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Submission Date/Time: **May 15, 2026 08:33 AM**

Company TIN: **000-196-058**

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Travellers Insurance Surety (TRISCO) Corporation

"Your key to stability. Your partner in business."


Head Office:
10th Floor, G.E. Antonino Building
T.M. Kalaw St. cor. J. Bocobo St.
Ermita, Manila 1000
Contact No.: +63917-5065643
Fax No.: (02) 8521-49-31
www.triscoph.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN


The Management of **Travellers Insurance & Surety (TRISCO) Corporation** is responsible for all information and representations in the Annual Income Tax Return for the year ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other returns filed for the reporting period, including, but not limited to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Travellers Insurance & Surety (TRISCO) Corporation** are complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Foundation's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **Travellers Insurance & Surety (TRISCO) Corporation** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


SAMUEL U. LEE
Chairman of the Board


EDGARDO P. DAVID
President


SANDRA U. LEE - ANG
Treasurer

**Independent Auditors' Report to
Accompany Philippine Income Tax Returns**

The Board of Directors and Stockholders
TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
10th Floor G.E. Antonino Building
T.M. Kalaw Ermita Manila

None of the partners of the firm have any financial interest in the Company or any family relationships with its principal stockholders and key management personnel.

The supplementary information on taxes and licenses is presented in Note 39 to the financial statements.

DIAZ MURILLO DALUPAN AND COMPANY

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until June 23, 2026

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022

valid in the audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001911-000-2025, effective until March 11, 2028

By:



Lloyd T. Tan

Partner

CPA Certificate No. 117307

Tax Identification No. 246-442-524

PTR No. 8573472, January 6, 2026, Cebu City

SEC Accreditation No. 117307-SEC, Group A, issued on February 3, 2026 and

valid in the audit of 2025 to 2029 financial statements of SEC covered institutions

IC Accreditation No. 117307-IC, Group A, issued on October 28, 2021 and

valid in the audit of 2021 to 2025 financial statements of IC covered institutions

BIR Accreditation No. 13-239811-003-2024, effective until September 23, 2027

April 29, 2026

Global Reach, Global Quality

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 8894 5882 / 8844 9421 / Fax: +63(2) 8818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabalac, Cebu City 6005 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8529
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 8636
Palawan Office : 2F MRG Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5100 Philippines • Phone: +63(48) 716 1590
Website : www.dmdpa.com.ph

***Travellers Insurance &
Surety (TRISCO) Corporation***

*Financial Statements
December 31, 2025 and 2024*

and

Independent Auditors' Report

Independent Auditors' Report

The Board of Directors and Stockholders
TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
10th Floor G.E. Antonino Building
T.M. Kalaw Ermita Manila

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **Travellers Insurance & Surety (TRISCO) Corporation** (the "Company") which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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 *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Global Reach, Global Quality

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Website : www.dmdpa.com.ph

Auditors' Responsibilities for the Audits 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 auditors' 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 audits. 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Supplementary Information Required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 39 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of **Travellers Insurance & Surety (TRISCO) Corporation**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIAZ MURILLO DALUPAN AND COMPANY

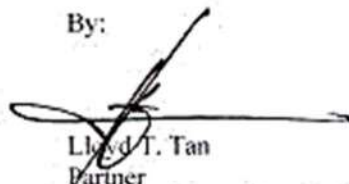
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BIR Accreditation No. 08-001911-000-2025, effective until March 11, 2028

By:



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Partner

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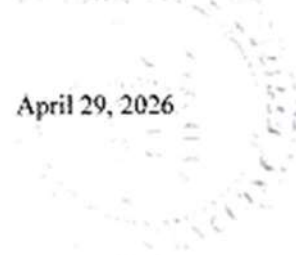
PTR No. 8573472, January 6, 2026, Cebu City

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IC Accreditation No. 117307-IC, Group A, issued on October 28, 2021 and valid in the audit of 2021 to 2025 financial statements of IC covered institutions

BIR Accreditation No. 13-239811-003-2024, effective until September 23, 2027

April 29, 2026



TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
Statements of Financial Position

	As at December 31	
	2025	2024
ASSETS		
Cash and cash equivalents - note 4	₱2,071,441,060	₱41,521,210
Short-term investments - note 5	1,950,264	2,043,909,295
Insurance receivables (net) - note 6	682,741,642	448,036,878
Reinsurance assets (net) - note 7	319,292,030	169,848,855
Other receivables (net) - note 8	221,639,205	67,668,838
Assets held for sale - note 9	233,237,200	234,876,200
Deferred acquisition cost (DAC) - note 10	165,855,014	124,249,479
Prepayments - note 11	3,677,360	3,370,528
Debt instruments at amortized cost - note 12	323,797,711	330,728,642
Financial assets at fair value through other comprehensive income (FVOCI) - note 13	7,072,661	6,516,965
Property and equipment (net) - note 14	426,150,731	432,367,296
Investment properties - note 15	166,473,468	166,473,468
Reclamation project - note 16	201,809,118	201,809,118
Investment in subsidiaries and an associate - note 17	675,390,680	672,354,265
Deferred tax assets - note 32	30,060,246	20,843,569
Other assets (net) - note 18	460,125,994	459,934,754
TOTAL ASSETS	₱5,990,714,384	₱5,424,509,360
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and other liabilities - note 19	₱615,708,551	₱600,392,899
Cash collaterals - note 20	3,877,922	3,472,788
Loans payable - note 21	2,962,190	1,817,095
Insurance contract liabilities - note 22	974,055,041	688,774,267
Due to reinsurers - note 23	231,642,937	137,799,881
Lease liability - note 34	6,787,991	9,217,394
Retirement benefits obligation - note 24	38,764,071	33,221,474
Deferred tax liabilities - note 32	76,189,992	50,482,262
	1,949,988,695	1,525,178,060
Equity		
Capital stock - note 26	2,000,000,000	2,000,000,000
Contingency surplus	831,660	831,660
Contributed surplus - note 35	1,162,904,408	1,162,904,408
Revaluation increment on land - notes 9 and 14	5,403,883	5,403,883
Revaluation reserve on financial assets at FVOCI - note 13	4,876,860	4,321,164
Remeasurement gain on retirement benefits obligation - note 24	4,524,749	4,524,749
Retained earnings	862,184,129	721,345,436
	4,040,725,689	3,899,331,300
TOTAL LIABILITIES AND EQUITY	₱5,990,714,384	₱5,424,509,360

(The accompanying notes are an integral part of these financial statements.)

TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
Statements of Comprehensive Income

	For the Years Ended December 31	
	2025	2024
GROSS UNDERWRITING INCOME		
Gross premium earned	₱849,458,956	₱1,035,433,610
Premium ceded	(160,185,978)	(197,589,406)
Net premiums on insurance - note 27	689,272,978	837,844,204
Commission income - note 10	28,790,118	40,099,905
	718,063,096	877,944,109
DIRECT COSTS		
Net insurance benefits and claims - note 28	(190,047,123)	(327,511,458)
Direct underwriting costs - note 29	(415,624,930)	(503,396,106)
	(605,672,053)	(830,907,564)
NET UNDERWRITING INCOME	112,391,043	47,036,545
OPERATING EXPENSES - note 30	(120,751,413)	(125,255,053)
LOSS FROM OPERATIONS	(8,360,370)	(78,218,508)
INVESTMENT AND OTHER INCOME (CHARGES) (net) - note 31	168,779,436	149,365,025
INCOME BEFORE INCOME TAX	160,419,066	71,146,517
INCOME TAX EXPENSE - note 32		
Current	(3,089,320)	(40,576,165)
Deferred	(16,491,053)	26,950,822
	(19,580,373)	(13,625,343)
NET INCOME FOR THE YEAR	140,838,693	57,521,174
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Net unrealized fair value gain on financial assets at FVOCI - note 13	555,696	15,822
Remeasurement gain on retirement benefits obligation (net of tax) - note 24	-	1,015,193
	555,696	1,031,015
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱141,394,389	₱57,536,996

(The accompanying notes are an integral part of these financial statements.)

TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
Statements of Changes in Equity
For the Years Ended December 31, 2025 and 2024

	Capital stock (note 26)	Contingency surplus	Contributed surplus (note 35)	Revaluation increment on land (notes 9 and 14)	Revaluation reserve on financial assets at FVOCI (note 13)	Remeasurement gain on retirement benefits obligation (note 24)	Retained earnings	Total
BALANCE AT JANUARY 1, 2024	₱2,000,000,000	₱831,660	₱529,911,700	₱5,403,883	₱4,305,342	₱3,509,556	₱663,824,262	₱3,207,786,403
Total comprehensive income								
Net income for the year	-	-	-	-	-	-	57,521,174	57,521,174
Other comprehensive income for the year	-	-	-	-	15,822	1,015,193.00	-	1,031,015
	-	-	-	-	15,822	1,015,193	57,521,174	58,552,189
Transaction with owners								
Additional contribution - note 35	-	-	632,992,708	-	-	-	-	632,992,708
BALANCE AT DECEMBER 31, 2024	2,000,000,000	831,660	1,162,904,408	5,403,883	4,321,164	4,524,749	721,345,436	3,899,331,300
Total comprehensive income								
Net income for the year	-	-	-	-	-	-	140,838,693	140,838,693
Other comprehensive income for the year	-	-	-	-	555,696	-	-	555,696
	-	-	-	-	555,696	-	140,838,693	141,394,389
BALANCE AT DECEMBER 31, 2025	₱2,000,000,000	₱831,660	₱1,162,904,408	₱5,403,883	₱4,876,860	₱4,524,749	₱862,184,129	₱4,040,725,689

(The accompanying notes are an integral part of these financial statements.)

TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
Statements of Cash Flows

	For the Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱160,419,066	₱71,146,517
Adjustments for:		
Provision for incurred but not recorded (IBNR) losses and claims handling expenses with margin for adverse deviation (MfAD)	15,657,761	2,867,969
Provision for expected credit losses (ECLs) - note 30	9,968,082	6,457,751
Depreciation and amortization - notes 29 and 30	9,698,503	13,601,402
Retirement benefit costs - notes 29 and 30	6,162,806	6,034,651
Amortization of premium on bonds - note 12	2,640,931	605,807
Interest expense - notes 21 and 34	1,664,846	2,623,517
Net loss (gain) on sale of properties - note 31	39,000	(10,375,643)
Recovery of receivables provided with ECL - note 31	-	(573,080)
Provision (reversals) for catastrophic losses - note 31	(108,577)	239,315
Net unrealized foreign currency exchange gain	(144,103)	(830,768)
Equity in net earnings of an associate - note 31	(3,036,415)	(6,861,388)
Income from reversal of liabilities - note 31	(54,241,882)	-
Interest income - note 31	(81,214,817)	(110,270,920)
Operating income (loss) before working capital changes	67,505,201	(25,334,870)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Insurance receivables	(244,171,609)	(40,146,411)
Reinsurance assets	(165,326,454)	54,875,293
Other receivables	(11,222,654)	(15,165,443)
Deferred acquisition costs	(41,605,535)	47,558,395
Prepayments	(2,832,110)	(5,049,209)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	69,557,534	25,689,348
Cash collaterals	405,134	-
Insurance contract liabilities	285,389,351	41,471,707
Due to reinsurers	93,843,056	(19,276,402)
Cash generated from operations	51,541,914	64,622,408
Additions to short-term investments - note 5	-	(1,006,400,433)
Proceeds from matured short-term investments - note 5	2,041,959,031	-
Interest received on cash in banks and other receivables	30,612,465	404,947
Interest paid	(199,679)	(771,064)
Retirement benefits paid - note 24	(620,209)	(3,261,997)
Income tax paid	(564,042)	(70,866,712)
Net cash provided by (used in) operating activities	2,122,729,480	(1,016,272,851)

(Forwarded)

TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
Statements of Cash Flows

	For the Years Ended December 31	
	2025	2024
<i>(Continued)</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash equivalents, short-term investments and debt instruments at amortized cost	50,602,352	109,865,973
Additional investments in:		
Debt instruments at amortized cost - note 12	(337,000,000)	(629,500,000)
Property and equipment - note 14	(3,364,938)	(1,248,195)
Proceeds from:		
Sale of assets held for sale - note 9	1,600,000	30,405,000
Matured debt instruments at amortized cost - note 12	341,290,000	627,000,000
Sale of property and equipment - note 14	-	268,000
Receipts from a related party	-	474,242,584
Advances to related parties - note 33	(142,912,045)	(239,466,093)
Increase in other assets	(419,627)	(22,838)
Net cash provided by (used in) investing activities	(90,204,258)	371,544,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans - note 21	2,539,000	2,666,400
Payment of loans payable - note 21	(1,393,905)	(3,177,636)
Payment of lease liability - note 34	(3,894,570)	(3,782,585)
Additional contributed surplus - note 35	-	632,992,708
Net cash provided by (used in) financing activities	(2,749,475)	628,698,887
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	144,103	830,768
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,029,919,850	(15,198,765)
CASH AND CASH EQUIVALENTS		
Balance at beginning of year	41,521,210	56,719,975
Balance at end of year - note 4	₱2,071,441,060	₱41,521,210

(The accompanying notes are an integral part of these financial statements.)

TRAVELLERS INSURANCE & SURETY (TRISCO) CORPORATION
Notes to Financial Statements
As at and for the years ended December 31, 2025 and 2024

1. CORPORATE INFORMATION

Travellers Insurance & Surety (TRISCO) Corporation (the “Company”) was registered with the Securities and Exchange Commission (SEC) on June 25, 1964. On June 25, 2014, the term for which the Company exists expired. The Company filed with SEC an application for an amendment of its articles of incorporation extending the life of the Company to another 50 years. The amended Certificate of Incorporation was issued by SEC on June 19, 2014.

The Company is engaged in the business of insurance, guaranty and reinsurance in any branches except life insurance, for a consideration. The Company is 56.36% owned by Toptraders Import Export Corp. (TIEC or the “Ultimate Parent Company”), a company incorporated in the Philippines.

The Company holds 60% interest in 2025 and 2024 in Southeast Asia Renewable Power Corp. (SARPC), a company incorporated in the Philippines and is engaged in the development of renewable energy like wind, hydro, solar, biomass, bio-fuel and jatropha.

The Company also holds 98% interest in 2025 and 2024 in Hampton Realty and Development Corp. (HRDC), a company incorporated in the Philippines and is engaged in real estate business.

The Insurance Commission (IC) granted the Company a license to transact certain class of insurance such as fire, marine, casualty and surety except customs bonds, which is renewable every year.

The registered office address of the Company is 10th Floor G.E. Antonino Building, T.M. Kalaw Ermita, Manila.

Status of operations

The IC issued a Cease and Desist Order (CDO) against the Company due to the latter’s inability to comply with the requirements of Republic Act (RA) No. 10607 or the “Amended Insurance Code” and/or Order of the Commission. Effective June 3, 2024, the Company is ordered to cease and desist from taking insurance business of any kind or character and the Company is simultaneously placed under Conservatorship pursuant to Section 255 of the Amended Insurance Code.

The Management availed of legal remedies and have pending three motions filed before the IC which could help facilitate the lifting of the CDO, to wit:

- On June 4, 2024, an Urgent Motion for Reconsideration (MR) of the CDO contained in the letter dated May 30, 2024 on the ground that the Company has fully complied with the net worth compliance and the submission of the supporting documentary requirements required by the Non-Life Division and Anti-Money Laundering and Corporate Governance Division.
- On June 11, 2024, a Motion for Immediate Resolution of the above-mentioned MR on the ground of grave and irreparable injury for tarnished reputation as the CDO, aggravated by its publication, is causing mistrust from its existing clientele, and created a marketing chaos and nightmare for the Company.

- On June 20, 2024, a second Motion for Immediate Resolution of the above-mentioned MR based on justice and equity as its business continues to bleed; and the IC must advance and balance the interest of insurance companies and public welfare for a successful regulation, for growth and development of the insurance industry.

A resolution dated July 5, 2024 was issued by the IC sustaining the CDO on the ground that the 2023 financial statements have not yet been submitted. The Company filed an appeal for the denial of MR as the financial statements and annual statements have been filed for compliance.

On December 4, 2024, the IC lifted the CDO and released the Company from Conservatorship after the Company's compliance on the net worth requirement.

Authorization for the issuance of the financial statements

The accompanying financial statements as at and for the year ended December 31, 2025, including its comparatives as at and for the year ended December 31, 2024, were approved and authorized for issue by the Board of Directors (BOD) on April 29, 2026.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and investment properties, which are measured at fair value. The Company presents its statements of financial position in the order of liquidity. An analysis regarding recovery of assets or settlement of liability within 12 months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in note 38.

The financial statements are presented in Philippine peso (₱), which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

Statement of compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following amended PFRS Accounting Standards that are mandatorily effective for annual periods beginning on or after January 1, 2025.

Lack of Exchangeability (Amendment to PAS 21). The amendment introduces requirements to assess when a currency is exchangeable into another currency and when it is not. The amendment requires an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

The amendment is effective for annual periods beginning on or after January 1, 2025, with earlier application permitted. The amendment does not have a material impact on the Company's financial statements.

New accounting standards and amendments to existing standards effective subsequent to January 1, 2025

Standards issued but not yet effective up to the date of the Company's financial statements are listed below. This list of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

- ***Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and PFRS 7)***. The amendments address matters identified during the post-implementation review of the classification and measurement requirements of *PFRS 9, Financial Instruments*.

The amendments include:

- (a) derecognition of financial liability settled through electronic transfer - The amendments to the application guidance of IFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.
- (b) classification of financial assets - The amendments provide guidance on how an entity can assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, enhance the description of the term 'non-recourse', and clarify the characteristics of contractually linked instruments that distinguish them from other transactions.
- (c) disclosures - The requirements in PFRS 7 are amended for disclosures that an entity provides in respect of investments in equity instruments designated at fair value through other comprehensive income. The amendments also require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs.

The amendments also include amendments to *PFRS 19, Subsidiaries without Public Accountability: Disclosures*, which limit the disclosure requirements for qualifying subsidiaries.

The amendments are effective for reporting periods beginning on or after January 1, 2026, with earlier application permitted. The amendments will not have a material impact on the financial statements of the Company.

- ***Annual Improvements to PFRS Accounting Standards - Volume 11***
 - (a) ***Hedge accounting by a first-time adopter (Amendment to PFRS 1 First-time Adoption of International Financial Reporting Standards)***. The amendment addresses a potential confusion arising from an inconsistency in wording between paragraph B6 of PFRS 1 and requirements for hedge accounting in PFRS 9 Financial Instruments.
 - (b) ***Gain or loss on derecognition (Amendment to PFRS 7 Financial Instruments: Disclosures)***. The amendment addresses a potential confusion in paragraph B38 of PFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when PFRS 13 Fair Value Measurement was issued.
 - (c) ***Disclosure of deferred difference between fair value and transaction price (Amendment to PFRS 7 Financial Instruments: Implementation Guidance)***. The amendment addresses an inconsistency between paragraph 28 of PFRS 7 and its accompanying implementation guidance that arose when a consequential amendment resulting from the issuance of PFRS 13 was made to paragraph 28, but not to the corresponding paragraph in the implementation guidance.
 - (d) ***Introduction and credit risk disclosures (Amendment to PFRS 7 Financial Instruments: Implementation Guidance)***. The amendment addresses a potential confusion by clarifying in paragraph IG1 that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7 and by simplifying some explanations.
 - (e) ***Lessee derecognition of lease liabilities (Amendment to PFRS 9 Financial Instruments)***. The amendment addresses a potential lack of clarity in the application of the requirements in PFRS 9 to account for an extinguishment of a lessee's lease liability that arises because paragraph 2.1(b)(ii) of PFRS 9 includes a cross-reference to paragraph 3.3.1, but not also to paragraph 3.3.3 of PFRS 9.
 - (f) ***Transaction price (Amendment to PFRS 9 Financial Instruments)***. The amendment addresses a potential confusion arising from a reference in Appendix A to PFRS 9 to the definition of 'transaction price' in PFRS 15 Revenue from Contracts with Customers while term 'transaction price' is used in particular paragraphs of PFRS 9 with a meaning that is not necessarily consistent with the definition of that term in PFRS 15.
 - (g) ***Determination of a 'de facto agent' (Amendment to PFRS 10 Consolidated Financial Instruments)***. The amendment addresses a potential confusion arising from an inconsistency between paragraphs B73 and B74 of PFRS 10 related to an investor determining whether another party is acting on its behalf by aligning the language in both paragraphs.
 - (h) ***Cost method (Amendment to PAS 7 Statement of Cash Flows)***. The amendment addresses a potential confusion in applying paragraph 37 of PAS 7 that arises from the use of the term 'cost method' that is no longer defined in PFRS Accounting Standards.

The amendments and improvements are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Company is in the process of assessing the impact of the amendments and improvements.

- ***PFRS 18, Presentation and Disclosure in Financial Statements.*** This standard supersedes *PAS 1, Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The standard requires an entity to clearly identify the financial statements, which must be distinguished from other information in the same published document, as well as each primary financial statements, and the notes to the financial statements. In addition, the following information must be displayed prominently and repeated as necessary:
 - (a) the name of the reporting entity and any change in the name
 - (b) whether the financial statements are a group of entities or an individual entity
 - (c) information about the reporting period
 - (d) the presentation currency (as defined by *PAS 21, The Effects of Changes in Foreign Exchange Rates*)
 - (e) the level of rounding used (e.g., thousands, millions).

Retrospective application of the standard is mandatory for annual reporting periods starting from January 1, 2027 onwards, but earlier application is permitted.

PFRS 18 supersedes PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements with movements on certain paragraphs into PAS 8 and PFRS 7. Furthermore, there were also minor amendments to PAS 7 and PAS 33 earnings per share. The new standard introduces new requirements to:

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

The amendment is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies PFRS 18. The Company is in the process of assessing the impact of the new standard.

- ***PFRS 17, Insurance Contracts.*** The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, including reinsurance contracts held and investment contracts with discretionary participation features issued. The objective of the standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of the standard have on the entity's financial position, financial performance and cash flows.

On December 15, 2021, FSRSC amended the mandatory effective date of PFRS 17 in the Philippines from January 1, 2023 to January 1, 2025. This is consistent with IC Circular Letter (CL) No. 2020-62 which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

An amendment issued on December 2021 for the Initial Application of PFRS 17 to address implementation challenges that were identified after PFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Company must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

On February 14, 2025, FSRSC approved the amendment to PFRS 17 that further defers the date of initial application by an additional two years, to annual periods beginning on or after January 1, 2027.

Based on the evaluation of the Company, the new standard will not have a material impact on the financial statements.

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

The Company determines the policies and procedures for both recurring fair value measurement, such as financial assets at fair value through profit or loss (FVPL), and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Fair value measurement disclosures of financial and non-financial assets are presented in note 36 to the financial statements.

“Day 1” difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial instruments

Initial recognition, subsequent measurement and classification of financial instruments

The Company recognizes financial assets and financial liabilities in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace are recognized on the settlement date.

Financial instruments are initially recognized at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred.

The Company classifies its financial assets as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of debt instruments at amortized cost or at FVOCI depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing the financial assets. The Company’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at FVPL. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produces more relevant information.

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

The Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

Financial assets at amortized cost

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

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

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method less any allowance for estimated credit losses (ECL). Amortized cost is calculated, taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As at December 31, 2025 and 2024, the Company's financial assets at amortized costs consist of *Cash and cash equivalents, Short-term investments, Insurance receivables, portion of Reinsurance assets, Other receivables, Claims fund, Deposits and security funds* presented under *Other assets* in the statements of financial position, and *Debt instruments at amortized cost* (see notes 4, 5, 6, 7, 8, 12 and 18).

(a) Insurance receivables

Insurance receivables include premium-related balances due from policy holders, ceding companies and agents for insurance policy issued in the ordinary course of business, less allowance for ECL as at reporting date.

The Company applies the statutory guideline in evaluating impairment of insurance receivables wherein premiums remaining unpaid beyond a limit set by the IC are impaired. However, in recognizing impairment in the financial statements, the Company considers also several factors such as indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, unusual default or delinquency of payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(b) Debt instruments at amortized cost

Quoted non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as debt instruments at amortized cost when the Company's management has the positive intention and ability to hold the investment to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, debt instruments at amortized cost are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Gains and losses are recognized in the statements of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

As at December 31, 2025 and 2024, the Company's debt instruments at amortized cost consist of investments in government securities and agrarian reform bonds (see note 12).

Equity instruments at FVOCI

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss but is transferred to retained earnings. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at December 31, 2025 and 2024, the Company elected to classify irrevocably its equity investments under this category (see note 13). This consists of equity securities such as golf club share and publicly traded shares of stock.

Financial liabilities at amortized cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at December 31, 2025 and 2024, the Company's financial liabilities at amortized cost consist of *Accounts payable and other liabilities* (excluding statutory payables and other liabilities), *Cash collaterals*, *Loans payable*, portion of *Insurance contract liabilities*, *Due to reinsurers*, and *Lease liability* (see notes 19, 20, 21, 22, 23, and 34).

Impairment of financial assets

The Company recognizes an allowance for ECLs for all debt instruments that are measured at amortized cost. ECLs are a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flow includes cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECLs. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting period.

For trade receivables (insurance receivables, other receivables and reinsurance assets), the Company applies a simplified approach in calculating ECLs. The Company recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes credit loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than thirty (30) days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of insurance receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

Interest income is recognized under *Investment and other income (charges)* in the statements of comprehensive income.

Derecognition of financial assets and financial liabilities

(a) Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a “pass-through” arrangement; or

- The Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

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

(b) Financial liabilities

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

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

Offsetting of financial instruments

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

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines a significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is at least 20% more than the benefits payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Insurance contract liabilities

(a) General insurance contract liabilities

Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of insurance claims, particularly in respect of liability business, environmental and pollution exposures, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes provision for incurred but not recorded (IBNR) losses. The liability is derecognized when the contract is cancelled or has expired.

(b) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods, is deferred as unearned premiums. Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using 24th method. The change in the provision for unearned premiums is taken to the statements of comprehensive income in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

(c) Liability Adequacy test (LAT)

At each reporting date, LAT is performed, to ensure the adequacy of unearned premiums net of related Deferred Acquisition Cost (DAC) asset. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any inadequacy is immediately charged to the statements of comprehensive income by establishing an unexpired risk provision for losses arising from the LAT.

In 2017, the Company adopted the *Valuation Standard for Non-life Insurance Policy Reserves* issued by IC. The standard provides for: (a) the determination of premium liabilities based on the higher of unearned premium reserves (UPR), net of DAC and the computed unearned risk reserve (URR); (b) consideration of claims handling expense; and (c) consideration of Margin for Adverse Deviation (MfAD) to allow for the inherent uncertainty of the best estimate of policy reserve.

Reinsurance assets

The Company assumes and cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets include balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence shows that the Company may not recover outstanding amounts due under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statements of comprehensive income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies, which are presented under *Insurance contract liabilities* in the statements of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest method.

Assets held for sale

The Company classifies assets as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and the sale is considered highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and to complete the plan must be initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Company and there is sufficient evidence that the Company remains committed to its plan to sell the asset.

These are measured at the lower of carrying amount and fair value less cost to sell and are not subject to depreciation upon classification as held for sale. At reporting date, assessment is performed to determine if properties under this account qualify to be classified as asset held for sale.

DACs

DACs consist of commission and other acquisition costs incurred during the financial period that varies with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods. DACs are capitalized and amortized over the life of the contract. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown as DACs in the Asset section of the statements of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss. DACs are also considered in the LAT for each end of the reporting period.

Prepayments

Prepayments include the Company's input value-added tax (VAT), prepaid taxes, stationery and office supplies and prepaid rent which are measured at cost, less any impairment in value.

Input VAT is the indirect tax paid by the Company on the local purchase of goods or services from a VAT-registered person. Input VAT is deducted against output VAT in arriving at the VAT due and payable.

Property and equipment

Property and equipment are initially recognized at cost. The initial cost of property and equipment comprises its purchase price, including any costs directly attributable to bringing the assets to its working condition and location for its intended use. Land is subsequently measured at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated impairment losses. All other property and equipment are measured at cost less accumulated depreciation and any impairment in value.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment commences once the assets are available for use. Depreciation is computed using straight-line basis over the estimated useful lives of the assets such as follows:

Category	No. of years
Building and building improvements	50
Condominium office unit	50
Leasehold improvement	3 or lease term, whichever is shorter
Transportation equipment	10
Furniture and fixtures	5
Office machine and other equipment	5

Leasehold improvements are depreciated over the expected useful lives or over the term of the lease, whichever is shorter.

The Company depreciates the right-of-use assets included in the property and equipment on a straight-line basis from the lease commencement date to earlier of the end of the useful life of the right-of-use asset or end of the lease term.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

For asset carried at revalued amount, the increase is recognized in other comprehensive income and accumulated in equity under *Revaluation increment on land*. However, the increase 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. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation increment in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under *Revaluation increment on land*.

The *Revaluation increment on land* included in equity in respect of the asset at revalued amount may be transferred directly to retained earnings when the asset is derecognized.

Investment properties

Investment properties consist of various parcels of land and a condominium unit held for capital appreciation or for earning rental. Investment properties are initially recognized at cost, including transaction costs and subsequently measured at fair value. Fair value of investment properties reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are recognized in the profit or loss in the year in which they arise. Initial cost includes cost incurred initially to acquire an investment property and cost incurred subsequently to add to, replace part of, or service property. Costs of day-to-day servicing are expensed as incurred.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statements of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Reclamation project

This pertains to land development costs which are initially recognized at acquisition cost or cost of land reclamation and related land development costs, if the land is reclaimed. The initial cost of land development costs includes costs incurred relative to: (a) site preparation and permit processing; and (b) costs incurred on initial development of the raw land in preparation for future projects. The land development costs are subsequently measured at cost less any impairment in value.

The carrying amount of reclamation project is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in subsidiaries

The investment in subsidiaries is accounted for under the cost method. This is carried in the Company's separate statements of financial position at cost less impairment in value.

A subsidiary is an entity in which the Company, directly or indirectly, holds more than half (1/2) of the issued share capital, or controls more than half (1/2) of the voting power, or exercises control over the operation and management of the subsidiary. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the company has less than a majority of the voting or similar rights of an investee, the company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

If there is objective evidence that the investment in subsidiaries will not be recovered, an impairment loss is provided. Impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return on similar financial assets. The amount of impairment loss is recognized in profit or loss.

Investment in an associate

An associate is an entity in which the Company has significant influence but neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policies of the investee but has no control over those policies.

The investment in an associate is initially recognized at cost and subsequently measured for using the equity method. Under the equity method, the carrying amount of the investments is adjusted to recognize the changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Company's carrying amount of the investment. Distributions received from the associates are accounted for as a reduction in the carrying value of the investment. Changes resulting from the profit or loss generated by the associates are credited or charged against the *Equity in net earnings of an associate* under *Investment and other income (charges)* in the statements of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equal or exceeds its interest in the associate, the Company does not recognize further losses, unless it has commitments, has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Intangible assets

The Company's intangible assets consist of software development cost and web design which have finite useful life. Software development cost pertains to the Company's insurance system. Development costs are capitalized only after technical and commercial feasibility of the asset for sale or use have been established. This is when the Company has an intention and capability to complete the intangible asset for use or sell and is able to demonstrate that the asset generates future economic benefits.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite useful lives, and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the assets useful or economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Intangible assets are amortized using the straight-line method over an estimated useful life of three to five years with no residual value.

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

Fully amortized intangible assets are retained in the accounts until they are no longer in use, and no further amortization is charged against current operations.

Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income in profit or loss.

Leases

The Company determines at contract inception whether a contract is, or contains, a lease by assessing whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Company as lessee

Long-term leases

For all leases with a term of more than 12 months, the Company recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments, unless the underlying asset is of low value.

At initial recognition, the Company recognizes the right-of-use asset and lease liability at present value of all rental payments not yet paid in accordance with the long-term lease contract. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of use asset is depreciated over the underlying asset's useful life. The lease payments shall be discounted using the interest rate implicit in the lease if the rate can be readily determined. If the rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Subsequently, the right-of-use asset shall be measured at cost less accumulated depreciation less any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The lease liability shall be measured by increasing the carrying amount to reflect interest in the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The right-of-use asset is amortized using the straight-line method over the lease term of five years.

Extension and termination options

In determining the lease term, the 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. The lease term is reassessed if an option is actually exercised or not or the Company becomes obliged to exercise or not. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of lease of office space of branches (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(b) Company as a lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rental income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rent income. Contingent rents are recognized as revenue in the period in which these are earned.

Income taxes

The tax expense comprises current and deferred taxes. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

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

Employee benefits

(a) Short-term employee benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly 12 months after the end of the reporting period. Short-term benefits given by the Company to its employees include salaries and wages, fringe benefits, 13th month pay, Social Security System (SSS), Philippine Health Insurance Corporation (PHIC) and Home Development Mutual Fund (HDMF) contribution. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period.

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

(b) Retirement benefits obligation

The Company has an unfunded retirement benefit under defined benefit plan, which defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the rereasurement of net defined benefit liability or asset.

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

Remeasurement comprising actuarial gains and losses and return on plan asset are recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods. Remeasurement recognized in other comprehensive income account *Remeasurement gain (loss) on retirement benefits obligation* is not reclassified to another equity account in subsequent periods. The difference between the interest income component of net interest and the actual return on plan asset is recognized in other comprehensive income.

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

Related party relationships and transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Equity

(a) Capital stock

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from issuance of shares over the par value is credit to share premium.

(b) Subscription receivable

Subscription receivable pertains to the uncollected portion of subscribed shares and is collectible within one year.

(c) Contingency surplus

Contingency surplus represents contribution of the stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon approval of the IC.

(d) Contributed surplus

Contributed surplus represents contributions from stockholders to the Company in compliance with the requirements of the Insurance Code.

(e) Retained earnings

Retained earnings represent accumulated earnings of the Company as disclosed in the statements of comprehensive income.

Revenue recognition

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised services to the customers. The Company's significant revenues pertain to underwriting income and investment income which are accounted for in accordance with PFRS 4 and 9, respectively.

The Company recognizes revenue from the following sources:

(a) Premium revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relates to the unexpired periods of the policies at reporting date is accounted for as *Reserve for unearned premiums* and presented under *Insurance contract liabilities* in the statements of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as *Deferred reinsurance premiums* and presented under *Reinsurance assets* in the statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

(b) Reinsurance commission income

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. Reinsurance commissions are deferred and are subject to the same amortization method as the related premiums ceded. Unamortized reinsurance commissions are shown in the statements of financial position as deferred reinsurance commission income under *DAC* in the statements of financial position.

(c) Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

(d) Other income

Other income is recognized when earned.

Expense recognition

Cost and expenses are recognized in the statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

(a) Benefits and claims

Benefits and claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. General insurance claims are recorded on the basis of notifications received.

(b) Direct underwriting costs

Direct underwriting costs include commission expenses and direct costs. Commission expenses represent payments to insurance intermediaries such as agents or agencies for direct business solicited by the Company. The portion of the commissions that relate to the unexpired periods of the policies at the end of the reporting period is accounted for as DAC in the assets section of the statements of financial position. Direct costs include processing fees and allocated portion of common expenses.

(c) Operating expenses

Operating expenses, which include general and administrative expenses, are recognized as expense as they are incurred.

Provision and contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made with the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, an increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain, and its amount is estimable. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement.

Provision is reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the reporting date

Post year-end events that provide additional information about the Company's financial 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 financial statements when material.

3. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the financial statements are based upon the management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the financial statements of the Company as they become reasonably determinable.

Judgments

(a) Distinction between investment property and owner-occupied property

In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the Company's operation. Some properties comprise a portion held to earn rentals and another portion held for use in rendering services and for administrative purposes. If those portions held to earn rentals cannot be sold separately, the entire property is classified as investment property only if insignificant portion is held for use in the rendering of services and for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment. The Company's properties were classified as property and equipment and investment properties based on the above conditions.

(b) Classification of financial instruments

Classification and measurement of financial assets depend on the results of the business model and solely for payments of principal and interest test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or FVOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Estimates

(a) Impairment of financial assets at amortized cost

The Company maintains allowance for ECL at a level considered by the management as adequate to provide for potential uncollectible financial assets at amortized cost. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the status of the debtors' membership in the Company, the customer's payment behavior and known market factors. The Company reviews the age and status of financial assets and identifies accounts that are to be provided with allowance on a continuous basis.

In addition to specific impairment against individually significant loans and receivables, the Company makes a collective impairment assessment against exposures, which, although not specifically identified as requiring a specific impairment, have a greater risk of default than when originally granted. This takes into consideration the Company's historical collection experience.

As at December 31, 2025 and 2024, the carrying amount of financial assets at amortized cost, net of allowance for ECL of ₱31,399,126 and ₱21,431,044, amounted to ₱3,511,684,114 and ₱3,047,676,219, respectively (see notes 4, 5, 6, 7, 8, 12 and 18).

	2025	2024
Cash and cash equivalents* (note 4)	₱2,071,069,060	₱41,179,210
Short-term investments (note 5)	1,950,264	2,043,909,295
Insurance receivables (net) (note 6)	682,741,642	448,036,878
Reinsurance assets (net)** (note 7)	199,673,149	105,648,513
Other receivables (net) (note 8)	221,639,205	67,668,838
Debt instruments at amortized cost (note 12)	323,797,711	330,728,642
Other assets (net)*** (note 18)	10,813,083	10,504,843
Total	₱3,511,684,114	₱3,047,676,219

*Excluding cash on hand amounting to ₱372,000 and ₱342,000 as at December 31, 2025 and 2024, respectively.

**Excluding deferred reinsurance premium amounting to ₱119,618,881 and ₱64,200,342 as at December 31, 2025 and 2024, respectively.

***Excluding salvage recoverable, deposit for the acquisition of land and intangible assets amounting to ₱449,312,911 and ₱449,429,911 as at December 31, 2025 and 2024, respectively.

(b) Estimation of useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are periodically reviewed 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 assets.

As at December 31, 2025 and 2024, the carrying amount of property and equipment (excluding land of ₱299,513,741), net of accumulated depreciation of ₱86,685,019 and ₱77,103,516, respectively, amounted to ₱126,636,990 and ₱132,853,555, respectively (see note 14).

(c) Estimation of claims payable arising from insurance contracts

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The primary technique adopted by the management in estimating the cost of notified claims is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Nonlife insurance claims provisions are not discounted for the time value of money. In 2017, the Company adopted the new valuation standards for insurance policy reserves based on the guidelines per CL No. 2018-08 issued by IC.

As at December 31, 2025 and 2024, the carrying value of insurance contract liabilities amounted to ₱974,055,041 and ₱688,774,267, respectively (see note 22).

(d) Estimation of retirement benefits obligation

The determination of the retirement benefits cost and obligation is dependent on the management's assumptions used by actuaries in calculating such amounts. Those assumptions are described in note 24 and include, among others, discount rates and salary increase rates. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

As at December 31, 2025 and 2024, the retirement benefits obligation amounted to ₱38,764,071 and ₱33,221,474, respectively (see note 24).

(e) Recognition of deferred tax assets

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

As at December 31, 2025 and 2024, the carrying amount of deferred tax assets that are expected to be recoverable in future periods amounted to ₱30,060,246 and ₱20,843,569, respectively (see note 32).

(f) Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate to measure lease liability. This is the rate of interest that the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The weighted average incremental borrowing rate for the lease liability recognized by the Company is 1.50%.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2025	2024
Cash on hand	₱372,000	₱342,000
Cash in banks	2,069,535,790	39,670,228
Cash equivalents	1,533,270	1,508,982
Total	₱2,071,441,060	₱41,521,210

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include deposits and placements, with maturities of 30 to 90 days, which can be withdrawn anytime depending on the immediate cash requirements of the Company and earn interest at effective rates ranging from 1.00% to 2.75% in 2025 and 2024.

Interest earned from cash and cash equivalents amounted to ₱30,300,154 in 2025 and ₱174,790 in 2024, and is presented as part of *Interest income* under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

There is no restriction on the Company's cash and cash equivalents, and these are available for general use.

5. SHORT-TERM INVESTMENTS

This account represents time deposits with maturities of more than three months but within one year and earns annual interest ranging from 2.50% to 7.00%.

Interest income earned from short-term investments amounted to ₱36,794,224 in 2025 and ₱96,383,141 in 2024 and is presented as part of *Interest income* under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

The following table shows the reconciliation of short-term investments:

	2025	2024
Balance at beginning of year	₱2,043,909,295	₱1,037,508,862
Additions	-	1,006,400,433
Maturities	(2,041,959,031)	-
Balance at end of year	₱1,950,264	₱2,043,909,295

6. INSURANCE RECEIVABLES (NET)

This account consists of:

	2025	2024
Premium receivables	₱485,691,450	₱332,487,614
Due from agents	190,023,760	100,468,923
Due from ceding companies	35,156,917	33,743,981
Total	710,872,127	466,700,518
Less: Allowance for ECLs	(28,130,485)	(18,663,640)
Net	₱682,741,642	₱448,036,878

Due from agents pertains to the premium income collected by insurance agents/agencies on behalf of the Company.

Due from ceding companies pertain to the amount due to the Company as a result of facultative and treaty acceptances from authorized ceding companies.

Movements in the allowance for ECLs are as follows:

	2025	2024
Balance at beginning of year	₱18,663,640	₱12,644,341
Provision for ECLs (note 30)	9,466,845	6,019,299
Balance at end of year	₱28,130,485	₱18,663,640

The following table shows the aging information of insurance receivables:

December 31, 2025

	1-30 days	31-60 days	61-90 days	91-120 days	121-180 days	Over 180 days	Total
Premium receivables	₱39,275,911	₱45,542,225	₱47,112,836	₱84,902,515	₱127,353,772	₱141,504,191	₱485,691,450
Due from agents	131,230,638	14,290,034	22,112,541	11,163,774	6,698,264	4,528,509	190,023,760
Due from ceding companies	-	-	-	21,094,150	8,437,660	5,625,107	35,156,917
Total	₱170,506,549	₱59,832,259	₱69,225,377	₱117,160,439	₱142,489,696	₱151,657,807	₱710,872,127

December 31, 2024

	1-30 days	31-60 days	61-90 days	91-120 days	121-180 days	Over 180 days	Total
Premium receivables	₱29,923,885	₱39,898,514	₱36,573,638	₱67,827,473	₱75,966,770	₱82,297,334	₱332,487,614
Due from agents	56,262,597	12,056,271	15,070,338	7,665,378	4,440,726	4,973,613	100,468,923
Due from ceding companies	-	-	-	29,208,791	4,049,277	485,913	33,743,981
Total	₱86,186,482	₱51,954,785	₱51,643,976	₱104,701,642	₱84,456,773	₱87,756,860	₱466,700,518

Insurance receivables over 90 days amounting to ₱411,307,942 and ₱276,915,275 as at December 31, 2025 and 2024, respectively, are considered inadmissible assets in accordance with the IC CL No. 2014-17.

The management assessed that the insurance receivables over 90 days are fully collectible. Hence, the management believes that the allowance for ECL is adequate to cover any losses arising from the non-collection of receivables.

7. REINSURANCE ASSETS (NET)

This account consists of:

	2025	2024
Reinsurance recoverable on unpaid losses (note 22)	₱86,253,520	₱72,944,272
Reinsurance recoverable on paid losses	77,701,595	22,164,585
Reinsurers' share on provisions of IBNR losses (note 22)	36,705,000	12,186,000
Reinsurers' share on MfAD (note 22)	1,188,869	303,973
Deferred reinsurance premium (note 22)	119,618,881	64,200,342
Premium reserve withheld by reinsurers	77,804	77,804
Total	321,545,669	171,876,976
Less: Allowance for ECLs	(2,253,639)	(2,028,121)
Net	₱319,292,030	₱169,848,855

Reinsurance recoverable on paid losses pertains to the amount recoverable from reinsurance companies on account of claims on policies that were paid.

Deferred reinsurance premium pertains to the unexpired portion of the reinsurances premiums paid to reinsurers both under facultative and treaty acceptances.

The following table shows the reconciliation of changes in reinsurance recoverable:

	2025	2024
Balance at beginning of year	P95,108,857	P104,501,945
Reinsurers' share from losses	207,931,986	85,301,605
Collection from reinsurers	(139,085,728)	(94,694,693)
Balance at end of year	P163,955,115	P95,108,857

The following table shows the reconciliation of changes in deferred reinsurance premiums:

	2025	2024
Balance at beginning of year	P64,200,342	P112,724,300
Reinsurers' share from losses	162,683,378	149,065,449
Collection from reinsurers	(107,264,839)	(197,589,407)
Balance at end of year	P119,618,881	P64,200,342

Movements in the allowance for ECLs are as follows:

	2025	2024
Balance at beginning of year	P2,028,121	P1,590,498
Provision for ECLs (note 30)	225,518	437,623
Balance at end of year	P2,253,639	P2,028,121

8. OTHER RECEIVABLES (NET)

This account consists of:

	2025	2024
Advances to related parties (note 33)	P145,730,892	P4,130,113
Rent receivable (note 33)	56,496,807	39,373,481
Salary loan receivable (note 33)	4,279,049	3,544,004
Advances to employees	2,113,473	4,142,462
Car loan receivable	633,320	911,098
Accrued interest receivable	34,427	502,606
Subscription receivable	-	9,100,000
Others	12,574,197	6,023,702
Total	221,862,165	67,727,466
Less: Allowance for ECLs	(222,960)	(58,628)
Net	P221,639,205	P67,668,838

Interest earned from salary, mortgage and other loans, with interest rates ranging from 8% to 12%, amounted to ₱312,311 in 2025 and ₱230,157 in 2024, and is presented as part of *Interest income* under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

In 2022, stockholders subscribed to additional shares of the Company amounting to ₱138,578,300 divided into 13,857,830 shares at ₱100 par value. The unpaid subscription of ₱9,100,000 as at December 31, 2024 was fully collected in 2025.

Movements in the allowance for ECLs are as follows:

	2025	2024
Balance at beginning of year	₱58,628	₱631,708
Provision for ECLs (note 30)	164,332	-
Recovery (note 31)	-	(573,080)
Balance at end of year	₱222,960	₱58,628

Others consist mainly of unliquidated advances provided to the Company's branch managers for settlement of claims, advances to an agent and advances to a third party for the payment of start-up costs.

9. ASSETS HELD FOR SALE

This account consists of parcels of land acquired by the Company through purchase or recovered properties from surety policies previously recorded at estimated amount as *Salvage recoverable* under *Other assets* in the statements of financial position (see note 18). The management's intention is to sell the properties in the subsequent year.

Movement in this account is as follows:

	2025	2024
Cost:		
Balance at beginning of year	₱234,876,200	₱505,958,724
Transfers (notes 14 and 15)	-	(251,320,845)
Disposal	(1,639,000)	(19,761,679)
Balance at end of year	₱233,237,200	₱234,876,200

Transfers

In 2024, the Company transferred the following:

- Parcels of land situated in Antipolo, Rizal and Laoag, Ilocos Norte amounting to ₱100,998,245 was transferred from *Assets held for sale* to *Property and equipment* since the management intends to use the property for the Company's use in operations (see note 14).
- Parcel of land situated in Silang, Cavite amounting to ₱150,322,600 was transferred from *Assets held for sale* to *Investment properties* since the management changed its intention on the use of the asset. The Company does not intend to sell the property in the near future (see note 15).

The Company entered into Contracts to Sell covering the following land properties:

- Contract to Sell dated December 2023, covering its land property located in Paco, Manila for a consideration of ₱30,405,000 which is payable in 12 monthly installments, which commenced in January 2024. Upon full payment, the property will be transferred to the buyer.

In 2024, the consideration for the sale was fully paid and the gain on sale of ₱10,643,321 is presented under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

- Contract to Sell dated December 2020, covering its land property located in Sta. Rosa, Laguna for a consideration of ₱1,600,000, payable in 107 installments, which commenced in May 2021. Upon full payment, the property will be transferred to the buyer.

In 2025, the consideration for the sale was fully paid and the loss on sale of ₱39,000 is presented under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

- Contract to Sell dated December 2024, covering its land situated in Taysan, Batangas for a consideration of ₱130,000,000, payable in 24 monthly installments, which commenced in 2024. Upon full payment, the property will be transferred to the buyer.

As at December 31, 2024, payments received from the buyers amounted to ₱116,938,753 and is presented as *Deposits from third parties under Accounts payable and other liabilities* in the statements of financial position (see note 19). No additional payments received in 2025.

As at December 31, 2025 and 2024, the accumulated fair value changes (for land previously classified under *Investment properties* and currently part of the ‘deemed costs’ of *Assets held for sale*) amounted to ₱38,217,887. The related deferred tax liability is as follows:

	2025	2024
Fair value of land	₱113,237,200	₱113,237,200
Cost of land	(75,019,313)	(75,019,313)
Fair value gain	38,217,887	38,217,887
Tax rate	25%	25%
Deferred tax liability (note 32)	₱9,554,472	₱9,554,472

10. DAC

The movement in this account is as follows:

	2025	2024
Balance at beginning of year	₱124,249,479	₱171,807,874
Cost deferred during the year	193,572,061	183,374,242
Amortization for the year	(151,966,526)	(230,932,637)
Balance at end of year	₱165,855,014	₱124,249,479

The carrying amounts are net of deferred reinsurance commission income of ₱18,376,595 and ₱12,569,749 as at December 31, 2025 and 2024, respectively. The Company did not provide for any impairment loss because the carrying amount approximates its fair value.

Amortization for the year represents the direct commission expense of ₱180,756,644 in 2025 and ₱271,032,542 in 2024, net of commission income of ₱28,790,118 in 2025 and ₱40,099,905 in 2024.

The direct commission expense is presented under *Direct underwriting costs* (see note 29) and the commission income is presented under *Gross underwriting income* in the statements of comprehensive income.

11. PREPAYMENTS

This account consists of:

	2025	2024
Stationery and office supplies	₱1,757,937	₱3,045,131
Prepaid taxes	1,594,027	-
Prepaid rent	325,396	325,397
Total	₱3,677,360	₱3,370,528

Stationery and office supplies pertain to advance payments of insurance policy forms and other supplies for office use.

12. DEBT INSTRUMENTS AT AMORTIZED COST

This account consists of Philippine government securities and agrarian reform bonds. Details follow:

	2025	2024
Government securities:		
Treasury bills	₱320,632,590	₱322,186,480
Treasury notes	2,000,000	2,000,000
Agrarian reform bonds	1,165,121	6,542,162
Total	₱323,797,711	₱330,728,642

Government securities are deposited with the Bureau of Treasury of the Philippines as securities for the benefit of the policyholders and creditors of the Company in accordance with the provisions in the Insurance Code of the Philippines. These securities have maturities of one to 10 years and bear fixed interest rates ranging from 2.14% to 4.08% in 2025 and 2024.

Interest earned from debt instruments at amortized cost amounted to ₱13,772,402 in 2025 and ₱13,436,865 in 2024, and is presented as part of *Interest income* under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

The following table shows the reconciliation of debt instruments at amortized cost:

	2025	2024
Balance at beginning of year	₱330,728,642	₱328,834,449
Additions	337,000,000	629,500,000
Maturities	(341,290,000)	(627,000,000)
Amortization of discount	(2,640,931)	(605,807)
Balance at end of year	₱323,797,711	₱330,728,642

13. FINANCIAL ASSETS AT FVOCI

Movements in financial assets at FVOCI are as follows:

	2025	2024
At acquisition cost:		
Listed shares of stock	₱1,315,801	₱1,315,801
Proprietary club share	880,000	880,000
	2,195,801	2,195,801
Revaluation reserve on financial assets at FVOCI		
Balance at beginning of year	4,321,164	4,305,342
Fair value gain	555,696	15,822
Balance at end of year	4,876,860	4,321,164
Total	₱7,072,661	₱6,516,965

The fair value of financial assets at FVOCI has been determined directly by reference to the published price in an active market (i.e., stock exchange and broker's published price). As at December 31, 2025 and 2024, the Company has no intention to dispose its financial assets at FVOCI.

14. PROPERTY AND EQUIPMENT (NET)

The reconciliation of this account is as follows:

December 31, 2025

	Land	Building and building improvements	Condominium office unit	Leasehold improvement	Transportation equipment	Furniture and fixtures	Office machine and other equipment	Right-of-use asset	Total
Cost									
Balance at beginning of year	₱299,513,741	₱117,019,326	₱14,272,121	₱5,812,711	₱24,956,721	₱10,804,957	₱24,431,160	₱12,660,075	₱509,470,812
Additions	-	-	-	-	2,539,000	147,513	678,425	-	3,364,938
Balance at end of year	299,513,741	117,019,326	14,272,121	5,812,711	27,495,721	10,952,470	25,109,585	12,660,075	512,835,750
Accumulated depreciation									
Balance at beginning of year	-	16,156,896	5,708,848	5,683,938	14,265,121	9,905,101	20,319,582	5,064,030	77,103,516
Depreciation and amortization	-	2,340,387	285,443	78,632	2,472,407	415,739	1,456,880	2,532,015	9,581,503
Balance at end of year	-	18,497,283	5,994,291	5,762,570	16,737,528	10,320,840	21,776,462	7,596,045	86,685,019
Net carrying amount	₱299,513,741	₱98,522,043	₱8,277,830	₱50,141	₱10,758,193	₱631,630	₱3,333,123	₱5,064,030	₱426,150,731

December 31, 2024

	Land	Building and building improvements	Condominium office unit	Leasehold improvement	Transportation equipment	Furniture and fixtures	Office machine and other equipment	Right-of-use asset	Total
Cost									
Balance at beginning of year	₱198,515,496	₱117,019,326	₱14,272,121	₱5,812,711	₱26,125,471	₱10,630,904	₱23,357,018	₱12,660,075	₱408,393,122
Additions	-	-	-	-	-	174,053	1,074,142	-	1,248,195
Transfers (note 13)	100,998,245	-	-	-	-	-	-	-	100,998,245
Disposal	-	-	-	-	(1,168,750)	-	-	-	(1,168,750)
Balance at end of year	299,513,741	117,019,326	14,272,121	5,812,711	24,956,721	10,804,957	24,431,160	12,660,075	509,470,812
Accumulated depreciation									
Balance at beginning of year	-	13,816,510	5,423,405	5,557,511	12,525,196	9,375,195	18,754,504	2,532,015	67,984,336
Depreciation and amortization	-	2,340,386	285,443	126,427	2,372,997	529,906	1,565,078	2,532,015	9,752,252
Disposal	-	-	-	-	(633,072)	-	-	-	(633,072)
Balance at end of year	-	16,156,896	5,708,848	5,683,938	14,265,121	9,905,101	20,319,582	5,064,030	77,103,516
Net carrying amount	₱299,513,741	₱100,862,430	₱8,563,273	₱128,773	₱10,691,600	₱899,856	₱4,111,578	₱7,596,045	₱432,367,296

On August 20, 2018, the Company acquired properties owned by Interline Realty and Dev't. (IRD) Corp. (IRDC) and is a registered enterprise at Freeport Area of Bataan (FAB), for a total consideration of ₱80,000,000. The properties are inclusive of all the existing structures and pending improvements at the Interline Compound, and the Company shall be subrogated to all the rights of IRDC, such as the collection of the rental income from its existing tenants on the properties. The acquired properties consist of hotel and restaurant constructed on the land leased by IRDC from FAB.

As at December 31, 2025 and 2024, certain properties are partially used as branches' office building and for rental. These properties are classified as *Property and equipment* since the portion being leased out to third parties is considered not significant. Details of the properties are as follows:

	2025	2024
Land situated at:		
Davao City	₱67,738,583	₱67,738,583
J. P. Rizal Makati, Manila	58,154,662	58,154,662
Buildings and building improvement		
Mariveles Bataan	80,000,000	80,000,000
Sta. Clara, Batangas	34,196,708	34,196,708
Total	₱240,089,953	₱240,089,953

Rental income earned from these properties including those classified as *Investment properties* (see note 15) amounted to ₱20,221,444 in 2025 and ₱19,944,261 in 2024, and is presented under *Investment and other income (charges)* in the statements of comprehensive income (see notes 31 and 34).

In 2024, land property in Antipolo, Rizal and Laoag, Ilocos Norte amounting to ₱100,998,245 was transferred from *Assets held for sale* to *Property and equipment* since the management intends to use the property for its operations (see note 9).

In 2024, the Company sold transportation equipment with carrying amount of ₱535,678 for a consideration of ₱268,000. The *Loss on sale of properties* of ₱267,678 is presented net against *Net gain on sale of properties* under *Investment and other income (charges)* in the statement of comprehensive income (see note 31).

As at December 31, 2025 and 2024, the revaluation increment on land (net of tax) amounted to ₱5,403,883. The related deferred tax liability is as follows:

	2025	2024
Revalued amount of land	₱150,322,600	₱150,322,600
Cost of land	(143,117,423)	(143,117,423)
Revaluation increment	7,205,177	7,205,177
Tax rate	25%	25%
Deferred tax liability (note 32)	₱1,801,294	₱1,801,294

Depreciation and amortization are recognized as follows:

	2025	2024
Direct underwriting costs (note 29)	₱2,874,451	₱2,925,675
Operating expenses (note 30)	6,707,052	6,826,577
Total	₱9,581,503	₱9,752,252

The carrying value of the Company's transportation equipment held under chattel mortgage amounted to ₱10,758,192 and to ₱10,691,600 as at December 31, 2025 and 2024, respectively (see note 21).

15. INVESTMENT PROPERTIES

The Company's investment properties consist of:

	2025	2024
Land	₱159,879,468	₱159,879,468
Condominium unit	6,594,000	6,594,000
Total	₱166,473,468	₱166,473,468

In 2024, land property in Silang, Cavite amounting to ₱150,322,600 was transferred from *Assets held for sale* to *Investment properties* since the management changed its intention on the use of the asset (see note 9). The Company does not intend to sell the property in the near future.

Based on the assessment performed, the management believes that investment properties approximate their fair values as at December 31, 2025 and 2024. Also, these properties are assessed as not impaired as at reporting date.

The investment properties are being leased out to third parties (see notes 14, 31 and 34).

The Company's investment properties as at December 31, 2025 and 2024 are not held as collateral for its liabilities and are free from any encumbrances.

The Company did not enter into any contractual commitment for the acquisition of investment properties.

16. RECLAMATION PROJECT

This account represents cash outlays by the Company to its contractors for land reclamation and related land development costs for the port development project in Mariveles, Bataan. The contractors were engaged by the Company for the architectural design and engineering, development of project concept, development of viable reclamation construction strategy and processing of permits and necessary documents.

In December 2017, the Company entered into a contract of service with a stockholder to administer the reclamation of the 51,651 sqm for port development with total contract price of ₱1.5 billion. The contract shall be valid for the period from January 1, 2018 to December 31, 2022. The stockholder had commissioned different contractors for the project including IRDC, a related party where the stockholder is also an officer.

IRDC will continue and assume the project and will pay all the costs already incurred by the Company related to the project. As at December 31, 2025, the documentation for the transfer of the project is still ongoing.

Pursuant to IC CL No. 19-2019 issued on May 7, 2019 (amending CL No. 2018-74), IC encourages insurance and professional reinsurance companies to invest in infrastructure project under the Philippine Development Plan (PDP) in relation to their compliance with statutory net worth and risk-based capital requirements. Pursuant to Section 202 (k) of the Insurance Code of the Philippines, as amended by RA No. 10607, investments in infrastructure projects may fall in the purview of other assets (legally or beneficially owned by insurance or professional reinsurance company), not inconsistent with the provisions in paragraphs (a) to (j) thereof, which are deemed by the Commissioner as readily realizable and available for payment of losses and claims at values to be determined by the Commissioner in a circular, rule and regulation.

The reclamation project does not fall under any of the paragraphs (a) to (j) of Section 202 of the Insurance Code, which provides that the following shall be considered as allowed and admitted assets:

- (a) Cash in the possession of the insurance company or in transit under its control, and the true and duly verified balance of any deposit of such company in a financially sound bank or trust company duly authorized by the Bangko Sentral ng Pilipinas.
- (b) Investments in securities, including money market instruments, and in real property acquired or held in accordance with and subject to the applicable provisions of this Code and the income realized therefrom or accrued thereon.
- (c) Loans granted by the insurance company concerned to the extent of that portion thereof adequately secured by non-speculative assets with readily realizable values in accordance with and subject to the limitations imposed by applicable provisions of this Code.
- (d) Policy loans and other policy assets and liens on policies, contracts or certificates of a life insurance company, in an amount not exceeding legal reserves and other policy liabilities carried on each individual life insurance policy, contract or certificate.
- (e) The net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurance company which carries the full mean tabular reserve liability.

- (f) Reinsurance recoverable by the ceding insurer.
- (g) Funds withheld by a ceding insurer under a reinsurance treaty, provided reserves for unpaid losses and unearned premiums are adequately provided.
- (h) Deposits or amounts recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution to the extent deemed by the Commissioner to be available for the payment of losses and claims and values to be determined by him.
- (i) Electronic data processing machines, as may be authorized by the Commissioner to be acquired by the insurance company concerned, the acquisition cost of which to be amortized in equal annual amounts within a period of five (5) years from the date of acquisition thereof.
- (j) Investments in mutual funds, real estate investment trusts, salary loans, unit investment trust funds and special deposit accounts, subject to the conditions as may be provided for by the Commissioner.

As at December 31, 2025 and 2024, the management believes that there is no indication that the Company's reclamation project is impaired.

17. INVESTMENT IN SUBSIDIARIES AND AN ASSOCIATE

This account represents investments in shares of stock of SARPC and HRDC, subsidiaries and Premier Insurance and Surety Corp. (PISC), an associate. Details are as follows:

	Ownership		Amount	
	2025	2024	2025	2024
Subsidiaries				
SARPC	60%	60%	₱119,405,450	₱119,405,450
HRDC	98%	98%	98,000,000	98,000,000
			217,405,450	217,405,450
Associate				
Acquisition cost				
Balance at beginning and end of year			430,500,000	430,500,000
Accumulated equity in net earnings				
Balance at beginning of year			24,448,815	17,587,427
Equity in net earnings (note 31)			3,036,415	6,861,388
Balance at end of year	22%	22%	27,485,230	24,448,815
			457,985,230	454,948,815
Total			₱675,390,680	₱672,354,265

PISC was incorporated in the Philippines and is primarily engaged in the business of insurance, guaranty and reinsurance in any branches except life insurance, for a consideration.

The financial information of SARPC as at December 31 is summarized below:

	2025	2024
Total assets	₱219,105,803	₱219,007,265
Total liabilities	120,623,501	117,552,989
Total equity	₱98,482,302	₱101,454,276
Revenue	₱-	₱-
Expenses	3,271,974	4,348,154
Net loss	(₱3,271,974)	(₱4,348,154)
Cash flow information		
Net cash used in operating activities	(₱263,632)	(₱287,203)
Net cash provided by (used in) investing activities	(7,464)	205
Net cash provided by financing activities	300,000	-

The financial information of HRDC as at December 31 is summarized below:

	2025	2024
Total assets	₱97,243,439	₱97,513,568
Total liabilities	21,133	21,133
Total equity	₱97,222,306	₱97,492,435
Revenue	₱95,420	₱570,361
Expenses	365,549	695,223
Net loss	(₱270,129)	(₱124,862)
Cash flow information		
Net cash provided by (used in) operating activities	₱55,704	(₱431,123)

The financial information of PISC as at December 31 is as follows:

	2025	2024
Total assets	₱5,319,267,203	₱4,551,809,671
Total liabilities	716,856,053	613,795,574
Total equity	₱4,602,411,150	₱3,938,014,097
Revenue	₱212,445,318	₱511,323,766
Expenses	198,338,864	479,447,401
Net income	₱14,106,454	₱31,876,365
Cash flow information		
Net cash provided by operating activities	₱46,571,709	₱26,191,221
Net cash provided by (used in) investing activities	696,149,596	(38,076,388)
Net cash provided by financing activities	650,000,000	-

18. OTHER ASSETS (NET)

This account consists of:

	2025	2024
Deposit for the acquisition of land	₱447,880,000	₱447,880,000
Claims fund	7,497,478	7,226,945
Deposit on rent, light and water	2,632,428	2,519,672
Salvage recoverable	1,345,661	1,345,661
Escrow fund	1,207,523	1,171,797
Revolving fund	218,645	218,645
Intangible assets (net)	87,250	204,250
Security fund	49,051	48,439
Total	460,918,036	460,615,409
Less: Allowance for ECLs	(792,042)	(680,655)
Net	₱460,125,994	₱459,934,754

Deposit for the acquisition of parcels of land pertains to the acquisition of land located in Trece Martirez, Cavite and Baylen, Cavite. The land will be transferred to the Company upon full payment. As at December 31, 2025, the contract price is not yet fully paid, and the parcels of land were not yet in the possession of the Company. The Company plans to dispose the property and recover the amount already paid to the seller.

Claims fund represents Company's cash held by third parties as collateral in the issuance of certain insurance policies and bail bond.

Salvage recoverable pertains to the estimated amount to be recovered by the Company from paid losses on surety policies issued.

Escrow fund represents the placement in an escrow account with a bank in 2019 for ₱1,000,000. This serves as compliance to the accreditation requirement mandated by National Labor Relations Commission (NLRC) as a bonding company engaged in the issuance of surety bonds. The escrow fund earns interest at the respective bank deposit rates. Interest earned on escrow fund amounted to ₱35,726 in 2025 and ₱45,967 in 2024, and is presented as part of *Interest income* under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

The reconciliation of intangible assets as at December 31 is as follows:

December 31, 2025

	Software development cost	Web design	Total
Cost			
Balance at beginning and end of year	₱41,435,500	₱685,000	₱42,120,500
Accumulated amortization			
Balance at beginning of year	41,435,500	480,750	41,916,250
Amortization	-	117,000	117,000
Balance at end of year	41,435,500	597,750	42,033,250
Net carrying amount	₱-	₱87,250	₱87,250

December 31, 2024

	Software development cost	Web design	Total
Cost			
Balance at beginning and end of year	₱41,435,500	₱685,000	₱42,120,500
Accumulated amortization			
Balance at beginning of year	37,772,100	295,000	38,067,100
Amortization	3,663,400	185,750	3,849,150
Balance at end of year	41,435,500	480,750	41,916,250
Net carrying amount	₱-	₱204,250	₱204,250

Software development cost represents the accumulated costs for the Company's insurance system.

Amortization is recognized as follows:

	2025	2024
Direct underwriting costs (note 29)	₱35,100	₱1,154,745
Operating expenses (note 30)	81,900	2,694,405
Total	₱117,000	₱3,849,150

Security fund pertains to a guaranty fund deposited with the IC as required under the Insurance Code.

Other assets are considered inadmissible assets per Section 2013 of the Amended Insurance Code.

Movements in the allowance for ECL are as follows:

	2025	2024
Balance at beginning of year	₱680,655	₱679,826
Provision for ECLs (note 30)	111,387	829
Balance at end of year	₱792,042	₱680,655

19. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2025	2024
Accounts payable	₱36,582,056	₱97,323,283
Output VAT payable	183,814,285	176,215,765
Deposit from third parties (note 9)	115,588,753	116,938,753
Commission payable	92,606,056	82,933,360
Expanded withholding tax payable	73,499,259	50,917,158
Income tax payable	63,028,252	63,528,252
Accrued expenses	2,403,599	3,151,372
SSS, PHIC and HDMF contributions payable	1,055,466	808,653
Other taxes payable	47,130,825	8,576,303
Total	₱615,708,551	₱600,392,899

Accounts payable are usually due within thirty (30) days and do not bear any interest. Deposit from third parties pertain to installments received for the sale of land (see note 9).

Commission payable consists of agents' commissions resulting from the insurance policies written under agency agreement.

Income tax payable pertains to the unpaid income tax for the taxable years 2023 and 2024.

Accrued expenses consist of accruals for utilities and professional fees which are payable in the subsequent year.

Other taxes payable consist mainly of documentary stamps payable, local taxes payable, fire service tax payable and output VAT payable.

Documentary stamps payable included as part of *Other taxes payable* is based on the premium that will be remitted by the agent and branch manager.

In 2025, the Company reversed liabilities amounting to ₱54,241,882 since the management assessed that the liabilities no longer exist. The income from reversal of liabilities is presented as part of *Other income* under *Investment and other income (charges)* in the 2025 statement of comprehensive income (see note 31).

20. CASH COLLATERALS

The account pertains to the amount received by the Company in relation to suretyship contracts.

21. LOANS PAYABLE

The Company executed car loan arrangements with a local bank for a total loan amount of ₱2,539,000 in 2025 and ₱2,666,400 in 2024, with terms ranging from 36 to 60 months and average monthly interest from 0.96% to 1.49%. Total loan payments amounted to ₱1,393,905 in 2025 and ₱3,177,636 in 2024.

The carrying value of vehicles held under chattel mortgage is ₱10,758,192 and ₱10,691,600 as at December 31, 2025 and 2024, respectively (see note 14).

Interest expense on loans amounted to ₱199,679 in 2025 and ₱771,064 in 2024 and is presented as part of *Interest and bank charges* under *Operating expenses* in the statements of comprehensive income (see note 30).

22. INSURANCE CONTRACT LIABILITIES

The Company obtained an actuarial valuation of the policy reserves from an independent actuary in 2025 and 2024, pursuant to CL No.2018-18 and consistent with the Revised Financial Reporting Framework issued by the IC.

Per Valuation Standards for Nonlife Insurance Policy Reserves, MfAD is allowed to be 100% and 50% of the computed Company-specific MfAD ranging from 1% to 4% in 2025 and 2024, respectively.

This account consists of:

	2025			2024		
	Insurance contract liabilities	Reinsurers' share in liabilities (note 7)	Net amount	Insurance contract liabilities	Reinsurers' share in liabilities (note 7)	Net amount
Outstanding claims reserves	₱587,607,590	₱86,253,520	₱501,354,070	₱500,366,619	₱72,944,272	₱427,422,347
Provisions for IBNR losses	66,164,000	36,705,000	29,459,000	26,562,000	12,186,000	14,376,000
Claims handling expense	1,282,717	-	1,282,717	1,100,051	-	1,100,051
Provision for MfAD	1,864,592	1,188,869	675,723	587,601	303,973	283,628
Total claims and losses	656,918,899	124,147,389	532,771,510	528,616,271	85,434,245	443,182,026
Reserve for unearned premiums	316,852,359	119,618,881	197,233,478	159,765,635	64,200,342	95,565,293
Catastrophic loss reserve	283,783	-	283,783	392,361	-	392,361
Total insurance contract liabilities	₱974,055,041	₱243,766,270	₱730,288,771	₱688,774,267	₱149,634,587	₱539,139,680

Total claims and losses include claims due and unpaid, claims in the course of settlement, and those which are incurred but not reported at a designated level of confidence, as well as direct and indirect expenses related to settling of outstanding claims.

Outstanding claims reserves pertain to actual claims reported and net of expected recoveries from salvage and subrogation. The amount for salvage and subrogation claimed during the year is considered immaterial.

Provisions for IBNR losses refer to the estimated amount to be provided for claims in respect of claim events that have occurred but have not been reported as of the valuation date. IBNR losses are calculated by subtracting the incurred losses from the estimated ultimate loss by accident year for each line of business. Estimated ultimate losses were computed on weighted averages based on the following approaches: Incurred Chain Ladder/Development Approach (IDA), Paid Chain Ladder/Development Approach (PDA), Bornhuetter-Ferguson Incurred Approach (BFIA) and the Bornhuetter-Ferguson Paid Approach (BFPA).

Under IDA and PDA, reported incurred losses by accident year are multiplied by appropriate loss development factors to estimate ultimate losses. On the other hand, the actual incurred losses are added to the expected unreported losses under BFIA.

Claims handling expense pertains to the estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as of valuation date. Allocated and unallocated loss adjustment expenses (LAE) were used in estimating the claims handling expenses based on Case Reserve Development Approach (CRDA) and the Paid-to Paid Approach (PPRA). Allocated LAE (ALAE) are direct expenses incurred and paid during the processing and settlement of individual claims. Unallocated LAE (ULAE) pertains to the indirect costs of claims processing, usually defined as the portion of the general and administrative expense (GAE) allocated to the claims department.

Under CRDA, outstanding ALAE payable by accident year are multiplied by appropriate case reserve development factors to estimate the unpaid ALAE. Under PPRA, an indicated ratio of calendar year paid ALAE to paid loss and ALAE was selected. This ratio is then multiplied to the estimated IBNR losses to calculate the estimated ALAE.

To calculate the unpaid ULAE, recent calendar year indications of paid ULAE ratios to paid losses and ALAE were calculated and used to select the projected ULAE ratio. Based on the actuarial report, the ULAE is not covered by reinsurance.

The selected ratios were then multiplied to the indicated outstanding and IBNR loss and ALAE reserves to get the indicated unpaid ULAE.

Movements in insurance contract liabilities and reinsurers' share in liabilities (reinsurance assets) are as follows:

	2025			2024		
	Gross amount	Reinsurance	Net amount	Gross amount	Reinsurance	Net amount
Balance at beginning of year	₱528,616,271	₱85,434,245	₱443,182,026	₱275,053,734	₱98,995,919	₱176,057,815
Increase in IBNR and MfAD (note 28)	40,878,991	25,403,896	15,475,095	2,390,737	204,943	2,185,794
Claims during the year (note 28)	332,483,197	145,934,404	186,548,793	397,797,796	72,472,132	325,325,664
Claims paid (note 28)	(245,059,560)	(132,625,156)	(112,434,404)	(146,625,996)	(86,238,749)	(60,387,247)
Balance at end of year	₱656,918,899	₱124,147,389	₱532,771,510	₱528,616,271	₱85,434,245	₱443,182,026

Movement in reserve for unearned premiums is as follows:

	2025			2024		
	Gross amount	Reinsurance	Net amount	Gross amount	Reinsurance	Net amount
Balance at beginning of year	₱159,765,635	₱64,200,342	₱95,565,293	₱371,856,465	₱112,724,300	₱259,132,165
New policies (note 27)	1,006,545,679	215,604,516	790,941,163	823,342,780	149,065,448	674,277,332
Premiums earned (note 27)	(849,458,955)	(160,185,977)	(689,272,978)	(1,035,433,610)	(197,589,406)	(837,844,204)
Balance at end of year	₱316,852,359	₱119,618,881	₱197,233,478	₱159,765,635	₱64,200,342	₱95,565,293

In performing the actuarial valuation, assumptions are intended to bring the estimated liabilities at a 75% confidence level of assurance or sufficiency, thus MfAD is applied. The purpose of the MfAD is to consider the variability of claims experience within a class of business, the diversification between classes of business and conservatism in the best estimate to allow inherent uncertainty of the best estimate of policy reserve.

Loss development factors used in the actuarial projection techniques are based on the Company's historical loss experience supplemented with industry triangles.

23. DUE TO REINSURERS

The account pertains to amount of insurance liability assumed by the Company from the reinsurers.

24. RETIREMENT BENEFITS OBLIGATION

The Company maintains an unfunded and non-contributory retirement benefit plan covering its regular employees.

The latest actuarial valuation was December 31, 2024. The computation of retirement benefit costs is based on RA No. 7641, "Retirement Law".

The retirement benefit costs recognized in profit or loss is as follows:

	2025	2024
Current service cost	₱3,940,963	₱3,738,517
Interest cost	2,221,843	2,296,134
Total	₱6,162,806	₱6,034,651

The retirement benefit costs is allocated as follows:

	2025	2024
Direct underwriting costs (note 29)	₱2,465,122	₱2,413,860
Operating expenses (note 30)	3,697,684	3,620,791
Total	₱6,162,806	₱6,034,651

The movements in retirement benefits obligation recognized in the statements of financial position are as follows:

	2025	2024
Balance at beginning of year	₱33,221,474	₱31,802,411
Interest cost	3,940,963	2,296,134
Current service cost	2,221,843	3,738,517
Benefits paid	(620,209)	(3,261,997)
Remeasurement gain	-	(1,353,591)
Balance at end of year	₱38,764,071	₱33,221,474

Remeasurement gain, net of tax, amounted to ₱1,015,193 in 2024.

The following actuarial assumptions were used to determine retirement benefits obligation:

	2025	2024
Discount rate	6.09%	6.09%
Salary increase rate	5.00%	5.00%

The discount rate as at December 31, 2025 and 2024 was calculated as the resulting single-weighted rate determined by computing the present value of the expected future benefit cash flows across valuation years using the zero-coupon rate. The salary increase rate represents the projected increases in employee salaries.

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

The Company has no plan asset as at December 31, 2025 and 2024.

Risk arising from the retirement plan

The defined benefit plan is unfunded by ₱38,764,071 and ₱33,221,474 as at December 31, 2025 and 2024, respectively. While there is no minimum required funding, the amount without fund may expose the Company to cash flow risk for 10 to 15 years when a significant number of employees are expected to retire.

Maturity profile of undiscounted benefit payments

The maturity analysis on the Company's undiscounted benefit payments as at December 31, 2025 and 2024 is as follows:

	One year and less	Two to five years	Six to 10 Years	11 to 15 years	16 to 20 years	Over 21 years
Normal retirement	₱17,063,320	₱6,481,587	₱15,001,846	₱9,509,881	₱23,696,745	₱287,086,164

Discount rate sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variables held constant, of the Company's retirement benefits obligation. A +/-1% increase or decrease is used when reporting this risk internally to key management personnel and represents the management's assessment of the reasonably possible change in discount rate and salary increase. The impact on the Company's retirement benefit obligation as at December 31, 2025 which affects the Company's cash flow is as follows:

	Increase (decrease)	Present value of obligation	Increase (decrease) on retirement benefits obligation
Discount rate	+0.5%	(₱37,012,403)	(₱1,751,668)
	-0.5%	40,847,954	2,083,883
Salary increase rate	+1.0%	₱39,096,286	₱332,215
	-1.0%	(38,431,856)	(332,215)

Regulatory framework in which the retirement obligation operates

In accordance with the provisions of the Labor Code, the Company is required to pay eligible employees at least the minimum regulatory benefit upon retirement, subject to age and service requirements.

Plan amendments, curtailments or settlements

There was no plan amendment, curtailment or settlement recognized in 2025 and 2024.

Responsibilities of trustees

Since the Company does not have a formal, trustee retirement plan, there are no trustees yet.

25. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES

Terms and conditions

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

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

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

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

Assumptions

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

Other key assumptions include variation in interest and delays in settlement.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity 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 claim 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.

The table demonstrates the effect of change in key assumptions while other assumptions remain unchanged if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumptions changes had to be done on an individual basis. It should also be stressed that these assumptions are nonlinear and larger or smaller impacts cannot be easily gleaned from these results.

The figures shown below demonstrate the effect of 5% upward variation in either the net premiums earned, or the loss development factor used in determining the estimated ultimate liabilities.

	2025	2024
Increase in gross liabilities	₱42,472,948	₱51,771,681
Increase in net liabilities	34,463,649	41,892,210
Decrease in income before income tax	(34,463,649)	(41,892,210)

The Company's estimation of ultimate liabilities may be impacted largely by the shift in the development trends of losses. However, the Company believes that using statistical data over 10 years minimizes the margin of error in its estimates.

26. CAPITAL STOCK

Details of this account are as follows:

	Shares		Amount	
	2025	2024	2025	2024
Common shares - ₱100 par value				
Authorized	20,000,000	20,000,000	₱2,000,000,000	₱2,000,000,000
Subscribed and issued	20,000,000	20,000,000	2,000,000,000	2,000,000,000

On May 26, 2025, the BOD approved the resolution to increase the Company's authorized capital stock to ₱3,000,000,000 divided into 30,000,000 shares with a par value of ₱100. The increase in authorized capital stock was approved by IC in March 2026. The Company filed the required documents with the SEC in 2026.

27. NET PREMIUM REVENUE

Details of gross and net premiums earned on insurance contracts follow:

	2025	2024
Gross premium earned (note 22)		
Insurance contract premium revenue		
Direct insurance	₱945,815,050	₱779,622,867
Assumed reinsurance	60,730,630	43,719,913
Total insurance contract premiums revenue	1,006,545,680	823,342,780
Gross change in unearned premium provision	(157,086,724)	212,090,830
	849,458,956	1,035,433,610
Premiums ceded (note 22)		
Reinsurer's share of premium revenue		
Direct insurance	117,609,756	149,065,448
Reinsurers' share of gross change in unearned premium		
Provision	42,576,222	48,523,958
	160,185,978	197,589,406
Net premiums on insurance	₱689,272,978	₱837,844,204

28. NET INSURANCE BENEFITS AND CLAIMS

Gross insurance contracts benefits and claims incurred consist of the following:

	2025	2024
Insurance contracts benefits and claims		
Direct insurance	₱363,845,339	₱391,998,924
Assumed reinsurance	5,503,598	5,078,678
Loss adjustment	4,013,251	3,110,931
Total insurance contract benefits and claims (note 22)	373,362,188	400,188,533
Total reinsurers' share of insurance contract benefits and claims incurred (note 22)	(183,315,065)	(72,677,075)
Net insurance benefits and claims	₱190,047,123	₱327,511,458

Gross insurance contracts benefits and claims paid consist of the following:

	2025	2024
Direct insurance	₱235,542,711	₱138,436,387
Assumed	5,503,598	5,078,678
Loss adjustment	4,013,251	3,110,931
Total insurance contract benefits and claims paid (note 22)	₱245,059,560	₱146,625,996

Reinsurers' share of gross insurance contracts benefits and claims paid consist of direct insurance amounting to ₱132,625,156 and ₱86,238,749 in 2025 and 2024, respectively (see note 22).

29. DIRECT UNDERWRITING COSTS

This account consists of:

	2025	2024
Commission (direct) (note 10)	₱180,756,644	₱271,032,542
Processing fees	128,766,964	128,910,546
Salaries, wages and allowances	34,256,952	22,648,359
Commission (reinsurance)	13,320,153	16,060,833
Underwriting expenses	11,491,282	12,455,274
Transportation and travel	7,648,070	8,305,057
Rent, light and water (note 34)	6,890,616	6,648,879
Employee benefits	6,210,103	6,913,362
Stationery and office supplies	3,592,629	3,605,751
Depreciation and amortization (notes 14 and 18)	2,909,551	4,080,420
Representation and entertainment	2,697,378	3,177,915
Postage, freight and communications	2,734,182	2,854,978
Retirement benefit costs (note 24)	2,465,122	2,413,860
Taxes and licenses	2,437,724	3,514,995
SSS, PHIC and HDMF contributions	2,374,175	2,083,440
Advertising and promotions	1,677,776	1,835,711
Dues and fees	1,501,479	1,701,780
Electronic data processing	1,398,828	1,406,303
Training	480,749	494,718
Meetings and conferences	87,760	50,827
Other underwriting expenses	1,926,793	3,200,556
Total	₱415,624,930	₱503,396,106

Other underwriting expenses consist of other benefits, marketing expenses and other miscellaneous expenses.

30. OPERATING EXPENSES

This account consists of:

	2025	2024
Salaries and bonuses	₱51,385,428	₱33,972,539
Interest and bank charges (notes 21 and 34)	10,745,344	5,388,814
Provision for ECLs (notes 6, 7, 8, and 18)	9,968,082	6,457,751
Professional fees	8,469,086	32,210,834
Depreciation and amortization (notes 14 and 18)	6,788,952	9,520,982
Transportation and travel	4,118,192	4,471,954
Rent, light and water	3,742,505	3,589,313
Retirement benefit costs (note 24)	3,697,684	3,620,791
SSS, PHIC and HDMF contributions	3,567,393	3,130,926
Employee benefits	3,152,348	4,608,908
Management fees (note 33)	2,640,000	2,400,000
Representation and entertainment	1,798,252	2,118,610
Repairs and maintenance	1,699,875	2,738,342
Printing and office supplies	1,539,698	1,545,322
Per diem and board meetings	1,357,611	1,461,783
Communications	1,171,792	1,223,562
Advertising and promotion	719,047	786,733
Dues and fees	643,491	729,334
Electronic data processing expenses	599,498	602,701
Insurance	491,071	415,130
Notarial fees and documentary stamps	347,020	302,667
Taxes and licenses	332,417	479,317
Training	186,958	192,390
Books, subscriptions and periodicals	35,435	25,478
Miscellaneous	1,554,234	3,260,872
Total	₱120,751,413	₱125,255,053

Miscellaneous mainly consists of donations and contributions.

31. INVESTMENT AND OTHER INCOME (CHARGES) (NET)

This account consists of:

	2025	2024
Interest income (notes 4, 5, 8, 12 and 18)	₱81,214,817	₱110,270,920
Rental income (notes 14, 15 and 34)	20,221,444	19,944,261
Equity in net earnings of an associate (note 17)	3,036,415	6,861,388
Net foreign currency exchange gain (loss)	144,103	830,768
Increase (decrease) in catastrophe loss	108,577	(239,315)
Net gain (loss) on sale of properties (notes 9 and 14)	(39,000)	10,375,643
Recovery of allowance for ECLs (note 8)	-	573,080
Other income	64,093,080	748,280
Total	₱168,779,436	₱149,365,025

Interest income consists of:

	2025	2024
Short-term investments (note 5)	₱36,794,224	₱96,383,141
Cash and cash equivalents (note 4)	30,300,154	174,790
Debt instruments at amortized cost (note 12)	13,772,402	13,436,865
Salary, mortgage and other loans (note 8)	312,311	230,157
Escrow fund (note 18)	35,726	45,967
Total	₱81,214,817	₱110,270,920

Other income consists mainly of provision for catastrophe loss and other incidental income. Other income in 2025 includes reversal of liabilities amounting to ₱54,241,882 (see note 19)

32. INCOME TAXES

A reconciliation of tax on pretax income computed at the applicable statutory rate to tax expense reported in the statements of comprehensive income follows:

	2025	2024
Income before income tax	₱160,419,066	₱71,146,517
Accounting income at 25%	40,104,767	17,786,629
Tax effect of:		
Interest income subjected to final tax	(20,225,905)	(3,470,989)
Equity in net earnings of an associate	(759,104)	(1,715,347)
Non-deductible interest expense	801,253	1,318,614
Non-deductible depreciation on right-of-use asset	633,004	633,004
Other non-deductible expenses	-	19,078
Rent expense for long-term leases	(973,642)	(945,646)
Income tax expense	₱19,580,373	₱13,625,343

The Company's deferred tax assets consist of:

	2025	2024
Retirement benefits obligation	₱9,691,017	₱8,305,368
Provision on IBNR losses, claims handling fee and MfAD	7,854,360	3,939,920
Allowance for ECLs	7,849,774	5,357,754
Deferred reinsurance commissions	4,594,149	3,142,437
Provision for catastrophe loss	70,946	98,090
Total	₱30,060,246	₱20,843,569

The Company's deferred tax liabilities consist of:

	2025	2024
DAC	₱34,929,506	₱23,076,410
Deferred reinsurance premium	29,904,720	16,050,086
Fair value gain on land (under <i>Asset held for sale</i>) (note 9)	9,554,472	9,554,472
Revaluation increment on land (under <i>Property and equipment</i>) (note 14)	1,801,294	1,801,294
Total	₱76,189,992	₱50,482,262

33. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has related party transactions with stockholders, officers and related entities.

Related party	Relationship
TIEC	Ultimate parent company
IRDC	Company with common stockholders
TRISCO Infrastructure Development Corporation (TIDC)	Company with common stockholder and under common control
PISC	Associate and under common control

The details of transactions are as follows:

(a) Advances

	Amount of transaction		Outstanding balance (note 8)		Terms and conditions
	2025	2024	2025	2024	
Individual stockholder	₱138,749,756	₱235,041,561	₱138,749,756	₱-	Unsecured and unguaranteed, non-interest bearing, payable in cash, no fixed payment term and no impairment
Officers	3,251,023	1,324,532	4,281,136	1,030,113	
TIEC	200,000	2,500,000	2,700,000	2,500,000	
PISC	-	600,000	-	600,000	
Total	₱142,200,779	₱239,466,093	₱145,730,892	₱4,130,113	

The Company granted cash advances to an individual stockholder for the acquisition of an investment while advances to officers are for financial support. Outstanding balances arising from the transaction are presented under *Other receivables* in the statements of financial position (see note 8).

Advances to PISC and TIEC pertain to health benefits of PISC's employees which are paid by the Company. Outstanding balances arising from the transaction are presented under *Other receivables* in the statements of financial position (see note 8).

(b) Loans to stockholders and officers

	Amount of transaction		Outstanding balance (note 8)		Terms and conditions
	2025	2024	2025	2024	
Salary loans to stockholders and officers	₱840,000	₱430,000	₱838,206	₱148,333	Unsecured and unguaranteed, payable thru salary deduction at 12% per annum, with maximum term of 2 years and no impairment

The Company granted salary loans to its stockholders and officers as financial assistance. Outstanding balances arising from the transaction are presented under *Other receivables* in the statements of financial position (see note 8).

(c) Management fees

	Amount of transaction		Outstanding balance		Terms and conditions
	2025	2024	2025	2024	
TIEC	₱2,400,000	₱2,400,000	₱-	₱-	Unsecured and unguaranteed, non-interest bearing, payable in cash, no fixed payment term

The Company pays management fee to TIEC in connection with the services rendered such as payroll, human resource and internal audit services amounting to ₱220,000 per month in 2025 and ₱200,000 per month in 2024. The total management fee expense incurred by the Company is presented under *Operating expenses* in the statements of comprehensive income (see note 30).

(d) Acquired properties and agency agreement

In 2019, the Company entered into an informal agreement with IRDC wherein the latter acts as the collecting agent for the Company's rental income on the acquired properties in Bataan. As at December 31, 2025 and 2024, the rent receivable from lessees that are not yet collected and remitted by IRDC amounted to ₱56,496,807 and ₱39,373,481, respectively, and is presented under *Other receivables* in the statements of financial position (see note 8). IRDC is required to remit immediately to the Company any collection received from the lessee.

(e) Reclamation project

In December 2017, the Company entered into a contract with a stockholder to administer the reclamation of the 51,651 sqm land for port development (see note 16). That stockholder had commissioned different contractors for the project including IRDC and TIDC. The stockholder is entitled to receive ₱100,000 per month of service for the project. However, a supplemental agreement was executed postponing the start of payment to the stockholder to January 2020.

Compensation of key management personnel

The compensation of the Company's key management personnel included as part of salaries and bonuses under operating expenses, consists of the following:

	2025	2024
Retirement benefit costs	₱6,162,806	₱6,034,651
Short-term benefits	5,149,422	4,509,386
Bonus	4,583,191	4,128,073
Per diem	695,200	715,400
Total	₱16,590,619	₱15,387,510

34. LEASE COMMITMENTS

The following are the significant commitments involving the Company:

Company as lessee

Operating lease agreements represent contracts entered into by the Company's head office and branch offices are as follows:

- (a) The Company entered into a contract of lease with G.E. Antonino, Inc. for the use of office space. The leased premise is located at 10th floor "Suite B", G.E. Antonino Building, T.M. Kalaw Street, Ermita, Manila. Lease term is for a period of three years, which commenced on January 1, 2017 and ended on December 31, 2019, renewable thereafter as may be agreed upon by the parties. The Company shall pay a rental fee of ₱255,490 inclusive of VAT every first five days of each calendar month with an escalation rate of three percent (3%) at every year. The lease was renewed for another three years commencing on January 1, 2020 and will end on December 31, 2022. The lease was further renewed for five years which commenced on January 1, 2023 and will end on December 31, 2027.

The details of the lease liability as at December 31 is as follows:

	2025		2024	
	Future MLP	PV of MLP	Future MLP	PV of MLP
Not later than one year	₱4,012,775	₱3,033,100	₱3,894,570	₱2,429,402
Later than one year but not later than five years	4,130,982	3,754,891	8,143,756	6,787,992
Total	8,143,757	6,787,991	12,038,326	9,217,394
Amount representing interest expense	(1,355,766)	-	(2,820,932)	-
PV of minimum lease payments (MLP)	₱6,787,991	₱6,787,991	₱9,217,394	₱9,217,394

The roll-forward of lease liability is as follows:

	2025	2024
Balance at beginning of year	₱9,217,394	₱11,147,526
Interest expense (note 30)	1,465,167	1,852,453
Payments	(3,894,570)	(3,782,585)
Balance at end of year	₱6,787,991	₱9,217,394

Interest expense on lease liability amounted to ₱1,465,167 in 2025 and ₱1,852,453 in 2024 and is presented as part of *Interest and bank charges* under *Operating expenses* in the statements of comprehensive income (see note 30).

- (b) Lease of office space of the branches have terms of one year, renewable before the expiration of the contract.

Total rent expense related to short-term leases is as follows:

	2025	2024
Direct underwriting cost (note 29)	₱5,509,194	₱5,354,241
Operating expenses (note 30)	2,361,083	2,294,675
Total	₱7,870,277	₱7,648,916

Company as lessor

The Company entered into various operating lease agreements for its *Investment properties* and a portion of its *Building and building improvements* under *Property and equipment* with a term ranging from one to five years (see notes 14 and 15). Rental income amounted to ₱20,221,444 in 2025 and ₱19,944,261 in 2024 and is presented under *Investment and other income (charges)* in the statements of comprehensive income (see note 31).

35. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK

Governance framework

The Company has established a risk management function with clear terms of reference and with responsibility for developing group-wide policies on market, credit, liquidity, insurance and operational risk.

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

Capital management framework

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the realistic financial position and revenue account of each business unit, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Section 200 of the Amended Insurance Code provides that an insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital and net worth requirements as prescribed by the Commissioner.

Risk Based Capital (RBC) requirement

On October 5, 2006, the IC approved the guidelines on the adoption in the Philippines of the RBC framework for all registered non-life insurance companies. This requires every insurance company to annually maintain a minimum RBC ratio of 100% and should not fail with the trend test, which shall occur in the event that:

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

If the Company will not be able to maintain the required minimum ratio, they may be subjected to regulatory intervention depending on the level of its RBC ratio.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall consist of the Company's paid-up capital, retained earnings and unimpaired surplus. Revaluation and fluctuation reserve shall form part of the net worth only to the extent authorized by the IC.

The following table shows how the RBC ratio as at December 31, 2025 and 2024 is determined by the Company:

	2025	2024
Net worth (as per IC guidelines)	₱3,557,348,366	₱3,074,477,553
RBC requirement	787,978,404	969,456,006
RBC ratio	451%	317%

As at December 31, 2025 and 2024, the Company is in compliance with the required RBC ratio by the IC.

The final RBC ratio can be determined only after the accounts of the Company have been examined by the IC.

Fixed capitalization requirement

On January 13, 2015, the IC issued CL No. 2015-02-A presenting the minimum capitalization requirements for all new and existing insurance companies. The circular is in line with the Amended Insurance Code.

On August 15, 2013, the Amended Insurance Code (RA No. 10607) was approved which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis such as follows:

Net worth	Compliance date
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The minimum net worth shall remain unimpaired at all times.

The Company made an additional contribution of ₱632,992,708 in 2024, to meet the capital requirements of the IC. No additional contribution in 2025.

The Company's net worth amounting to ₱4,040,725,689 in 2025 and ₱3,899,331,300 in 2024 is in compliance with the minimum requirements for the year.

The final net worth in 2025 can be determined only after the accounts of the Company have been examined by the IC.

Under Sections 203 and 213 of the Amended Insurance Code and IC's CL No. 2014-17, the following assets are considered non-admitted assets in determination of the financial condition of the insurance company:

- (a) Goodwill, trade names, and other like intangible assets.
- (b) Prepaid or deferred charges for expenses and commissions paid by such insurance company.
- (c) Advances to officers (other than policy loans), which are not adequately secured and which are not previously authorized by the Commissioner, as well as advances to employees, agents, and other persons on mere personal security.
- (d) Shares of stock of such insurance company, owned by it, or any equity therein as well as loans secured thereby, or any proportionate interest in such shares of stock through the ownership by such insurance company of an interest in another corporation or business unit.
- (e) Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and supplies.
- (f) Items of bank credits representing checks, drafts or notes returned unpaid after the date of statement.
- (g) The amount, if any, by which the aggregate value of investments as carried in the ledger assets of such insurance company exceeds the aggregate value thereof as determined in accordance with the provisions of this Code and/or the rules of the Commissioner.

All non-admitted assets and all other assets of doubtful value or character included as ledger or non-ledger assets in any statement submitted by an insurance company to the Commissioner, or in any insurance examiner's report to him, shall also be reported, to the extent of the value disallowed as deductions from the gross assets of such insurance company, except where the Commissioner permits a reserve to be carried among the liabilities of such insurance company in lieu of any such deduction. Also, any investment made in violation of the applicable provisions of this title shall be considered non-admitted assets.

In addition, premiums due from the following entities are considered non-admitted assets when the following conditions in IC's CL No. 2014-17 are not met:

- (a) The Government of the Philippines, its political subdivisions or instrumentalities, including government owned or controlled corporations, whether as insured, general agent, insurance broker, mortgagee or trustee, provided that in case any of said entities assumes the role of a trustee, the insurance company concerned shall present proof that such premiums are held by such entity as trustee of the said company.
- (b) Premiums Receivable Account (direct agents, general agents and insurance brokers) covering policies within 90 days from inception as of the cut-off date, provided that these receivables are supported by an aging schedule showing details per policy; and copies of policies and other pertinent documents are made available to the examiners for verification, otherwise, unverified accounts will be disallowed.
- (c) Marine Hull Premiums covered by Deferred Premiums Clause "1" attached to the policy and payable in four quarterly installments provided that the installments to be considered as admitted assets are only the installments due within 90 days as of cut-off date including all installments not yet due as of the cut-off date and provided further that these receivables are supported by an aging schedule showing details per policy and copies of policies and other pertinent documents shall be made available to the examiners for verification, otherwise, those accounts not verified will be disallowed.

Financial reporting framework

On June 10, 2015, the IC issued CL No. 2015-29 that clarifies the rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all the other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies. It includes the manual of accounts, which enumerates certain admitted assets not specifically listed in Section 202, which discusses the nature, types and recognition and measurement of each account in the financial statements. This CL was fully implemented starting June 30, 2016, with transition cut-off date of January 1, 2016.

On December 28, 2016, the IC issued CL No. 2016-65 which superseded the previous circular, indicating that insurance companies are required to comply with the financial reporting framework starting January 1, 2017.

Valuation standards for policy reserves

Under sections 219 and 220 of the Insurance Code, as amended, these sections require every insurance company other than life to maintain a reserve for unearned premiums and other special reserves, the IC issued CL No. 2015-32 which provides the new set of Valuation standards for Non-Life Insurance Policy Reserves. The CL sets out the valuation method to be used by insurance companies in determining the level of reserves that they should maintain. Premium reserves will be aligned with the current practice under PFRS Accounting Standards. Claims reserve specifically on IBNR will now be actuarially computed and an actuarial report must be submitted to IC following the report format provided in the said Circular. The actuarial report must include the certification of the Actuary and Chief Executive Officer (CEO) or responsible officer and must be duly notarized.

On March 9, 2018, the Insurance Commission issued CL No. 2018-18 that requires nonlife insurance companies to implement the *Valuation Standards for Non-life Insurance Policy Reserves* effective retroactively starting January 1, 2017. This supersedes CL No. 2016-67. The Company adopted the new valuation standard in determining the premium liability and reserve beginning on January 1, 2017.

Regulatory framework

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

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

Financial risk

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

The risk that the Company primarily faces due to the nature of its investments and liabilities is the interest rate risk.

Market risk

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

The Company structures levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Company; basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument and geographical area; sets out the net exposure limits by each counterparty or group of counterparties, geographical and industry segments; control over hedging activities; reporting of market risk exposures and breaches to the monitoring authority; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment.

The Company's market risk includes equity price risk for the financial assets at FVOCI which are measured at fair value.

Equity price risk

The Company's equity price risk arises from its investments carried at fair value classified as financial assets at FVOCI. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the equity price had been 10% higher/lower, the revaluation reserve would increase/decrease by ₱707,266 in 2025 and ₱651,697 in 2024, as a result of the change in the fair value of the Company's financial assets at FVOCI.

Interest rate risk

As at December 31, 2025 and 2024, the Company is exposed to changes in market interest rates through its *Cash in banks, Cash equivalents, Short-term investments, Debt instruments at amortized cost* and *Other receivables* (salary/car loan/notes receivable), which are subject to variable interest rates (see notes 4, 5, 8 and 12). However, for financial assets with short-term maturity, the risk is assessed by the management as insignificant due to its relatively short-term nature and/or low interest rates.

The following table sets out the Company's financial instruments exposed to interest rate risk by maturity:

December 31, 2025

	Interest rate	Less than one year	More than one year	Total
Cash and cash equivalents	1.00% to 2.75%	₱2,071,069,060	₱-	₱2,071,069,060
Short-term investments	2.50% to 2.50%	1,950,264	-	1,950,264
Other receivables	8.00% to 15.00%	4,279,049	633,320	4,912,369
Debt instruments at amortized cost	2.14% to 10.00%	322,632,590	1,165,121	323,797,711
Total		₱2,399,930,963	₱1,798,441	₱2,401,729,404

December 31, 2024

	Interest rate	Less than one year	More than one year	Total
Cash and cash equivalents	1.00% to 2.75%	₱41,179,210	₱-	₱41,179,210
Short-term investments	2.50% to 7.00%	2,043,909,295	-	2,043,909,295
Other receivables	8.00% to 15.00%	3,544,004	911,098	4,455,102
Debt instruments at amortized cost	2.14% to 10.00%	324,186,480	6,542,162	330,728,642
Total		₱2,412,818,989	₱7,453,260	₱2,420,272,249

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Company as at December 31.

		December 31, 2025			
		Basis of ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash and cash equivalents*	(a)		₱2,071,069,060	₱-	₱2,071,069,060
Short-term investments	(a)		1,950,264	-	1,950,264
Insurance receivables (net)	(b)	Lifetime ECL	710,872,127	28,130,485	682,741,642
Reinsurance assets (net)**	(b)		201,926,788	2,253,639	199,673,149
Other receivables (net)	(b)		221,862,165	222,960	221,639,205
Debt instruments at amortized cost	(c)	12-month ECL	323,797,711	-	323,797,711
Other assets***	(c)		11,605,125	792,042	10,813,083
Total			₱3,543,083,240	₱31,399,126	₱3,511,684,114

		December 31, 2024			
		Basis of ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash and cash equivalents*	(a)		₱41,179,210	₱-	₱41,179,210
Short-term investments	(a)		2,043,909,295	-	2,043,909,295
Insurance receivables (net)	(b)	Lifetime ECL	466,700,518	18,663,640	448,036,878
Reinsurance assets (net)**	(b)		107,676,634	2,028,121	105,648,513
Other receivables (net)	(b)		67,727,466	58,628	67,668,838
Debt instruments at amortized cost	(c)	12-month ECL	330,728,642	-	330,728,642
Other assets***	(c)		11,185,498	680,655	10,504,843
Total			₱3,069,107,263	₱21,431,044	₱3,047,676,219

*Excluding cash on hand amounting to ₱372,000 and ₱342,000 as at December 31, 2025 and 2024, respectively.

**Excluding deferred reinsurance premium amounting to ₱119,618,881 and ₱64,200,342 as at December 31, 2025 and 2024, respectively.

***Excluding salvage recoverable, deposit for the acquisition of land and intangible assets amounting to ₱449,312,911 and ₱449,429,911 as at December 31, 2025 and 2024, respectively.

The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it transacts significant volumes of transactions. Although, such arrangements do not generally result in offset of assets and liabilities in the statements of financial position, as transactions are usually settled on gross basis. However, the credit risk associated with such balances is reduced in the event of a default when such balances are settled on a net basis. The situation may however change substantially within a short period following the reporting date because the exposure is affected by transactions subject to the arrangement.

Reinsurance is placed with high-rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each reporting date, the management performs assessment of credit worthiness of reinsurers to update reinsurance purchase strategy.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commission due to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed on the expiry of which the policy is either paid up or terminated.

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as at December 31, 2025 and 2024, except for a significant portion of cash and equivalents that is deposited to a single counterparty.

Concentrations of risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic conditions. The management believes that the concentrations described above do not represent excessive risk for the Company, since the single counterparty, which is a rural bank, is one of the top rural banks in the country.

- (a) Cash and cash equivalents and short-term investments are assessed to have low credit risk at each reporting period. These are held by reputable banking institutions.
- (b) For insurance receivable, other receivables and reinsurance assets, the Company has applied the simplified approach to measure the loss allowance at lifetime ECLs. The Company determines the ECLs based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.
- (c) Debt instruments at amortized cost and other assets are assessed to have low credit risk as the counterparties to these investments have a minimum BBB-credit rating and have an internal rating of Performing. As such, the Company assumes that the credit risk on these financial assets has not increased significantly since initial recognition and recognizes 12-months ECL for these assets.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

December 31, 2025

	Neither past due nor impaired			Past due but not impaired	Allowance for ECL	Total
	High	Medium	Low			
Cash and cash equivalents	₱2,071,069,060	₱-	₱-	₱-	₱-	₱2,071,069,060
Short-term investments	1,950,264	-	-	-	-	1,950,264
Insurance receivables:						
Due from ceding companies	34,190,102	-	-	-	966,815	35,156,917
Premium receivables	462,273,361	-	-	-	23,418,089	485,691,450
Due from agents	186,278,179	-	-	-	3,745,581	190,023,760
Other receivables	221,639,205	-	-	-	222,960	221,862,165
Reinsurance assets:						
Reinsurance recoverable on paid losses	-	-	-	76,626,938	1,074,657	77,701,595
Reinsurance recoverable on unpaid losses and IBNR	-	-	-	122,970,352	1,177,037	124,147,389
Premium reserve withheld by Reinsurer	75,859	-	-	-	1,945	77,804
Debt instruments at amortized cost	323,797,711	-	-	-	-	323,797,711
Other assets	10,813,083	-	-	-	792,042	11,605,125
Total	₱3,312,086,824	₱-	₱-	₱199,597,290	₱31,399,126	₱3,543,083,240

December 31, 2024

	Neither past due nor impaired			Past due but not impaired	Allowance for ECL	Total
	High	Medium	Low			
Cash and cash equivalents	₱41,179,210	₱-	₱-	₱-	₱-	₱41,179,210
Short-term investments	2,043,909,295	-	-	-	-	2,043,909,295
Insurance receivables:						
Due from ceding companies	32,816,022	-	-	-	927,959	33,743,981
Premium receivables	317,173,234	-	-	-	15,314,380	332,487,614
Due from agents	9,804,762	-	-	-	2,421,301	100,468,923
Other receivables	67,668,838	-	-	-	58,628	67,727,466
Reinsurance assets:						
Reinsurance recoverable on paid losses	-	-	-	21,281,326	883,259	22,164,585
Reinsurance recoverable on unpaid losses and IBNR	-	-	-	84,291,328	1,142,917	85,434,245
Premium reserve withheld by Reinsurer	75,859	-	-	-	1,945	77,804
Debt instruments at amortized cost	330,728,642	-	-	-	-	330,728,642
Other assets	10,504,843	-	-	-	680,655	11,185,498
Total	₱2,942,103,565	₱-	₱-	₱105,572,654	₱21,431,044	₱3,069,107,263

High credit quality

This pertains to assets of the Company that are highly convertible to cash based on the Company's experience and those that are classified by the IC as readily admitted assets.

Moderate credit quality

For receivables, this covers accounts of paying insured and or remittance of agents but paid and or remitted normally beyond the credit term. This also includes receivables from insured and or agent with delayed payment and or remittance, although paid and or remitted but was only made after a demand letter was sent.

Low credit quality

For receivables, this covers accounts of slow paying insured and or remittance of agents, and those whose payments and or remittances are received upon sending a second demand letter as at financial reporting date.

Liquidity risk

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

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity through a liquidity risk policy, which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up of contingency funding plans; specifies the sources of funding and the events that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

As at December 31, the Company's financial liabilities have contractual maturities such as follows:

December 31, 2025

	Less than one year	One to five years	Total
Insurance contract liabilities			
claims and losses*	P656,918,899	P-	P656,918,899
Due to reinsurers	231,642,937	-	231,642,937
Cash collaterals	3,877,922	-	3,877,922
Loans payable	1,395,627	1,566,563	2,962,190
Accounts payable and other liabilities**			
Accounts payable	36,582,056	-	36,582,056
Commission payable	92,606,056	-	92,606,056
Accrued expenses	2,403,599	-	2,403,599
Lease liability	3,033,100	3,754,891	6,787,991
Total	P1,028,460,196	P5,321,454	P1,033,781,650

*excludes reserves for unearned premium and catastrophic loss reserve

**excludes statutory payables and deposit from third parties

December 31, 2024

	Less than one year	One to five years	Total
Insurance contract liabilities			
claims and losses*	₱528,616,271	₱-	₱528,616,271
Due to reinsurers	137,799,881	-	137,799,881
Cash collaterals	3,472,788	-	3,472,788
Loans payable	670,270	1,146,825	1,817,095
Accounts payable and other liabilities**			
Accounts payable	97,323,283	-	97,323,283
Commission payable	82,933,360	-	82,933,360
Accrued expenses	3,151,372	-	3,151,372
Lease liability	2,429,402	6,787,992	9,217,394
Total	₱856,396,627	₱7,934,817	₱864,331,444

*excludes reserves for unearned premium and catastrophic loss reserve

**excludes statutory payables

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting date.

Insurance risk

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

The Company determines its concentration of insurance risk based on individual type of contract. The Company principally issued the following types of general insurance contracts: motor, household insurance, commercial and business interruption.

The following table sets out the concentration of the claims liabilities by type of contract:

December 31, 2025

	Gross claim liabilities	Reinsurers' share of claims liabilities	Net claim liabilities
Fire	₱156,948,665	₱86,446,636	₱70,502,029
Motor car	14,964,152	8,149,848	6,814,304
Marine	3,407,000	159,000	3,248,000
Bonds	454,233,950	12,810,000	441,423,950
Others	27,365,132	16,581,905	10,783,227
Total (note 22)	₱656,918,899	₱124,147,389	₱532,771,510

December 31, 2024

	Gross claim liabilities	Reinsurers' share of claims liabilities	Net claim liabilities
Fire	₱207,562,917	₱60,716,620	₱146,846,297
Motor car	23,832,403	1,904,149	21,928,254
Marine	5,280,000	-	5,280,000
Bonds	228,521,020	-	228,521,020
Others	63,419,931	22,813,476	40,606,455
Total (note 22)	₱528,616,271	₱85,434,245	₱443,182,026

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. These risks vary significantly in relation to the location of the risk insured by the Company, type of risks insured and in respect of commercial and business interruption insurance by industry.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts and geographical areas, as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, strict claims review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims. The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The majority of reinsurance business ceded is placed on a quota share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to the reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements.

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Financial assets and financial liabilities

The table below summarizes the maturity profile of the Company's financial assets, insurance liabilities and financial liabilities based on contractual undiscounted payments.

	2025			2024		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
<i>Financial assets</i>						
At amortized cost						
Cash and cash equivalents*	₱2,071,069,060	₱-	₱2,071,069,060	₱41,179,210	₱-	₱41,179,210
Short-term investments	1,950,264	-	1,950,264	2,043,909,295	-	2,043,909,295
Insurance receivables						
Due from ceding companies	35,156,917	-	35,156,917	33,743,981	-	33,743,981
Premium receivables	485,691,450	-	485,691,450	332,487,614	-	332,487,614
Due from agents	190,023,760	-	190,023,760	100,468,923	-	100,468,923
Other receivables	221,862,165	-	221,862,165	67,727,466	-	67,727,466
Reinsurance assets						
Reinsurance recoverable on paid losses	77,701,595	-	77,701,595	22,164,585	-	22,164,585
Reinsurance recoverable on unpaid and IBNR losses	124,147,389	-	124,147,389	85,434,245	-	85,434,245
Premium reserve withheld by Reinsurer	77,804	-	77,804	77,804	-	77,804
Other assets**	8,972,697	2,632,428	11,605,125	8,665,826	2,519,672	11,185,498
Debt instruments at amortized cost	322,632,590	1,165,121	323,797,711	324,186,480	6,542,162	330,728,642
At FVOCI	-	7,072,661	7,072,661	-	6,516,965	6,516,965
Total	₱3,539,285,691	₱10,870,210	₱3,550,155,901	₱3,060,045,429	₱15,578,799	₱3,075,624,228
<i>Financial liabilities</i>						
Insurance contract liabilities claims and losses	₱656,918,899	₱-	₱656,918,899	₱528,616,271	₱-	₱528,616,271
Due to reinsurers	231,642,937	-	231,642,937	137,799,881	-	137,799,881
Cash collaterals	3,877,922	-	3,877,922	3,472,788	-	3,472,788
Loans payable	1,395,627	1,566,563	2,962,190	670,270	1,146,825	1,817,095
Accounts payable and other liabilities						
Accounts payable	36,582,056	-	36,582,056	97,323,283	-	97,323,283
Commission payable	92,606,056	-	92,606,056	82,933,360	-	82,933,360
Accrued expenses	2,403,599	-	2,403,599	3,151,372	-	3,151,372
Lease liability	3,033,100	3,754,891	6,787,991	2,429,402	6,787,992	9,217,394
Total	₱1,028,460,196	₱5,321,454	₱1,033,781,650	₱856,396,627	₱7,934,817	₱864,331,444

*Excluding cash on hand amounting to ₱372,000 and ₱342,000 as at December 31, 2025 and 2024, respectively

**Excluding salvage recoverable, deposit for the acquisition of land and intangible assets amounting to ₱449,312,911 and ₱449,429,911 as at December 31, 2025 and 2024, respectively.

36. FAIR VALUE INFORMATION

Financial asset measured at fair value

The fair value of financial assets at FVOCI as at December 31 is determined as follows:

	2025		Fair value hierarchy
	2025	2024	
Financial assets at FVOCI	₱7,072,661	₱6,516,965	Level 1

Fair value of financial assets at FVOCI is based on net asset value per share as published by Philippine Stock Exchange and club share broker.

Financial assets and liabilities not measured at fair value

The following gives information about how the fair value of the Company's financial assets and liabilities, which are not measured at fair value but the fair values, are disclosed at the end of each reporting period is determined.

Cash and cash equivalents, Short-term investments, Insurance receivables, Short-term other receivables, Reinsurance assets, Other assets (current), Insurance contract liabilities, Due to reinsurers, Cash collaterals, Accounts payable, Accrued expenses, current portion of Loans payable and Lease liability.

Due to the short-term nature of these financial instruments, their fair value approximates the carrying amount as at reporting date.

The carrying amount and fair value of the categories of noncurrent financial assets and liabilities, non-financial assets presented in the statements of financial position are shown below:

	2025		2024	
	Carrying values	Fair Values	Carrying values	Fair values
Financial assets				
<i>Financial assets at amortized cost (net of current portion)</i>				
Other receivables	₱4,912,369	₱4,912,369	₱4,455,102	₱4,455,102
Other assets	2,632,428	2,488,402	2,519,672	2,375,863
Debt instruments at amortized cost	323,797,711	307,865,663	330,728,642	311,899,429
Total	₱331,342,508	₱315,266,434	₱337,703,416	₱318,730,394
Non-financial assets				
Property and equipment	₱150,322,600	₱150,322,600	₱150,322,600	₱150,322,600
Investment properties	166,473,468	166,473,468	166,473,468	166,473,468
Total	₱316,796,068	₱316,796,068	₱316,796,068	₱316,796,068
Financial liabilities				
<i>Financial liabilities at amortized cost (net of current portion)</i>				
Loans payable	₱1,566,563	₱1,566,563	₱1,146,825	₱1,146,825
Lease liability	3,754,891	3,754,891	6,787,992	6,787,992
Total	₱5,321,454	₱5,321,454	₱7,934,817	₱7,934,817

Other receivables (mortgage loans receivable, salary and car loan receivables)

The carrying amounts of these receivables and loans approximate their fair values as these are interest bearing with an annual rate ranging from 8% to 15%.

Other assets (deposit to service providers)

Fair values are estimated using the discounted cash flow technique that makes use of risk-free interest rate of 5.78% and 6.05% in 2025 and 2024, respectively.

Debt instruments at amortized cost

Fair values are based on quoted rates ranging from 4.80% to 5.55% and 5.93% to 6.15% in 2025 and 2024, respectively.

The aforementioned fair values of financial assets and liability are measured using level 2 of the fair value hierarchy.

Property and equipment and investment properties measured at fair value

The fair value of the property and equipment investment properties was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The latest valuation report obtained by the Company was as at December 31, 2021.

The fair value of the land properties and condominium unit under property and equipment investment properties amounting to ₱316,796,068 as at December 31, 2025 and 2024, which equals its carrying value, was determined based on market data approach and is based on sales and listings of comparable properties registered within the vicinity. In estimating the fair value of the land, the appraisal gave due consideration to the highest and best use of the property.

The fair values of the property and equipment and investment properties are measured using level 2 of the fair value hierarchy.

Loans payable and lease liability

The fair value of the loans payable and lease liability approximates its carrying amount as it is determined based on the present value of estimated future cash flows using prevailing market rates. The discount rate used ranges from 0.96% to 2.00% as at December 31, 2025 and 2024.

There were no transfers between levels 1 and 2 nor changes in level 3 instruments in 2025 and 2024.

37. CONTINGENCIES

The Company is a defendant in several lawsuits arising from the normal course of carrying out its insurance business. The information usually required by *PAS 37, Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice seriously the Company's position with regard to the outcome of these claims.

Also, the related interests and penalties on certain taxes which have not yet been remitted have not been recognized in the financial statements as the amount is not yet determinable.

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

December 31, 2025

	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	₱2,071,441,060	₱-	₱2,071,441,060
Short-term investments	1,950,264	-	1,950,264
Insurance receivables (net)	682,741,642	-	682,741,642
Reinsurance assets (net)	319,292,030	-	319,292,030
Other receivables (net)	221,639,205	-	221,639,205
DAC	165,855,014	-	165,855,014
Prepayments	3,677,360	-	3,677,360
Debt instruments at amortized cost	322,632,590	1,165,121	323,797,711
Financial assets at FVOCI	-	7,072,661	7,072,661
Assets held for sale	233,237,200	-	233,237,200
Property and equipment (net)	-	426,150,731	426,150,731
Investment properties	-	166,473,468	166,473,468
Reclamation project	-	201,809,118	201,809,118
Investment in subsidiaries and associate	-	675,390,680	675,390,680
Deferred tax assets	-	30,060,246	30,060,246
Other assets (net)	456,060,655	4,065,339	460,125,994
Total assets	₱4,478,527,020	₱1,512,187,364	₱5,990,714,384
Liabilities			
Accounts payable and other liabilities	₱615,708,551	₱-	₱615,708,551
Insurance contract liabilities	656,918,899	317,136,142	974,055,041
Due to reinsurers	231,642,937	-	231,642,937
Cash collaterals	3,877,922	-	3,877,922
Loans payable	1,395,627	1,566,563	2,962,190
Lease liability	3,033,100	3,754,891	6,787,991
Retirement benefits obligation	-	38,764,071	38,764,071
Deferred tax liabilities	-	76,189,992	76,189,992
Total liabilities	₱1,512,577,036	₱437,411,659	₱1,949,988,695

December 31, 2024

	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	₱41,521,210	₱-	₱41,521,210
Short-term investments	2,043,909,295	-	2,043,909,295
Insurance receivables (net)	448,036,878	-	448,036,878
Reinsurance assets (net)	169,848,855	-	169,848,855
Other receivables (net)	67,668,838	-	67,668,838
DAC	124,249,479	-	124,249,479
Prepayments	3,370,528	-	3,370,528
Debt instruments at amortized cost	324,186,480	6,542,162	330,728,642
Financial assets at FVOCI	-	6,516,965	6,516,965
Assets held for sale	234,876,200	-	234,876,200
Property and equipment (net)	-	432,367,296	432,367,296
Investment properties	-	166,473,468	166,473,468
Reclamation project	-	201,809,118	201,809,118
Investment in subsidiaries and associate	-	672,354,265	672,354,265
Deferred tax assets	-	20,843,569	20,843,569
Other assets (net)	455,865,171	4,069,583	459,934,754
Total assets	₱3,913,532,934	₱1,510,976,426	₱5,424,509,360
Liabilities			
Accounts payable and other liabilities	₱600,392,899	₱-	₱600,392,899
Insurance contract liabilities	528,616,271	160,157,996	688,774,267
Due to reinsurers	137,799,881	-	137,799,881
Cash collaterals	3,472,788	-	3,472,788
Loans payable	670,270	1,146,825	1,817,095
Lease liability	2,429,402	6,787,992	9,217,394
Retirement benefits obligation	-	33,221,474	33,221,474
Deferred tax liabilities	-	50,482,262	50,482,262
Total liabilities	₱1,273,381,511	₱251,796,549	₱1,525,178,060

39. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) NO. 15-2010

On December 28, 2010, the Bureau of Internal Revenue (BIR) issued RR No.15-2010, which amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21- 2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS Accounting Standards.

(a) VAT sales during the year are as follows:

	2025
Output VAT declared during the year	₱21,516,921
Output VAT tax base	179,307,677

(b) Details of input VAT during the year are as follows:

	2025
Balance at beginning of year	₱-
Add: Purchases	10,517,454
Less: Claim for tax credit/adjustments	(10,517,454)
Balance at end of year	₱-

(c) Documentary stamp tax paid amounted to ₱38,117,024 in 2025.

(d) The schedule of taxes and licenses follows:

	2025
Local government clearance and registration	₱2,437,724
Real estate tax	332,417
Total	₱2,770,141

(e) The amount of withholding taxes follows:

	2025
Tax on compensation and benefits	₱3,742,181
Expanded withholding taxes	2,102,674
Total	₱5,844,855

(f) The Company has no other tax cases under preliminary investigation and/or prosecution in courts or bodies outside the BIR.

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