 2.375% to 4.75% in 2025 and 2024, respectively.

Interest income earned on these debt instruments amounted to P54,657,089 in 2025 and P60,686,994 in 2024. (see Note 26)

The maturity profile of this account is presented below:

		2025		2024
<b>Due in:</b>				
One year	P	198,303,776	P	357,016,388
More than one year to five years		1,052,140,044		876,326,554
	<b>P</b>	<b>1,250,443,820</b>	<b>P</b>	<b>1,233,342,942</b>

Pursuant to section 209 of the Insurance Code, at least 25% of minimum statutory net worth required under section 194 of Code must be invested in securities consisting of bonds or other debt instruments issued by the Philippine Government or its instrumentalities. The invested funds shall at all times be maintained free from any lien or encumbrance and shall be deposited with and held by IC for the faithful performance of the Company's obligations under its insurance contracts.

In compliance with the above requirement, Philippine government securities with face value of P449,100,000 and P385,249,000 were deposited with the IC as of December 31, 2025 and 2024, respectively.

## 10. Insurance balances receivable

This account consists of:

		2025		2024
Due from agents and brokers	P	449,460,888	P	640,191,147
Due from ceding companies		4,481,439		4,863,476
Funds held by ceding companies		10,970,726		10,700,193
		464,913,053		655,754,816
Allowance for probable losses		(4,519,198)		(3,632,184)
	P	460,393,855	P	652,122,632

Terms and conditions are as follows:

- Due from agents and brokers has a maximum term of 90 days from inception of the policy.
- Due from ceding companies carries a term of up to 120 days subject to premium payment warranty.
- Funds held by ceding companies represents portion of the premium withheld by ceding companies in accordance with reinsurance agreements and earn interest at applicable interest rates.

Movements of the allowance for probable losses on insurance balances receivable are as follows:

		2025		2024
Balance, January 1	P	3,632,184	P	-
Provision during the year		887,014		3,632,184
Balance, December 31	P	4,519,198	P	3,632,184

All Company receivables are subject to credit risk. However, the Company does not maintain any risk concentrations on these receivables. Exposures to credit risk are discussed in Note 7.

## 11. Reinsurance assets

This account is consists of:

		2025		2024
Reserve for reinsurance premium (Note 18)	P	36,031,777	P	31,665,230
Reinsurance recoverable on:				
Paid losses		6,349,076		3,489,220
Unpaid losses, inclusive of IBNR claims (Note 17)		29,522,159		18,145,259
		71,903,012		53,299,709
Allowance for probable losses		(1,565,189)		(1,563,715)
	P	70,337,823	P	51,735,994

Details of allowance for probable losses on reinsurance assets are as follows:

		2025	2024
Balance, January 1	P	1,563,715 P	-
Provision during the year		1,474	1,563,715
Balance, December 31	P	1,565,189 P	1,563,715

## 12. Investment properties

The Company's investment properties include several parcels of land and condominium units which were acquired for capital appreciation, to earn rental income or currently undetermined future use.

The balances and movements in this account are as follows:

	2025		
	Land	Condominium units	Total
<b>Costs</b>			
Balance at beginning of year	P 299,107,374 P	179,725,402 P	478,832,776
Additions	-	-	-
Balance at end of year	299,107,374	179,725,402	478,832,776
<b>Accumulated depreciation</b>			
Balance at beginning of year	-	40,849,030	40,849,030
Depreciation	-	5,220,951	5,220,951
Balance at end of year	-	46,069,981	46,069,981
<b>Net carrying value at the end of the year</b>	P 299,107,374 P	133,655,421 P	432,762,795

	2024		
	Land	Condominium units	Total
<b>Costs</b>			
Balance at beginning of year	P 299,107,374 P	3,500,000 P	302,607,374
Additions	-	21,383,036	21,383,036
Reclassification (Note 13)	-	154,842,366	154,842,366
Balance at end of year	299,107,374	179,725,402	478,832,776
<b>Accumulated depreciation</b>			
Balance at beginning of year	-	210,000	210,000
Depreciation	-	5,220,951	5,220,951
Reclassification (Note 13)	-	35,418,079	35,418,079
Balance at end of year	-	40,849,030	40,849,030
<b>Net carrying value at the end of the year</b>	P 299,107,374 P	138,876,372 P	437,983,746

Rental income generated from the leasing of condominium units amounted to P1,749,700 and P872,000 in 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the fair values of land and condominium units amounted to P1,250,910,748 and P1,113,960,390, respectively. Fair values were determined as follows:

Property	Location	Valuation technique	Fair value hierarchy	Observable inputs	Estimated Fair value	
					2025	2024
Land	Sta. Rosa	Sales comparison	Level 3	price per (sqm.)	38,978/ sqm	6,315/ sqm
Land	Naga	Sales comparison	Level 3	price per (sqm.)	23,879/ sqm	11,579/ sqm
Land	Zamboanga	Sales comparison	Level 3	price per (sqm.)	80,000/ sqm	26,000/ sqm
Land	Puerto Princesa	Sales comparison	Level 3	price per (sqm.)	30,207/ sqm	18,296/ sqm
Land	Davao	Sales comparison	Level 3	price per (sqm.)	200,000/ sqm	86,367/ sqm
Condominium unit	Manila	Sales comparison	Level 3	price per (sqm.)	137,363/ sqm	90,650/ sqm
Condominium unit	Taguig	Sales comparison	Level 3	price per (sqm.)	372,131/ sqm	345,000/ sqm
Condominium units	Makati	Sales comparison	Level 3	price per (sqm.)	330,165/ sqm	325,000/ sqm

Sales comparison approach is an approach that considers available market evidences. The aforesaid approach is based on sales and listing of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable.

The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The unobservable inputs to determine the market value of the property are the following: location characteristics, size and shape of the lot and the time element.

As of December 31, 2025 and 2024, Management believes that there were no events that could have materially changed the fair values of investment properties.

### 13. Property and equipment - net

Property and equipment consist of:

	2025								
	At Revalued Amount		At Cost						Total
	Condominium Units	Land	Condominium, Building and Improvements	Office Improvements	EDP Equipment	Transportation Equipment	Office Furniture and Equipment		
<b>Gross Carrying Value</b>									
Balances at beginning of year	P 32,508,040	P 80,211,058	P 601,037,520	P 92,118,410	P 39,557,883	P 42,430,139	P 39,710,165	P	927,573,215
Additions	-	-	-	2,097,405	1,332,042	1,500,800	562,503	-	5,492,030
Reclassification	(32,508,040)	-	32,508,040	-	-	-	-	-	-
Balances at end of year	-	80,211,058	633,545,560	94,215,815	40,889,925	43,930,139	40,272,748	-	933,065,245
<b>Accumulated Depreciation</b>									
Balances at beginning of year	11,887,782	-	50,792,417	61,454,757	34,557,171	34,143,298	37,379,525	-	230,214,951
Depreciation	-	-	21,975,156	9,178,103	1,712,007	1,208,806	865,790	-	34,939,832
Reclassification	(11,887,782)	-	11,887,782	-	-	-	-	-	-
Balances at end of year	-	-	84,655,355	70,632,860	36,269,178	35,352,104	38,245,286	-	265,154,783
<b>Net Carrying Value</b>	P -	P 80,211,058	P 548,890,205	P 23,582,955	P 4,620,747	P 8,578,035	P 2,027,462	P	667,910,462

	2024								
	At Revalued Amount		At Cost						Total
	Condominium units	Land	Condominium, Building and Improvements	Office Improvements	EDP Equipment	Transportation Equipment	Office Furniture and Equipment		
<b>Gross Carrying Value</b>									
Balances at beginning of year	P 187,350,406	P 80,211,058	P 601,037,520	P 74,600,119	P 36,819,489	P 41,216,139	P 38,653,559	P	1,059,888,290
Additions	-	-	-	17,518,291	2,738,394	1,214,000	1,056,606	-	22,527,291
Reclassification (Note 12)	(154,842,396)	-	-	-	-	-	-	-	(154,842,396)
Balances at end of year	32,508,040	80,211,058	601,037,520	92,118,410	39,557,883	42,430,139	39,710,165	-	927,573,215
<b>Accumulated Depreciation</b>									
Balances at beginning of year	46,377,390	-	29,745,732	55,785,984	33,057,247	32,802,218	35,981,988	-	233,750,559
Depreciation	928,471	-	21,046,685	5,668,773	1,499,924	1,341,080	1,397,538	-	31,892,471
Reclassification	(35,418,079)	-	-	-	-	-	-	-	(35,418,079)
Balances at end of year	11,887,782	-	50,792,417	61,454,757	34,557,171	34,143,298	37,379,526	-	230,214,951
<b>Net Carrying Value</b>	P 20,620,258	P 80,211,058	P 550,245,103	P 30,663,653	P 5,000,712	P 8,286,841	P 2,330,639	P	667,358,264

On January 1, 2025, the Company changed the measurement basis of certain condominium units from the revaluation model to the cost model. Accordingly, these condominium units with carrying value amounting to P20,620,258 were reclassified to properties carried at cost model. (see Notes 4 and 5)

In 2024, owner-occupied condominium units in Makati City with carrying value amounting to P119,424,287 were reclassified from property and equipment to investment properties due to change in use. These condominium units are held to earn rental income.

Depreciation of property and equipment charged to operations amounted to P34,939,832 and P31,882,471 in 2025 and 2024, respectively.

The Company engaged an independent appraiser to determine the fair value of its condominium units on January 4, 2018 using the Sales Comparison Approach. In this approach, the value of condominium units is based on sales and listings of comparable condominium units. This is done by adjusting the difference between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity at different floor levels of the same building. Comparison was premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element. This fair valuation is classified under the Level 3 (significant unobservable inputs). (see Note 6)

Generally, an increase (or decrease) in prices per square meter, will result to a higher (or lower) fair value. The same scenario will apply to changes in fair value if the size increases or decreases. Furthermore, significant developments within its neighborhood would increase fair value.

Management sees no indications of impairment and has not recognized an impairment loss on its property and equipment.

#### 14. Deferred acquisition cost and deferred commission income

The movements during the year of this account are as follows:

		2025		
		Deferred acquisition cost	Deferred commission income	Net DAC
Balance, January 1		P 158,108,654	P 8,632,032	P 149,476,622
Net change in acquisition cost	(Note 25)	(19,240,085)	349,589	(19,589,675)
		P 138,868,569	P 8,981,622	P 129,886,947

		2024		
		Deferred acquisition cost	Deferred commission income	Net DAC
Balance, January 1		P 169,581,384	P 10,333,884	P 159,247,500
Net change in acquisition cost	(Note 25)	(11,472,730)	(1,701,852)	(9,770,878)
		P 158,108,654	P 8,632,032	P 149,476,622

As of December 31, 2025 and 2024, management believes that deferred acquisition costs are fully recoverable and that no impairment loss is necessary.

#### 15. Accrued investment income

This account consists of:

		2025		2024
Accrued interest on:				
Cash equivalents and short-term bank placements	P	2,950,587	P	2,840,240
Held-to-maturity investments		12,732,477		11,164,048
	P	15,683,064	P	14,004,288

#### 16. Other assets

This account consists of:

		2025		2024
Deposits	P	2,972,461	P	2,614,298
Other receivables		494,786		1,540,673
Security fund		64,683		64,683
	P	3,531,930	P	4,219,654

- Deposits which are carried at cost are made to secure service arrangements with utility companies. The same may be refunded at the expiration of service agreement.
- Other receivables which include advances to employees, are collected through salary deductions.
- Security fund was created under Section 365 of Presidential Decree (PD) No. 612 as amended under PD No. 1640, to be used for payment of claims against insolvent insurance companies. The balance of the fund amounting to P64,683 in 2025 and 2024, represents the Company's contribution to the fund. The balance of the fund earns interest at rates determined by the IC annually.

Management believes that fair values of other receivables, security fund and deposits were not individually determined as the carrying amounts are reasonable approximation of fair values.

#### 17. Insurance claims payable

Outstanding claims will become payable and materialize into claims paid as and when the amounts of insured losses suffered by policyholders were ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 1-3 years.

The provision is sensitive to many factors such as interpretation of circumstances, judicial decisions and economic conditions and is subject to uncertainties such as:

- Uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- Uncertainty as to the extent of policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

Movements in outstanding claims are as follows:

	2025			2024		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balance, January 1	P 251,924,089	P 18,145,259	P 233,778,830	P 254,550,683	P 21,247,422	P 233,303,261
Claims and losses incurred - net of recoveries	506,472,453	(9,302,794)	515,775,247	572,034,117	(9,578,955)	581,613,072
Provision for claims incurred but not recorded	194,516,254	29,522,159	164,994,095	206,113,680	10,460,432	195,653,248
Claims and loss paid - net of recoveries	(709,064,218)	(8,842,465)	(700,221,753)	(780,774,391)	(3,993,640)	(776,780,751)
Balance, December 31	P 243,848,578	P 29,522,159	P 214,326,419	P 251,924,089	P 18,145,259	P 233,778,830

In accordance with IC circular 2016-67, claims liabilities for both direct business, assumed treaty and reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expense and IBNR.

Claims handling expense was computed on a net insurance basis using the Kittle's Refinement to the Classical Paid-to-Paid Ratio Method that explicitly recognized that claims handling expense is incurred as claims are reported, even if no loss payments are made.

Outstanding claims reserve shall be based on actual claims reported but have not yet been settled at year-end. IBNR is calculated based on the following methods:

1. Chain Ladder or Loss-Development Triangles Method
2. Bornhuetter-Ferguson Method
3. Expected Loss Ratio Method

Margin for Adverse Deviation (MfAD) is included to allow the inherent uncertainty of the best estimate of the policy reserves and to consider the variability of claims experience with a class of business, the diversification between classes of business and conservatism in the best estimate. MfAD is set to 100% for the year ended December 31, 2025 and 2024.

The actuarial valuation result for Claims liabilities for the year ended December 31, 2025 and 2024 is as follows:

	Gross	
	2025	2024
Outstanding claims reserve	P 33,449,500	P 32,706,211
Claims handling expense	10,378,844	8,367,898
Mfad	5,503,980	4,736,300
IBNR	194,516,254	206,113,680
	P 243,848,578	P 251,924,089

	Net	
	2025	2024
Outstanding claims reserve	P 33,449,500	P 25,021,385
Claims handling expense	10,378,844	8,367,897
Mfad	5,503,980	4,736,300
IBNR	164,994,095	195,653,248
	P 214,326,419	P 233,778,830

## 18. Reserve for unearned premiums

The analysis of this account is as follows:

	2025			2024		
	Gross Premium	Ceded Business	Net Retained	Gross Premium	Ceded Business	Net Retained
Balance, January 1	P 813,715,149	P 31,665,230	P 782,049,919	P 906,478,237	P 38,714,686	P 867,763,551
Policies written						
during the year	1,489,055,673	77,186,867	1,411,868,806	1,677,099,538	76,048,925	1,601,050,613
Premiums earned						
during the year	(1,614,465,540)	(72,820,320)	(1,541,645,220)	(1,769,862,626)	(83,098,561)	(1,686,764,045)
	<b>P 688,305,282</b>	<b>P 36,031,777</b>	<b>P 652,273,505</b>	<b>P 813,715,149</b>	<b>P 31,665,230</b>	<b>P 782,049,919</b>

In accordance with IC circular 2016-67, Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR). UPR is calculated using the 24<sup>th</sup> method for all classes of business, on a gross of reinsurance basis. URR is calculated as the best estimate of future obligation, expenses for policy management and claims settlement cost. URR may be estimated as the unearned premium for each class of business multiplied by ultimate loss ratio and adjusted for future expenses.

The actuarial valuation result for premium liabilities for the year ended December 31, 2025 and 2024 is as follows:

	Gross	
	2025	2024
UPR	<b>P 688,305,282</b>	P 813,715,149
URR		
Best estimate of future obligation	168,125,601	303,076,743
Maintenance expenses	59,095,980	70,853,723
Claims handling expense	8,647,574	11,520,154
Margin for adverse deviation	47,277,131	71,999,302
	<b>283,146,286</b>	457,449,922
Premium Liability (whichever is higher)	<b>P 688,305,282</b>	P 813,715,149

	Net	
	2025	2024
UPR	<b>P 652,273,505</b>	P 782,049,919
URR		
Best estimate of future obligation	161,074,833	302,916,986
Maintenance expenses	59,095,980	70,853,723
Claims handling expense	8,647,574	11,520,154
Margin for adverse deviation	31,654,697	49,045,932
	<b>260,473,084</b>	434,336,795
Premium Liability (whichever is higher)*	<b>P 652,273,505</b>	P 782,049,919

\* Net of reserve for reinsurance premium amounting to P36,031,777 and P31,665,230 in 2025 and 2024, respectively. (see Note 11)

## 19. Reinsurance liabilities

This account consists of:

	2025		2024	
Premiums due to reinsurers:				
Facultative	P	6,748,450	P	513,634
Treaty		-		-
	P	6,748,450	P	513,634

Management believes that the carrying amounts are the reasonable approximation of their fair values as of December 31, 2025 and 2024.

The movement of this account is as follows:

	2025			
		Treaty	Facultative	Total
January 1	P	-	P 513,634	P 513,634
Cessions		12,452,618	50,864,148	63,316,766
Settlements		(12,452,618)	(44,629,332)	(57,081,950)
December 31	P	-	P 6,748,450	P 6,748,450

	2024			
		Treaty	Facultative	Total
January 1	P	9,539,237	P 16,523,048	P 26,062,285
Cessions		4,621,517	40,423,003	45,044,520
Settlements		(14,160,754)	(56,432,417)	(70,593,171)
December 31	P	-	P 513,634	P 513,634

## 20. Accounts payable and accrued expenses

This account consists of:

	2025		2024	
Taxes payable	P	315,597,332	P	282,144,164
Commission payable		22,855,423		25,607,646
Accrued expenses		10,764,503		10,571,206
Income tax payable		12,201,615		13,209,045
Other liabilities		13,359,632		33,795,371
	P	374,778,505	P	365,327,432

Terms and conditions are as follows:

- Taxes payable are usually settled in the following month.
- Commission payable is settled upon remittance of premium not exceeding 90 days.
- Accrued expenses are settled within 90 days.
- Other liabilities represent government mandatory contributions and employees' salary loan.

Management believes that the carrying amounts are the reasonable approximation of their fair values as of December 31, 2025 and 2024.

## 21. Equity

### Capital stock

The Company's capital structure as of December 31, 2025 and 2024 is as follows:

	2025		2024	
	Shares	Amount	Shares	Amount
Preferred-P100 par value				
Authorized - 200,000 shares				
Issued and outstanding	200,000 P	20,000,000	200,000 P	20,000,000
Common shares-P100 par value				
Authorized - 12,800,000 shares				
Issued and outstanding				
Balance, January 1	12,800,000	1,280,000,000	12,800,000	1,280,000,000
Issuance during the year	-	-	-	-
Balance, December 31	12,800,000	1,280,000,000	12,800,000	1,280,000,000
	13,000,000 P	1,300,000,000	13,000,000 P	1,300,000,000

### Preferred shares

The Preferred Shares subscribed to by the President and the Chairman of the Board shall be voting shares and shall be entitled to dividends at such rate or rates as may be determined by the Board of Directors (BOD). Said shares shall be non-interest bearing and non-cumulative, and shall be convertible into common shares under such term and conditions as may be fixed by the BOD.

The Preferred Shares shall likewise be redeemable at such price and under such terms and conditions as may be determined by the BOD. They shall enjoy preference over common shares in the distribution of assets in the event of liquidation, dissolution or winding up of the Company.

### Common shares

On March 18, 2022, the BOD and stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the increase of the Company's authorized capital stock from P600,000,000 consisting of P580,000,000 divided into 5,800,000 common shares of stock, and P20,000,000 divided into 200,000 preferred shares, both with a par value of P100 per share, to P1,300,000,000. The increased authorized capital stock consists of P1,280,000,000 divided into 12,800,000 common shares, and P20,000,000 divided into 200,000 preferred shares, both with a par value of P100 per share. Of the P700,000,000 increase in common stock, P175,000,000 has been subscribed, of which, P43,750,000 has been paid in cash. The increase in authorized capital stock was approved by the SEC on November 25, 2022.

On December 19, 2022, the Board of Directors (BOD) approved the conversion of P200,000,000 advances from stockholders to 2,000,000 shares with a par value of P100 per share for a total par value of P200,000,000. On the same date, the Board of Directors approved the issuance of 2,000,000 shares from the unissued shares available for subscription. This non-cash transaction was excluded in the statement of cash flows.

In 2023, the balance on the 1,750,000 subscribed shares mentioned above was fully paid. In addition, a total of 3,250,000 shares were subscribed and fully paid for P416,250,000. The excess of the subscription price over par value amounting to P91,250,000 was credited to Additional Paid-in Capital. Consequently, the total of 5,000,000 subscribed shares were issued in 2023.

As of December 31, 2025 and 2024, the Company has 27 shareholders owning 100 or more shares each.

Revaluation reserve on property and equipment

The revaluation reserve represents the cumulative net increase arising from the prior revaluation of certain office condominium units and other properties previously measured under the revaluation model.

Effective January 1, 2025, the Company changed the subsequent measurement basis of certain office condominium units from the revaluation model to the cost model. The carrying amounts of these assets at the date of change were treated as their deemed cost and are depreciated over their remaining useful lives.

Notwithstanding the change in measurement basis, the Company continues to transfer directly from revaluation surplus to retained earnings, on a systematic basis over the remaining useful life of the related assets, the portion of the surplus considered realized through use. The annual transfer is measured as the difference between depreciation based on the previously revalued carrying amount and depreciation based on the asset's original historical cost. Such transfers are made directly within equity and are not recognized in profit or loss.

In respect of certain properties previously carried at revalued amounts that have been reclassified to investment property, the related revaluation reserve is retained in equity under revaluation reserve on property and equipment and shall remain therein until such time that the related assets are disposed of or otherwise derecognized. Upon disposal or derecognition of such investment properties, the corresponding revaluation reserve shall be transferred directly to retained earnings.

Included in the gross revaluation reserve is P56,211,148 pertaining to properties reclassified as investment properties in 2024. The related reserve shall continue to be presented in equity until the assets are disposed of or otherwise derecognized.

Rollforward analysis of revaluation reserve is shown below:

		2025				
		Gross of Tax		Effect of Deferred Income Tax		Net of Tax
Balance at beginning of year	P	62,580,345	P	(15,645,087)	P	46,935,258
Depreciation		(286,672)		71,668		(215,004)
Balance at end of year	P	62,293,672	P	(15,573,419)	P	46,720,255

		2024				
		Gross of Tax		Effect of Deferred Income Tax		Net of Tax
Balance at beginning of year	P	62,867,017	P	(15,716,755)	P	47,150,262
Depreciation		(286,672)		71,668		(215,004)
Balance at end of year	P	62,580,345	P	(15,645,087)	P	46,935,258

If the condominium units were measured using cost model, the carrying amount would have been P13.6 million and P14.3 million as at December 31, 2025 and 2024, respectively.

Retained earnings

On March 22, 2024, the Board of Directors approved the appropriation of retained earnings amounting to P900,000,000. The appropriation is for the Company's expansion projects which include the construction of additional office buildings and extension offices and acquisition of other real estate properties.

## 22. Insurance contracts – terms, assumptions and sensitivities

### *Terms and Conditions*

The major classes of general insurance written by the Company include motor, property, casualty, marine and engineering. Risks under these policies usually cover a 12 month duration.

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

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

The measurement process primarily includes projections of future claims through the use of historical experience statistics. In certain cases, where there is a lack of reliable historical data to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by geographical area and class of business. In addition, claims are usually assessed by loss adjusters.

### *Assumptions*

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claims inflation factors, and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key assumptions include variation in interest and delays in settlement.

### *Sensitivities*

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity to certain variables such as legislative change and uncertainty in the estimation process is impossible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the end of the reporting period.

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

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

% change in loss ratio	Impact on income	
	2025	2024
+5%	+P77.1 million	+P84.3 million
-5%	- P77.1 million	- P84.3 million

There is no effect on equity except on those affecting profit and loss.

Loss development table

Loss development table for the last underwriting year for 2025 and 2024, gross and net of reinsurer's share is presented below:

	Gross Losses and Claims Payable for 2025					
	2021 & prior	2022	2023	2024	2025	Total
Estimate of cumulative claim cost:	P 3,290,450,996	455,767,428	P 775,897,229	P 501,295,056	P 238,446,893	P 238,446,893
One year later	5,468,762,203	522,279,940	997,221,944	700,753,167	-	700,753,167
Two years later	5,470,460,735	455,498,825	1,039,543,703	-	-	1,039,543,703
Three years later	5,449,047,290	466,097,840	-	-	-	466,097,840
Four years later	5,459,700,501	-	-	-	-	5,459,700,501
Current estimate of cumulative claims	5,459,700,501	466,097,840	1,039,543,703	700,753,167	238,446,893	7,904,542,104
Provision for IBNR	-	-	-	-	194,516,254	194,516,254
Cumulative payments to date	(5,425,626,457)	(463,188,918)	(1,033,055,901)	(696,379,760)	(236,958,744)	(7,855,209,780)
Liability recognized in the statement of financial position	P 34,074,044	P 2,908,922	P 6,487,802	P 4,373,407	P 196,004,403	P 243,848,578

	Gross Losses and Claims Payable for 2024					
	2020 & prior	2021	2022	2023	2024	Total
Estimate of cumulative claim cost:	P 2,895,153,070	P 690,363,538	P 455,742,599	P 773,070,046	P 366,862,519	P 366,862,519
One year later	4,726,413,602	1,072,247,171	455,902,286	994,946,025	-	994,946,025
Two years later	4,728,040,112	1,050,294,671	454,769,276	-	-	454,769,276
Three years later	4,728,277,409	1,046,424,706	-	-	-	1,046,424,706
Four years later	4,726,731,342	-	-	-	-	4,726,731,342
Current estimate of cumulative claims	4,726,731,342	1,046,424,706	454,769,276	994,946,025	366,862,519	7,589,733,868
Provision for IBNR	-	-	-	-	206,113,691	206,113,691
Cumulative payments to date	(4,698,201,556)	(1,040,108,655)	(452,024,362)	(988,940,691)	(364,548,196)	(7,543,823,460)
Liability recognized in the statement of financial position	P 28,529,786	P 6,316,051	P 2,744,914	P 6,005,334	P 208,328,004	P 251,924,089

	Net Losses and Claims Payable for 2025					
	2021 & prior	2022	2023	2024	2025	Total
Estimate of cumulative claim cost:	P 3,579,805,701	P 466,834,633	P 794,653,770	P 520,122,461	P 260,193,152	P 260,193,152
One year later	5,491,487,204	522,321,940	997,830,799	707,141,795	-	707,141,795
Two years later	5,482,942,536	456,540,825	1,042,604,353	-	-	1,042,604,353
Three years later	5,461,641,364	466,116,986	-	-	-	466,116,986
Four years later	5,460,453,649	-	-	-	-	5,460,453,649
Current estimate of cumulative claims	5,460,453,649	466,116,986	1,042,604,353	707,141,795	260,193,152	7,936,509,935
Provision for IBNR	-	-	-	-	164,994,095	164,994,095
Cumulative payments to date	(5,426,512,173)	(463,219,663)	(1,036,123,658)	(702,746,293)	(258,575,824)	(7,887,177,611)
Liability recognized in the statement of financial position	P 33,941,476	P 2,897,323	P 6,480,695	P 4,395,502	P 166,611,423	P 214,326,419

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax.

	Changes in basis points	effect on income before income tax
2025	+100 P	31,848,428
	- 100	(31,848,428)
2024	+100 P	29,296,205
	- 100	(29,296,205)

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

iii. Price risk

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

Financial assets carried at fair value consist only of available-for-sale investments. Changes in market values do not affect profit or loss.

The Company has no material exposure on volatility rates of the fair values of investments held at fair value and it has no material impact on the Company's net income and equity.

iv. Operational risk

Operational risk is the risk of loss from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes. Business risk such as changes in environment, technology and industry are monitored through the Company's strategic planning and budgeting processes.

Capital Management

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities and externally imposed capital requirements.

The Company regards the following as the capital it manages as at December 31, 2025 and 2024.

	2025		2024	
Share capital	P	1,300,000,000	P	1,300,000,000
Additional paid-in capital		91,250,000		91,250,000
Contributed surplus		500,000		500,000
Retained earnings		2,327,193,742		2,139,296,666
	P	3,718,943,742	P	3,531,046,666

*Net Worth Requirement*

Externally imposed capital requirements are set and regulated by the Insurance Commission (IC). The requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance Code, domestic insurance companies under the supervision of IC are required to maintain a minimum net worth of at least P250 million by December 31, 2013. Such minimum net worth shall remain unimpaired at all times and shall be increased to the following amounts:

	Minimum network	Compliance date
P	550,000,000	December 31, 2016
	900,000,000	December 31, 2019
	1,300,000,000	December 31, 2022

Insurance Memorandum Circular 22-2006 further clarified that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the net worth is at least equal to the actual paid up capital.

As at December 31, 2025 and 2024, the Company is in compliance with the required minimum paid-up capital. The statutory net worth is based on Regulatory Accounting Policies and may be determined only after the IC has examined the accounts of the Company.

*Risk-based Capital Requirement*

Insurance Memorandum Circular (IMC) 7-2006 provides for the Risk-Based Capital (RBC) framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risk. All non-life insurance companies are annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the Company to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio is calculated as Net worth divided by the RBC requirement. Net worth shall include the (i) paid-up capital, (ii) other capital surplus and (iii) Special surplus funds to the extent authorized by IC.

Internal calculations of RBC ratio as at December 31, 2025 and 2024 revealed the following:

	2025	2024
Total Available Capital	P 3,690,651,895	P 3,346,631,967
RBC requirement	403,038,786	367,409,498
RBC Ratio	916%	911%

Companies not meeting the required RBC ratio will be subjected to an Action Event depending on level the RBC ratio as follows:

- Regulatory Action Event – the RBC is less than 75% but not below 50%, the Company will be required an RBC plan within 45 days;
- Authorized Control Event – the RBC is less than 50% but not below 35%, the IC will be authorized to place the Company under regulatory control;
- Mandatory Control Event – the RBC is less than 35%, the IC is required to place the Company under regulatory control.

The computation of RBC is based on the regulatory accounting policy in accordance the Philippine Insurance Code. The RBC can be determined only after the IC has examined the accounts of the Company.

#### 8. Cash and cash equivalents and Short-term bank investments

This account consists of:

	2025		2024	
Cash in banks				
Current and savings account	P	140,984,440	P	141,864,697
Special savings account and time deposits		1,942,978,721		1,614,425,757
Cash on hand		16,333,439		54,348,617
Total cash and cash equivalents		2,100,296,600		1,810,639,071
Short-term bank investments		16,555,273		29,090,000
	P	2,116,851,873	P	1,839,729,071

Cash in banks including special savings accounts and time deposits earn interest at prevailing bank interest rates ranging from 0.0125% to 5.25% and 0.0125% to 6.125% in 2025 and 2024, respectively. Special savings accounts and time deposits have maturities of three months or less.

Short-term bank investments earn effective annual interest rates ranging from 0.125% to 5.0% and 0.125% to 4.75% in 2025 and 2024, respectively. These investments have maturities of more than three months up to one year.

Interest income earned on these deposits amounted to P74,425,839 in 2025 and P76,926,907 in 2024. (see Note 26)

Significant portion of cash on hand represents claims fund held by various branches. They are held to cover legitimate claims against the Company.

#### 9. Investments

The reconciliation of the carrying amounts of financial assets at the beginning and at the end of the year is shown below.

	December 31, 2025		
	AFS	HTM	Total
Balance, January 1	P 187,675	P 1,233,342,942	P 1,233,530,617
Acquisition	-	361,531,240	361,531,240
Sale/maturity	-	(357,016,388)	(357,016,388)
Changes in fair value	137,636	-	137,636
Amortization of premium/discount	-	12,586,026	12,586,026
Balance, December 31	P 325,311	P 1,250,443,820	P 1,250,769,131

	December 31, 2024		
	AFS	HTM	Total
Balance, January 1	P 191,498	P 1,219,390,849	P 1,219,582,347
Acquisition	-	531,098,389	531,098,389
Sale/maturity	-	(529,705,469)	(529,705,469)
Changes in fair value	(3,823)	-	(3,823)
Amortization of premium/discount	-	12,559,173	12,559,173
Balance, December 31	P 187,675	P 1,233,342,942	P 1,233,530,617

	Net Losses and Claims Payable for 2024					
	2020 & prior	2021	2022	2023	2024	Total
Estimate of cumulative claim cost	P 3,122,744,733	P 759,704,379	P 466,809,803	P 792,245,655	P 398,328,112	P 398,328,112
One year later	4,734,664,562	1,096,832,373	455,944,286	996,541,502	-	996,541,502
Two years later	4,728,746,912	1,052,094,671	454,811,276	-	-	454,811,276
Three years later	4,729,071,493	1,046,424,706	-	-	-	1,046,424,706
Four years later	4,727,484,490	-	-	-	-	4,727,484,490
Current estimate of cumulative claims	4,727,484,490	1,046,424,706	454,811,276	996,541,502	398,328,112	7,622,590,066
Provision for IBNR	-	-	-	-	195,653,248	195,653,248
Cumulative payments to date	(4,703,838,233)	(1,041,190,848)	(452,536,406)	(990,562,145)	(396,335,812)	(7,584,464,504)
Liability recognized in the statement of financial position	P 23,645,257	P 5,233,858	P 2,274,810	P 4,979,357	P 197,645,548	P 233,778,830

### 23. Premiums

Analysis of premiums is as follows:

	2025				
	Direct Business	Assumed Business	Total	Ceded Business	Net
Premiums Written	P 1,435,906,908	P 53,148,766	P 1,489,055,674	P 77,186,867	P 1,411,868,807
Changes in unexpired risk	131,155,923	(5,746,057)	125,409,866	(4,366,547)	129,776,413
	P 1,567,062,831	P 47,402,709	P 1,614,465,540	P 72,820,320	P 1,541,645,220

	2024				
	Direct Business	Assumed Business	Total	Ceded Business	Net
Premiums Written	P 1,633,354,180	P 43,745,358	P 1,677,099,538	P 76,048,925	P 1,601,050,613
Changes in unexpired risk	90,802,387	1,960,701	92,763,088	7,049,656	85,713,432
	P 1,724,156,567	P 45,706,059	P 1,769,862,626	P 83,098,581	P 1,686,764,045

### 24. Claims, losses and adjustment expenses

Analysis of claims, losses and adjustment expenses paid is as follows:

	For the year ended December 31, 2025				
	Direct	Assumed	Total	Recovered	Net
Claims and losses	P 696,611,536	P 4,468,988	P 701,080,524	P 8,842,465	P 692,238,059
Loss adjustment expenses	7,983,694	-	7,983,694	-	7,983,694
	P 704,595,230	P 4,468,988	P 709,064,218	P 8,842,465	P 700,221,753

	For the year ended December 31, 2024				
	Direct	Assumed	Total	Recovered	Net
Claims and losses	P 755,873,519	P 12,726,797	P 768,600,316	P 3,983,640	P 764,616,676
Loss adjustment expenses	12,174,075	-	12,174,075	-	12,174,075
	P 768,047,594	P 12,726,797	P 780,774,391	P 3,983,640	P 776,790,751

**25. Commission expense and commission income**

The composition of this account is as follows:

	2025		2024	
	Commission expense	Commission income	Commission expense	Commission income
Direct business	P 388,638,857	P -	P 428,371,377	P -
Reinsurance business	7,134,826	19,388,072	5,590,523	21,020,148
Total	395,773,683	19,388,072	433,961,900	21,020,148
Increase/decrease in DAC/DCI (Note 14)	19,240,085	(349,589)	11,472,730	1,701,852
	P 415,013,768	P 19,038,483	P 445,434,630	P 22,722,000

Standard commission rate for direct and reinsurance business ranges from 4% to 19%.

**26. Interest and other income**

The sources of interest income are as follows:

	2025	2024
Interest income from:		
Held-to-maturity investments	P 54,657,089	P 60,686,994
Cash and cash equivalents and short-term bank placements	74,425,839	76,926,907
	129,082,928	137,613,901
Other income	2,321,979	1,303,211
	P 131,404,907	P 138,917,112

Other income significantly consists of rental income, dividend income, income from towing and service fees on bonds.

## 27. Administrative expenses

The breakdown of administrative expenses is as follows:

	2025		2024	
Salaries and other employee benefits	P	139,702,148	P	149,508,515
Depreciation (see Notes 12 and 13)		40,160,783		37,103,422
Professional fees		34,217,190		29,915,148
Agency expenses		26,209,308		31,999,801
Investment management fees		18,121,710		20,716,351
Retirement benefit cost (see Note 28)		17,862,613		18,512,848
Transportation		12,227,619		10,433,924
Communication, light and water		10,806,886		14,344,413
Representation and entertainment		10,711,491		10,880,410
Supplies		8,922,393		9,354,141
Rent (see Note 31)		8,419,198		9,514,973
Association pool dues		7,290,686		6,915,933
Taxes and licenses		5,747,741		5,688,920
Repairs and maintenance		4,014,933		5,531,998
Advertising		3,681,675		6,738,051
Insurance expense		2,975,154		2,794,752
Provision for probable losses (see Notes 10 and 11)		888,487		5,195,899
Miscellaneous		11,946,615		13,198,275
	P	363,906,630	P	388,347,774

Miscellaneous expenses mainly composed of authentication fees, bonds certification and cash gift.

## 28. Retirement benefit cost

The Company has a tax-qualified, non-contributory defined obligation plan covering all regular employees. The plan provides for lump-sum benefits equivalent to 130% of Plan Salary for every year of Credited Service. The normal retirement age is 65 years old.

The latest actuarial valuation computed using the projected unit credit method dated March 13, 2026 is used as basis for computing actuarial accrued liability for years 2025 and 2024 amounting to P104,491,185 and P106,746,649, respectively.

The following information summarizes the components of defined benefit costs, the unfunded status and the amounts recognized as defined benefit liability.

The retirement benefits recognized in the statements of income and comprehensive income is as follows:

	2025		2024	
Current service cost	P	11,547,808	P	11,813,830
Net interest cost		6,314,805		6,699,018
Settlement gain		-		-
Defined benefit cost recognized in profit and loss*		17,862,613		18,512,848
Remeasurement gain recognized in OCI		(835,756)		(9,913,550)
Net defined benefit cost	P	17,026,857	P	8,599,298

\* Included in Salaries and other employee benefits

The movements in remeasurement loss on defined benefit liability are as follows:

		2025		2024
Remeasurement loss, beginning of the year	P	27,404,390	P	37,317,940
Retirement benefit cost in OCI:				
Actuarial gain on defined benefit obligation		(2,105,014)		(10,115,902)
Remeasurement loss on plan assets		1,269,258		202,352
Remeasurement loss, end of the year		26,568,634		27,404,390
Less: Income tax effect		(6,642,158)		(6,851,098)
	P	19,926,476	P	20,553,293

The net defined benefit liability recognized in the statement of financial position is as follows:

		2025		2024
Present value of obligation	P	189,095,760	P	179,747,056
Fair value of plan asset		84,604,575		73,000,407
	P	104,491,185	P	106,746,649

The changes in present value of defined benefit obligation are as follows:

		2025		2024
Balance at the beginning of the year	P	179,747,056	P	174,393,396
Interest cost		11,054,444		10,620,558
Current service cost		11,547,808		11,813,830
Benefits paid		(11,148,534)		(6,964,826)
Actuarial gain		(2,105,014)		(10,115,902)
Defined benefit obligation	P	189,095,760	P	179,747,056

The changes in fair value of plan asset are as follows:

		2025		2024
Balance at the beginning of the year	P	73,000,407	P	59,504,978
Interest income		4,739,639		3,921,540
Contributions		8,133,787		9,776,241
Remeasurement loss		(1,269,258)		(202,352)
	P	84,604,575	P	73,000,407

The allocation of Plan asset is as follows:

		2025		2024
Cash and cash equivalents		100.00%		100.00%
Others		0.00%		0.00%
		100.00%		100.00%

Plan assets are valued by the fund manager at fair value using the mark-to-market valuation.

The Company contributes to the fund depending on the requirements of the plan.

The sensitivity analyses based on reasonably possible changes of each significant assumption on the retirement benefit obligation are as follows:

		2025		2024
Discount rate decrease by 100 bps	P	(5,793,029)	P	(5,998,448)
Discount rate increase by 100 bps		6,287,307		6,547,018
Salary rate decrease by 100 bps		(5,903,137)		(6,117,121)
Salary rate increase by 100 bps		6,291,027		6,556,708

Actuarial assumptions used to determine retirement benefits as at December 31, 2025 and 2024 are as follows:

	2025	2024
Discount rate	6.06%	6.15%
Salary rate increase	5.00%	5.00%
Weighted average duration of Plan (in years)	3.20	3.50

The expected future benefits payment of the plan as of December 31, 2025 and 2024 is as follows:

		2025		2024
Within next year	P	131,352,878	P	121,542,208
After next year to 5th year		37,017,702		26,995,301
After 5th year		89,236,994		92,836,338

## 29. Income taxes

The components of income tax expense recognized in the statements of income for the years ended December 31, 2025 and 2024 are as follows:

		2025		2024
Current	P	19,713,595	P	19,368,782
Deferred		(561,851)		6,835,340
	P	19,151,744	P	26,204,122

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense is as follows:

		2025		2024
Income tax expense at statutory rate	P	51,690,537	P	53,775,809
Income tax effects of:				
Interest income subjected to final tax		(32,270,732)		(34,403,475)
Non-deductible expenses		522,609		522,609
Unrecognized temporary differences		(790,670)		6,309,179
Income tax expense	P	19,151,744	P	26,204,122

Components of deferred income tax recognized in the statements of financial position are as follows:

	2025	2024
<b>Deferred tax assets</b>		
Defined benefit cost recognized in profit or loss	P 19,480,637	P 19,835,565
Remeasurement loss on defined benefit liability	6,642,159	6,851,098
Allowance for probable losses	1,521,097	1,298,975
Provision for claims incurred but not recorded	3,970,706	3,276,049
	<b>31,614,599</b>	<b>31,261,687</b>
<b>Deferred tax liabilities</b>		
Revaluation reserve on property and equipment	15,573,418	15,645,086
	<b>15,573,418</b>	<b>15,645,086</b>
<b>Net deferred tax assets</b>	<b>P 16,041,181</b>	<b>P 15,616,601</b>

Changes in deferred income tax are as follows:

	As of December 31, 2025				
	Beginning	Changes taken to			Ending
		Profit and loss	Equity		
Deferred tax assets	P 31,261,687	P 561,851	P (208,939)	P	31,614,599
Deferred tax liabilities	(15,645,086)	-	71,668	P	(15,573,418)
	<b>P 15,616,601</b>	<b>P 561,851</b>	<b>P (137,271)</b>	<b>P</b>	<b>16,041,181</b>

	As of December 31, 2024				
	Beginning	Changes taken to			Ending
		Profit and loss	Equity		
Deferred tax assets	P 80,387,289	P (46,647,214)	P (2,478,388)	P	31,261,687
Deferred tax liabilities	(55,528,629)	39,811,875	71,668	P	(15,645,086)
	<b>P 24,858,660</b>	<b>P (6,835,339)</b>	<b>P (2,406,720)</b>	<b>P</b>	<b>15,616,601</b>

### 30. Reconciliation of accounts under Philippine Financial Reporting Standards (PFRS) and net income under Regulatory Accounting Policies (RAP)

PFRS varies in certain respects from RAP prescribed by the Insurance Commission. In accordance with Section 203 of the amended Insurance Code, the following items of assets is classified as non-admitted assets:

- Intangible assets;
- Prepayments and deferred charges;
- Unsecured loans, advances and other receivables;
- Furniture, fixtures, equipment and the like; and
- Other assets of doubtful value

The reconciliation of balances and difference in measurement bases under PFRS and RAP is as follows:

(i) Statement of Financial Position

	2025	2024
Total assets under PFRS	P 5,173,150,683	P 5,104,409,521
Total liabilities under PFRS	1,427,153,622	1,546,858,985
Networth under PFRS	3,745,997,061	3,557,550,536
Less: Non-admitted assets		
Premiums due from agents and reinsurers	(29,613,981)	(31,512,690)
Other property and equipment	(45,610,845)	(159,624,308)
Other non-admitted assets	(35,113,082)	(19,781,572)
Net worth under RAP	P 3,635,659,153	P 3,346,631,966

Net worth under RAP is broken down as follows:

	2025	2024
Total assets under RAP	P 5,062,812,775	P 4,893,490,951
Total liabilities under RAP	1,427,153,621	1,546,858,985

(ii) Statement of Income

	2025	2024
PFRS net income	P 187,610,404	P 188,899,115
Add (Less):		
Effect of deferred income tax	(561,851)	6,835,339
RAP net income	P 187,048,553	P 195,734,454

### 31. Commitments and contingencies

#### Leases

The Company leases its office spaces under short-term lease arrangements with various lessors. Rent expense under these lease arrangements amounted to P8,419,198 and P9,514,973 in 2025 and 2024, respectively.

The Company leased out certain condominium units and insignificant portion of its owner-occupied properties to third parties. Rental income earned on these properties and broken down as follows:

	2025	2024
Investment properties	P 1,749,700	P 872,000
Owner-occupied properties	353,103	-
	P 2,102,803	P 872,000

#### Contingencies

In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims. The Company may recognize adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

### 32. Other significant matters

#### Deferral of adoption of PFRS 9

In 2025 and 2024, the Company continues to apply the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 with PFRS 4* issued in 2016. The temporary exemption from applying the PFRS 9 is applicable until the mandatory effectivity of PFRS 17 for entities whose activities are predominantly connected with issuing contracts within the scope of PFRS 4. The predominance test, as required by the standard, was performed using the Statement of Financial Position as of December 31, 2018. Accordingly, the Company's gross liabilities arising from insurance contracts within the scope of PFRS 4 is equivalent to 82% of the total carrying amount of all its liabilities. No re-assessments have been performed at subsequent date because there was no substantial change in the business of Company that would require such re-assessment.

As the Company is eligible to apply the temporary exemption from applying PFRS 9, the Board of Directors decided to align the effective date of PFRS 9 to the mandatory adoption date of PFRS 17. The following information on fair value disclosure, credit risk exposure and credit concentrations are presented as required by the amended standard.

- (i) The fair value of financial assets at December 31, 2025 and 2024 classified between those that meet and those that does not meet the Solely Payment of Principal and Interest (SPPI) criteria and the changes in fair value are presented as follow:

	Fair values as of December 31, 2025		Fair values as of December 31, 2024		Fair value changes in 2025	
	Does not meet the		Does not meet the		Does not meet	
	Meet the SPPI test	SPPI test	Meet the SPPI test	SPPI test	Meet the SPPI test	the SPPI test
Loans and receivables:						
Cash and cash equivalents*	P 2,003,963,161	P -	P 1,756,290,454	P -	P -	P -
Short-term bank investments	16,555,273	-	29,090,000	-	-	-
Accrued investment income	15,683,064	-	14,004,288	-	-	-
Insurance balances receivable	460,393,855	-	662,122,632	-	-	-
Claims and losses recoverable	34,306,046	-	20,070,764	-	-	-
Other assets	3,531,930	-	4,219,654	-	-	-
AFS - equity securities	-	325,311	-	187,675	-	137,636
HTM - gov't securities	1,266,922,546	-	1,237,071,870	-	-	-
	P 3,881,355,875	P 325,311	P 3,712,869,662	P 187,675	P -	P 137,636

\*Excludes cash on hand

Financial assets that meet the SPPI criteria in PFRS 9 are those whose cash flows comprise solely payments of principal and interest on principal outstanding.

(ii) Information about the credit risk exposure of financial assets that meets the SPPI test is as follows:

	December 31, 2025					
	Neither Past Due nor Impaired		Past Due but		Impaired	Total
	Rated	Unrated	Unimpaired			
Loans and receivables:						
Cash and cash equivalents*	P 967,279,485	P 1,116,683,676	P -	P -		P 2,083,963,161
Short-term bank investments	16,555,273	-	-	-		16,555,273
Accrued investment income	14,055,455	1,627,609	-	-		15,683,064
Insurance balances receivable	-	434,281,284	26,112,571	4,519,198		464,913,053
Claims and losses recoverable	-	31,087,348	3,218,698	1,565,189		35,871,235
Other assets	-	3,531,930	-	-		3,531,930
HTM - gov't securities	1,266,922,546	-	-	-		1,266,922,546
	P 2,284,812,759	P 1,587,211,847	P 29,331,269	P 6,084,387		P 3,887,440,262

\*Excludes cash on hand

	December 31, 2024					
	Neither Past Due nor Impaired		Past Due but		Impaired	Total
	Rated	Unrated	Unimpaired			
Loans and receivables:						
Cash and cash equivalents*	P 943,885,497	P 812,404,957	P -	P -		P 1,756,290,454
Short-term bank investments	27,213,045	1,876,955	-	-		29,090,000
Accrued investment income	12,989,404	1,014,884	-	-		14,004,288
Insurance balances receivable	-	-	652,122,632	3,632,184		655,754,816
Claims and losses recoverable	-	-	20,070,764	1,563,715		21,634,479
Other assets	-	4,219,654	-	-		4,219,654
HTM - gov't securities	1,237,071,870	-	-	-		1,237,071,870
	P 2,221,159,816	P 819,516,450	P 672,193,396	P 5,195,899		P 3,718,065,561

\*Excludes cash on hand

The ratings used above is consistent with the ratings used in Note 7.

(iii) Information about the credit concentration of financial assets that meets the SPPI test is as follows:

	December 31, 2025			
	Government	Financial Institutions	All Others	Total
Loans and receivables:				
Cash and cash equivalents*	P -	P 2,083,963,161	P -	P 2,083,963,161
Short-term bank investments	-	16,555,273	-	16,555,273
Accrued investment income	12,732,477	2,950,587	-	15,683,064
Insurance balances receivable	-	-	464,913,053	464,913,053
Claims and losses recoverable	-	-	35,871,235	35,871,235
Other assets	-	-	3,531,930	3,531,930
HTM - gov't securities	1,266,922,546	-	-	1,266,922,546
	P 1,279,655,023	P 2,103,469,021	P 504,316,218	P 3,887,440,262

\*Excludes cash on hand

	December 31, 2024			
	Government	Financial Institutions	All Others	Total
Loans and receivables:				
Cash and cash equivalents*	P -	P 1,756,290,454	P -	P 1,756,290,454
Short-term bank investments	-	29,090,000	-	29,090,000
Accrued investment income	11,164,048	2,840,240	-	14,004,288
Insurance balances receivable	-	-	655,754,816	655,754,816
Claims and losses recoverable	-	-	21,634,479	21,634,479
Other assets	-	-	4,219,654	4,219,654
HTM - gov't securities	1,237,071,870	-	-	1,237,071,870
	P 1,248,235,918	P 1,788,220,694	P 681,608,949	P 3,718,065,561

\*Excludes cash on hand

#### Related party transactions

Compensation to key management personnel amounted to P27.7 million in 2025 and P37.3 million in 2024 and are included as part of salaries and other employee benefits account under administrative expenses in the statements of income.

#### Subsequent events

During a special meeting of the Board of Directors held on March 30, 2026, the Board approved the appropriation of an additional P500,000,000 from the Company's unappropriated retained earnings for its corporate expansion projects and marketing programs.

The appropriation is intended to fund the construction of additional office buildings and extension offices. Included in the approved expansion projects is a property located in Puerto Princesa, Palawan, with a total land area of 1,330 square meters.

The Board further approved the planned acquisition of lots in locations where the Company presently operates branch offices, particularly in the following areas:

- Lucena City
- Legazpi City
- Sorsogon City

The appropriated amount shall be utilized for the acquisition, development, and related expenditures associated with the foregoing expansion projects in line with the Company's strategic growth plans.

*Current and non-current distinction*

The Company's current assets and current liabilities are presented below:

	2025	2024
<b>Current assets</b>		
Cash and cash equivalents	P 2,100,296,600	P 1,810,639,071
Short-term bank investments	16,555,273	29,090,000
Insurance balances receivables	445,959,478	636,689,737
Deferred acquisition cost	138,868,569	158,108,654
Accrued investment income	15,683,064	14,004,288
Financial assets - HTM	198,303,776	357,016,388
Other assets	3,531,930	4,219,654
	<b>P 2,919,198,690</b>	<b>P 3,009,767,792</b>
<b>Current liabilities</b>		
Reserve for unearned premiums	P 688,305,282	P 813,715,149
Insurance claims payable	243,848,578	239,327,886
Accounts payable and accrued expenses	374,778,505	365,327,432
Reinsurance liabilities	6,748,450	513,634
Deferred commission income	8,981,622	8,632,032
	<b>P 1,322,662,437</b>	<b>P 1,427,516,133</b>

*Non-cash transactions*

Excluded in the statements of cash flows are the non-cash investing activities as follows:

- Transfer of owner-occupied condominium units with carrying value of P119,424,287 from property and equipment to investment properties in 2024. (see Note 13)

### 33. Supplementary Information Required under Revenue Regulations 15-2010

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2025 is presented in compliance thereto.

- The details of Value-Added Tax (VAT) - output tax declared in the Company's 2025 VAT returns and the related accounts are as follows:

Premiums	P 78,691,442
Commission	934,626
	<b>P 79,626,068</b>

- The VAT input tax claimed is broken down as follows:

Balance at the beginning of the year	P	26,650,447
Current year's domestic purchases/payments for:		
Goods		3,267,888
Services		11,586,149
Applied against VAT output tax		(41,504,484)
Balance at the end of the year	P	-

- The premium tax on personal accident insurance paid and accrued amounted to P112,820.
- The documentary stamp paid/accrued on insurance policies amounted to P48,674,172.
- The amounts of withholding tax payments, by category is as follows:

Tax on compensation and benefits	P	2,510,832
Expanded withholding tax		14,917,191

- All other taxes, local and national, lodge under taxes and licenses account are as follows:

National tax		
IC licenses and filing fees	P	299,150
Local taxes		
Real property tax		2,423,530
Community tax		17,983
Business tax		2,521,440
Other local taxes		485,638
	P	5,747,741