Isla Lipana & Co.

Asia Insurance (Philippines) Corporation

Financial Statements
As at and for the years ended December 31, 2025 and 2024

Independent Auditor's Report

To the Board of Directors and Shareholders of
Asia Insurance (Philippines) Corporation
15th Floor, Tytana Plaza
Plaza Lorenzo Ruiz
Binondo, Manila

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Asia Insurance (Philippines) Corporation (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 (PFRS) Accounting Standards.

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2025 and 2024;
- the statements of total comprehensive income for the years ended December 31, 2025 and 2024;
- the statements of changes in equity for the years ended December 31, 2025 and 2024;
- the statements of cash flows for the years ended December 31, 2025 and 2024; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

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

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

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audits of the financial statements of public interest entities in the Philippines. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Imelda dela Vega - Mangundaya
Partner
CPA Cert. No. 0090670
PTR No. 0024586, issued on January 8, 2026, Makati City
SEC A.N. (individual) as general auditors 90670-SEC, Category A;
valid to audit 2019 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
T.I.N. 152-015-124
BIR A.N. 08-000745-047-2024, issued on October 30, 2024; effective until October 29, 2027
BOA/PRC Reg. No. 0142/P-004, effective until November 14, 2028

Makati City
June 4, 2026

Asia Insurance (Philippines) Corporation

Statements of Financial Position
As at December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Assets			
Cash and cash equivalents	3	612,001,320	414,466,519
Insurance receivables, net	4	498,469,308	528,351,338
Other receivables	4	66,189,622	63,784,270
Held-to-maturity securities	5	620,082,424	666,461,475
Investments at fair value through profit or loss	5	382,986,510	450,608,950
Available-for-sale securities	5	357,542,357	292,588,821
Other investments	5	9,358,327	18,741,283
Reinsurance recoverable on unpaid losses	6	419,620,382	558,091,335
Deferred reinsurance premiums	6	206,635,348	270,575,940
Deferred acquisition costs	6	153,061,025	139,349,842
Investment property, net	7	158,624,000	149,779,222
Non-current assets held for sale	7	-	2,745,000
Property and equipment, net	8	70,388,773	71,374,930
Other assets		44,823,772	32,949,465
Total assets		**3,599,783,168**	**3,659,868,390**
Liabilities and Equity			
Losses and claims payable	6	571,463,286	675,782,621
Reserve for unearned premiums	6	451,556,011	483,192,560
Deferred commission income	6	17,522,035	36,713,717
Due to reinsurers and ceding companies		247,974,063	235,509,208
Funds held for reinsurers		4,991,031	66,462,566
Commissions payable		25,224,941	23,464,722
Accounts payable and other liabilities	10	209,416,529	287,256,164
Deferred income tax liabilities, net	9	10,367,767	12,484,041
Total liabilities		1,538,515,663	1,820,865,599
Share capital	11	350,000,000	350,000,000
Contributed surplus	11	500,000	500,000
Accumulated other comprehensive income	11	11,055,326	32,225,743
Retained earnings	11	1,699,712,179	1,456,277,048
Total equity		2,061,267,505	1,839,002,791
Total liabilities and equity		**3,599,783,168**	**3,659,868,390**

(The notes on pages 1 to 57 are an integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Statements of Total Comprehensive Income
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
UNDERWRITING INCOME			
Premiums written	2	1,143,649,336	1,115,534,863
Reinsurance premiums ceded	2	(526,765,306)	(614,700,428)
Premiums retained	2	616,884,030	500,834,435
Increase in reserve for unearned premiums, net	6	(32,304,043)	(14,563,956)
Premiums earned	2	584,579,987	486,270,479
Commissions earned	2	67,389,062	97,764,768
Other underwriting income	2	800,613	832,645
GROSS UNDERWRITING INCOME	2	**652,769,662**	**584,867,892**
UNDERWRITING EXPENSES			
Commissions and other underwriting expenses	2	255,261,697	232,324,307
Losses and claims, net	2	178,189,505	173,708,901
GROSS UNDERWRITING EXPENSES	2	**433,451,202**	**406,033,208**
NET UNDERWRITING INCOME	2	**219,318,460**	**178,834,684**
INVESTMENT AND OTHER INCOME, NET			
Interest income	12	48,645,359	59,189,859
Gain on sale of stock investments	5	58,671,930	563,418
Net gain (loss) in investments at FVTPL	5	43,529,494	(4,197,755)
Dividend	5	30,505,810	17,046,355
Fair value gains on investment property, net	7	9,816,000	3,202,000
Rent	7	6,912,359	6,445,057
Foreign exchange gain	19	6,309,438	48,042,867
Miscellaneous		943,689	1,655,644
		205,334,079	**131,947,445**
NET UNDERWRITING AND INVESTMENT INCOME		**424,652,539**	**310,782,129**
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and employee benefits	13	70,115,672	59,897,235
Occupancy and equipment-related costs		13,603,595	10,887,345
Transportation and travel		9,241,058	6,306,409
Representation and entertainment		8,190,610	7,134,968
Taxes, licenses and fees		6,803,259	4,102,689
Professional and directors' fees		4,063,563	3,010,596
Printing, stationery and supplies		2,106,327	2,186,405
Association dues	7	1,955,067	1,705,181
Advertising and promotion		1,926,416	1,849,525
Communication and postage		1,227,116	1,337,788
Interest expense on lease liability	18	242,858	92,406
Miscellaneous		7,746,571	5,955,281
		127,222,112	**104,465,828**
INCOME BEFORE INCOME TAX		297,430,427	206,316,301
INCOME TAX EXPENSE	15	(36,495,296)	(49,570,973)
NET INCOME FOR THE YEAR		**260,935,131**	**156,745,328**
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be subsequently reclassified to profit or loss			
Net change in fair value of available-for-sale securities, net of tax	5,11	(26,376,517)	14,445,718
Item that will not be subsequently reclassified to profit or loss			
Changes in revaluation surplus of property and equipment, net of tax	8,11	1,045,500	4,652,250
Remeasurement gain (loss) on retirement benefit obligation, net of tax	11,14	4,160,600	(5,820,910)
		(21,170,417)	**13,277,058**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**239,764,714**	**170,022,386**

(The notes on pages 1 to 57 are an integral part of these financial statements.)

Asia Insurance (Philippines) Corporation

Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Share capital (Note 11)	Contributed surplus (Note 11)	Accumulated other comprehensive income (Note 11)	Retained earnings (Note 11)	Equity
Balances at January 1, 2024	**350,000,000**	**500,000**	**18,948,685**	**1,324,031,720**	**1,693,480,405**
Comprehensive income					
Net income for the year	-	-	-	156,745,328	156,745,328
Other comprehensive income	-	-	13,277,058	-	13,277,058
Total comprehensive income for the year	-	-	13,277,058	156,745,328	170,022,386
Transactions with owners					
Dividends declared and paid	-	-	-	(24,500,000)	(24,500,000)
Balances at December 31, 2024	**350,000,000**	**500,000**	**32,225,743**	**1,456,277,048**	**1,839,002,791**
Comprehensive income					
Net income for the year	-	-	-	260,935,131	260,935,131
Other comprehensive income	-	-	(21,170,417)	-	(21,170,417)
Total comprehensive income for the year	-	-	(21,170,417)	260,935,131	239,764,714
Transactions with owners					
Dividends declared and paid	-	-	-	(17,500,000)	(17,500,000)
Balances at December 31, 2025	**350,000,000**	**500,000**	**11,055,326**	**1,699,712,179**	**2,061,267,505**

(The notes on pages 1 to 57 are an integral part of these financial statements.)

Asia Insurance (Philippines) Corporation

Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	90,358,968	65,034,058
Contributions to the retirement plan		(21,000,000)	(4,671,363)
Interest received		80,255	155,442
Income taxes paid		(57,143,490)	(9,738,575)
Net cash from operating activities		**12,295,733**	**50,779,562**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	8	(7,538,499)	(7,924,966)
Held-to-maturity securities	5	(92,000,000)	(15,000,000)
Available-for-sale securities	5	(326,727,656)	(262,598,435)
Investments at fair value through profit or loss	5	(102,814,033)	(453,155,325)
Other investments	5		(13,741,283)
Proceeds from:			
Maturities of held-to-maturity securities	5	139,548,600	226,031,044
Maturities of investments at FVTPL	5	220,149,849	-
Disposal of available-for-sale securities	5	285,277,360	69,932,761
Maturities of other investments	5	9,382,956	361,069,813
Disposal of non-current asset held-for-sale	7	2,745,000	-
Disposal of property and equipment		728,036	-
Interest received		47,551,359	51,664,378
Dividends received	5	30,505,810	17,046,355
Advances to related parties	17	(2,112,425)	(20,102,085)
Net cash flows from (used in) investing activities		**204,696,357**	**(46,777,743)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends	11	(18,904,448)	(24,508,574)
Payments on lease liabilities	18	(3,482,343)	(2,101,500)
Net cash used in financing activities		**(22,386,791)**	**(26,610,074)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**194,605,299**	**(22,608,255)**
CASH AND CASH EQUIVALENTS			
At January 1		414,466,519	435,145,674
Effects of exchange rate changes on cash and cash equivalents		2,929,502	1,929,100
At December 31	**3**	**612,001,320**	**414,466,519**

(The notes on pages 1 to 57 are an integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Notes to the Financial Statements
As at and for the years ended December 31, 2025 and 2024
(All amounts are shown in Philippine Peso unless, otherwise stated)

1 General information

Asia Insurance (Philippines) Corporation (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) primarily to engage in the sale of non-life insurance policies on fire, marine cargo, motor vehicle, casualty, surety bond, personal accident, comprehensive general liability, engineering lines and miscellaneous insurances.

As at reporting dates, the Company is 20% owned by Asian Insurance International (Holdings) Ltd., which is domiciled and incorporated in Bermuda, 20% owned by P.T. Asuransi Central Asia, which is domiciled and incorporated in the Indonesia, 11% owned by APIC Holdings, Inc., which is domiciled and incorporated in the Philippines, 10% owned by Bangkok Bank Public Company, Ltd., which is domiciled and incorporated in Thailand and a number of non-resident foreign corporation (22.2%) and individual shareholders (16.8%).

The Company’s registered office, which is also its principal place of business, is located at the 15th Floor, Tytana Plaza, Plaza Lorenzo Ruiz, Binondo, Manila.

The Company has 89 employees as at December 31, 2025 (2024 - 86).

Approval of financial statements

The financial statements have been approved and authorized for issuance by the Company’s Board of Directors on June 3, 2026.

2 Additional information on the results of operations by line of business

The following information shows the financial information by line of business for the years ended December 31:

	Fire	Marine	Motor Car	Casualty	Bond	Total
2025						
UNDERWRITING INCOME						
Premiums written	655,284,145	10,444,912	399,980,902	63,145,470	14,793,907	1,143,649,336
Reinsurance premium ceded	(462,964,684)	(7,327,103)	(4,151,605)	(49,211,775)	(3,110,139)	(526,765,306)
Premiums retained	192,319,461	3,117,809	395,829,297	13,933,695	11,683,768	616,884,030
(Increase) decrease in reserve for unearned premiums, net	(67,757,841)	127,344	34,808,821	(285,681)	803,314	(32,304,043)
Premiums earned	124,561,620	3,245,153	430,638,118	13,648,014	12,487,082	584,579,987
Commissions premiums	45,793,556	2,729,541	475,088	16,316,969	2,073,908	67,389,062
Other underwriting (expense) income	(1,911)	-	29,249	572,272	201,003	800,613
GROSS UNDERWRITING INCOME	170,353,265	5,974,694	431,142,455	30,537,255	14,761,993	652,769,662
UNDERWRITING EXPENSES						
Commissions and other underwriting expenses	67,301,648	3,958,359	159,370,312	18,168,831	6,462,547	255,261,697
Losses and claims, net	50,870,327	(747,158)	120,675,373	2,935,988	4,454,975	178,189,505
	118,171,975	3,211,201	280,045,685	21,104,819	10,917,522	433,451,202
NET UNDERWRITING INCOME	52,181,290	2,763,493	151,096,770	9,432,436	3,844,471	219,318,460
INVESTMENT AND OTHER INCOME, NET						205,334,079
NET UNDERWRITING AND INVESTMENT INCOME						424,652,539
GENERAL AND ADMINISTRATIVE EXPENSES						(127,222,112)
INCOME BEFORE INCOME TAX						297,430,427
INCOME TAX EXPENSE						(36,495,296)
NET INCOME FOR THE YEAR						260,935,131
OTHER COMPREHENSIVE LOSS						(21,170,417)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						239,764,714

	Fire	Marine	Motor Car	Casualty	Bond	Total
2024						
UNDERWRITING INCOME						
Premiums written	583,463,604	12,413,180	419,339,975	82,796,322	17,521,782	1,115,534,863
Reinsurance premium ceded	(524,355,530)	(8,967,379)	(4,153,991)	(70,842,204)	(6,381,324)	(614,700,428)
Premiums retained	59,108,074	3,445,801	415,185,984	11,954,118	11,140,458	500,834,435
Decrease (increase) in reserve for unearned premiums, net	2,728,054	49,728	(15,926,069)	158,884	(1,574,553)	(14,563,956)
Premiums earned	61,836,128	3,495,529	399,259,915	12,113,002	9,565,905	486,270,479
Commissions earned	69,630,046	3,310,329	659,771	21,492,389	2,672,233	97,764,768
Other underwriting income	24,514	2	258,321	411,166	138,642	832,645
GROSS UNDERWRITING INCOME	131,490,688	6,805,860	400,178,007	34,016,557	12,376,780	584,867,892
UNDERWRITING EXPENSES						
Commissions and other underwriting expenses	53,680,515	4,408,586	145,886,122	22,874,158	5,474,926	232,324,307
Losses and claims, net of reinsurance recoverable	8,381,046	888,464	158,929,119	3,139,713	2,370,559	173,708,901
	62,061,561	5,297,050	304,815,241	26,013,871	7,845,485	406,033,208
NET UNDERWRITING INCOME	69,429,127	1,508,810	95,362,766	8,002,686	4,531,295	178,834,684
INVESTMENT AND OTHER INCOME, NET						131,947,445
NET UNDERWRITING AND INVESTMENT INCOME						310,782,129
GENERAL AND ADMINISTRATIVE EXPENSES						(104,465,828)
INCOME BEFORE INCOME TAX						206,316,301
INCOME TAX EXPENSE						(49,570,973)
NET INCOME FOR THE YEAR						156,745,328
OTHER COMPREHENSIVE INCOME						13,277,058
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						170,022,386

3 Cash and cash equivalents

The details of the account at December 31 are as follows:

	Interest rate (%)		Amount	
	2025	2024	2025	2024
Cash on hand	-	-	11,245,635	26,166,958
Cash in banks				
Philippine Peso	0.13 – 0.50	0.06 - 0.50	91,679,367	71,007,392
US Dollar	0.05 – 0.13	0.05 - 0.13	7,888,416	19,759,640
Time deposits				
Philippine Peso	0.04 – 0.07	0.04 - 0.07	501,187,902	233,903,029
US Dollar	-	0.04 - 0.04	-	63,629,500
			612,001,320	414,466,519

The maturities of cash equivalents which consist of time deposits from reporting dates are as follows:

	2025	2024
Philippine Peso	31-90 days	6 - 62 days
US Dollar	-	13 - 25 days

The related interest earned on cash and cash equivalents is presented in Note 12.

Cash on hand represents undeposited cash collections and various cash funds as at December 31, 2025 and 2024.

Cash and cash equivalents are available for normal business operations and classified as current.

4 Insurance receivables, net; Other receivables

The account as at December 31 consists of:

	2025	2024
Receivables arising from insurance contracts		
Premium receivable	306,073,367	327,068,070
Reinsurance recoverable on paid losses	156,300,291	161,101,188
Due from reinsurers and ceding companies	23,640,550	27,726,980
Funds held by ceding companies	14,008,100	14,008,100
	500,022,308	529,904,338
Allowance for impairment on premium receivable	(1,553,000)	(1,553,000)
	498,469,308	528,351,338
Other receivables		
Accounts receivable	59,931,133	58,539,625
Accrued interest income	6,139,541	5,125,796
Refundable deposits	69,700	69,700
Security fund	49,248	49,149
	66,189,622	63,784,270

The maturity profile of the Company's receivables is disclosed in Note 19.2.3.

Accounts receivable is mainly composed of loans and advances to employees.

The security fund is maintained in compliance with Sections 378 and 380 of the Insurance Code of the Philippines (Insurance Code). The amount of security fund is determined by and deposited with the Insurance Commission (IC) to pay valid claims against insolvent insurance companies.

There were no movements in the allowance for impairment on premium receivable in 2025 and 2024.

There is no concentration of credit risk to a single counterparty with respect to receivables arising from insurance contracts.

Significant accounting judgment - Recoverability of receivables

The Company reviews its receivables at each reporting date to assess whether an allowance for impairment or write-off should be recorded. In these cases, management uses judgment based on the best available facts and circumstances, including but not limited to, the length of relationship with the counterparty and the counterparty's payment history. These also include factors, such as, but not limited to, age of balances and financial status of the counterparty. The amount and timing of recorded impairment losses for any period would therefore differ based on the judgments made. Based on management's assessment, there is no provision needed to be recognized on the Company's receivables for the years ended December 31, 2025 and 2024. Management did not identify any indications that these receivables will not be recovered.

5 Investments

Details and classification of the Company's investments at December 31 follows:

	2025	2024
Held-to-maturity (HTM) securities	620,082,424	666,461,475
Investments at fair value through profit or loss (FVTPL)	382,986,510	450,608,950
Available-for-sale (AFS) securities	357,542,357	292,588,821
Other investments	9,358,327	18,741,283
	1,369,969,618	1,428,400,529

The movements in investments are summarized as follows:

	HTM securities	Investments at FVTPL	AFS securities	Other investments
Balances at January 1, 2024	877,945,847	-	80,339,442	366,069,813
Additions	15,000,000	453,155,325	262,598,435	13,741,283
Maturities of HTM securities	(226,031,044)	-	-	-
Sale of investment securities	-	-	(69,932,761)	(361,069,813)
Fair value adjustment	-	(4,197,755)	19,583,705	-
Foreign currency revaluation	(808,828)	1,651,380	-	-
Amortization of bond premium, net	355,500	-	-	-
Balances at December 31, 2024	666,461,475	450,608,950	292,588,821	18,741,283
Additions	92,000,000	102,814,033	326,727,656	-
Maturities of HTM securities	(139,548,600)	-	-	-
Sale of investment securities	-	(220,149,849)	(226,605,430)	(9,382,956)
Fair value adjustment	-	43,529,494	(35,168,690)	-
Foreign currency revaluation	1,280,475	6,183,882	-	-
Amortization of bond discount, net	(110,926)	-	-	-
Balances at December 31, 2025	620,082,424	382,986,510	357,542,357	9,358,327

HTM securities

HTM securities as at December 31 are as follows:

	2025	2024
Treasury bonds		
Philippine Peso	448,600,000	451,600,000
US Dollar	79,676,284	78,379,975
Corporate bonds		
Philippine Peso	91,600,000	136,150,000
	619,876,284	666,129,975
Unamortized bond premiums, net	206,140	331,500
	620,082,424	666,461,475

Treasury bonds pertain to Philippine peso-denominated government debt securities issued by the Philippine Bureau of Treasury and US dollar-denominated government securities issued by US Department of Treasury. Corporate bonds are debt securities mainly issued by domestic listed corporations.

The Company's held-to-maturity securities earn interest rates (in %) as follows:

	2025	2024
Treasury bonds and notes	3.50 - 6.88	2.63 - 6.88
Corporate bonds	3.85 - 7.47	3.44 - 7.47

The maturity profile of the Company's held-to-maturity securities at December 31 is as follows:

	2025	2024
Short-term (within one year)	-	139,548,600
Medium-term (more than one year to five years)	144,057,650	469,393,975
Long-term (more than five years)	476,024,774	57,518,900
	620,082,424	666,461,475

As at December 31, 2025 and 2024, government securities included under Philippine peso treasury bonds and are classified as held-to-maturity securities with face amount of P443,600,000 are deposited with the IC in compliance with the 25% of the Company's minimum net worth required under Sec. 209 of the Insurance Code for the benefit of policyholders and creditors of the Company.

The related interest earned on treasury bonds and corporate bonds, classified as HTM securities is presented in Note 12.

Investments at FVTPL

Investments at FVTPL as at December 31 consist of:

	2025	2024
Treasury bonds		
Philippine Peso	86,583,480	39,613,904
US Dollar	46,067,678	125,698,578
Investment in mutual funds		
Philippine Peso	31,164,191	21,536,948
US Dollar	1,421,312	30,892,910
Listed equity securities		
Philippine Peso	10,134,288	232,866,610
US Dollar	207,615,561	-
	382,986,510	450,608,950

FVTPL investments are held primarily for trading and are expected to be realized within 12 months after the reporting date.

In 2025, the Company's treasury bonds classified as investments at FVTPL earn interest rates of 6.000% to 8.625% (2024 - 6.250%).

Proceeds from disposal of investments at FVTPL amount to P241,204,708, including realized foreign exchange gains of P2,815,224, in 2025 (2024 - nil). The gain on sale of investments at FVTPL, recognized in the statement of total comprehensive income amounts to P18,239,635 for the year ended December 31, 2025 (2024 - nil).

Net gain (loss) in investments at FVTPL

	2025	2024
Gain on sale of investments	18,239,635	-
Unrealized fair value gain (loss)	15,700,549	(6,156,111)
Interest income	8,998,936	1,610,665
Dividend income	3,184,095	795,204
Investment management expenses	(2,623,210)	(447,513)
Other income	29,489	-
	43,529,494	(4,197,755)

The Company's investments at fair value through profit or loss (FVTPL) are managed by a local bank acting as fund manager.

Gain on sale, unrealized fair value gain (loss), interest and dividend income, including investment management expenses are presented as net gain (loss) in investments at FVTPL in the statement of comprehensive income.

Available-for-sale securities

Available-for-sale securities as at December 31 consist of:

	2025	2024
Listed equity securities	282,252,357	232,028,821
Unquoted equity securities	75,290,000	60,560,000
	357,542,357	292,588,821

Proceeds from disposal of securities amount to P285,277,360 in 2025 (2024 - P69,932,761). Gain on sale of available-for-sale securities recognized in the statement of total comprehensive income amounts to P58,671,930 for the year ended December 31, 2025 (2024 - P563,418 gain).

Dividend income on equity securities recognized in the statement of total comprehensive income amounts to P30,505,810 for the year ended December 31, 2025 (2024 - P17,046,355). There are no dividend receivable as at December 31, 2025 and 2024.

Available-for-sale securities are intended to be held for more than 12 months.

Other investments

Other investments as at December 31 consists of:

	2025	2024
Time deposits		
Philippine Peso	9,358,327	18,741,283

Other investments consists of time deposits with maturity days of more than 90 days.

Significant accounting judgment - Classification to HTM securities, investments at FVTPL and AFS securities

The Company follows the guidance of PAS 39, *Financial Instruments: Recognition and measurement* in classifying HTM securities, investment at FVTPL and AFS securities.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM securities. This classification requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances (for example, selling an insignificant amount close to maturity) it will be required to reclassify the entire class as available-for-sale securities. The investments would therefore be measured at fair value and not at amortized cost.

For investments at FVTPL, this includes judgment in assessing whether the assets are held for trading, managed on a fair value basis, or designated at initial recognition to eliminate or significantly reduce an accounting mismatch. The assessment involves evaluating the business model for managing the financial assets and the contractual cash flow characteristics.

For AFS securities, the Company exercises judgment in classifying certain debt and equity securities as available-for-sale. This classification is appropriate for assets that are intended to be held for an indefinite period of time and may be sold in response to liquidity needs, changes in market conditions, or other factors. This involves considering management’s intention and the Company’s ability to hold the assets for the foreseeable future.

Significant accounting judgment - Impairment of HTM and AFS securities

The Company determines that available-for-sale securities are impaired when there has been a significant or prolonged decline in the fair value below its cost for equity securities. For debt securities classified as available-for-sale and held-to-maturity, the Company first assesses at each reporting date whether objective evidence of impairment exists. A financial asset or group of financial asset is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The determination of what is significant or prolonged decline or objective evidence of impairment requires judgment (Note 20.2.3). Impairment may be appropriate when there is evidence of deterioration in the financial health and near-term business outlook of the investee or issuer, including factors such as industry and sector performance, changes in technology, and financing and operational cash flows.

6 Insurance contract liabilities and reinsurance contract assets

The account at December 31 consists of:

	2025	2024
Reserve for outstanding losses		
Reported claims	496,877,221	564,732,880
Incurred but not yet reported (IBNR) claims, gross of reinsurance	74,586,065	111,049,741
Losses and claims payable	571,463,286	675,782,621
Reserve for unearned premiums	451,556,011	483,192,560
Total insurance contract liabilities	1,023,019,297	1,158,975,181
Reinsurance recoverable on unpaid losses	419,620,382	558,091,335
Deferred reinsurance premiums	206,635,348	270,575,940
Total reinsurance contract assets	626,255,730	828,667,275

The maturity profile of the Company's insurance liabilities is disclosed in Note 19.2.3.

The movements in losses and claims payable and reinsurance recoverable on unpaid losses at December 31 are shown below:

			2025			2024
(Amounts in thousands)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reported claims	564,733	460,642	104,091	462,080	369,068	93,012
IBNR claims	111,050	97,450	13,600	121,691	104,703	16,988
Balances at January 1	675,783	558,092	117,691	583,771	473,771	110,000
Claims and loss adjustment expenses						
Cash paid for claims settled during the year	382,090	238,052	144,038	252,519	86,501	166,018
Decrease in liabilities arising from current year claims	(486,410)	(376,524)	(109,886)	(160,507)	(2,180)	(158,327)
	(104,320)	(138,472)	34,152	92,012	84,321	7,691
Balances at December 31	571,463	419,620	151,843	675,783	558,092	117,691
Reported claims	496,877	353,073	143,804	564,733	460,642	104,091
IBNR claims	74,586	66,547	8,039	111,050	97,450	13,600
Balances at December 31	571,463	419,620	151,843	675,783	558,092	117,691

IBNR at December 31 consists of:

			2025			2024
	Insurance liabilities, gross	Reinsurers' share of liabilities	Insurance liabilities, net	Insurance liabilities, gross	Reinsurers' share of liabilities	Insurance liabilities, net
IBNR best estimate	25,305,000	23,225,000	2,080,000	57,781,355	47,994,355	9,787,000
MfAD	46,811,329	42,482,937	4,328,392	51,265,480	48,631,947	2,633,533
CHE	2,469,736	839,022	1,630,714	2,002,906	823,443	1,179,463
At December 31	74,586,065	66,546,959	8,039,106	111,049,741	97,449,745	13,599,996

The Company utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from the reinsurer. However, it does not discharge the primary liability of the Company as direct insurer of the risk reinsured.

As disclosed in Note 20.5.8, the Company sells damaged property (salvage) or pursues third parties for some or all of the costs (subrogation). These are deducted from cash paid for claims settled. The Company's total salvage and subrogation reimbursements for the year ended December 31, 2025 amount to P5,799,607 (2024 - P17,551,692).

Movements in reserve for unearned premiums and deferred reinsurance premiums, at December 31 follow:

	2025			2024		
(Amounts in thousands)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At January 1	483,192	270,576	212,616	475,410	277,358	198,052
Increase (decrease) during the year	(31,636)	(63,941)	32,305	7,782	(6,782)	14,564
At December 31	451,556	206,635	244,921	483,192	270,576	212,616

Deferred acquisition cost and deferred commission income

The roll-forward analysis of deferred acquisition costs for the years ended December 31 follows:

	2025	2024
At January 1	139,349,842	133,869,116
Cost deferred during the year	213,546,505	212,120,242
Amortization charge for the year	(199,835,322)	(206,639,516)
At December 31	153,061,025	139,349,842

The roll-forward analysis of deferred commission income for the years ended December 31 follows:

	2025	2024
At January 1	36,713,717	37,221,072
Income deferred during the year	48,197,380	97,257,413
Amortization of commission income during the year	(67,389,062)	(97,764,768)
At December 31	17,522,035	36,713,717

Deferred acquisition costs and deferred commission income are amortized using the 24th method. Amortization charge of deferred acquisition costs is presented as part of commissions and other underwriting expenses while amortization of commission income is presented as part of commissions earned in the statement of total comprehensive income.

Critical accounting estimate - Liability arising from claims made under insurance contracts

Management makes the best estimate of its insurance liability at reporting date using the adjuster’s report and other available information relating to claims. However, there are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The major uncertainties are the frequency of claims due to the contingencies covered and the timing of benefit payments (Note 19.1).

Sensitivity analysis is further disclosed in Note 19.1.6.

7 Investment property, net

The movements of the account at December 31 are as follows:

At fair value	Land	Condominium units and parking lots	Total
Balances at January 1, 2024	3,716,222	145,606,000	149,322,222
Fair value adjustment	-	3,202,000	3,202,000
Reclassification to non-current asset held for sale	(2,745,000)	-	(2,745,000)
Balances at December 31, 2024	971,222	148,808,000	149,779,222
Fair value adjustment	-	9,816,000	9,816,000
Reclassification to non-current asset held for sale	-	-	-
Loss on derecognition of investment property	(971,222)	-	(971,222)
Balances at December 31, 2025	-	158,624,000	158,624,000

Rental income derived from these properties for the year ended December 31, 2025 amounts to P6,912,359 (2024 - P6,445,057) and presented in the statement of total comprehensive income. Expenses incurred in relation to the Company's investment properties are related to association dues and real estate tax amounting to P1,955,067 and P312,601 for the year ended December 31, 2025, respectively
(2024 - P1,705,181 and P589,726, respectively).

On May 4, 2021, the Company submitted a letter to the IC seeking approval to recognize its investment property at fair value and include the fair value changes as part of its net worth to further support and strengthen its capital build up plan (Note 19.5). The Company believes that the shift to fair value model best reflects the true measure of economic benefits arising from these assets. On May 24, 2021, the IC has issued a letter of approval granting the Company to use fair market value based on the appraisal reports as the valuation for the Company's investment in real properties.

Investment properties consist of land and four (4) condominium units located in Makati City and one (1) office condominium in Pasig City. The fair values of the investment properties were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in January 2026 (2024 - March 2025). The appraised values reasonably represent the fair values of the properties as at reporting dates.

The above fair value of the properties was computed using the Market Data Approach (Level 3). In this approach, the value of the properties was based on the sales and listings of comparable properties registered within the vicinity, as well as the extent, character and utility of the property. Information about valuation of investment properties is provided in Note 19.4.

In 2024, the Company reclassified its land located in Trece Martirez, Cavite City (a lot in Sherwood Hills Golf and Country Club) to non-current asset held for sale in view of its plan to sell the property. The non-current asset held for sale was sold for a consideration of P2,745,000 (Note 20.9) in August 2025. The carrying value of the land approximates the fair value at the time of management's decision to sell the investment property and its reclassification to non-current asset held for sale.

8 Property and equipment, net

The account at December 31 consists of:

	Building	EDP equipment	Leasehold improvements	Transportation equipment	Furniture, fixture and office equipment	Office premise (Note 18)	Total
Cost							
At January 1, 2025	25,510,250	11,725,392	2,753,860	11,438,428	1,851,354	7,333,752	60,613,036
Additions	-	4,844,238	21,314	2,199,600	473,347	-	7,538,499
Retirement	-	(1,697,196)	(135,689)	(2,584,464)	(35,365)	-	(4,452,714)
At December 31, 2025	25,510,250	14,872,434	2,639,485	11,053,564	2,289,336	7,333,752	63,698,821
Accumulated depreciation and impairment loss							
At January 1, 2025	25,510,250	5,542,695	468,649	6,348,803	529,363	948,346	39,348,106
Depreciation and amortization	-	2,216,700	527,140	1,838,470	412,487	3,590,975	8,585,772
Retirement	-	(1,697,145)	(135,688)	(1,251,636)	(35,361)	-	(3,119,830)
At December 31, 2025	25,510,250	6,062,250	860,101	6,935,637	906,489	4,539,321	44,814,048
Revaluation surplus							
At January 1, 2025	50,110,000	-	-	-	-	-	50,110,000
Increase during the year	1,394,000	-	-	-	-	-	1,394,000
At December 31, 2025	51,504,000	-	-	-	-	-	51,504,000
Net carrying value	51,504,000	8,810,184	1,779,384	4,117,927	1,382,847	2,794,431	70,388,773

	Building	EDP equipment	Leasehold improvements	Transportation equipment	Furniture, fixture and office equipment	Office premise (Note 18)	Total
Cost							
At January 1, 2024	25,510,250	8,240,401	1,091,716	9,906,053	1,361,917	7,220,624	53,330,961
Additions	-	4,131,734	1,662,144	1,532,375	598,713	7,333,752	15,258,718
Retirement	-	(646,743)	-	-	(109,276)	(7,220,624)	(7,976,643)
At December 31, 2024	25,510,250	11,725,392	2,753,860	11,438,428	1,851,354	7,333,752	60,613,036
Accumulated depreciation and impairment loss							
At January 1, 2024	25,510,250	4,469,258	148,211	4,293,360	526,695	5,997,551	40,945,325
Depreciation and amortization	-	1,720,180	320,438	2,055,443	111,944	2,171,419	6,379,424
Retirement	-	(646,743)	-	-	(109,276)	(7,220,624)	(7,976,643)
At December 31, 2024	25,510,250	5,542,695	468,649	6,348,803	529,363	948,346	39,348,106
Revaluation surplus							
At January 1, 2024	43,907,000	-	-	-	-	-	43,907,000
Increase during the year	6,203,000	-	-	-	-	-	6,203,000
At December 31, 2024	50,110,000	-	-	-	-	-	50,110,000
Net carrying value	50,110,000	6,182,697	2,285,211	5,089,625	1,321,991	6,385,406	71,374,930

In 2025, proceeds from the retirement of property and equipment amounts to P728,036 and the loss from retirement amounts to P604,848.

Depreciation and amortization is included as part of occupancy and equipment-related costs in the statement of total comprehensive income.

On May 4, 2021, the Company submitted a letter to the IC seeking approval to recognize its Building (Note 8) at fair value and include the revaluation surplus as part of its net worth to further support and strengthen its capital build up plan (Note 19.5). The Company believes that the shift to revaluation model best reflects the true measure of economic benefits arising from these assets. On May 24, 2021, the IC has issued a letter of approval granting the Company to use fair value based on the appraisal reports as the valuation for Building.

Building consists of office unit at Tytana Plaza and a parking slot at Cityland Makati. The fair values of Building were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in January 2026 (2024 - March 2025). The fair value substantially and reasonably represents the fair value of the properties as at reporting periods.

The fair value of the Building was computed using the Market Data Approach (Level 3). In this approach, the value of the Building was based on sales and listings of comparable property registered within the vicinity, as well as the extent, character and utility of the property. Information about valuation of the Building is provided in Note 7.

The remaining property and equipment, net are carried at cost less accumulated depreciation.

Critical accounting estimate - Estimated useful lives (EUL) of assets

The useful life of each of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of non-financial assets.

The sensitivity of depreciation expense to changes in estimated useful life of property and equipment as at December 31 follows:

	2025	2024
Increase by 10%	(481,666)	(456,562)
Decrease by 10%	378,383	1,997,004

<u>Significant accounting judgment - Impairment of property and equipment (Notes 7 and 8)</u>

The Company's building under property and equipment are carried at fair value. All other asset classes under property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses, if any. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those judgments could have a significant effect on the carrying value of the properties and the amount and timing of recorded provision for any period.

As at December 31, 2025 and 2024, management believes, based on its assessment, that there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment is not recoverable.

9 Deferred income taxes, net

The significant components of deferred income tax assets and liabilities at December 31 are as follows:

	2025	2024
Deferred income tax assets		
Reserve for unearned premiums, net	61,230,166	53,154,155
Unrealized fair value loss on AFS securities	4,423,436	-
Deferred commission income	4,380,509	9,178,430
IBNR, net of reinsurance	2,009,777	3,384,702
Allowance for impairment	388,250	388,250
Leases (PFRS 16)	47,293	-
Retirement benefit obligation	-	4,652,430
Total deferred income tax assets	72,479,431	70,757,967
Deferred income tax liabilities		
Deferred acquisition cost	38,265,256	34,837,463
Fair value gains on investment property, net	28,683,438	26,510,038
Revaluation surplus	12,876,000	12,527,500
Unrealized foreign exchange gain, net	2,598,465	4,957,690
Retirement benefit obligation	424,039	-
Leases (PFRS 16)	-	40,580
Unrealized fair value gain on AFS securities	-	4,368,737
Total deferred income tax liabilities	82,847,198	83,242,008
Deferred income tax liabilities, net	10,367,767	12,484,041

The movements in the deferred income tax account at December 31 are summarized as follows:

	Note	2025	2024
At January 1		(12,484,041)	(2,487,120)
Amounts charged to profit or loss	15	(3,401,952)	(5,571,235)
Amounts credited to other comprehensive income		5,518,226	(4,425,686)
At December 31		(10,367,767)	(12,484,041)

Significant accounting judgment - recoverability of deferred income tax assets

The Company reviews at each reporting date the carrying amounts of DIT assets. The carrying amount of DIT assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. The Company believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

10 Accounts payable and other liabilities

The account at December 31 consists of:

	Notes	2025	2024
Accounts payable		91,389,629	87,695,777
Taxes payable		82,372,438	107,023,926
Accrued expenses		11,347,004	9,831,939
Fees payable		10,253,660	9,054,917
Dividend payable	11	6,971,890	8,376,338
Lease liability	18	2,673,626	5,913,111
Deferred output VAT		-	37,278,944
Retirement benefit obligation	14	-	18,609,718
Others		4,408,282	3,471,494
		209,416,529	287,256,164

Accounts payable mainly consist of overpayment of premium receivables, staled checks and other accounts payable.

Taxes payable is comprised of documentary stamp taxes payable, output value-added tax (VAT), withholding taxes payable and local and national taxes due.

Accrued expenses mainly consist of professional fees, rental, and other operating expenses.

Fees payable pertains to amounts collected from motor car insurance holders for compulsory third-party liability, and authentication and other registration costs to Land Transportation Office which will be subsequently paid to the appropriate agencies.

Other liabilities pertain mainly to employee-related benefit payables such as contributions to SSS, Philhealth and HDMF, and income tax payable.

The maturity profile of the Company’s accounts payable and other liabilities is disclosed in Note 19.2.3. Taxes payable and other payables to government agencies are expected to be settled in the next 12 months.

11 Equity

Share capital

Details of the account at December 31 follow:

	2025		2024	
	Number of Shares	Amount	Number of shares	Amount
Authorized, at P100 par value per share	4,000,000	400,000,000	4,000,000	400,000,000
Issued and outstanding shares	3,500,000	350,000,000	3,500,000	350,000,000

Contributed Surplus

Contributed surplus represents additional capital contribution from shareholders to demonstrate the commitment and strong support of shareholders to the local operations. Such amount is presented as part of contributed surplus in accordance with the guidelines of the IC.

Retained earnings

On July 8, 2024, the Board of Directors approved the declaration of cash dividends amounting to P7 per share for 3,500,000 shares, totaling P24,500,000. These dividends are payable to stockholders of record as at December 31, 2023. On August 15, 2024, the Insurance Commission acknowledged the submission of the post-reportorial requirements related to the dividend declaration.

On August 11, 2025, the Board of Directors approved the declaration of cash dividends amounting to P5.00 per share for stockholders of record as at December 31, 2024, amounting to a total of P17,500,000, as approved by its board of directors and shareholders on August 11, 2025. On September 5, 2025, the Insurance Commission acknowledged the submission of the post-reportorial requirements relaated to the dividend declaration.

As at December 31, 2025 and 2024, the Company has excess retained earnings over its paid-up capital.

In 2008, the SEC issued Memorandum Circular No. 11 providing guidelines in determining the appropriate amount of retained earnings available for dividend distribution taking into consideration the effective accounting standards and rules of the SEC. Stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-in capital.

On October 3, 2019, the SEC published the Revised SRC Rule 68 which prescribed the required schedule of the Reconciliation of Retained Earning for Dividend Declaration.

Section 201 of the amended Code provides that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements of the amended Code.

As at December 31, 2025, the Company plans to retain the excess retained earnings over its paid-up capital of P1,349,212,179 (2024 - P1,105,777,048) for the following:

- as an additional reserve for future contingencies, especially for catastrophe losses; and
- to continuously comply with the more robust Risk Based Capital (“RBC”) and reserving requirements implemented by the IC effective January 1, 2017.

Management will continue to evaluate the plans to retain the excess retained earnings over its paid-up capital after considering the amended regulatory capital requirements of the IC on fixed capitalization and RBC2 framework as well as consider plans for dividend declaration, subject to Board of Directors and shareholders’ approval in ensuing years.

Cash dividend (Note 10)

Dividends payable at December 31, 2025 and 2024 are comprised of the following unpaid cash dividend declarations:

Year declared	Cash dividend declared	Dividends per share	Dividends payable 2025	2024
2012	17,500,000	P5.00	1,800,787	2,675,810
2014	15,000,000	P4.29	473,740	759,102
2015	17,500,000	P5.00	609,102	1,225,000
2017	17,500,000	P5.00	2,625,000	2,625,000
2024	24,500,000	P7.00	736,918	1,091,426
2025	17,500,000	P5.00	726,343	-
			6,971,890	8,376,338

Accumulated other comprehensive income

Details of the account at December 31 follow:

	2025	2024
Unrealized fair value loss on available-for-sale securities, net of tax	(13,270,306)	13,106,211
Cumulative remeasurement loss on retirement benefit obligation, net of tax	(14,302,368)	(18,462,968)
Revaluation surplus of property and equipment, net of tax	38,628,000	37,582,500
	11,055,326	32,225,743

The movements in accumulated other comprehensive income for the years ended December 31 are as follows:

	2025	2024
At January 1	32,225,743	18,948,685
Net change in fair value of available-for-sale securities, net of tax	(26,376,517)	14,445,718
Remeasurement gain (loss) on retirement benefit asset, net of tax	4,160,600	(5,820,910)
Changes in revaluation surplus of property and equipment, net of tax	1,045,500	4,652,250
At December 31	11,055,326	32,225,743

12 Interest income

Details of interest income for the years ended December 31 are as follows:

	2025	2024
Cash and cash equivalents	80,255	155,442
Held-to-maturity securities		
Treasury bonds and notes		
US Dollar	2,332,255	27,621
Philippine Peso	24,637,640	15,585,144
Corporate bonds	5,899,322	11,217,240
Time deposits	15,695,887	32,204,412
	48,645,359	59,189,859

13 Salaries and employee benefits

The details of the account for the years ended December 31 are as follows:

	Note	2025	2024
Salaries and wages		44,344,040	39,468,205
Retirement benefit expense	14	6,241,592	4,002,346
Other employee benefits		19,530,040	16,426,684
		70,115,672	59,897,235

Other employee benefits pertain to payments to Health Maintenance Organizations (HMO) providers, social security contributions and allowance and bonuses.

14 Retirement benefit obligation

The Company has a funded, non-contributory defined benefit plan providing death, disability, and retirement benefits for all its employees. The fund is being managed and administered by a financial institution on the basis of a duly executed trust agreement and governed by local regulations in the Philippines. Under the plan, qualified officers and employees are entitled to retirement benefits when they reach the normal retirement age of 60 years with an option for early retirement at 50 years of age provided that they have completed at least 10 years of continuous service. Normal and early retirement benefits consist of a lump sum benefit equivalent to one month’s final pay for every year of service. The plan also provides late retirement, death, disability and voluntary separation benefits.

The Company's obligation under the defined benefit plan may significantly vary depending on a number of market, economic and demographic conditions, such as yields on government debt, return on plan assets invested in debt and equity securities as well as pooled funds, employee turnover and retiree mortality rates.

These risk factors may affect the Company's future cash outflows to fund its obligation, amounts of periodic benefit cost used in calculating net profit and remeasurement charges reported in other comprehensive income.

Following are the amounts based on the latest actuarial valuation as at December 31, 2025 and 2024 using the projected unit cost method.

Retirement benefit expense recognized as part of salaries and employee benefits in the statement of total comprehensive income for the years ended December 31 is as follows:

	2025	2024
Retirement benefit cost recognized in profit or loss		
Current service cost	5,104,538	3,303,233
Net interest cost	1,137,054	699,113
	6,241,592	4,002,346
Retirement benefit loss recognized in other comprehensive income		
Remeasurement (gain) loss - retirement benefit obligation	(6,324,529)	6,631,847
Remeasurement loss - plan assets	777,062	1,129,366
	(5,547,467)	7,761,213
Deferred tax effect	1,386,867	(1,940,303)
	(4,160,600)	5,820,910

Retirement benefit liability as at December 31 is determined as follows:

	2025	2024
Present value of defined benefit obligation	61,593,890	59,627,146
Fair value of plan assets	(63,290,047)	(41,017,428)
Retirement benefit (asset) liability	(1,696,157)	18,609,718

The movements in the present value of defined benefit obligation for the years ended December 31 are as follows:

	2025	2024
Beginning of year	59,627,146	46,936,217
Current service cost	5,104,538	3,303,233
Interest cost	3,643,219	2,849,028
Benefits paid	(456,484)	(93,179)
Remeasurements:		
Effect of changes in financial assumptions	(5,516,893)	4,583,129
Experience adjustments	(807,636)	2,048,718
End of year	61,593,890	59,627,146

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2025	2024
Beginning of year	41,017,428	35,418,695
Interest income	2,506,165	2,149,915
Remeasurement	(777,062)	(1,129,366)
Benefits paid (net of contributions)	(456,484)	(93,179)
Contributions	21,000,000	4,671,363
End of year	63,290,047	41,017,428

Benefit due reported under the present value of defined benefit obligation in 2025 and 2024 include benefits due to employees of the Company who have retired in 2025 and 2024 but were subsequently paid in the ensuing years. The Company has accrued for the benefits due which is presented under accounts payable and other liabilities (Note 10) in the statement of financial position.

The Company has no transactions with the plan other than the contributions and benefit payments presented above for the years ended December 31, 2025 and 2024.

The plan assets at December 31, 2025 and 2024 are substantially comprised of investments in mutual funds and unit investment trust funds that are carried at fair value. There are no plan assets invested in debt or equity securities of the Company or its related entity. The plan asset consists of the following:

	2025	2024
Investments in unit investment trust funds	53,229,028	30,838,682
Investments in mutual funds	10,061,019	10,178,746
	63,290,047	41,017,428

The movements in cumulative remeasurement losses on retirement benefit obligation, net of tax, presented as part of accumulated other comprehensive gain (loss) within equity for the years ended December 31 are as follows:

	Note	2025	2024
Beginning of the year		(24,617,290)	(16,856,077)
Remeasurement gain (loss) - retirement benefit obligation		6,324,529	(6,631,847)
Remeasurement gain (loss) - plan assets		(777,062)	(1,129,366)
Total		(19,069,823)	(24,617,290)
Deferred tax on cumulative remeasurement of retirement benefit obligation		4,767,455	6,154,322
End of year	11	(14,302,368)	(18,462,968)

The principal actuarial assumptions used in determining the retirement benefit obligation for the years ended December 31 are shown below:

	2025	2024
Discount rate	6.30%	6.11%
Salary increase rate	7.00%	8.00%

Discount rate

The discount rate was determined in accordance with the Philippine Interpretations Committee (PIC) - approved Q&A 2008-01 (Revised), which mandates that discount rates reflect benefit cash flows and use of zero-coupon rates, even though theoretically derived.

The reinvestment method was applied to the PH BVAL benchmark government bonds to arrive at the theoretical zero-coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality and disability rates are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risks. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the retirement benefit liability and the strength of the Company itself, the mix of debt and equity securities holdings of the plan under its mutual and unit investment trust funds is an appropriate element of the Company's long term strategy to manage the plan efficiently.

The Company ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Company's main objective is to match assets to the defined benefit obligation by investing primarily long-term debt securities which offer the best returns over the long term with an acceptable level of risk. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustee bank, as necessary to better ensure the appropriate asset-liability matching.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Weighted average duration of the retirement benefit obligation is 21 years (2024 - 22 years).

The projected maturity analysis of undiscounted retirement benefit payments as at December 31 is as follows:

	2025	2024
Less than 1 year	20,354,058	18,284,719
1 to 5 years	15,243,541	8,594,034
6 to 10 years	15,367,427	17,841,410
11 to 20 years	61,095,997	52,958,180
Over 20 years	496,405,769	644,804,526

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for the years ended December 31 is as follows:

	Change in	Impact on pension liability	
2025	assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 1,023,433	Increase by 4,194,420
Salary increase rate	1.0%	Increase by 1,788,872	Decrease by 1,495,385

	Change in	Impact on pension liability	
2024	assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 2,843,478	Increase by 3,511,401
Salary increase rate	1.0%	Increase by 7,129,026	Decrease by 4,714,739

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statement of financial position.

15 Income tax expense

Provision for income tax for the years ended December 31 follows:

	Note	2025	2024
Current			
RCIT		29,897,193	30,770,842
Final tax		10,000,055	13,228,896
Deferred	9	(3,401,952)	5,571,235
		36,495,296	49,570,973

A reconciliation of the provision for income tax computed at the statutory rate to the actual provision for income tax for the years ended December 31 follows:

	2025	2024
Income before income tax	297,430,427	206,316,301
Income tax calculated at 25%	74,357,607	51,579,075
Income subject to final tax rate	(4,375,946)	(15,200,131)
Exempt income tax	(34,348,809)	(4,261,589)
Non-deductible expense	862,444	17,453,618
Actual provision for income tax	36,495,296	49,570,973

Significant accounting judgment - Income tax expense

Significant judgment is required in determining the income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

The Company recognizes liabilities based on careful evaluation of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company’s current and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management’s assessment of the probability of available future taxable income against which the temporary difference can be applied (Note 9).

16 Cash generated from operations

The details of cash generated from operations for the years ended December 31 are as follows:

	Notes	2025	2024
Income before income tax		297,430,427	206,316,301
Adjustments for:			
Provision for IBNR, net	6	(5,560,890)	13,599,996
Retirement benefit expense	14	6,241,592	4,002,346
Depreciation and amortization	8	8,585,772	6,379,424
(Gain) loss on sale of stock investments	5	(58,671,930)	(563,418)
Interest expense	18	242,858	92,406
Loss on retirement of property and equipment, net	8	604,848	-
Loss on derecognition of investment property	7	971,222	-
Dividend income	5	(30,505,810)	(17,046,355)
Fair value gains on investment property, net	7	(9,816,000)	(3,202,000)
Fair value (gain) loss in Investments at fair value through profit or loss	5	(43,529,494)	4,197,755
Amortization on bond discount (premium), net	5	110,926	(355,500)
Unrealized foreign exchange (gain) loss		(10,393,859)	(25,639,179)
Interest income	12	(48,645,359)	(59,189,859)
Amortization of deferred commission income	6	(67,389,062)	(97,764,768)
Amortization of deferred acquisition cost	6	199,835,322	206,639,516
Operating income before changes in operating assets and liabilities		239,510,563	237,466,665
Changes in operating assets and liabilities			
(Increase) decrease in:			
Reinsurance recoverable on unpaid losses		138,470,953	(84,321,086)
Deferred acquisition costs	6	(213,546,505)	(212,120,242)
Deferred reinsurance premiums	6	63,940,592	6,781,745
Insurance receivables, net		29,882,030	(88,105,681)
Other receivables		720,818	(5,576,245)
Other assets		(10,178,150)	(16,804,726)
Increase (decrease) in:			
Reserve for unearned premiums	6	(31,636,549)	7,782,210
Deferred commission income	6	48,197,380	97,257,413
Accounts payable and other liabilities	10	(28,997,258)	86,046,675
Funds held for reinsurers		(61,471,535)	24,121,359
Commissions payable		1,760,219	(4,222,163)
Due to reinsurers and ceding companies		12,464,855	(61,683,925)
Losses and claims payable		(98,758,445)	78,412,059
Cash generated from operations		90,358,968	65,034,058

17 Related party transactions

In the ordinary course of business, the Company cedes reinsurance businesses under various reinsurance contracts (mainly treaty) with its related reinsurance companies.

Premiums paid to related party reinsurers are booked as reinsurance premiums ceded in profit or loss and the related payables are included as part of due to reinsurers and ceding companies in the statement of financial position. Commissions out of these reinsurance transactions are included as part of commissions earned and any outstanding uncollected commissions are offset with due to reinsurers and ceding companies.

The share of the related party reinsurer in incurred losses is included as part of reinsurance recoverable on unpaid losses or reinsurance recoverable on paid losses under net receivables in the statement of financial position.

Outstanding balances under treaty and facultative contracts with such related parties as at December 31 are as follows:

	2025	2024	Terms and conditions
Shareholders			
Reinsurance recoverable on paid losses	16,009,872	(90,641)	- Unsecured and unguaranteed - Non-interest bearing - Collectible in cash at gross within 15 days after reinsurer's confirmation
Reinsurance recoverable on unpaid losses	111,075,816	2,200,455	- Unsecured and unguaranteed - Non-interest bearing - Collectible in cash upon payment of the actual losses and follows the same term as reinsurance recoverable on paid losses above
	127,085,688	2,109,814	
Shareholders			
Due to reinsurers and ceding companies	11,596,592	(774,885)	- Unsecured and unguaranteed - Non-interest bearing - Payable in cash at net of commission receivable within 15 days after reinsurer's confirmation
	11,596,592	(774,885)	
	138,682,280	1,334,929	

For the years ended December 31, 2025 and 2024, commissions receivable netted against due to reinsurers and ceding companies amounted to P17,445,094 and P16,554,102, respectively.

Transactions under treaty and facultative contracts with such related parties for the years ended December 31 are as follows:

	2025	2024	Terms and conditions
Shareholders			
Losses and claims	2,849	24,156	- Represents share of reinsurers in incurred loss - Unsecured and unguaranteed - Due and demandable - Payable in cash at gross amount
	2,849	24,156	

The table below shows transactions and outstanding balances with the Company's key management personnel as at and for the years ended December 31:

	2025		2024		
	Transactions	Outstanding Balance	Transactions	Outstanding Balance	Terms and conditions
Advances (Note 4)	2,112,425	22,524,441	20,102,085	23,075,588	- Secured and guaranteed up to the amount of the officer's retirement benefit - Interest-bearing at 8% per annum - Collectible in cash at gross over a period of one year or more through salary deduction
Salaries and other benefits	13,213,689	-	12,040,840	-	- Represents salaries and other benefits paid to key management personnel during the year - No provisions for termination, post-employment and other long- term benefits for key management personnel, except for such benefits to which they are entitled under the Company's retirement plan
Directors' fees	408,250	-	508,515	-	- Fees paid to directors during the year which are settled during the Board of Directors meeting

18 Contingencies and commitments

Contingencies

In the ordinary course of business, the Company, as plaintiff, is currently pursuing a number of collection-related cases against certain customers. Any asset or income arising from the ultimate resolution of these cases will be recognized when actual settlement is received or when collection is virtually certain.

Lease commitments

The Company has entered into various lease arrangements covering its office space and branches with terms ranging from one to two years.

The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased asset may not be used as security for borrowing purposes. Refundable deposits are collectible at the end of the lease term.

Details of right-of-use asset and lease liability at December 31 are as follows:

	2025	2024
Right-of-use assets (Note 8)		
Office premise	2,794,431	6,385,406
Lease liabilities (Note 10)		
Current	2,592,428	3,239,485
Non-current	81,198	2,673,626
	2,673,626	5,913,111

The movements in the lease liability for the years ended December 31 are as follows:

	2025	2024
As at January 1	5,913,111	1,155,615
Additions to lease liability	-	6,766,590
Interest accretion on lease liability	242,858	92,406
Payments during the year		
Principal portion of the lease liability	(3,239,485)	(2,009,094)
Interest expense on lease liability	(242,858)	(92,406)
As at December 31	2,673,626	5,913,111

The statement of total comprehensive income shows the following amounts relating to leases for the year ended December 31:

	2025	2024
Depreciation expense		
Office premise (Note 8)	3,590,975	2,171,419
Interest expense on lease liability	242,858	92,406
Expense relating to short-term leases (included in Occupancy and equipment-related expenses)	87,569	278,607

Critical accounting estimate - Determination of incremental borrowing rate

The lease payments for lease of office premise are discounted using the lessee's incremental borrowing rate, being the rate that the Branch would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing, and
- makes adjustments specific to the lease, (e.g., term, currency and security).

The Company's weighted average incremental borrowing rate applied to the lease liability 2025 was 5.83% (2024 - 5.83%). As at December 31, 2025, if the Company's incremental borrowing rate increased/decreased by 10% while holding all other assumptions constant, the Company's lease liabilities would be lower/higher by P6,569 and P6,595, respectively (2024 - P29,777 and P29,994, respectively).

Significant accounting judgment - Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company's existing contract has enforceable extension option provisions.

19 Insurance and financial risk and capital management

This section summarizes the Company's insurance and financial risks and the way the Company manages them, including the Company's capital management objectives.

19.1 Insurance risk

Insurance is a form of contract whereby periodic payments (also known as insurance premiums) are made to an insurance company, in order to provide an individual or business compensation in the event of property loss or damage. The risk under any one insurance contract is the uncertainty about an unfavorable outcome in a given situation. Insurance risk is an uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

The principal risk the Company is facing under insurance contracts is when the actual claims and benefit payments exceeds the carrying amount of the insurance liabilities. This could happen when there are numerous claims that occur in a particular period and the actual payment exceeds the estimated amount.

Factors that aggravate insurance risk include reduction in rates of premium, geographical location, and type of industry covered. One way of reducing insurance risk is by transfer and sharing of risk.

The Company has developed its insurance underwriting strategy to expand the type of insurance risk accepted in order to attain premium income growth and above-average underwriting profit.

19.1.1 Casualty insurance contracts

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Estimated inflation is a significant factor due to the long period typically required to settle these cases. Another factor is the political and economic stability of the country which could result to numerous theft claims. The Company manages these risks through its well-designed underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography in order to spread possible losses fairly between the Company (retention) and the reinsurers.

Management continues to review the loss experience and premium payment record of existing agencies to identify and weed out the bad agencies and motivate the good agencies to produce more business.

Sources of uncertainty in the estimation of future claim payments

The claims outstanding provision is the estimated ultimate cost of all claims and the related claims handling expenses in respect of events up to the accounting date less amounts already paid.

The provision will relate to all events that have occurred up to the accounting date, whether or not the Company has been notified of the claims in question before the close of the accounting period. The latter category of claims is referred to as IBNR claims.

It is impossible for an insurance company to predict its outstanding claims provision with 100% accuracy. If understated, the Company may distribute assets or otherwise act in a way that could lead to severe financial problems, and possible insolvency, when claims come to be paid.

The provision for reported and IBNR claims are the Company's estimate of the amount which it will have to pay at reporting date.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures.

19.1.2 Property insurance contracts

Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding, typhoons, etc.) and their consequences.

Cost of rebuilding properties, replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

The Company has the right to reprice the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Moreover, it has the right not to accept a certain risk by not engaging in any form of hazardous enterprise at all. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event.

Sources of uncertainty in the estimation of future claims payments

Risk continues to be concentrated in the property business, particularly on the motor line. Treaty cession limits and underwriting strategies are being implemented to protect the Company and reinsurers from high exposures to possible losses. Property claims are analyzed separately for its exposures and risk accumulation. This is estimated within the definition of the crest zone exposures. The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims.

19.1.3 Motor insurance contracts

Frequency and severity of claims

Motor insurance contracts are underwritten by placing underwriting limits to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles, and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e., subrogation). All motor insurance policies issued are covered by a reinsurance program.

Sources of uncertainty in the estimation of future claim payments

Claims on motor insurance contracts are payable on a claims occurrence and claims made basis. The Company is liable for all insured events that occurred during the term of the contract.

The Company makes valuations and recommendations for the estimated loss reserves which include direct expenses to be incurred in settling claims, the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. The Actuary provides reasonable estimates of the ultimate cost of claims using the Company's past experience and recognized estimation techniques.

19.1.4 Valuation standards for insurance liabilities beginning January 1, 2017

On December 28, 2016, the IC, through its CL No. 2016-67, issued the New Valuation Standard for Insurance Policy Reserve with effect beginning January 1, 2017 and onwards. Among others, the New Valuation Standard for Insurance Policy Reserve provides for:

(i) the determination of premium liabilities based on the higher of UPR and the URR;
(ii) consideration of the claims handling expense ("CHE");
(iii) consideration of MfAD to allow for inherent uncertainty of the best estimate of policy reserve; and
(iv) certification of an actuary on the calculation of the insurance policy reserve in accordance with the New Valuation Standard for Insurance Policy Reserve prescribed by the IC.

On March 9, 2018, the IC, through its CL No. 2018-18, issued the New Valuation Standards for Non-life Insurance Policy Reserves and replaced CL No. 2016-67. Beginning January 1, 2018, among others, the new valuation standards provide for the determination of premium liabilities on an aggregate basis. A computation should be performed to determine whether an additional reserve is required to be booked on top of the UPR. Therefore, premium liabilities should be valued equal to the UPR plus the sum of the higher amount between the (1) URR and UPR, net of related DAC component, and (2) zero. UPR shall be calculated for all classes of business, on a gross of reinsurance basis while URR shall be calculated as the best estimate of future claims and expenses for all classes of business and with MfAD.

On the same date, IC issued its CL No. 2018-19 which amends certain provisions of CL No. 2016-69 as it relates to the calculation of MfAD. IC mandates that MfAD should be company-specific, and allows insurance entities to set MfAD as follows:

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

As at December 31, 2025 and 2024, the Company's UPR, net of DAC, is determined to be higher than the URR. As such, the Company did not require any additional provision in respect to the unearned premiums. Moreover, the Company has applied entity specific MfAD for both claims and premiums liabilities, which is based on the bootstrapping method using the Company's own data at 75% sufficiency level for policy reserves.

19.1.5 Losses and claims payable

In 2017, the Company has adopted certain provisions of the Implementing Requirements for the New Valuation Standard for Insurance Policy Reserve through IC CL 2016-69 as its accounting policy for reserving, particularly the incorporation of MfAD and CHE in determining its claims obligation.

The Company has engaged an external actuary in determining its Insurance Policy Reserve, who has considered actual historical claims data for the last 10 years, CHE of 2% and MfAD of 8.5%.

The Company has applied entity specific MfAD at 100% of claims and premiums liabilities, which is based on the Stochastic Chain Ladder method using the Company's own data at 75% sufficiency level for policy reserves. Entity-specific CHE assumption, on the other hand, is computed at the best estimate of IBNR and outstanding claims while policy maintenance expenses is computed at one-third of the Company's general and administrative expenses.

As at December 31, 2025, the incremental losses and claims reserve due to MfAD is P46,811,329 (2024 - P51,265,480).

19.1.6 Sensitivities

The general insurance claims provision is sensitive to the Company's past claims development experiences. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the reporting date.

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.
Following the Company's adoption of certain provisions of the new valuation standards on insurance policy reserve, the analysis below is performed for a reasonable possible movement in key assumption with all other assumptions held constant, on income and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleamed from these results.

The key assumptions considered in the sensitivity analysis are as follows:
- 12 to 24-month Loss Development Factor (LDF)
- Initial Loss and Allocated Loss Adjustment Expenses (ALAE) Ratios

The LDF is used to estimate the ultimate losses under the Incurred Chain Ladder/Development Approach and Paid Chain Ladder Development approach. The LDF is based on the Company's historical loss experience supplemented with industry loss triangles.

Initial loss and ALAE Ratios are used to estimate the ultimate loss under Bornhuetter-Ferguson Incurred Approach and Bornhuetter-Ferguson Paid Approach.

Based on CL No. 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, standard actuarial projection techniques, or combination of which, include but not limited to the chain ladder method, the expected loss ratio approach and the Bornhuetter-Ferguson method.

To show the sensitivity of this assumption, the impact of changing LDF and Initial and ALAE ratios by 10% as at December 31 is shown in the table below.

	Change in	% impact on claims liability	
2025	Assumption	Gross	Net
LDF	10%	+5.07%	+11.16%
	-10%	-3.03%	-1.30%
Initial loss and ALAE ratios	10%	+0.51%	+0.08%
	-10%	-0.51%	-0.08%

	Change in	% impact on claims liability	
2024	Assumption	Gross	Net
LDF	+10%	+6.61%	+15.36%
	-10%	-0.67%	-3.60%
Initial loss and ALAE ratios	+10%	+4.53%	+6.61%
	10%	-2.73%	-3.32%

Loss development triangle

Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis:

Gross reinsurance basis

As at December 31, 2025

	Accident Year						
Year of Assessment	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
2018 and prior	14,031,964,152	2,399,264,926	2,375,161,664	2,367,743,964	2,368,114,019	2,369,520,239	2,381,932,113
2019	380,030,345	334,618,091	324,648,395	318,944,339	309,613,065	307,230,895	307,149,568
2020	-	226,905,697	299,444,987	297,308,327	272,809,399	195,585,900	194,860,672
2021	-	-	347,269,956	363,410,199	342,236,187	310,603,493	267,810,170
2022	-	-	-	250,496,877	255,595,645	245,206,588	233,969,730
2023	-	-	-	-	231,475,724	331,385,792	326,552,394
2024	-	-	-	-	-	375,482,986	319,817,106
2025	-	-	-	-	-	-	417,158,672
Cumulative estimate of claim	14,411,994,497	2,960,788,714	3,346,525,002	3,597,903,706	3,779,844,039	4,135,015,893	4,449,250,425
Cumulative payments to date	11,948,872,397	2,630,338,880	2,819,569,892	3,139,216,128	3,317,764,009	3,570,283,013	3,952,373,204
Reported claims	2,463,122,100	330,449,834	526,955,110	458,687,578	462,080,030	564,732,880	496,877,221
IBNR claims, gross of reinsurance							74,586,065
Reserve for outstanding losses (Note 6)							571,463,286

As at December 31, 2024

Year of Assessment	2018	2019	2020	2021	2022	2023	2024
	Accident Year						
2017 and prior	11,165,125,499	1,980,876,413	1,967,704,938	1,956,161,055	1,953,216,913	1,953,586,968	1,955,758,872
2018	443,885,767	442,076,474	431,559,988	419,000,609	414,527,051	414,527,051	413,761,367
2019	-	380,030,345	334,618,091	324,648,395	318,944,339	309,613,065	307,230,895
2020	-	-	226,905,697	299,444,987	297,308,327	272,809,399	195,585,900
2021	-	-	-	347,269,956	363,410,199	342,236,187	310,603,493
2022	-	-	-	-	250,496,877	255,595,645	245,206,588
2023	-	-	-	-	-	231,475,724	331,385,792
2024	-	-	-	-	-	-	375,482,986
Cumulative estimate of claim	11,609,011,266	2,802,983,232	2,960,788,714	3,346,525,002	3,597,903,706	3,779,844,039	4,135,015,893
Cumulative payments to date	9,502,953,155	2,445,919,241	2,630,338,880	2,819,569,892	3,139,216,128	3,317,764,009	3,570,283,013
Reported claims	2,106,058,111	357,063,991	330,449,834	526,955,110	458,687,578	462,080,030	564,732,880
IBNR claims, gross of reinsurance							111,049,741
Reserve for outstanding losses (Note 6)							675,782,621

Net reinsurance basis

As at December 31, 2025

Year of Assessment	2019	2022	2021	2022	2023	2024	2025
	Accident Year						
2017 and prior	6,565,692,358	1,184,599,420	1,173,547,896	1,168,819,174	1,165,268,646	1,164,726,479	1,168,432,525
2018	172,296,531	179,342,969	175,685,271	162,708,516	158,612,095	156,269,404	155,957,368
2019	-	99,913,648	113,101,929	72,277,194	63,618,414	62,138,038	61,892,568
2020	-	-	94,609,278	39,881,923	35,159,928	34,090,904	33,494,164
2021	-	-	-	123,086,454	128,189,636	123,196,393	122,609,378
2022	-	-	-	-	132,513,736	136,064,824	135,608,302
2023	-	-	-	-	-	183,973,188	181998,445
2024	-	-	-	-	-	-	184,216,874
Cumulative estimate of claim	6,737,988,889	1,463,856,037	1,556,944,374	1,566,773,261	1,683,362,455	1,860,459,320	2,044,209,624
Cumulative payments to date	5,849,057,380	1,341,611,859	1,449,113,511	,455,366,637	1,590,350,007	1,756,367,940	1,900,405,827
Reported claims	888,931,509	122,244,178	107,830,863	110,406,624	93,012,448	104,091,290	143,803,797
IBNR claims, gross of reinsurance							8,039,106
Reserve for outstanding losses (Note 6)							151,842,903

As at December 31, 2024

Year of Payment	2018	2019	2020	2021	2022	2023	2024
	Accident Year						
2016 and prior	5,179,945,070	1,016,715,125	1,003,398,114	998,469,126	994,937,387	992,592,430	992,570,859
2017	182,758,686	186,273,477	181,201,306	175,078,770	173,881,786	172,676,216	172,155,621
2018	-	172,296,531	179,342,969	175,685,271	162,708,516	158,612,095	156,269,404
2019	-	-	99,913,648	113,101,929	72,277,194	63,618,414	62,138,038
2020	-	-	-	94,609,278	39,881,923	35,159,928	34,090,904
2021	-	-	-	-	123,086,454	128,189,636	123,196,393
2023	-	-	-	-	-	132,513,736	136,064,824
2024	-	-	-	-	-	-	183,973,188
Cumulative estimate of claim	5,362,703,756	1,375,285,133	1,463,856,037	1,556,944,374	1,566,773,260	1,683,362,455	1,860,459,231
Cumulative payments to date	4,608,380,036	1,240,677,344	1,341,611,859	1,449,113,511	1,455,366,637	1,590,350,007	1,756,367,941
Reported claims	754,323,720	134,607,789	122,244,178	107,830,863	111,406,623	93,012,448	104,091,290
IBNR claims, gross of reinsurance (Note 6)							13,599,996
Reserve for outstanding losses (Note 6)							117,691,286

19.1.7 Reserve for unearned premiums

The determination of the Company's reserve for unearned premium balance as at December 31 following the requirement of CL No. 2018-18 (Note 19.1.5) is shown below:

				2025			2024
	Note	Gross	Reinsurance	Net	Gross	Reinsurance	Net
UPR		451,556,011	206,635,348	244,920,663	483,192,560	270,575,940	212,616,620
Add: The higher of (a) or (b),							
(a) (1) URR (with MfAD),less		181,269,985	83,817,920	97,452,065	198,376,014	105,963,040	92,412,974
(2) UPR, net of DAC		298,494,985	189,113,312	109,381,673	343,842,718	233,881,474	109,961,244
		(117,225,000)	(105,295,392)	(11,929,608)	(145,466,704)	(127,918,434)	(17,548,270)
(b) Zero		-	-	-	-	-	-
Reserve for unearned premiums	6	451,556,011	206,635,348	244,920,663	483,192,560	270,575,940	212,616,620

The Company's UPR, net of DAC, is determined to be higher than the URR. As such, the Company did not require any additional provision for premium liability as the actuarial estimate of URR is less than the Company's UPR, net of DAC.

Critical accounting estimate - Unexpired risk reserves ("URR")

The Company calculates for the URR at 75th level percentile of sufficiency using the best estimate of future claims and expenses for all classes of business, including margin for adverse deviation to address uncertainty in the estimate of unexpired risks. In order to arrive at the URR, the Unearned Premium Reserve ("UPR") for each class of business is multiplied by the expected loss ratio, adjusted for future expenses and Margin for Adverse Deviation ("MfAD").

The expected future claims include all claims which might occur during the unexpired period including claims which are reported after the end of the unexpired exposure period, but have occurred within the unexpired exposure period; and claims which are reopened at any date, but have occurred within the unexpired exposure period. The expected future expenses include estimates of claims expenses and general policy maintenance expenses based on actual historical experience. The claims expense ratio is being applied to the gross unexpired risk reserves while the policy maintenance expense ratio is applied on the provision for unearned premiums.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its unexpired risk exposures.

Following the requirements of CL 2018-18, the Company's premium liabilities are based on the UPR values as at December 31, 2025 and 2024, as the UPR is significantly higher based on the assessment made by management. As such, the Company no longer presented the necessary sensitivities related to URR.

19.2 Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are market risk, credit risk and liquidity risk.

19.2.1 Market risk

Interest risk

This is the type of risk that the Company primarily faces due to the nature of its financial assets and liabilities. The interest rate risk is the only financial risk that has a materially different impact across the assets and liabilities categorized in the Company's asset liability management framework.

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

Given that the Company's cash and cash equivalents, debt securities classified as held-to-maturity, treasury bonds classified as investments at FVTPL and lease liability are carried at amortized cost and have fixed interest rates, these are not exposed to fair value and cash flow interest rate risks.

Foreign currency risk

The insurance business of the Company is mostly denominated in local currency.

Currency exposures arise primarily from the holding of monetary assets and liabilities denominated in US Dollar. The Company does not enter into derivatives to manage foreign currency risks.

The Company's foreign currency assets and liabilities denominated in US Dollars as at December 31 are as follows:

	Notes	2025	2024
Assets			
Cash and cash equivalents	3		
Cash in banks		134,180	341,596
Time deposits			1,100,000
Held-to-maturity securities			
Treasury bonds and notes	5	1,355,000	1,355,000
Investments at FVTPL			
Treasury bonds	5	783,597	2,211,699
Investment in mutual funds	5	24,176	170,528
Listed equity securities	5	3,531,477	4350,561
Reinsurance recoverable on unpaid losses		-	630,000
Total assets		5,828,430	10,159,384
Liability			
Losses and claims payable		363,750	(637,500)
Net asset		5,464,680	9,521,884
Exchange rate		58.79	57.85
Peso equivalent		321,268,537	550,840,989

For the years ended December 31, the Company's foreign exchange gain (loss) are as follows:

	2025	2024
Unrealized foreign exchange gain (loss)	10,393,859	25,639,179
Realized foreign exchange gain (loss)	(4,084,421)	22,403,688
	6,309,438	48,042,867

A sensitivity analysis was performed on the US Dollar denominated assets and liabilities. The fluctuation rate is based on the historical movement of US Dollar year on year.

Year	Change in currency	Effect on net income and equity in Philippine Peso
2025	+/- 1.02%	+/- 5,221,759
2024	+/- 1.04%	+/- 7,927,982

Price risk

The Company is exposed to price risk in respect of listed equity securities and investment in mutual funds classified as available-for-sale securities and investments at FVTPL.

The Company manages such risk by setting and monitoring objectives and diversification plan.

Net change in fair value of available-for-sale equity securities for the years ended December 31, 2025 would change by P29,826,193 (2024 - P3,322,515) as a result of an increase/decrease of 8% (2024 - 23%) in market prices which is based on the average historical fluctuation in the stock price index year-on-year.

Net change in fair value of fair value through profit or loss equity securities and investment in mutual funds for the year ended December 31, 2025 would change by P18,164,698 (2024 - P53,559,320) and P2,718,283 (2024 - P12,058,867) respectively as a result of an increase/decrease of 8% in market prices which is based on the average historical fluctuation in the stock price index year-on-year.

19.2.2 Credit risk

Credit risk management, risk limit and mitigation policies

(i) Insurance and reinsurance receivable balances

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or group of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company’s liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. For facultative reinsurers, only approved companies are being used after taking into consideration their paying habit and reciprocal business.

Key areas where the Company is exposed to credit risk are:

- Receivable arising from insurance contracts
- Reinsurance recoverable on unpaid losses

(ii) *Available-for-sale, held-to-maturity and investments at FVTPL debt securities and time deposits*

One of the Company's primary investment objectives is to seek the preservation of its portfolio by mitigating the credit risk which is the risk of loss due to failure of the issuer to make good on its obligation when maturity becomes due. This is mitigated by investing in safe securities and diversifying its investment portfolio so that the failure of any one issuer would not materially affect the cash flow of the Company. Within the guidelines provided by the IC, the Company's Investment Committee ensures that the Company invests in allowable categories of investment instruments and provides limitation as to the percentage of the portfolio which can be invested in certain category. Presently, the Company has significant investments in government securities, corporate bonds and time deposits with local banks.

For time deposits and debt and mutual fund securities, external ratings such as those provided by Philippine Rating Services Corporation (Phil ratings) and Standard & Poor (S&P) or their equivalent are used by the Company for managing credit risk exposures. Investments in these deposits and securities are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements.

(iii) *Cash*

The Company manages credit risk on its cash by depositing largely in reputable universal banks.

(iv) *Other receivables*

The Company continuously monitors the financial health and status of its counterparties to ascertain that other receivables from these counterparties will be substantially collected on due date. Credit risk on receivables is assessed on an on-going basis.

Maximum exposure to credit risk

Credit risk exposures relating to financial assets at December 31 are as follows:

	2025	2024
Cash and cash equivalents		
Cash in banks	99,567,783	90,767,032
Time deposits	501,187,902	297,532,529
	600,755,685	388,299,561
Receivable arising from insurance contracts		
Premium receivable, net of allowance	306,073,367	325,515,070
Reinsurance recoverable on paid losses	156,300,291	161,101,188
Due from reinsurers and ceding companies	23,640,550	27,726,980
Funds held by ceding companies	14,008,100	14,008,100
	500,022,308	528,351,338
Other receivables		
Accounts receivable	59,931,133	58,539,625
Accrued interest income	6,139,541	5,125,796
Refundable deposits	69,700	69,700
Security fund	49,248	49,149
	66,189,622	63,784,270
Held-to-maturity securities		
Treasury bonds and notes	528,482,424	530,307,375
Corporate bonds	91,600,000	136,154,100
	620,082,424	666,461,475
Investments at FVTPL		
Treasury bonds and notes	132,651,158	165,312,482
Other investments		
Time deposits	9,358,327	18,741,283
Reinsurance recoverable on unpaid losses	419,620,382	558,091,335
	2,348,679,906	2,389,041,744

Credit quality of receivables arising from insurance contracts and other loans and receivables

Amounts in thousands	Neither past due nor impaired (1-30 days)	Past due but not impaired 31-180 days	181-360 days	More than 360 days	Overdue and impaired	Total
December 31, 2025						
Receivable arising from insurance contracts						
Premium receivable	18,859	107,095	82,482	97,637	(1,553)	304,520
Reinsurance recoverable on paid losses	9,479	17,065	118	129,638	-	156,300
Due from reinsurers and ceding companies	978	2,363	2,701	17,599	-	23,641
Funds held by ceding companies	-	-	130	13,878	-	14,008
Other loans and receivables						
Accounts receivable (loans receivable)	5,242	2,106	3,361	49,222	-	59,931
Accrued interest income	6,140	-	-	-	-	6,140
Refundable deposits	-	-	-	70	-	70
Security fund	-	-	-	49	-	49
Reinsurance recoverable on unpaid losses	419,620	-	-	-	-	419,620
	460,318	128,629	88,792	308,093	(1,553)	984,279

Amounts in thousands	Neither past due nor impaired (1-30 days)	Past due but not impaired 31-180 days	181-360 days	More than 360 days	Overdue and impaired	Total
December 31, 2024						
Receivable arising from insurance contracts						
Premium receivable	33,112	188,901	66,581	38,474	(1,553)	325,515
Reinsurance recoverable on paid losses	26,127	17,838	55,113	62,023	-	161,101
Due from reinsurers and ceding companies	2,492	9,453	1,428	14,354	-	27,727
Funds held by ceding companies	-	130	129	13,749	-	14,008
Other loans and receivables						
Accounts receivable (loans receivable)	7,459	3,789	3,437	43,854	-	58,539
Accrued interest income	5,126	-	-	-	-	5,126
Refundable deposits	-	-	-	70	-	70
Security fund	-	-	-	49	-	49
Reinsurance recoverable on unpaid losses	558,091	-	-	-	-	558,091
	632,407	220,111	126,688	172,573	(1,553)	1,150,226

The credit quality of receivables can be assessed by reference to historical information about the counterparties' default rates. Currently, there is no history of default for these counterparties, and, hence, no impairment needs to be recognized on these receivables, other than those receivables which were classified under overdue and impaired category which have been fully provided for.

Receivables from insurance and reinsurance contracts and other loans and receivables which are neither past due nor impaired are assessed to be collectible and that no impairment indicators exist for such items.

As at December 31, 2025, receivables from insurance and reinsurance contracts and other loans and receivables of P525,514 thousand (2024 - P519,372 thousand) are past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default and balances are fully collectible.

As at December 31, 2025 and 2024, allowance for impairment on premium receivable amounts to P1,553,000.

Credit quality of cash and cash equivalents, fair value through profit or loss, available-for-sale securities and held-to-maturity securities

	A+ to AAA*	BBB- to BB+**	CAMELS***	Unrated****	Total
December 31, 2025					
Investments at FVTPL					
Treasury bonds					
Philippine Peso	86,583,480	-	-	-	86,583,480
US Dollar	46,067,678	-	-	-	46,067,678
	132,651,158	-	-	-	132,651,158
Held-to-maturity securities					
Treasury bonds and notes					
Philippine Peso	448,804,140	-	-	-	448,804,140
US Dollar		79,676,284	-	-	79,676,284
Corporate bonds	81,601,500	10,000,500	-	-	91,602,000
	530,405,640	89,676,784	-	-	620,082,424
Cash and cash equivalents					
Universal bank	495,132,823	59,107,103	42,304,873	-	596,544,799
Commercial bank	-	902,906	-	-	902,906
Thrift bank	761,814	509,497	-	1,169,056	2,440,367
Rural bank	-	-	-	867,613	867,613
	495,894,637	60,519,506	42,304,873	2,036,669	600,755,685
Other investments					
Time deposits	6,013,188	3,345,140	-	-	9,358,327
	1,164,964,623	153,541,430	42,304,873	2,036,670	1,362,847,794

** Based on Philratings*
*** Based on Standard & Poor's rating*
**** Based on CAMELS rating*
*****Unrated short-term deposits and cash and cash equivalents are issued by local commercial, thrift and rural banks.*

	A+ to AAA*	BBB- to BB+**	CAMELS***	Unrated****	Total
December 31, 2024					
Investments at FVTPL					
Treasury bonds					
Philippine Peso	39,613,904	-	-	-	39,613,904
US Dollar	125,698,578	-	-	-	125,698,578
	165,312,482	-	-	-	165,312,482
Held-to-maturity securities					
Treasury bonds and notes					
Philippine Peso	451,927,400	-	-	-	451,927,400
US Dollar	133,995	78,245,980	-	-	78,379,975
Corporate bonds	121,154,100	15,000,000	-	-	136,154,100
	573,215,495	93,245,980	-	-	666,461,475
Cash and cash equivalents					
Universal bank	62,966,253	281,259,049	24,509,912	-	368,735,214
Commercial bank	952,460	13,466,980	-	-	14,419,440
Thrift bank	2,728,165	521,211	-	544,770	3,794,146
Rural bank	-	-	-	1,350,761	1,350,761
	66,646,878	295,247,240	24,509,912	1,895,531	388,299,561
Other investments					
Time deposits	18,741,283	-	-	-	18,741,283
	823,916,138	388,493,220	24,509,912	1,895,531	1,238,814,801

** Based on Philratings*
*** Based on Standard & Poor's rating*
**** Based on CAMELS rating*
*****Unrated short-term deposits and cash and cash equivalents are issued by local commercial, thrift and rural banks.*

The credit quality of cash and cash equivalents is based on the Bangko Sentral ng Pilipinas classification of banks operating in the Philippines. To minimize credit risk, the Company invests only in financial institutions which are reputable and in good credit standing.

Philratings and Standard & Poor's are reputable credit rating agencies used in the market to determine credit risk of local and international companies respectively.

Insurance receivables and other receivables are generally considered as unrated (Note 4).

Unrated counterparties have no history of default and hence, no provisions are required.

19.2.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The IC as well as the Board of Directors have issued certain guidelines to comply with to ensure that the Company maintains liquidity at all times. The amounts disclosed in the table are the maturity analysis of assets and liabilities, which the Company uses to manage the inherent liquidity risk.

Amounts in thousands	Up to one year	Over one year	Total
December 31, 2025			
Assets			
Cash and cash equivalents	612,001	-	612,001
Receivables arising from insurance contracts			
Premium receivable	208,436	96,084	304,520
Reinsurance recoverable on paid losses	26,662	129,638	156,300
Due from reinsurers and ceding companies	6,042	17,599	23,641
Funds held by ceding companies	130	13,878	14,008
Other loans and receivables			
Accounts receivable	10,709	49,222	59,931
Accrued interest income	6,139	-	6,139
Refundable deposits	-	70	70
Security fund	-	49	49
Held-to-maturity securities	-	620,082	620,082
Investments at fair value through profit or loss	-	382,986	382,986
Other investments	4,358	5,000	9,358
	874,477	1,314,608	2,189,085
Liabilities			
Losses and claims payable	350,159	221,304	571,463
Due to reinsurers and ceding companies	175,582	72,392	247,974
Funds held for reinsurers	4,991	-	4,991
Commissions payable	25,224	-	25,224
Lease liability	2,658	83	2,741
Accounts payable and other liabilities (excluding tax-related and statutory payables)	122,834	-	122,834
	681,448	293,779	975,227
Net assets	193,029	1,020,829	1,213,858

Amounts in thousands	Up to one year	Over one year	Total
December 31, 2024			
Assets			
Cash and cash equivalents	414,466	-	414,466
Receivables arising from insurance contracts			
Premium receivable	288,594	36,921	325,515
Reinsurance recoverable on paid losses	99,078	62,023	161,101
Due from reinsurers and ceding companies	13,373	14,354	27,727
Funds held by ceding companies	259	13,749	14,008
Other loans and receivables			
Accounts receivable	14,685	43,854	58,539
Accrued interest income	5,126	-	5,126
Refundable deposits	-	70	70
Security fund	-	49	49
Held-to-maturity securities	139,549	526,912	666,461
Investments at fair value through profit or loss	285,297	165,312	450,609
Other investments	13,741	5,000	18,741
	1,274,168	868,244	2,142,412
Liabilities			
Losses and claims payable	336,330	339,453	675,783
Due to reinsurers and ceding companies	210,539	24,970	235,509
Funds held for reinsurers	66,462	-	66,462
Commissions payable	23,465	-	23,465
Lease liability	3,482	2,741	6,223
Accounts payable and other liabilities (excluding tax-related and statutory payables)	117,645	-	117,645
	757,923	367,164	1,125,087
Net assets	516,245	501,080	1,017,325

19.3 Fair value of financial assets and financial liabilities

The aggregate fair value of the Company's available-for-sale securities and investments at FVTPL at December 31, 2025 amounting to P357.54 million and P382.99 million, respectively, (2024 - P292.59 million and P450.61 million, respectively), which is determined based on market prices, include investment in mutual funds and listed equity securities aggregating P282.25 million (2024 - P232.02 million) under Level 1 and unquoted equity securities amounting to P75.29 million (2024 - P60.56 million) under Level 3 of the fair value hierarchy.

There are no other financial instruments measured at fair value at December 31, 2025 and 2024.

As at December 31, 2025, the fair value of held-to-maturity securities amounts to P620.08 million (2024 - P666.46 million). Such valuation falls under Level 2 of the fair value hierarchy.

Unquoted equity securities are based on the net asset value of the investments. Based on management's projections, a reasonably possible shift of +/-10% movement in the unquoted equity securities' net asset value will increase/decrease the profit before tax for the year ended December 31, 2025 by P7,529,000 (2024 - 6,056,000 and 1,056,000, respectively).

The carrying amounts of the Company's other financial assets approximate their respective fair values as at December 31, 2025 and 2024 due to their short-term maturities.

The method and assumptions used by the Company in estimating the fair value of other financial instruments are as follows:

Cash in banks and cash equivalents

The estimated fair value of interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. The carrying values of interest-bearing short-term deposits in which the interest rates are repriced approximate their fair values.

Receivables

The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Due to the short-term nature of the receivables, the carrying amount approximates fair value.

Financial liabilities

The estimated fair value of liabilities with no stated maturity is the amount repayable on demand. Due to the short-term nature of the liabilities, the carrying values already approximate their fair values at reporting date.

19.4 Fair value of non-financial assets

The fair values of the Company's building and investment properties are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidence used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's building and investment properties.

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

	Fair value hierarchy	Fair values 2025	Fair values 2024	Valuation technique	Unobservable input for Level 3
Investment properties	Level 3	158,624,000	149,779,222	Market Data Approach - range of price per square meter of PHP 80,000 to PHP 145,000; 10% to 25% physical adjustments (2024- PHP 5,000 to PHP 163,043;10% to 20%).	Concluded sales transactions for similar properties; physical adjustments (i.e. unit condition, bargaining allowance, marketability, location, amenities, size, shape)
Building (Property and equipment)	Level 3	51,504,000	50,110,000	Market Data Approach - range of price per square meter of PHP 96,000 to PHP140,625; 10% to 40% physical adjustments. (2024- PHP 99,612 to PHP 148,835; 40%)	Concluded sales transactions for similar properties; physical adjustments (i.e. unit condition, bargaining allowance, marketability, location, amenities, size, shape)

<u>*Critical accounting estimate - Fair value of non-financial assets (Notes 7 and 8)*</u>

The fair values of the Company's property and equipment and investment property are determined from market-based evidence (Level 3) by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's property and equipment and investment properties.

If the prices of the comparable properties under Market Data Approach in relation to investment properties and building were to differ by +/-10%, the carrying amount of investment properties and building as at December 31, 2025 would be approximately P19.5 million and P22.2 million (2024 - P14.98 million and P4.39 million), respectively, higher/lower.

The percentages used in the sensitivity analyses above presents management's best assessment of reasonable possible change in the prices of its investment property and building considered by management to be significant.

19.5 Capital management

The Company's objectives when managing capital are:

- to comply with the minimum net worth requirement and Risk-Based Capital (RBC) model set by the IC;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide security for its policyholders, returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The Company calculates its capital as equity shown in the statement of financial position. Management also monitors capital in accordance with regulatory requirements. The Company maintains a certain level of capital to ensure solvency margin in excess of regulatory requirements, which in turn, protects its policyholders.

To ensure compliance with these externally imposed capital requirements, it is the Company's policy to assess its position, at least on a quarterly basis, against set minimum capital requirements. The Company elevates any requirement for additional capital infusion to its shareholders to address any foreseen capital deficiency.

19.5.1 Minimum statutory net worth

The Company also manages its capital through its compliance with Republic Act No. 10607 - Amended Insurance Code, effective September 20, 2013. Under this Act, the requirement for domestic insurance companies to maintain a minimum statutory net worth amounts to:

June 30, 2013	P250 million
December 31, 2016	P550 million
December 31, 2019	P900 million
December 31, 2023	P1.3 billion

Net worth shall consist of paid-up capital, retained earnings, unimpaired surplus, and revaluation of assets as may be approved by the Insurance Commissioner.

The Company's net worth as at December 31, 2025 amounts to P2,061,267,505 (2024 - P1,839,002,791). The Company is compliant with the minimum statutory net worth as at December 31, 2025 and 2024.

19.5.2 RBC2 Framework

On December 28, 2016, the IC issued CL No. 2016-68 which provides for the Amended RBC 2 Framework with effect beginning January 1, 2017. The CL provides that the RBC ratio of a non-life insurance company is calculated by dividing the total available capital by the RBC requirement. Total available capital is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and deductions prescribed by the IC.

The non-life RBC requirement considered the following components set by the IC:

(i) credit risk capital charge;
(ii) insurance risk capital charge;
(iii) market risk capital charge for equities;
(iv) market risk capital charge for other than equities;
(v) operational risk capital charge; and,
(vi) catastrophe risk capital charge.

The minimum RBC ratio is to be established at 100%. All non-life insurance companies are required to maintain the minimum RBC ratio and not fail the trend test. Failure to meet the minimum RBC ratio will trigger regulatory intervention by the IC.

The following table shows how the RBC ratio as at December 31 was determined by the Company:

	2025	2024
Total available capital	2,041,282,633	1,783,538,761
RBC requirement	347,806,757	407,042,209
RBC ratio	587%	438%

The 2025 Annual Statement of the Company has not yet been approved by the IC. The final amount of the 2025 net worth and RBC can be determined only after the accounts of the Company have been examined by the IC specifically as to admitted and non-admitted assets as defined in the previous insurance code.
In addition to the regulatory relief on net worth requirements prescribed by the IC though CL No. 2020-60 issued on May 15, 2020, the IC has provided further guidelines on the implementation of the Amended RBC framework for the calendar year 2020 in order for insurance companies to better utilize their capital requirements while they continue to work on their recovery from the implications of the pandemic. Applying the revised regulatory intervention on the RBC ratio, no regulatory action is needed for the Company as its RBC ratio as at December 31, 2019, before the declaration of the enhanced community quarantine is over 100%.

On November 24, 2025, the Company received the IC certification related to its 2024 net worth and RBC after the IC's examination as to admitted and non-admitted assets as defined in the previous insurance code.

The Company is compliant with the requirements of the RBC2 framework and will not require capital call from shareholders as at December 31, 2025 and 2024.

20 Summary of material accounting policies

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

20.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- Philippine Accounting Standards (PAS), and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee ("SIC") as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and Board of Accountancy, and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, investments at FVTPL, building, investment property and retirement benefit assets.

The preparation of financial statements in conformity with PFRS Accounting Standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- Judgment on recoverability of receivables (Note 4)
- Judgment on classification to HTM securities, investments at FVTPL and AFS securities (Note 5)
- Judgment on impairment of AFS securities and HTM securities (Note 5)
- Estimation of liability arising from claims made under insurance contracts (Note 6)
- Estimation of useful lives (EUL) of assets (Note 8)
- Judgment on impairment of property and equipment (Note 8)
- Judgment on recoverability of deferred income tax assets (Note 9)
- Judgment on provision for income tax (Notes 15)
- Estimation of incremental borrowing rate on leases (Note 18)
- Judgment on determination of lease term (Note 18)
- Estimation of unexpired risk reserves ("URR") (Note 19.1.7)
- Estimation of fair value of non-financial assets (Notes 19.4)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company, effective January 1, 2025

The Company has applied the following amendments for the first time for its annual reporting period commencing January 1, 2025:

- Amendments to PAS 21, 'The Effects of Changes in Foreign Exchange Rates, Lack of Exchangeability' (effective for annual reporting periods beginning on or after January 1, 2025)

  On October 10, 2023, the FSRSC approved the adoption of the amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates, Lack of Exchangeability' issued by the International Accounting Standards Board (IASB) in August 2023 as amendments to PAS 21, 'The Effects of Changes in Foreign Exchange Rates, 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 also require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

  The amendments to PAS 21 did not have a material impact on the financial statements of the Company.

There are no new or amended standards effective January 1, 2025, that are considered to be relevant or have a material impact on the Company's financial statements.

(b) New and amended standards issued but not yet effective as at December 31, 2025

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2025, reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below:

- PFRS 17, 'Insurance Contracts' (effective January 1, 2027)

  IFRS 17 was issued in May 2017 as replacement for IFRS 4, "Insurance Contracts". The Financial and Sustainability Reporting Standards Council (FSRSC) and Professional Regulatory Board of Accountancy adopted IFRS 17 - Insurance Contracts as PFRS 17 which was later adopted by the SEC as part of its financial reporting framework.

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

On March 17, 2020, the IASB has decided to defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2024. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 further to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB.

Through IC-CL 2020-62, FSRSC Pronouncement dated December 21, 2021, and BOA Resolution No. 1, s. 2022, the adoption of PFRS 17 was deferred from January 1, 2024 to January 1, 2025.

On March 10, 2025, the IC issued IC-CL 2025-04 further deferring the application of PFRS 17 effective January 1, 2027, due to gaps in the insurance industry’s preparation for PFRS 17 and the need for additional time to ensure smooth transition while maintaining regulatory stability.

The Company is currently reviewing the impact of PFRS 17 across the Company and a project team is currently overseeing the impact assessment and the implementation program. Accordingly, it is not reasonably possible to determine financial impact of implementation at reporting date.

- PFRS 9 and its interaction with PFRS 4 ‘Insurance Contracts’ (effective January 1, 2027)

PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Classification under PFRS 9 is driven by the entity’s business model for managing and holding the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value arising from changes in the entity’s own credit risk are presented separately in other comprehensive income.

The impairment rules of PFRS 9 introduce an ‘expected credit loss’ (ECL) model that replaces the ‘incurred credit loss’ model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

In September 2016, 'Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)' was issued, which provides optional relief to insurers meeting certain criteria from any adverse impact that may arise from the different effective dates of PFRS 9 and PFRS 17. The two options for entities that issue contracts within the scope of PFRS 4 permit an entity to either:

(1) reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets; referred to as the 'overlay approach', or
(2) for entities whose predominant activity is issuing contracts within the scope of PFRS 4, defer the application of PFRS 9 entirely; referred to as the 'deferral approach'

Deferral of adoption of PFRS 9

The Company has elected to apply the deferral approach since it satisfies the following criteria:

- The Company has not previously applied any versions of PFRS 9; and,
- The Company's activities are predominantly connected with insurance at annual reporting date that immediately precedes April 1, 2016, i.e., December 31, 2015, based on the eligibility assessment that:
  - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is greater than 90% of the total carrying amount of all its liabilities; or,
  - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is less than 90% and the total carrying amount of liabilities connected with insurance is equal to or less than 90% but greater than 80% of the total carrying amount of all its liabilities.

The Company made the assessment based on the financial position as at December 31, 2015, concluding that the carrying amount of the Company's liabilities arising from contracts within the scope of PFRS 4 was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities as at December 31, 2015 is assessed to be 90%. After the date of eligibility assessment, there has been no change in the Company's activities that requires a reassessment of the eligibility assessment.

All of the Company's financial assets, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis, are with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As at December 31, 2025 and 2024, the financial assets that are carried at fair value, are shown in Note 5. Changes in the fair value of these financial assets for the year ended December 31, 2025 and 2024 are disclosed in Note 11. Information about the credit risk exposure of these assets is disclosed in Note 19.2.2.

The following tables set out the fair value at December 31, 2025 and 2024 and changes in fair values for the years ended December 31, 2024 and 2023, of financial assets separately for the following groups:

- Financial assets that meet the SPPI criteria in PFRS 9, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis; and
- All other financial assets, including those assets that do not meet the SPPI criteria in PFRS 9 and those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis.

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 (SPPI).

The fair value of financial instruments at December 31 classified between those that meet and those that fail the SPPI criterion are described as follow:

2025	Financial assets that meet the SPPI criteria	Financial assets that fail the SPPI criteria	Total
Cash and cash equivalents	612,001,320	-	612,001,320
Available-for-sale securities	-	357,542,357	357,542,357
Fair value through profit or loss	132,651,158	250,335,352	382,986,510
HTM securities	620,082,424	-	620,082,424
Other investments	9,358,327	-	9,358,327
Other receivables			
Accounts receivables	59,931,133	-	59,931,133
Accrued interest income	6,139,541	-	6,139,541
Refundable deposits	69,700	-	69,700
Security fund	49,248	-	49,248
	1,440,282,851	607,877,709	2,048,160,560

2024	Financial assets that meet the SPPI criteria	Financial assets that fail the SPPI criteria	Total
Cash and cash equivalents	414,466,519	-	414,466,519
Available-for-sale securities	-	292,588,821	292,588,821
Fair value through profit or loss	165,312,482	285,296,468	450,608,950
HTM securities	666,461,475	-	666,461,475
Other investments	18,741,283	-	18,741,283
Other receivables			
Accounts receivables	58,539,625	-	58,539,625
Accrued interest income	5,125,796	-	5,125,796
Refundable deposits	69,700	-	69,700
Security fund	49,149	-	49,149
	1,328,766,029	577,885,289	1,906,651,318

For financial assets as at December 31, 2025 and 2024 that meet the SPPI criteria, the current carrying values measured in accordance with PAS 39 are analyzed in the following tables by credit rating:

	Neither past due nor impaired					
	High	Medium	Low	Past due	Impaired	Total
December 31, 2025						
Cash and cash equivalents	612,001,320	-	-	-	-	612,001,320
HTM financial assets	620,082,424	-	-	-	-	620,082,424
Fair value through profit or loss	132,651,158	-	-	-	-	132,651,158
Other receivables						
Accounts receivables	59,931,133	-	-	-	-	59,931,133
Accrued interest income	6,139,541	-	-	-	-	6,139,541
Refundable deposits	69,700	-	-	-	-	69,700
Security fund	49,248	-	-	-	-	49,248
	1,430,924,524	-	-	-	-	1,430,924,524

	Neither past due nor impaired					
	High	Medium	Low	Past due	Impaired	Total
December 31, 2024						
Cash and cash equivalents	414,466,519	-	-	-	-	414,466,519
HTM financial assets	666,461,475	-	-	-	-	666,461,475
Fair value through profit or loss	165,312,482	-	-	-	-	165,312,482
Other receivables						
Accounts receivables	292,588,821	-	-	-	-	292,588,821
Accrued interest income	5,125,796	-	-	-	-	5,125,796
Refundable deposits	69,700	-	-	-	-	69,700
Security fund	49,149	-	-	-	-	49,149
	1,544,073,942	-	-	-	-	1,544,073,942

- *PFRS 18, 'Presentation and Disclosure in Financial Statements' (effective for annual reporting periods beginning on or after January 1, 2027)*

In April 2024, the IASB issued IFRS 18, 'Presentation and Disclosure in Financial Statements'. IFRS 18 sets out overall requirements for the presentation and disclosure in financial statements. IFRS 18 replaces, IAS 1 'Presentation of Financial Statements'.

On May 10, 2024, the FSRSC approved the adoption of IFRS 18, 'Presentation and Disclosure in Financial Statements' issued by the IASB in April 2024 as PFRS 18, 'Presentation and Disclosure in Financial Statements'.

PFRS 18 affects the primary financial statements and notes of all entities reporting under PFRS Accounting Standards and represents the most significant development in financial performance of entities since the introduction of PFRS Accounting Standards.

PFRS 18 aims to improve financial reporting by:
- requiring an entity to present two new defined subtotals in the statement of profit or loss;
- operating profit and profit before financing and income taxes;
- requiring an entity to disclose management-defined performance measures - subtotals of income and expenses not specified by PFRS Accounting Standards that are used in public communications to communicate management's view of an aspect of a company's financial performance; and
- adding new principles for aggregation and disaggregation of items.

From a preliminary high-level assessment, the Company's management expects that although the adoption of PFRS 18 will have no impact on the Company's net income, such has an impact on presentation and disclosure, in particular those related to statements of income. The Company is currently assessing the detailed impact of applying the new standard on the Company's financial statements.

- *Amendments to PFRS 9 and PFRS 7, 'Amendments to the Classification and Measurement of Financial Instruments' (effective for annual reporting periods beginning on or after January 1, 2026)*

In May 2024, the IASB issued targeted amendments to IFRS 9, 'Financial Instruments', and IFRS 7, 'Financial Instruments: Disclosures', to respond to recent questions arising in practice.

These amendments:
- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The FSRSC approved the adoption of such amendments on July 12, 2024.

These amendments will primarily impact the level of detail at which the Company discloses information about strategic equity investments whose changes in fair value the Company has elected to present in other comprehensive income when it also adopts PFRS 9, 'Financial Instruments', and PFRS 17, 'Insurance Contracts'.

These amendments will be applied at the same time as the adoption of PFRS 9, which is expected to coincide with the adoption of PFRS 17 for annual reporting periods beginning on or after January 1, 2027.

- Annual Improvements to PFRS Accounting Standards - Volume 11 (effective for annual periods beginning on or after January 1, 2026)

On July 18, 2024, the IASB issued Annual Improvements to IFRS Accounting Standards - Volume 11. On August 22, 2024, the FSRSC adopted such as Annual Improvements to PFRS Accounting Standards - Volume 11.

These amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several PFRS Accounting Standards for certain subjects. The amended Standards are as follows:

- PFRS 1, 'First-time Adoption of PFRS Accounting Standards', to improve consistency between PFRS 1 and PFRS 9, 'Financial Instruments', in relation to the requirements for hedge accounting, and to improve the understandability of IFRS 1;
- PFRS 7, 'Financial Instruments: Disclosures', to improve consistency in the language used in PFRS 7 with the language used in PFRS 13, 'Fair Value Measurement;
- PFRS 9, 'Financial Instruments', to clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished, and to address an inconsistency between PFRS 9 and PFRS 15, 'Revenue from Contracts with Customers', in relation to the term 'transaction price';
- PFRS 10, 'Consolidated Financial Statements', to clarify the requirements in relation to determining de facto agents of an entity; and
- PAS 7, 'Statement of Cash Flows', to replace the term 'cost method' with 'at cost', since the term is no longer defined in PFRS Accounting Standards.

The annual improvements to PFRS Accounting Standards - Volume 11 are not expected to have a material impact on the financial statements of the Company in the year of initial application.

The new and amended standards are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Company does not expect the new and amended standards to have a significant impact on the Company's financial statements, except for PFRS 9, 'Financial Instruments', PFRS 17, 'Insurance Contracts', and PFRS 18, 'Presentation and Disclosure in Financial Statements'.

20.2 Financial assets and liabilities

20.2.1 Classification - Financial assets

The Company classifies its financial assets in the following categories: loans and receivables, held-to-maturity securities, investments at FVTPL and available-for-sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when they are either held for trading or designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term, forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or is a derivative that is not designated and effective as a hedging instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Company's loans and receivables consists of cash and cash equivalents (Note 3) and receivables (Note 4) in the statement of financial position.

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value (Note 3).

Receivables consist of receivables arising from insurance contracts, such as premium receivable, reinsurance recoverable on paid losses, reinsurance recoverable on paid losses, due from reinsurers and ceding companies and funds held by ceding companies, and other receivables, such as accounts receivable, accrued interest income, refundable deposits and security fund (Note 4).

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity.

Held-to-maturity securities of the Company consist of treasury bonds and notes, corporate bonds and time deposits (Note 5).

Available-for-sale securities

Available-for-sale securities are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale securities consist of equity shares and investments in mutual funds (Note 5).

20.2.2 Initial recognition and subsequent measurement - Financial assets

Financial assets, consisting of loans and receivables, held-to-maturity securities and available-for-sale securities, are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition.

Loans and receivables and held-to-maturity securities are subsequently carried at amortized cost using the effective interest rate method.

Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest earned on these securities is recognized using the effective interest rate in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive payment is established. Changes in the fair value of monetary securities denominated in foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

Financial assets at FVTPL are initially recognized at fair value, with transaction costs recognized immediately in profit or loss. Subsequent to initial recognition, these assets are measured at fair value, and changes in fair value are recognized in profit or loss in the period in which they arise. Interest income, dividend income, and gains or losses arising from changes in fair value are included in profit or loss under “Finance income” or “Other gains and losses,” as appropriate. The designation of financial assets at FVTPL is irrevocable and is only permitted if it results in more relevant information by eliminating or significantly reducing a measurement or recognition inconsistency (i.e., an accounting mismatch).

20.2.3 Impairment - Financial assets

Financial assets classified as loans and receivables and held-to-maturity securities

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is an objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments; and
- it becomes probable that the debtor will enter bankruptcy or other financial reorganization.

The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (recoverable amount). The calculation of recoverable amount of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Impairment loss, if any, is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss as a reduction of impairment losses for the year.

Loans and receivables are written off in the year in which they are determined to be uncollectible. Loans and receivables are determined to be uncollectible after exerting effort to collect the accounts and upon approval by the Company's Board of Directors.

Financial assets classified as available-for-sale securities

The Company assesses at the end of each reporting period whether there is an objective evidence that available-for-sale debt securities are impaired using similar criteria and process applied to financial assets carried at amortized cost as described above.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence that the assets are impaired. A decline in the fair value of the instrument by more than 20 percent is considered significant and a period of 12 months or greater is considered to be a 'prolonged' decline. If any such evidence exists for available-for-sale equity securities, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses on equity investment are not reversed in profit or loss. Increases in fair value after impairment are recognized directly in equity.

20.2.4 Classification - Financial liabilities

The Company classifies its financial liabilities in the following categories: at FVTPL and at amortized cost. The classification depends on the purpose for which the financial liabilities are incurred, and management determines the classification at initial recognition.

The Company's financial liabilities include losses and claims payable (excluding IBNR) (Note 6), due to reinsurers and ceding companies (Note 6), funds held for reinsurers, commissions payable, and accounts payable and other liabilities (excluding tax-related payables and retirement benefit obligation).

All of the Company's financial liabilities are classified as financial liabilities at amortized cost. The Company does not have any financial liabilities measured at FVTPL during and at the end of each reporting period.

20.2.5 Initial recognition subsequent measurement – Financial liabilities

Financial liabilities are initially recognized at fair value of the consideration received plus transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method.

20.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

Financial assets

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and,
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Non-financial assets

For non-financial assets, the Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
- The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

20.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

There are no financial assets and liabilities which have been offset at reporting date.

20.5 Insurance contracts

20.5.1 Recognition and measurement

Short-term insurance contracts of the Company mainly include motor car, marine and casualty insurance contracts, while long-term insurance contracts of the Company mainly include fire and bond insurance.

For all these contracts, premiums are recognized as revenue as follows:

Direct business

Gross premiums written are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The portion of the gross premiums written that relates to the unexpired periods of the policies at year-end is presented as reserve for unearned premiums in the statement of financial position.

Inward reinsurance business

Gross premiums written are recognized based on the date of notification by the ceding companies and are earned over the period of cover in accordance with the incidence of risk using the 24th method. The portion of the gross premiums written that relates to the unexpired periods of the policies at year-end is presented as reserve for unearned premiums in the statement of financial position.

Outward reinsurance business

The related reinsurance premiums ceded that pertain to the unexpired periods at year-end are reported as deferred reinsurance premiums in the statement of financial position.

The net change in the reserve for unearned premiums and deferred reinsurance premiums during the reporting period is recognized in profit or loss.

Reinsurance premiums are recognized based on notification of inception of the underlying risks underwritten and are allocated over the period of cover in accordance with the incidence of risk using the 24th method.

20.5.2 Insurance contracts liabilities

(a) Premium liabilities

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risk that have not yet expired, is deferred as provision for unearned premiums using the 24th method.

The change in provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provision is made to cover any deficiency to the extent that the URR exceeds the UPR, net of DAC. The URR represents the premiums to match future claims and expenses in the unexpired coverage period of in-force contracts. The future claims and expenses are adjusted for potential changes or uncertainties.

(b) Claims liabilities (losses and claims payable)

Losses and claims payable are recognized when the contracts are entered into and the premiums are charged. Loss and claims adjustment expenses are recognized in profit or loss based on the estimated liability for compensation owed to contract holders or to third parties damaged by the contract holders. These include direct and indirect claim settlement costs arising from events that have occurred up to the reporting date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims.

Liabilities for unpaid claim costs, including those for IBNR, are estimated and accrued and considers actual claims reported in the succeeding year but for which the related insured event occurred in the year under coverage. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims using the input of assessment for individual cases reported to the Company. The method of determining such estimates and establishing reserves is continually reviewed and updated.

Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expenses in the year in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of estimated realizable values of the salvage recoverable and deducted from the liability for unpaid claims.

Outstanding claims and IBNR losses are presented in the statement of financial position as part of losses and claims payable.

20.5.3 Reinsurance commission

Reinsurance commission is initially recognized upon acceptance of the premium cession by reinsurers. Reinsurance commission is presented as commissions earned in the statement of income recognized over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year.

Unamortized reinsurance commission are shown in the statement of financial position as deferred commission income.

20.5.4 Deferred acquisition costs

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

20.5.5 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related deferred acquisition costs. In performing these tests, current best estimate of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing-off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired provision). There were no deficiencies recognized in profit or loss during the reporting periods. Any deferred acquisition costs written off as a result of this test cannot be subsequently reinstated.

20.5.6 Reinsurance contracts held

Contracts entered by the Company with reinsurers, which compensate the Company for losses in one or more contracts issued and meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Contracts that do not meet these classification requirements are classified as financial contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of reinsurance recoverable on paid and unpaid losses, due from reinsurers and ceding companies and funds held by ceding companies (classified within receivables).

The Company assesses its reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes an impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same policies adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets. These policies are described in Note 20.2.3.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense upon recognition of related premiums. These liabilities pertain to due to reinsurers and ceding companies and funds held for reinsurers.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

20.5.7 Receivables and payables related to insurance contracts

Receivables and payables, such as premium receivable, losses and claims payable and commissions payable, are recognized when the right to receive payment is established or when the obligation becomes due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is an objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same policies adopted for loans and receivables. The impairment loss is also calculated under the same method used for financial assets. These policies are described in Note 20.2.3.

20.5.8 Salvage and subrogation reimbursements

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

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are charged against losses and claims payable when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

20.6 Investment properties

Properties held for long term rental yields or for capital appreciation or for both, are classified as investment properties. These properties are initially measured at cost, which includes transaction costs, but excludes day to day servicing costs. Replacement cost is capitalized if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

After initial recognition, investment property is carried at fair value as determined by an independent firm of appraisers. Changes in fair values are recognized in the statement of comprehensive income under 'Fair value gains on investment property, net.'

Transfers are made to investment property when there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. There were no transfers made to investment property during and at the end of each reporting period.

Any gain or loss on the retirement or disposal of investment property is recognized in profit or loss in the year of derecognition.

Rental income from investment property is recognized in profit or loss on a straight-line basis over the lease term. Lease incentives are recognized as an integral part of the total rent income. Expenses with regard to investment property are treated as ordinary operating expenses and are recognized when incurred.

20.7 Property and equipment

Property and equipment, except for building, are stated at cost less accumulated depreciation and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of items.

Building is initially recognized at cost and subsequently revalued based on periodic valuations by external independent appraisers, less subsequent depreciation and impairment losses, if there is any. The net appraisal increase resulting from the revaluation is credited to "Changes in revaluation surplus of property and equipment, net of tax" account, net of corresponding deferred tax liability in OCI and accumulated as part of "Accumulated other comprehensive income" in the equity section of the Company's statement of financial position.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	27 years
EDP equipment	5 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	5 to 7 years
Leasehold improvements	5 years or lease term, whichever is shorter
Office premise	5 years or lease term, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized as part of miscellaneous income or expense in the statement of total comprehensive income.

If the carrying amount of the Company's asset is decreased as a result of revaluation, this decrease is recognized as other comprehensive loss to the extent of any credit balance existing in the revaluation increment in respect of that asset. The excess of such decrease over the existing balance in the revaluation increment is recognized in profit or loss.

An increase in the carrying amount of the Company's building is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

20.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortization, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Value-in-use requires the Company to make estimates of future cash flows to be derived from a particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

20.9 Non-current asset held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and management is committed to a plan to sell the asset.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Depreciation or amortization of such assets ceases upon classification as held for sale.

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

20.10 Income taxes

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess of minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

Deferred income tax expense or credit included in provision for income tax is recognized for the changes during the year in the deferred income tax assets and liabilities.

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

20.11 Provisions

Provisions for legal claims are recognized when the following are present:

- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

20.12 Retirement benefit obligation

The Company maintains a funded defined benefit plan for all its regular employees. A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets at reporting dates. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against equity in other comprehensive income (shown as part of accumulated other comprehensive income in the statement of financial position) in the period in which they arise.

Past service cost, if any, are recognized immediately in profit or loss.

20.13 Equity

Share capital

Share capital represents share issued and outstanding.

Contributed surplus

Any amount received by the Company in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Company and can be used only for purposes specified under corporate legislation.

Retained earnings

Retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Company, which are available for dividend declaration.

20.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

20.15 Revenue recognition

Revenue is recognized to the extent that it is a probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premium revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at reporting date is accounted for as reserve for unearned premiums in the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums presented in the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net premium earned.

Commission income

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as deferred reinsurance commissions and offset against deferred acquisition costs in the statement of financial position.

20.16 Leases

20.16.1 The Company is the lessee

The Company recognizes lease as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

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 lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently amortized on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as those of the related property and equipment category.

The right-of-use asset may be 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 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. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

20.16.2 The Company is the lessor

Properties leased out under operating leases are included in investment properties in the statement of financial position. Rental income under operating leases is recognized as part of investment and other income in the statement of total comprehensive income on a straight-line basis over the period of the lease.

20.17 General and administrative expenses

General and administrative expenses are recognized when incurred.

20.18 Foreign currency transactions and translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rate at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale securities are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities classified as available-for-sale are included in other comprehensive income.

20.19 Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions.

Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Amounts due from and due to related parties are presented at gross basis, unless the Company has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the receivable and settle the payable simultaneously, such as the commission receivable offset from due to reinsurers and ceding companies (Note 17). In such cases, the net amount is presented in the statement of financial position.

20.20 Offsetting

The Company offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only when it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Offsetting is applied only when the legal right to offset is enforceable in all circumstances, including in the normal course of business and in the event of default, insolvency, or bankruptcy of the counterparties.

20.21 Events after the reporting date

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

21 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulation No. 15-2010 that is relevant to the Company. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. All amounts are in Philippine Pesos.

(i) Output VAT

Output VAT declared for the year ended December 31, 2025 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Premiums (non-life)	1,101,595,553	132,191,466
Commission income	32,886,316	4,932,947
Rental income	6,912,359	829,483
	1,141,394,228	137,953,896

The gross revenues shown above are based on gross receipts of the Company for VAT purposes while gross revenues presented in the statement of total comprehensive income are measured in accordance with the policy in Notes 20.15 and 20.16.

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2025 follow:

	Amount
Beginning balance	10,911,461
Input tax on services	38,392,096
Deferred input tax	(27,020,613)
Ending balance	22,282,944

Output VAT, net of input VAT, is presented as part of taxes payables under Accounts payable and other liabilities in the statement of financial position amounts to P67,221,951.

(iii) Documentary stamp tax

Documentary stamp taxes (DST) paid for the year ended December 31, 2025 amounts to P152,300,000. Prepaid documentary stamp taxes as at December 31, 2025 which amounts to P26,531,238 is included under other assets. The DST related to policy issuances are passed on to the policyholders.

(iv) All other local and national taxes

All other local and national taxes paid and accrued for the year ended December 31, 2025 consist of:

	Paid	Accrued	Total
Fire service tax	3,358,496	3,482,256	6,840,752
Local government tax on premiums	1,812,038	-	1,812,038
Real property tax	891,655	-	891,655
IC supervision/filing fees	2,279,150	-	2,279,150
IC Certificate of Authority renewal fees	184,280	-	184,280
Municipality taxes	88,803	-	88,803
Premium tax (non-life)	67,521	39,145	106,666
Community tax	10,500	-	10,500
Others	3,348,871	-	3,348,871
	12,041,314	3,521,401	15,562,715

The above local and national taxes are charged to taxes, licenses and fees the statement of total comprehensive income, except for fire service tax, local government tax on premiums and premium tax (non-life) which are passed on to the policyholders. The accrued other local and national taxes are presented as part of taxes payable under Accounts payable and other liabilities in the statement of financial position.

(v) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2025 consist of:

	Paid	Accrued	Total
Expanded withholding tax	32,450,937	3,407,719	35,858,656
Withholding tax on compensation	3,727,168	(144,747)	3,582,421
Final withholding tax	3,687,259	236,569	3,922,828
	39,865,364	3,499,541	43,363,905

The accrued withholding taxes are included as part of taxes payable under Accounts payable and other liabilities in the statement of financial position.

(vi) Tax assessments and cases

As at December 31, 2025, the Company’s open tax year is 2024. The Company has no pending tax cases as at and for the year ended December 31, 2025.

All other information required to be disclosed by the BIR have been included in this note.