COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	1	7	0	6

COMPANY NAME

THE MERCANTILE INSURANCE CO., INC

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

2/F MERCANTILE INSURANCE BUILDING GENERAL LUNA CORNER BEATERIO STREETS, INTRAMUROS, MANILA

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
gen_info@mici.com.ph	527-77-01 to 20	+639175395258

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
12	Last Friday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Leandro M. Estrera	lmestrera@mici.com.ph	85277701	NA

CONTACT PERSON's ADDRESS

1248-B Hoffer Executive Townhomes, T. San Luis, Pandacan, Manila

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

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

The Mercantile Insurance Co., Inc. <gen_info@mici.com.ph>

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eafs@bir.gov.ph <eafs@bir.gov.ph> Sat, May 9, 2026 at 4:23 PM
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Transaction Code: **AFS-0-6A5KC9E60NNSSVP3RPN3X3P4Y0PXXPVRSP**
Submission Date/Time: **May 09, 2026 04:23 PM**
Company TIN: **000-825-516**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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BUREAU OF INTERNAL REVENUE
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Transaction Code: **AFS-0-7EC6L5J70M1ZYV423MS2PQVTY0S4MZXTQ**
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LARGE TAXPAYERS SERVICE
RECEIVED
14 MAY 2026
BY: ROSEMARIE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

The Mercantile Insurance Co., Inc. <gen_info@mici.com.ph>

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eafs@bir.gov.ph <eafs@bir.gov.ph> Mon, May 11, 2026 at 1:26 PM
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Transaction Code: **AFS-0-AB8EA8KG03TXPVN4YQVTRMZTR0AL57BBFJ**
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Company TIN: **000-825-516**

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

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

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
14 MAY 2026
BY: ROSEMARIE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

Mercantile Insurance

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **THE MERCANTILE INSURANCE CO., INC** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein; for the years ended December 31, 2025 and December 31, 2024 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

I.T. SABADO & ASSOCIATES, CPAs, the independent auditor appointed by the shareholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

LEANDRO M. ESTRERA
President

ERMIE I. DELOS REYES
Treasurer

MICHAEL L. FABRIQUELA, CPA
Deputy Chief Financial Officer

Signed this 30th day of April, 2026.

I.T. SABADO & ASSOCIATES
Certified Public Accountants
No. 8 St. John St., New Era, Quezon City
Tel: (632) 8290 8192

**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN**

The Board of Directors and Shareholders
The Mercantile Insurance Co., Inc.
2nd Floor, Mercantile Insurance Building
General Luna St., Cor. Beaterio St.
Intramuros Manila

We have audited the accompanying financial statements of The Mercantile Insurance Co., Inc. as of and for the years ended December 31, 2025 and 2024, on which we have rendered the attached report dated April 30, 2026

In compliance with Revenue Regulations V-20, we are stating the following:

1. The taxes paid or accrued by the above Company for the year ended December 31, 2025 are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal shareholders of the Company.

I.T. SABADO & ASSOCIATES, CPAs
BIR Accreditation No. 07-000093-004-2023
Until July 19, 2026
PRC/BOA Registration No. 1324
Valid until April 13, 2027
SEC Accreditation No. 1324-IC (Group A)
Until 2025 audit period

By:

ISAGANI T. SABADO
Managing Partner
CPA Reg. No. 078824
Until July 10, 2028
SEC Accreditation No. 78824-IC (Group A)
TIN 145-707-022
PTR No. 8475972
January 29,2026
Quezon City

April 30, 2026

I.T. SABADO & ASSOCIATES
Certified Public Accountants
No. 8 St. John St., New Era, Quezon City
Tel: (632) 8290 8192

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
The Mercantile Insurance Co., Inc.
2nd Floor, Mercantile Insurance Building
General Luna St., Cor. Beaterio St.
Intramuros Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Mercantile Insurance Co., Inc.. which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedure 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.

2. 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.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matter

The company's financial statements as at and for the year ended December 31, 2024 were audited by another auditor on which an unqualified opinion dated April 22, 2025 was issued.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Notes 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 the management of The Mercantile Insurance Co., Inc. The information has been subjected to the auditing procedures applied in our audits 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.

I.T. SABADO & ASSOCIATES, CPAs
BIR Accreditation No. 07-000093-004-2023
Until July 19, 2026
PRC/BOA Registration No. 1324
Valid until April 13, 2027
SEC Accreditation No. 1324-IC (Group A)
Until 2025 audit period

By:

ISAGANI T. SABADO
Managing Partner
CPA Reg. No. 078824
Until July 10, 2028
SEC Accreditation No. 78824-IC (Group A)
TIN 145-707-022
PTR No. 8475972
January 29,2026
Quezon City

April 30, 2026

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2025
(With comparative figures for 2024)

ASSETS					
	Notes		**2025**		2024
Cash and cash equivalents	6	**P**	197,274,216	P	183,759,440
Short-term investments	7		339,058,426		40,056,864
Insurance balances receivable	8		2,475,011,211		2,184,682,842
Financial assets					
At fair value through other comprehensive income	9		314,239,524		531,710,417
At amortized cost	9		269,864,508		284,252,738
At fair value through profit or loss	9		-		155,829,500
Loans and other receivables-net	9		192,508,987		221,722,389
Reinsurance assets	10,16		1,379,015,478		1,355,261,540
Accrued interest receivables	7,9		8,178,125		9,394,770
Deferred acquisition costs	11		331,379,724		225,999,502
Property and equipment - net	12		250,424,882		201,834,811
Investment properties	13		473,109,819		419,886,034
Net pension asset	29		30,463,687		-
Intangible assets-net	14		11,401,769		14,598,389
Asset held for sale	24		-		3,184,464
Other assets	15		64,297,680		59,408,013
TOTAL ASSETS		**P**	**6,336,228,035**	P	**5,891,581,713**

LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Insurance contract liabilities-net	16	**P**	3,327,229,649	P	3,496,446,884
Insurance payables	17		417,062,963		90,477,732
Deferred reinsurance commissions	18		103,753,937		18,606,893
Accounts and other payables	20		284,190,365		272,698,361
Retirement benefit obligation-net	29		-		926,778
Deferred taxes-net	34		63,810,514		30,076,323
Total Liabilities			**4,196,047,428**		3,909,232,971
STOCKHOLDERS' EQUITY					
Capital stock	22		1,066,643,300		1,066,642,400
Contributed surplus	22		16,380,940		16,380,940
Contingency surplus	22		22,659,244		22,659,244
Revaluation reserve on financial assets at FVOCI	9		3,360,802		2,246,708
Revaluation reserve on property and equipment	12		275,796,125		245,780,886
Remeasurement gain on defined benefit plan	29		59,161,668		33,849,070
Retained earnings			696,178,528		594,789,494
Total Stockholders' Equity			**2,140,180,607**		1,982,348,742
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**P**	**6,336,228,036**	P	5,891,581,713

See accompanying Notes to Financial Statements.

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF INCOME
For the period ended December 31, 2025
(With comparative figures for 2024)

	Notes		2025		2024
NET INSURANCE PREMIUMS					
Gross premiums earned on insurance contracts	23	**P**	3,494,976,080	P	3,501,208,986
Reinsurers' share on insurance contracts	23		(555,142,417)		(655,859,350)
			2,939,833,664		2,845,349,636
OTHER INCOME					
Investment and other income	25		132,075,085		145,511,188
Commission income	31		48,718,555		38,730,921
			180,793,640		184,242,109
TOTAL REVENUE			**3,120,627,304**		3,029,591,745
DIRECT COSTS					
Net insurance benefits and claims	24		1,394,858,724		1,824,021,333
Commisison expense	32		616,904,846		675,069,609
Other underwriting expense - net	26,27		569,130,521		12,434,899
			2,580,894,091		2,511,525,841
OPERATING EXPENSES	28		**404,774,748**		415,851,520
TOTAL INSURANCE BENEFITS, CLAIMS AND EXPENSES			**2,985,668,839**		2,927,377,361
INCOME BEFORE TAX			**134,958,465**		102,214,384
INCOME TAX EXPENSE	33		**34,021,112**		(4,613,137)
NET INCOME		**P**	**100,937,353**	P	106,827,521

See accompanying Notes to Financial Statements.

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the period ended December 31, 2025
(With comparative figures for 2024)

	Note		2025		2024
PROFIT		P	100,937,353	P	106,827,521
OTHER COMPREHENSIVE INCOME (LOSS)					
ITEMS THAT WILL NOT BE RECLASSIFIED					
SUBSEQUENTLY TO PROFIT OR LOSS:					
Revaluation increment on property and equipment	12		40,020,319		11,196,630
Remeasurement on defined benefit plan	29		33,750,131		58,323,496
			73,770,450		69,520,126
INCOME TAX RELATING TO					
OTHER COMPREHENSIVE INCOME (LOSS)			(18,442,612)		(17,380,032)
			55,327,837		52,140,094
ITEMS THAT WILL BE RECLASSIFIED					
SUBSEQUENTLY TO PROFIT OR LOSS:					
Revaluation reserve on financial assets at FVOCI	9		1,114,094		3,265,402
			56,441,931		55,405,496
TOTAL COMPREHENSIVE INCOME		**P**	**157,379,284**	P	162,233,017

See accompanying Notes to Financial Statements.

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF CHANGES IN EQUITY
For the period ended December 31, 2025
(With comparative figures for 2024)

	Notes		2025		2024
CAPITAL STOCK	22				
Balance at beginning of year		**P**	1,066,642,400	P	981,442,400
Issued during the year			900		85,200,000
Balance at end of year			**1,066,643,300**		1,066,642,400
CONTRIBUTED SURPLUS	22		**16,380,940**		16,380,940
CONTINGENCY SURPLUS	22		**22,659,244**		22,659,244
REVALUATION RESERVE ON FINANCIAL ASSETS AT FVOCI	9				
Balance at beginning of year			2,246,708		(1,018,694)
Increase (Decrease) in fair value			1,114,094		3,265,402
Balance at end of year			**3,360,802**		2,246,708
REVALUATION RESERVE ON PROPERTY AND EQUIPMENT	12				
Balance at beginning of year			245,780,886		237,383,413
Increase (Decrease) in fair value			30,015,239		8,397,473
Balance at end of year			**275,796,125**		245,780,886
REMEASUREMENT LOSS ON DEFINED BENEFIT PLAN					
Balance at beginning of year	30		33,849,070		(9,893,552)
Increase (Decrease) in fair value			25,312,598		43,742,622
Balance at end of year			**59,161,668**		33,849,070
ACCUMULATED PROFITS					
Balance at beginning of year			594,789,494		487,961,973
Prior period adjustment			451,681		-
Net income for the year			100,937,353		106,827,521
Balance at end of year			**696,178,528**		594,789,494
TOTAL SHAREHOLDERS' EQUITY		**P**	**2,140,180,607**	P	1,982,348,742

See accompanying Notes to Financial Statements.

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THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF CASH FLOWS
For the period ended December 31, 2025
(With comparative figures for 2024)

	Notes		2025		2024
CASH FLOWS FROM OPERATING ACTIVITIES :					
Profit before income tax		P	134,958,465	P	102,214,384
Adjustment for :					
Retirement benefits	29		10,573,406		28,006,880
Depreciation and amortization	12,14		17,755,975		16,566,686
Provision for expected credit losses	8		9,945,891		3,314,753
Loss on sale of property and equipment	12		115,690		82,560
Prior period adjustment			(451,681)		-
Unrealized loss (gain) on foreign exchange	6,9,25		(2,386,247)		(2,270,400)
Unrealized Gain/Loss On FVOCI Investment	9,25		(4,265,190)		-
Dividend income	9,20,25		-		(17,054,750)
Fair value loss (gain) on investment properties	13,25		(64,647,373)		(29,961,371)
Fair value loss (gain) on FVOCI	9,25		(1,114,094)		(30,898,300)
Finance income	6,7,9,25		(46,304,081)		(48,793,376)
Operating cash flow before changes in working capital			**54,180,761**		21,207,066
Decrease (Increase) in operating assets:					
Short-term investments	7		(299,001,562)		28,856,713
Insurance receivables	8		(290,328,369)		(449,129,294)
Loans and other receivables	9		29,213,402		(18,318,701)
Reinsurance assets	10		(23,753,938)		(197,781,401)
Accrued interest receivables	7,9		1,216,645		9,425,561
Deferred acquisition costs	11		(105,380,222)		82,618,063
Net pension asset	29		(18,963,503)		-
Asset held for sale	24		3,184,464		11,939,367
Other assets	15		(4,889,667)		(16,492,274)
Increase (Decrease) in operating liabilities:					
Deferred reinsurance commissions	18		85,147,044		(3,635,954)
Insurance payables	17		326,585,231		2,873,953
Accounts and other payables	20		11,492,004		(163,161,833)
Insurance contract liabilities	16		(169,217,235)		340,584,831
Deferred taxes - net	34		33,734,191		-
Retirement benefit obligation-net	29		(926,778)		-
Cash used in operations					(351,013,903)
Interest received			37,043,265		30,273,023
Contribution to pension fund			-		(11,476,487)
Net cash used in operating activities			**(330,664,267)**		(332,217,367)
Income tax paid			**(34,021,112)**		-
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	9,20,25		-		17,054,750
Proceeds from maturities and disposals of:					
Available-for-sale financial assets	9		257,196,165		231,450,028
Held-to-maturity investments	9		83,000,000		22,264,976
FVTPL investments	9		155,829,500		-
Property and equipment	12		1,286,856		712,975
Acquisitions of:					
Intangible assets	14		(5,543,739)		(4,696,275)
Property and equipment	12		(6,999,568)		(12,284,134)
Financial assets at FVOCI	9		(40,680,000)		(19,290,960)
Financial assets at amortized cost	9		(68,763,911)		(161,174,922)
Net cash from investing activities			**375,325,302**		74,036,438
CASH FLOW FROM FINANCING ACTIVITY					
Issuance of shares	22		**900**		85,200,000
NET INCREASE IN CASH			**10,640,823**		(172,980,929)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			**186,633,393**		359,614,322
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P**	**197,274,216**	P	186,633,393

See accompanying Notes to Financial Statements.

THE MERCANTILE INSURANCE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025
(With comparative figures as at and for the year ended December 31, 2024)
(All amounts are shown in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION AND STATUS OF OPERATION

The Mercantile Insurance Company, Inc (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1962. The principal activities of the Company are to engage in the business of non-life insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events and to act as agent to other insurance or surety companies, any of its branches, including life insurance. It includes lines such as health, accident, fire and allied lines, motor vehicle, casualty, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with an incident to aforementioned lines. The Company received a certificate of authority issued by the Insurance Commission (IC) to transact in non-life insurance business beginning January 1, 2022 until December 31, 2024. The certificate is renewed with validity until December 31, 2027.

The Company's registered office address is located at 2/F Mercantile Insurance -Building, General Luna St. Cor. Beaterio St. Intramuros, Manila.

On August 14, 2025, the Company announced its planned merger with FPG Insurance Co., Inc. (the "Acquiree"), a corporation duly organized and existing under Philippine laws, with principal office at the 6th Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City. Under the proposed merger, the Company will be the surviving entity and will acquire all the assets and liabilities of the Acquiree. The proposed merger was formally approved by the Company's Board of Directors and stockholders unanimously on September 9, 2025. Subsequently, on September 23, 2025, the Acquiree filed its application for merger approval with the Insurance Commission (IC), which issued a favorable endorsement on October 15, 2025. Following the IC endorsement, the Company and the Acquiree jointly filed their application for approval of the merger with the Securities and Exchange Commission (SEC) on October 29, 2025. As of April 13, 2026, the application is under review by the SEC Financial Analysis and Audit Division (FAAD). In addition, the Company and the Acquiree notified the Philippine Competition Commission (PCC) of the proposed merger. The PCC approved the transaction on January 8, 2026.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FSRSC and adopted by EC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

• Amendments to PAS 1, Classification of Liabilities as Current or Non-current. The amendments to PAS 1 are the following:

➢ clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

➢ clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

➢ make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2024.

• Amendments to PAS 7 and PFRS 7, *Supplier Finance Arrangements*
The amendments introduce new disclosure requirements to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024.

• Amendments to PAS 1, *Non-current Liabilities with Covenants*
The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024.

• Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments clarify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024.

2.02 **New and Revised PFRSs in Issue but Not Yet Effective**
The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FSRSC and Approved by the Board of Accountancy (BOA)

• PFRS 17, Insurance Contracts

PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfillment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expenses.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. However, the effectivity date for all Health Maintenance Organizations (HMOs) is beginning on or after January 1, 2027, and all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030. Early application is permitted for entities that apply PFRS 9, Financial Instruments and PFRS 15, Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods
before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

• Amendments to PFRS 17, Insurance Contracts

The amendments cover the following areas:

➢ Insurance acquisition cash flows for renewals outside the contract boundary;

➢ Reinsurance contracts held—onerous underlying insurance contracts;

➢ Reinsurance contracts held—underlying insurance contracts with direct participation features; and

➢ Recognition of the contractual service margin in profit or loss in the general model.

The amendments are effective to annual reporting periods beginning on or after January 1, 2025. However, the effectivity date for all Health Maintenance Organizations (HMOs) is beginning on or after January 1, 2027, and all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030.

• Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9 —Comparative Information*

The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of financial statements. PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025. However, the effectivity date for all Health Maintenance Organizations (HMOs) is beginning on or after January 1, 2027, and all Mutual Benefits Associations (MBAs) doing business in the Philippines is
effective beginning on or after January 1, 2030.

• Amendments to PAS 21, ***Lack of Exchangeability***

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments cover the following areas:

➢ Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable if it can be exchanged for another currency through markets or mechanisms that establish enforceable rights and obligations without delay, while it is not exchangeable if an entity can only obtain a small amount of the other currency.

➢ Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency isn't exchangeable at a measurement date, an entity estimates the spot exchange rate as the rate that would have applied in an orderly transaction.

➢ Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable, an entity discloses information to its financial statements, allowing users to assess its financial performance, position, and cash flows.

The amendments are effective to annual reporting periods beginning on or after
January 1, 2025, with early application permitted.

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

The amendments cover the following areas:

➢ Derecognition of a financial liability settled through electronic transfer – the amendments allow entities to discharge a financial liability settled in cash using an electronic payment system if specific criteria are met, and apply the derecognition option to all settlements made through the same system.

➢ Classification of financial assets:

• Contractual terms that are consistent with a basic lending arrangement – the amendments outline how entities can evaluate whether contractual cash flows of a financial asset align with a basic lending arrangement, illustrating this through examples of financial assets with or without principal and interest payments.

• Assets with non-recourse features – the term 'non-recourse' is enhanced, defining a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

• Contractually linked instruments – the amendments clarify that not all transactions with multiple debt instruments meet classification criteria, and that instruments in the underlying pool can include financial instruments not covered by classification requirements.

➢ There are amendments in the required disclosure for financial assets and liabilities with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application of either all the amendments at the same time or only the amendments to the classification of financial assets is permitted. An entity is required to apply the amendments retrospectively. An entity is not required to restate prior periods to reflect the application of the amendments, but may do so if, and only if, it is possible to do so without the use of hindsight.

• Annual Improvements to PFRS Accounting Standards - Volume 11

The International Accounting Standards Board (IASB) has published proposed narrow-scope amendments to PFRS Accounting Standards and accompanying guidance as part of its periodic maintenance of the Accounting Standards.

The proposed amendments included in the Exposure Draft *Annual Improvements to P FRS Accounting Standards—Volume 11* relate to:

➢ PFRS 1, First -time Adoption of International Financial Reporting Standards, Hedge Accounting by a First-Time Adopter – 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*.

➢ PFRS *7, Financial Instruments: Disclosures*

• Gain or Loss on Derecognition – 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.*

• Disclosure of Deferred Difference Between Fair Value and Transaction
Price – 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.

• Introduction and Credit Risk Disclosures – 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.

➢ PFRS 9, *Financial Instruments*

• Lessee derecognition of lease liabilities – 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.

• Transaction price – 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.

➢ PFRS 10, *Consolidated Financial Statements*, Determination of a 'de facto agent' – 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.

➢ PAS 7, *Statement of Cash Flows, Cost Method* – 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 are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

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

PFRS 18 supersedes PAS 1, *Presentation and Disclosure in Financial Statements*. This new standard is a result of IASB's Primary Financial Statements project, which aimed at improving comparability and transparency of communication in financial statements.

While several sections from PAS 1 have been retained with minimal changes in wording, PFRS 18 introduces new requirements for the presentation and disclosures in financial statements. The new requirements include:

➢ Improved comparability in the statement of profit or loss (income statement);

➢ Enhanced transparency of management-defined performance measures; and

➢ More useful grouping of information in the financial statements.

Retrospective application is required in both annual and interim financial statements. PFRS 18 is effective beginning on or after January 1, 2027, with early application permitted.

• PFRS 19, *Subsidiaries without Public Accountability: Disclosures*

PFRS 19 allows eligible entities to provide reduced disclosures compared to the requirements in other PFRS accounting standards. Entities that elect PFRS 19 are still required to apply the recognition, measurement and presentation requirements of other PFRS accounting standards.

An entity may elect to apply the PFRS 19 if at the end of reporting period:

➢ It is a subsidiary as defined in PFRS 10, Consolidated Financial Statements;

➢ It does not have public accountability; and

➢ It has a parent (either ultimate or intermediate) that prepares consolidated financial s statements, available for public use, which comply with PFRS accounting standards.

An eligible entity (including an intermediate parent) can apply PFRS 19 in its consolidated, separate or individual financial statements. PFRS 19 is applicable for both annual and interim reporting.

PFRS 19 is effective beginning on or after January 1, 2027, with early application permitted.

2.02.02 Deferred

• Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognizing partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention except for properties at revalued amount and fair value, and financial instruments that are carried either at fair value or at amortized cost. The Company performed an assessment of the amendments and reached the conclusion that as of December 31, 2015 up to December 31, 2024, its activities are predominantly connected with insurance. The Company opted to apply the temporary exemption from PFRS 9 and therefore continues to apply PAS 39, Financial Instruments: Recognition and Measurement, to its financial assets and liabilities until the Company applies the new standard on insurance contracts.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the Philippine Peso (P), the currency of the primary economic environment in which the Company operates (the “functional currency”). The Company chose to present its financial statements using its functional currency.

3.03 Order of Liquidity Presentation

Assets and liabilities are presented in decreasing order of liquidity.

4. MATERIAL ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability 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. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets that are subsequently measured at cost or at amortized cost, and where the purchase or sale are under a contract whose terms require delivery of such within the timeframe established by the market concerned are initially recognized on the trade date.

Financial assets are classified into the following specified categories: ‘financial assets at FVTPL’, ‘financial assets at amortized cost’, ‘financial assets at FVOCI’, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company’s financial assets include cash, short-term investments, insurance receivables, financial assets at FVOCI, financial assets at amortized cost, financial assets at FVTPL, loans and receivables, reinsurance assets, accrued interest receivables and security deposits presented under ‘other assets’.

4.02.01 Cash

Cash includes cash on hand and cash in banks. Cash on hand is stated at face value while cash deposits held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

4.02.02 Short -term Investments

These are placements in time deposits and other money market instruments with original maturities of more than three months but less than one year and which are not restricted as to use. These short-term investments are measured initially at cost and subsequently measured at amortized cost.

4.02.03 Insurance Receivables

Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Insurance receivables are derecognized under the derecognition criteria of financial assets.

4.02.0 4 Security Deposits

Security deposits are recognized when placement of funds have been made to satisfy requirements of certain agreements entered into by the Company. Security deposits under ‘other assets’ pertain to security deposits which are required deposits for its leases.

4.02.05 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

4.02.06 Amortized Cost

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of effective interest rate.

4.02.07 Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading. A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss subsequently. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statements of comprehensive income. Fair value is determined in the manner described in Note 4.01.

4.02.08 Financial Assets at Amortized Cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as financial assets at FVOCI. Financial assets at amortized cost are measured at amortized cost. If an entity sells a financial asset at amortized cost other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other financial assets at amortized cost must be reclassified as financial asset at FVOCI for the current and next two financial reporting years.

If the Company were to sell other than an insignificant amount of financial asset at amortized cost, the entire category of the investment would be tainted and would be reclassified as financial asset at FVOCI. The tainting provision will not apply if the sales or reclassifications of the investment:

(i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
(ii) occur after the Company has collected substantially all of the financial asset's principal through scheduled payments or prepayments; or
(iii) are attributable to an isolated event that is beyond the control of the Company, is nonrecurring and could not have been reasonably anticipated by the Company.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

4.02.09 Financial Assets at FVOCI

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as financial assets at FVOCI and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market, but are also classified as financial assets at FVOCI financial assets and stated at fair value, because the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in Note 4.01. After initial measurement, financial assets at FVOCI are measured at fair value with unrealized gains or losses. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Non-derivative financial assets at FVOCI may be reclassified to loans and receivables category that would have met the definition of loans and receivables if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity.

The fair value of FVOCI monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

4.02.10 Loans and Receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivable'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4.02.11 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For listed and unlisted equity investments classified as financial assets at FVOCI, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as financial assets at FVOCI and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of ninety (90) days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When a financial asset at FVOCI is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. With the exception of FVOCI equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of FVOCI equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

4.02.12 Derecognition of Financial Assets

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

4.03 Reinsurance Assets and Liabilities

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in profit or loss. 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 for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss 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. 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.

4.04 Deferred Acquisition Costs (DAC) and Deferred Reinsurance Commission (DRC)

Commissions expense and commission income recognized during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Subsequent to initial recognition, these balances are amortized on a straight-line basis using the 24th method over the life of the contract. Amortization is charged against profit or loss. The unamortized acquisition costs are shown as "Deferred acquisition costs" in the assets section of the statements of financial position. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" and presented in the liabilities 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. DAC is also considered in the liability Adequacy test for each end of the reporting period.

4.05 Excess Tax Credits

Excess tax credits arise from creditable withholding tax certificates obtained from the Company's customers and overpayment of income taxes in prior years. These are accumulated and are reduced when deducted from income tax payables.

4.06 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Land, building and building improvements held for administrative purposes are stated in the statements of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All other properties are subsequently carried at cost less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land, building and building improvements is credited to the properties revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such revalued assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of those assets. l

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building and building improvements	40 years
Office furniture, fixtures and equipment	5 years
Transportation equipment	5 years
Computer hardware	3 to 5 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of five (5) years or the lease term.

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted prospectively, if appropriate, if there is an indication of a significant change since the last reporting date.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.07 Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at its fair value at the end of the reporting period date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Fair value is determined as disclosed in Note 33.

Transfers to, or from, investment properties shall be made when, and only when, there is a change in use.

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

4.08 Intangible Assets

Intangible asset acquired separately is initially carried at cost. Subsequently, intangible asset with definite useful life is carried at cost less accumulated amortization and accumulated impairment losses. The Company's intangible assets pertain to acquired software and licenses. Amortization is based on a straight-line basis over its estimated useful lives of ten (10) years for the Geniisys and two (2) to five (5) years for software that was acquired.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is 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 are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.09 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than deferred tax assets, investment properties that are measured at fair value, financial assets FVOCI, financial assets at amortized cost, financial assets at FVTPL, assets held for sale in accordance with PFRS 5, Non-current Assets Held for Sale and Discontinued Operations 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. Where 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.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.10 Assets Held for Sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4.11 Financial Liabilities

4.11.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.11.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities measured at amortized cost pertain to insurance contract liabilities, insurance payables and accounts and other payables (except payable to government agencies and customers' deposits).

The Company does not have financial liabilities measured at fair value through profit or loss in both years.

4.11.03 Insurance Contract Liabilities

Insurance contract liabilities represent all future claim payments and related expenses for policy maintenance and claims settlement, to be made after the valuation date, arising from future events for which the company is liable under its insurance contracts, and is computed as the higher of the Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR) at a designated level of confidence, on a gross reinsurance basis. Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of the related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statements of comprehensive income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

4.11.03.01 Provision for Unearned Premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums as part of "insurance contract liabilities" and presented in the liabilities section of the statement of financial position.

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 relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums as part of "Insurance contract liabilities" and presented in the liabilities section of the statements of financial position. The change in the provision for unearned premiums is taken to profit or loss in 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.

4.11.03.02 Claims Provision and Incurred but Not Reported (IBNR) Losses

Provision for claims reported and IBNR losses are based on estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling cost and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR losses are calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the Chain Ladder Method/ Development Approach, the Bornhuetter-Ferguson Paid Approach (BFPA) and the Loss Ratio Approach (LRA). At each reporting date, prior year claims are reassessed for adequacy and changes made are charged to provision.

4.11.04 Other Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with finance cost recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating finance cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

4.11.05 Derecognition of Financial Liabilities

The Company removes a financial liability (or part of a financial liability) from its statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expired). The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid,
including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.12 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The cost of acquiring the Company‘s own shares are shown as a deduction from equity until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity.

4.12.01 Contingency Surplus

Contingency surplus as defined in IC Circular Letter 34-2006, Sec. Equity (4), represents contributions of stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission.

4.13 Employee Benefits

4.13.01 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. Short-term employee benefits given by the Company to its employees include salaries and wages, allowances and other benefits, and SSS, PhilHealth contributions and HDMF contributions.

4.13.02 Post-employment Benefits

The Company has a funded and non-contributory defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Post-employment benefits include current service cost, past service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses, return on plan assets, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and is also presented under equity in the statements of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The liability recognized in the statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting date.

4.14 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for rental provided in the normal course of business.

4.14 .01 Premiums Revenue

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

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 relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums and shown as part of “Insurance contract liabilities” presented in the liabilities section of the statements of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at end of the reporting period are accounted for as deferred reinsurance premiums and shown as part of “Reinsurance assets” in the statements of financial position. The net changes in these accounts between each end of reporting period are recognized in profit or loss.

4.14.02 Reinsurance Commissions

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method calculation.

4.14.03 Dividend Income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

4.14.04 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.15 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company. The Company recognizes expenses in the statements of comprehensive income when a 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.

4.15.01 Benefits and Claims

Benefits and claims consist of benefits and claims paid to policyholders, which include changes in the valuation of insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

4.15.02 Commission Expense and Other Underwriting Expenses

Commissions are recognized when the insurance contracts are entered and the corresponding premiums are recognized. Other underwriting expenses are those expenses incurred in connection with the policies issued such as Excess of Loss (XOL) premiums, reimbursement for towing services and those expenses incurred in connection with the SCCI Management & Insurance Agency Corporation pool.

4.16 Leases

4.16.01 The Company as Less or Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.16.02 The Company as Lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.

• The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
• The Company has the right to direct the use of the identified asset throughout the period of use.

The Company assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

4.17 Foreign Currency Transactions and Translation

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

• exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
• exchange differences arising on non-monetary assets and liabilities where the gains and losses of such non-monetary items are recognized directly in equity; and
• exchange differences on transactions entered into in order to hedge certain foreign currency risks.

4.18 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:
• The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
• One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
• Both entities are joint ventures of the same third party.
• One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

• The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
• The entity is controlled or jointly controlled by a person identified above.
• A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
• Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.19 Taxation

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

4.19.01 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.19.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

4.19.03 Current and Deferred Taxes for the Period

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

4.20 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

4.21 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5.01 Critical Judgments in Applying Accounting Policies

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

5.01.01 Product Classification

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 significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least five percent (5%) more than the benefits payable if the insured event did not occur. The Company has determined that the insurance policies it issues have significant insurance risks and therefore meet the definition of an insurance contract and should be accounted for as such.

5.01.02 Distinction between Property and Equipment, Investment Properties and Asset H eld for Sale

The Company determines whether a property qualifies as investment property. In making its judgments, the Company considers whether the property generates cash flows largely independent of the other assets held by the entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.
Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production of supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company treats the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or 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. In both years, Management assessed that the land, building and building improvements were used for administrative and leasing operations, therefore, its carrying amount is allocated to investment property and property and equipment. As of December 31, 2025 and December 31, 2024, land, building and building improvements presented under property and equipment amounted to P223,889,168 and P176,527,967, as disclosed in Note 12. While investment properties amounted to P473,109,819 P419,886,034 as of December 31, 2025 and December 31, 2024, as disclosed in Note 13.

5.01.03 Determining whether or not a Contract Contains a Lease

Management assessed that lease agreements in Note 29 qualified as a lease since the contract contains an identified asset, the Company has the right to obtain substantially all of the economic benefits, and the Company the right to direct the use of the identified asset throughout the period of use.

5.01.04 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will not be Exercised.

Lease term is the non-cancellable period for which the Company has the right to use an underlying asset including optional periods when the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Company is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For lease contracts of the office space, Management assessed that it is reasonably certain that it will exercise the extension option and not exercise the termination option and that the extension option is enforceable.

5.01.05 Classification of Financial Assets

The Company classifies a financial instrument depending on the purpose for which the financial instrument was acquired or originated. Management determines the classification of its financial instrument at initial recognition and, where allowed and appropriate, re-evaluates this classification at the end of each reporting date. In addition, the Company classifies financial instruments by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial instrument is quoted in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

5.01.0 6 Financial Assets at Amortized Cost

The Company classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as financial assets at amortized cost. This classification requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than in certain specific circumstances-for example, sales that are so close to maturity, it will be required to reclassify the entire portfolio as financial assets at FVOCI.

Management reviewed the Company's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and confirmed its positive intention and ability to hold those assets to maturity.

5.01.07 Assessment of Classification of Lease as a Lessor

The Company determines whether a lease qualifies as an operating lease. In making its judgments, the Company considers whether the risk and reward of the leased property will be transferred to the lessee. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. In both years, here were no lease agreements that were classified as finance lease. All were classified as operating lease.

5.02 Key Sources of Estimation Uncertainties

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

5.02.01 Claims Liability a rising from Insurance Contracts

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of the claims IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position claims provision.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Paid Chain Ladder method with and without Bornhuetter-Ferguson (BF) adjustments, Reported Chain Ladder method with and without BF adjustments and Expected Loss Ratio methods.

The main assumption underlying the estimation of the claims provision is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually addressed separately, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claim's development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, (i.e., for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

5.02.02 Assessment of Fair Value s of Properties Classified as Investment Property and Property and Equipment

The Company has adopted the cost approach in determining the carrying value of its properties. While the Company has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes In fair value for any period would differ if the Company made different judgments and estimates or utilized different basis for determining fair value.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment

The residual values, useful lives and depreciation method of the Company's property and equipment are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Company expects to consume an asset's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there is no significant change from the previous estimates.

5.02.0 4 Reviewing Residual Values, Useful Lives and Amortization Method of Intangible Assets

The residual values, useful life and amortization method of the Company's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible asset is available for use, i.e., when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Company uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits. In both years, Management assessed that there were no significant changes in previous estimates.

5.02.05 Impairment of Non-financial Assets

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of other assets (except security deposits), deferred acquisition costs, property and equipment, intangible assets, and asset held for sale, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that the foregoing assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS. Management believes that no impairment indicators exist on the foregoing assets as of the end of reporting periods.

5.02.0 6 Estimating Impairment on Financial Assets at FVOCI

The Company treats financial assets at FVOCI as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also
when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

Management believes that no impairment indicators exist on the foregoing assets as of the end of reporting periods.

5.02.07 Estimating Allowances for Expected Credit Losses

The Company estimates the allowance for expected credit loss related to its insurance receivables based on assessment of specific accounts where the Company has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific allowance for customers against amounts due to reduce the expected collectible amounts. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated.

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

5.02.0 8 Recoverability of Deferred Tax Assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. In both years, Management believes that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized before its expiration.

5.02.0 9 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality rates of plan members and rates of compensation increase. In accordance with the PFRS, actual results that differ from the assumptions are recognized directly as remeasurements in other comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

6. CASH

This account consists of:

	2025	2024
Cash on hand	15,905,000	1,847,000
Cash in bank	181,369,216	181,912,440
	197,274,216	183,759,440

Cash on hand consists of petty cash fund, claims fund, and other revolving funds of the company. Cash in banks earns interest at the respective bank deposit rates.

7. SHORT-TERM INVESTMENTS

Short-term investments consist of fixed-term Peso time deposits made for varying periods of more than three (3) months but not exceeding twelve (12) months. These placements earn interest at the respective time deposit rates ranging from 1.87% to 5.75%. As of December 31, 2025 and December 31, 2024, short-term investments amounted to **₱339,058,426** and ₱40,056,864, respectively.

Finance income earned from these investments as disclosed in Note 25 is detailed as follows:

	2025	2024
Finance income received	9,472,195	2,227,941
Accrued finance income	568,378	399,697
Total finance income	**10,040,573**	2,627,638

8. INSURANCE RECEIVABLES

This account consists of:

	December 31, 2025	December 31, 2024
Premium receivables	1,738,051,503	1,505,807,310
Reinsurance recoverable on paid losses	699,272,825.29	660,300,340
Claims reserve withheld by ceding companies	12,288,922.14	6,150,945
Premium due from ceding companies	60,031,444.41	37,111,840
Total	2,509,644,695	2,209,370,435
Less: Allowance for uncollectible accounts	(34,633,484)	(24,687,593)
Total	**2,475,011,211**	2,184,682,842

The following table shows the aging information of insurance receivables balances:

2025

	1 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	More than 180 days	Total
Premium receivables	1,602,902,795	26,676,670	11,765,475	12,634,525	84,072,038	1,738,051,503
Reinsurance recoverable on paid losses	541,665,313	12,029,644	2,582,392	17,750,450	125,245,025	699,272,824
Claims reserve withheld by ceding companies	12,288,922	-	-	-	-	12,288,922
Premium due from ceding companies	22,154,917	13,286,863	2,573,042	2,870,896	19,145,725	60,031,443
	2,179,011,947	51,993,177	16,920,909	33,255,871	228,462,788	2,509,644,692

2024

	1 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	More than 180 days	Total
Premium receivables	1,081,621,622	104,326,654	100,665,038	69,005,312	150,188,683	1,505,807,309
Reinsurance recoverable on paid losses	573,823,865	-	2,979	79,853	86,393,641	660,300,340
Claims reserve withheld by ceding companies	6,150,945	-	-	-	-	6,150,945
Premium due from ceding companies	17,985,177	1,441,136	2,741,827	1,385,384	13,558,315	37,111,840
	1,679,581,609	105,767,790	103,409,844	70,470,549	250,140,639	2,209,370,435

Premiums receivable represent unpaid premiums on written insurance policies which are collectible from policy holders within the Company's usual grace period of 90 days. Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company.

Movement of allowance for expected credit losses is as follows:

	2025	2024
Balance at January 1	24,687,593	21,372,840
Reversal of allowance for expected credit losses	-	-
Provision for expected credit losses (Note 27)	9,945,891	3,314,753
	34,633,484	24,687,593

Aging of impaired insurance receivables is as follows:

	December 31, 2025	December 31, 2024
1-30 days outstanding	-	-
31-90 days outstanding	-	-
91-180 days outstanding	-	-
Over 180 days past due	34,633,484	24,687,593
	34,633,484	24,687,593

The allowance for expected credit losses on insurance receivables as of December 31, 2025 and December 31, 2024 follows:

	Premium receivable	**Reinsurance recoverable on paid losses**	**Due from reinsurers**	**Total**
Balance January 1, 2024	7,007,575	2,283,690	12,081,575	21,372,840
Provision	3,314,753	-	-	3,314,753
Balance January 31, 2024	10,322,328	2,283,690	12,081,575	24,687,593
Provision	9,945,891	-	-	9,945,891
Balance December 31, 2025	**20,268,219**	**2,283,690**	**12,081,575**	**34,633,484**

Management recorded provision for expected credit losses based on collective and specific assessment on individual insurance receivable.

9. FINANCIAL ASSETS

The Company's financial assets other than cash, short-term investments, insurance receivables, reinsurance assets, accrued interest receivables and security deposits presented under 'other assets' are summarized by measurement categories as follows:

	2025	2024
Financial assets at FVOCI	314,239,524	531,710,417
Financial assets at amortized cost	269,864,508	284,252,738
Financial assets at FVTPL	-	155,829,500
Loans and receivables - Net	192,508,987	221,722,389
	776,613,019	1,193,515,044

9.01 Financial Assets at FVOCI

The account is composed of the following categories:

The movements in financial assets at FVOCI are as follows:

	2025	2024
Balance January 1, 2024	531,710,417	740,604,083
Additions	40,680,000	19,290,960
Maturities and disposal	(257,196,165)	(228,223,371)
Amortization of premium - net	(2,068,822)	(3,226,657)
Fair value change during the year	1,114,094	3,265,402
Balance, December 31, 2025	**314,239,524**	531,710,417

The costs of these financial assets at FVOCI are as follows:

	2025	2024
Quoted securities - at fair value		
Government debt securities	254,860,787	451,678,541
Corporated debt securities	40,000,000	70,000,000
Club shares	327,500	1,427,500
Listed common shares	20,165	20,165
	295,208,452	523,126,206
Unquoted securities - at cost		
Unlisted common shares	20,300	20,300
	295,228,752	523,146,506

On December 31, 2025 and December 31, 2024, interest rates from financial assets at FVOCI range from 3.625% to 8.00% and 1.856% to 8.625%, respectively. Finance income from the Company's financial assets at FVOCI amounted to **P20,763,152** and P31,362,028 as of December 31, 2025 and December 31, 2024, respectively, as disclosed in Note 25. Accrued interest receivables as of December 31, 2025 and December 31, 2024 to **P2,579,666** and P4,287,793, respectively.

The movements of revaluation reserve on financial assets at FVOCI are as follows:

	2025	2024
Balance, January 1	2,246,708	(1,018,694)
Changes in fair value	1,114,094	3,265,402
Balance, December 31	**3,360,802**	2,246,708

9.02 Financial Assets at Amortized Cost

The Company's financial assets at amortized cost consist of investments in Philippine peso-denominated government securities. Details are as follows:

	Notes	**2025**	2024
Fair values		269,864,508	284,252,738
Interest income earned	*23*	15,279,831	13,595,956
Coupon rates		3.50% to 8.00%	2.50% to 8.00%

Accrued interest receivable as of December 31, 2025 and December 31, 2024 amounted to **P5,217,384** and P4,707,280 respectively

The carrying value of financial assets at amortized cost is as follows:

	2025	2024
Balance January 1, 2024	284,252,738	145,342,792
Additions	68,763,911	161,171,922
Maturities and disposal	(83,000,000)	(23,035,611)
Amortization of premium - net	(152,142)	773,635
Balance, December 31, 2025	**269,864,508**	284,252,738

9.03 Financial Assets at FVTPL

The movements of the account are as follows:

	Note	2025	2024
Balance, January 1		155,829,500	122,660,800
Unrealized foreign exchange gain (loss)	*25*		2,270,400
Unrealized fair value gain (loss)	*25*		30,898,300
Disposal		(155,829,500)	-
Balance, December 31		**-**	155,829,500

The Company derecognized its financial assets at fair value through profit or loss (FVPL) as these were determined not to be part of the assets acquired by the new owner. Accordingly, ownership of these financial assets remained with the previous owner.

9.04 Loans and Receivables – net

The account is composed of the following:

	2025	2024
Receivables from tenants	33,707,070	64,443,373
Bonds loss recoverable	156,577,050	156,577,050
Chattel Mortgage Loan	2,011,616	
Notes receivable	614,433	1,103,148
Total	192,910,169	222,123,571
Less: Allowance for impairment loss	(401,182)	(401,182)
Balance, December 31	**192,508,987**	221,722,389

Receivable from tenants pertain to reimbursable expenses incurred for utilities paid by the Company on their behalf and cash advances granted to employees to be used for various company related expenses.

Bond loss recoverable pertains to the amount paid by the Company under an issued callable surety bond. It is a contract wherein the Company (the surety) guaranteed the performance of certain obligations of a second party (the principal) to a third party (the obligee). It is the amount paid by the Company to the obligee recoverable from the principal.

Notes receivable represent secured notes from employees with interest rates ranging from 6% to 12% per annum payable up to four (4) years.

Management based the provision on a collective assessment of the loans and receivables.

10. REINSURANCE ASSETS

The account is composed of the following:

	Note	**2025**	2024
Reinsurance recoverable on unpaid losses	*16*	962,713,393	1,242,189,194
Deferred reinsurance premium	*16*	416,302,086	113,072,346
		1,379,015,478	1,355,261,540

The reinsurance recoverable on unpaid losses pertains to amounts recoverable from the reinsurers in respect of claims not yet paid by the Company.

Deferred reinsurance premiums refer to the unrealized portion of the premiums ceded out.

11. DEFERRED ACQUISITION COSTS

Movements of deferred acquisition costs are as follows:

	2025	2024
Balance, January 1	225,999,502	308,617,565
Paid during the year	722,285,068	592,451,546
Amortization	(616,904,846)	(675,069,609)
	331,379,724	225,999,502

12. PROPERTY AND EQUIPMENT – net

The carrying amounts of property and equipment carried at cost and revalued amount are as follows:

	Note	**2025**	2024
Property and equipment - at cost	*12.01*	22,957,700	25,306,844
Property and equipment - at revalued amount	*12.02*	227,467,182	176,527,967
Balance, December 31		**250,424,882**	201,834,811

12.01 Property and Equipment – At cost

The carrying amounts of the Company's property and equipment carried at cost are as follows:

	Office furniture, fixture and equipment	Transportation equipment	Computer Hardware	Leasehold Improvement	Total
Cost					
At January 1, 2024	45,647,677	13,359,978	34,099,372	9,495,336	102,602,363
Additions	2,682,611	4,898,027	4,098,510	604,986	12,284,134
Disposals	(41,406)	(3,579,929)	(38,272)	-	(3,659,607)
Revaluation	-	-	-	-	-
At December 31, 2024	48,288,882	14,678,076	38,159,610	10,100,322	111,226,890
Additions	4,030,161	196,418	2,329,347	443,641	6,999,568
Reclassification	(10,429)	168,430	327,793	(327,793)	158,001
Disposals	-	(2,288,482)	-	-	(2,288,482)
At December 31, 2025	52,308,614	12,754,442	40,816,750	10,216,170	116,095,976
Accumulated depreciation					
At January 1, 2024	41,011,444	6,235,473	26,091,846	6,530,670	79,869,433
Charges	2,106,344	2,578,570	3,027,401	1,202,370	8,914,685
Disposals	(4,023)	(2,848,568)	(11,481)	-	(2,864,072)
At December 31, 2024	43,113,765	5,965,475	29,107,766	7,733,040	85,920,046
Charges	2,112,474	2,834,849	3,121,828	996,466	9,065,616
Disposals and adjustment	-	(1,836,958)	-	-	(1,836,958)
Reclassification	(10,429)	-	327,793	(327,793)	(10,429)
At December 31, 2025	45,215,810	6,963,366	32,557,387	8,401,713	93,138,276
Net book values					
December 31, 2024	5,175,117	8,712,601	9,051,844	2,367,282	25,306,844
December 31, 2025	**7,092,804**	**5,791,075**	**8,259,363**	**1,814,457**	**22,957,700**

All additions to property and equipment were paid in cash.

12.02 Property and Equipment – At revalued amount

The movements of property and equipment carried at revalued amount as follows:

	Notes	Land	Building and Building Improvement	Total
At January 1, 2024		109,903,518	32,224,542	142,128,060
Increase (decrease) in fair value		12,901,884	(1,705,254)	11,196,630
Transfer from investment properties	*13*	17,942,423	5,260,854	23,203,277
At December 31, 2024		140,747,825	35,780,142	176,527,967

Additions			
Increase (decrease) in fair value	39,961,596	(445,969)	39,515,627
Reclassification	9,108,161	2,315,427	11,423,588
At December 31, 2025	**189,817,582**	**37,649,600**	**227,467,182**
Accumulated depreciation			
At January 1, 2025		-	-
Charges		-	-
At December 31, 2025		-	-
Net book values			
December 31, 2024	140,747,825	35,780,142	176,527,967
December 31, 2025	189,817,582	37,649,600	227,467,182

If land, building and building improvements were carried at cost less accumulated depreciation, the amounts would be as follows:

	Notes	**Land**	**Building and Building Improvement**	**Total**
Cost				-
At January 1, 2024		414,762	9,156,562	9,571,324
Additions		-	-	
Disposal		-	-	-
At December 31, 2024		414,762	9,156,562	9,571,324
Additions				
Disposal				
At December 31, 2025		414,762	9,156,562	9,571,324
Accumulated depreciation				
At January 1, 2024		-	7,328,784	7,328,784
Charges		-	572,285	572,285
At December 31, 2024		-	7,901,069	7,901,069
Charges		-	572,286	572,286
At December 31, 2025		-	8,473,355	8,473,355
Net book values				
December 31, 2024		414,762	1,255,493	1,670,255
December 31, 2025		414,762	683,207	1,097,969

The details of Revaluation reserve on property and equipment follow:

	2025	2024
Revalued Amount	343,563,157	168,417,146
Cost	68,271,724	77,868,432
Amortization	(504,692)	(504,692)
Revaluation reserve on property and equipment	275,796,125	245,780,886

The Company's building and building improvements are carried at revalued amount as of December 31, 2025 and December 31, 2024. The Company uses the market approach in the valuation of its building and building improvements.

On January 30, 2026, the Company obtained appraisal from Aviso Valuation & Advisory Corporation (formerly CCGA Realty Corporation), a SEC accredited independent firm of appraisers, for the revalued amount of its property and equipment as of December 31, 2025. The valuation for the property and equipment was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g., market conditions, location, physical condition, and amenities). Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the property and equipment.

The valuation of the building improvements was derived using cost approach based on the amount required to replace the service capacity of an asset. Significant increases (decreases) in estimated replacement cost (i.e., materials and labor cost) would result in a significantly higher (lower) fair value of the properties. The asset valuation was based on a hypothetical sale of the land and building in its highest and best use and not by using the asset in its current use. The fair value estimate is the price that would be received in a current transaction to sell the combined assets assuming that those assets would be available to market participants.

Cost and percentages used in valuation are market based and reflect typical cost estimation used by the market. Both sets of inputs can be considered as Level 3.

Description of the valuation techniques used and key inputs to valuation on property and equipment is as follows:

Location	Valuation Techniques	Observable Inputs Used (Level 3)	December 31, 2025 Range (Weighted Average)	December 31, 2024 Range (Weighted Average)
Mercantile Insurance Building, General Luna corner Beaterio Street, Barangas 655 Zone 69, Intramuros City of Manila	Comparative Market Analysis for land and Depreciated Replacement Cost Method for building improvements including building services	Price per square meter	121,500 to 180,000 (145,500)	135,000 to 200,000 (167,500)
		Adjustments to elements of comparison	0% to 15% 5%	20% to 5% (13%)
		Construction material and labor costs	39,400	36,800
		Percentage of indirect costs	42%	42%

In both years, the Company determined that there is no indication that any impairment has occurred on its property and equipment.

13. INVESTMENT PROPERTIES

The Company's investment properties are carried at fair value using the fair value model.

The fair value of the Company's investment properties is as follows:

	Land	Building and building improvements	Total
Cost			
At January 1, 2024	353,532,482	59,595,458	413,127,940
Transfer to property and equipment	(17,942,423)	(5,260,854)	(23,203,277)
Fair value gain (loss)	32,433,116	(2,471,745)	29,961,371
At December 31, 2024	368,023,175	51,862,859	419,886,034
Additions			-
Transfer to property and equipment	(9,108,161)	(2,315,427)	(11,423,588)
Revaluation	65,227,404	(580,031)	64,647,373
At December 31, 2025	**424,142,418**	**48,967,401**	**473,109,819**

The fair value as of December 31, 2025 and December 31, 2024 of the investment property is based on valuations performed by Aviso Valuation & Advisory Corporation (formerly CCGA Realty Corporation), an independent firm of accredited appraisers.

For the years ended December 31, 2025 and 2024, the Company recognized a total net gain (loss) from fair value adjustments amounting to **₱64,647,373** and ₱29,961,371, respectively.

In 2025 and 2024, there were no changes in the valuation techniques used in the appraisal reports dated January 30, 2026 and February 8, 2025, respectively.

The value of land investment property was arrived at using the Market Approach. This approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the valuation of the lands as it is commonly used in the property market since inputs and data for this approach is available. The Cost Approach was used in the valuation of building investment property situated in Intramuros. Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. The application of this method replicated the deductive process of a typical market participant when estimating Market Value based on cost. The asset valuation was based on a hypothetical sale of the land and building in its highest and best use and not by using the asset in its current use. The fair value estimate is the price that would be received in a current transaction to sell the combined assets assuming that those assets would be available to market participants.

Other than the transfers to property and equipment amounting to ₱11,423,588 in 2025 and ₱23,203,277 in 2024 resulting from the change in use of certain units, there were no transfers between levels of fair value measurement as of December 31, 2025 and 2024.

As of December 31, 2025 and 2024, no property has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its land and condominium units and no contractual obligation to purchase, construct or develop such property or for repairs, maintenance and enhancements.

Description of the valuation techniques used and key inputs to valuation on investment properties follow:

Location	Valuation Techniques	Observable Inputs Used (Level 3)	2025 Range (Weighted Average)	2024 Range (Weighted Average)
1. Barangay Ubod Nasugbu, Batangas	Comparative Market Analysis	Price per square meter	400 to 640 (480)	304 to 630 (467)
		Adjustments to elements of comparison	25% to 40% 33%	40% to 35% (33%)
2. Barangay Latag, Nasugbu, Batangas	Comparative Market Analysis	Price per square meter	315 to 720 (516)	338 to 700 (519)
		Adjustments to elements of	30% to 35% (33%)	35% to 20% (33%)

		comparison		
3. Barangay Tible, Sipicot, Camarines Sur	Comparative Market Analysis	Price per square meter	60 to 64 (62)	42 to 64 (53)
		Adjustments to elements of comparison	45 to 65 (54%)	60% to 35% (48%)
4. Barangays Irayang, Solong, Antipolo and Hobo Minalabac, Camarines Sur	Comparative Market Analysis	Price per square meter	55 to 135 (85)	58 to 149 (104)
		Adjustments to elements of comparison	5% to 35% (16%)	40% to 35% (33%)
5. Barangay Bombon San Antonio, Camarines Sur	Comparative Market Analysis	Price per square meter	200 to 540 (383)	331 to 567 (449)
6. Barangay Del Carmen, Minalabac, Camarines Sur	Comparative Market Analysis	Price per square meter	1,350 to 1,530 (1,470)	727 to 1,800 (1,264)
		Adjustments to elements of comparison	10 to 50 (32%)	5% to 35% (20%)
7. Mercantile Insurance Building, General Luna corner Beaterio Street, Barangas 655 Zone 69, Intramuros City of Manila	Comparative Market Analysis for land and Depreciated Replacement Cost Method for building improvements including building services	Price per square meter	121,500 to 180,000 (145,500)	135,000 to 200,000 (167,500)
		Adjustments to elements of comparison	0% to 15% 5%	20% to 5% (13%)
		Construction material and labor costs	39,400	36,800
		Percentage of indirect costs	42%	42%
8. Barangay Babag, Lapu-lapu City, Cebu	Comparative Market Analysis	Price per square meter	5,400 to 7,560 (6,120)	3,600 to 7,560 (5,580)
		Adjustments to elements of comparison	45% to 60% (55%)	55% to 45% (50%)
9. Barangay Canjulao, Lapu-lapu City	Comparative Market Analysis	Price per square meter	5,400 to 7,560 (6,300)	3,600 to 7,560 (5,580)

		Adjustments to elements of comparison	10% to 45% (29%)	20% to 10% (30%)
10. Barangay Manggahan, General Trias, Cavite	Comparative Market Analysis	Price per square meter	7,200 to 8,100 (7,650)	6,750 to 8,100 (7,425)
		Adjustments to elements of comparison	0% to 10% (5%)	20% to 0% (10%)

14. INTANGIBLE ASSETS – net

The carrying amounts of the Company's intangible assets which pertain to acquired software and licenses are as follows:

	Notes	**2025**	**2024**
Cost			
Balance, Beginning		49,042,263	44,345,988
Additions		5,543,740	4,696,275
Balance, end		**54,586,003**	49,042,263
Accumulated Amortization			
Balance, beginning		(34,443,874)	(26,791,873)
Amortization	*27*	(8,740,360)	(7,652,001)
Balance, end		**(43,184,234)**	(34,443,874)
Carrying amount		**11,401,769**	14,598,389

Remaining useful life of intangible assets as of December 31, 2025 and December 31, 2024 ranges from 1 month to 84 months.

Additions in 2025 and 2024 were all paid in cash. The Company determined that there is no indication that any impairment has occurred on its intangible assets.

15. OTHER ASSETS

The account is composed of the following:

	Notes	**2025**	2024
Excess tax credit		50,839,799	43,254,038
Claims Fund		-	6,531,000
DST Fund		6,077,246	6,077,246
Security deposit		4,796,290	787,574
Others		2,584,345	2,758,155
		64,297,680	59,408,013

Excess tax credits arise from creditable withholding tax certificates obtained from the Company's clients.

Claims fund pertains to funds held by third parties for the payment of claims. This is initially recorded as assets and measured at the amount of cash paid and subsequently charged to profit or loss upon payment of the related claims. During the current period, this account was fully reclassified to Claims Withheld by Ceding Companies to better reflect the contractual nature of the funds held as collateral by primary insurers under existing treaty agreements.

DST fund pertains to funds set aside for the payment of documentary stamp tax for premiums written. This is initially recorded as assets and measured at the amount of cash paid and subsequently charged to profit or loss upon payment of the related documentary stamp taxes.

16. INSURANCE CONTRACT LIABILITIES – net

Details of the insurance contract liabilities are as follows:

2025				
	Notes	**Insurance Contract Liabilities**	**Reinsurers' share of Liabilities (Note 10)**	**Net**
Provision for claims reported and loss adjustment expenses		1,525,624,573	670,862,975	854,761,598
Provision for IBNR claims		250,704,679	190,778,613	59,926,066
Provision for MFAD		146,237,622	101,071,804	45,165,818
Total claims reported and IBNR claims		1,922,566,875	962,713,393	959,853,482
Provision for unearned premiums		1,404,662,774	416,302,086	988,360,689
Insurance Contract Liabilities		**3,327,229,649**	**1,379,015,478**	**1,948,214,171**

2024				
	Notes	Insurance Contract Liabilities	Reinsurers' share of Liabilities (Note 10)	Net
Provision for claims reported and loss adjustment expenses		2,029,709,118	960,302,147	1,069,406,971
Provision for IBNR claims		236,986,974	144,467,131	92,519,843
Provision for MFAD		193,140,538	137,419,916	55,720,622
Total claims reported and IBNR claims		2,459,836,630	1,242,189,194	1,217,647,436
Provision for unearned premiums		1,036,610,254	113,072,346	923,537,908
Insurance Contract Liabilities		3,496,446,884	1,355,261,540	2,141,185,344

Details of the provisions for unearned premiums are as follows:

2025				
	Notes	**Insurance Contract Liabilities**	**Reinsurers' share of Liabilities (Note 10)**	**Net**
Balance, January 1		1,036,610,254	113,072,346	923,537,908
New policies written during the year	*23*	3,559,798,861	555,142,417	3,004,656,445
Premiums earned during the year	*23*	(3,191,746,341)	(251,912,677)	(2,939,833,664)
Balance, December 31, 2025		**1,404,662,774**	**416,302,086**	**988,360,689**

2024				
	Notes	Insurance Contract Liabilities	Reinsurers' share of Liabilities (Note 10)	Net
Balance, January 1		1,269,776,796	122,634,602	1,147,142,194
New policies written during the year	*23*	3,268,042,444	646,297,094	2,621,745,350
Premiums earned during the year	*23*	(3,501,208,986)	(655,859,350)	(2,845,349,636)
Balance, December 31, 2024		1,036,610,254	113,072,346	923,537,908

17. INSURANCE PAYABLES

Movements of the account are as follows:

	Notes	**2025**	2024
Balance, beginning		90,477,732	87,603,779
Arising during the year	*16.23*	555,142,417	646,297,094
Paid during the year		(228,557,185)	(643,423,141)
Balance, end		**417,062,963**	90,477,732

18. DEFERRED REINSURANCE COMMISSIONS

Movements of the account are as follows:

	Notes	**2025**	2024
Balance at the beginning of year		18,606,893	22,242,847
Deferred during the year		133,865,599	35,094,967
Amortized during the year		(48,718,555)	(38,730,921)
Balance, end		**103,753,937**	18,606,893

19. TERMS AND CONDITIONS, ASSUMPTIONS AND SENSITIVITIES ON INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

19.01 Terms and Conditions

The major classes of general insurance written by the Company include motor, property, casualty, marine and engineering. Risks under these policies usually cover a twelve (12) month duration.
For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR claims) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined 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. The claims projection assumptions are generally
intended to provide a best estimate of the most likely or expected outcome.

19.02 Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs 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.

19.03 Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain variables such as legislative change and uncertainty in the estimation process, 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.

20. ACCOUNTS AND OTHER PAYABLES

The account is composed of the following:

	Notes	2025	2024
Accounts payable		34,546,842	29,021,967
Commissions payable		140,181,761	117,313,660
Payable to government agencies		81,956,378	102,274,925
Accrued expenses		18,668,934	15,546,308
Rental deposits	*28*	6,357,936	6,036,487
Others		2,478,515	2,505,014
		284,190,365	272,698,361

Accounts payable represents liabilities to pay for goods or services that have been received or supplied but have not been paid, these include excess payments from clients. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Commissions payable consist of amounts payable to agents which are non-interest-bearing and calculated based on the average commission rates approved by Management.

Payable to government agencies consists of withholding tax, unpaid previous years' taxes, premium tax and local government taxes. Accrued expenses refer to travel incentive, employee's leave, professional fees and other expenses incurred but unpaid as of year-end.

21. RELATED PARTY TRANSACTIONS

Related Parties	Nature of relationship
Stronghold Insurance Company, Inc.	Stockholder/Investor
Sterling Insurance Company, Inc.	Stockholder/Investor
Bethel General Insurance and Surety Corporation	Stockholder/Investor
Milestone Guaranty and Assurance Corp.	Stockholder/Investor
BPI Asset Management and Trust Corporation	Retirement plan trustee
Officers	Key management personnel

Balances and transactions between the Company and its related parties are disclosed below:

21.01 Due from Related Parties

Balance of due from / to related parties are summarized per category as follows:

	Due From	Due To
Stronghold	1,168,691	68,638,169
Milestone	-	5,776,622
Sterling	3,089,428	8,717,969
Bethel	7,343,447	9,053,917
Total	**11,601,566**	**92,186,677**

	Premiums Assumed	Premiums Ceded
Stronghold	2,117,193	70,976,814
Milestone	-	6,447,716
Sterling	467,393	8,919,299
Bethel	8,458,093	10,001,167
Total	**11,042,680**	**96,344,996**

21.02 Transactions with Retirement Benefit Funds

The Company's retirement benefit fund is being maintained by BPI Asset Management and Trust Corporation, the trustee bank.

The funds were invested in government securities, mutual funds, investment in UITF and other related investments.

22. CAPITAL STOCK

Shown below are the details of capital stock:

	2025		2024	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized share capital - P100 par value				
Balance, beginning	13,000,000	1,300,000,000	13,000,000	1,300,000,000
Increase during the year	-	-	-	-
Balance, end	**13,000,000**	**1,300,000,000**	**13,000,000**	**1,300,000,000**
Issued and outstanding				
Balance, beginning	10,666,424	1,066,642,400	9,814,424	981,442,400
Issuance	9	900	852,000	85,200,000
Balance, end	**10,666,433**	**1,066,643,300**	**10,666,424**	**1,066,642,400**

22.01 Capital Infusion

On August 14, 2021, the Company received capital infusion from Camerton Inc., the Company's Parent, amounting to P372,659,244, of which P350,000,000 shall be accounted as DFFS and the remainder amounting to **P22,659,244** shall be accounted as contingency surplus. The increase in capital stock was approved by the SEC on June 18, 2021.

Contributed surplus as defined in IC Circular Letter 34-2006, Sec. Equity (3), represents contributions of stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission. As of December 31, 2025 and December 31, 2024, the contributed surplus of the Company amounted to **P16,380,940.**

23. NET INSURANCE PREMIUM

Analysis of the account is as follows:

	Note	2025	2024
Gross written premiums on insurance contracts:			
Direct insurance		3,458,102,838	3,179,001,580
Assumed reinsurance		101,696,023	89,040,864
Total insurance contract premiums revenue	*16*	**3,559,798,861**	3,268,042,444
Gross change in provision for unearned premiums		(64,822,781)	233,166,542
Total gross earned premiums on insurance		**3,494,976,080**	3,501,208,986

	Note	2025	2024
Reinsurer's share of gross written premiums on insurance contracts:			
Direct insurance		858,372,156	646,297,094
Reinsurer's share of gross change in deferred reinsurance premiums		(303,229,740)	9,562,256
Total reinsurers' share of gross earned premiums	*16*	**555,142,417**	655,859,350
Total net insurance earned premiums		**2,939,833,664**	2,845,349,636

24. NET INSURANCE BENEFITS AND CLAIMS

Net insurance contract benefits and claims paid consist of the following:

	2025	2024
Gross insurance benefits and claims paid	1,652,652,679	1,460,487,826
Gross change in insurance contract liabilities	(537,269,756)	570,877,420
Reinsurers' share of change in insurance contract liabilities	279,475,801	(207,343,913)
Total insurance contract benefits and claims	**1,394,858,724**	1,824,021,333

24.01 Asset Held for Sale

Assets held for sale represented properties valued at P3,184,464 that were surrendered to the Company in relation to claims and benefits paid. In 2024, these were classified as assets held for sale as the Company intended to recover their carrying amounts principally through a sale transaction.

During 2025, the Company successfully completed the sale of these properties. As of December 31, 2025, the balance of Assets Held for Sale is nil.

25. INVESTMENT AND OTHER INCOME

The account is composed of the following:

	Note	**2025**	2024
Finance income on:			
Financial assets at FVOCI	*9.01*	20,763,152	31,362,028
Financial assets at amortized cost	*9.02*	15,279,831	13,595,956
Short-term investments	*7*	10,040,573	2,627,638
Loans and receivables	*9.04*	1,770,343	1,003,646
Cash	*6*	175,286	203,852
Premium reserves - treaty		281	256
Fair value gain on investment properties - net	*13*	64,647,373	29,961,371
Unrealized gain(loss) on foreign exchange	*6,9*	2,422,996	6,415,209
Dividend income	*9.03,20.02*	-	17,054,750
Rental income	*13,29*	12,776,935	12,396,142
Gain (loss) on sale of transportation equipment		(115,690)	(82,560)
Unrealized gain (loss) on financial assets at FVOCI	*9.03*	4,265,190	-
Unrealized gain (loss) on financial assets at FVTPL		-	30,898,300
Others		48,816	74,600
		132,075,085	145,511,188

26. OTHER UNDERWRITING INCOME

On December 31, 2025 and December 31, 2024, other underwriting income pertains to training fund from brokers, other underwriting income from inward treaty business, handling fees, fronting fees and other income from production take-up which amounted to **P21,159,850** and P22,336,480, respectively.

27. OTHER UNDERWRITING EXPENSE

On December 31, 2025 and December 31, 2024, other underwriting expenses pertain to Excess of Loss (XOL) premiums, expenses incurred in connection with the SCCI Management & Insurance Agency Corporation pool, and reimbursement for towing services which amounted to **P590,290,371** and P34,771,379, respectively.

28. OPERATING EXPENSES

The account is composed of the following:

	Note	**2025**	2024
Personnel	*27*	215,463,743	219,035,504
Professional fees		23,434,216	36,973,100
Depreciation and amortization	*12,14*	17,755,975	16,566,686
Transportation and travel		17,891,156	17,260,440
Contracted and promotion		20,675,136	16,594,016
Advertising and promotion		30,169,219	17,058,886
Rent	*29*	10,514,554	10,949,721
Postage, telephone and telegraph		10,165,290	9,377,103
Contests and sales drive		4,699	-
Light and water		5,818,154	5,547,002
Stationery, printing and supplies		5,700,877	6,129,107
Management fee	*20*	2,986,144	11,331,046
Repairs and maintenance		5,191,643	5,393,667
Entertainment, amusement and recreation		4,676,904	2,667,453
Agency, seminar and training		2,652,185	3,869,323
Taxes and licenses		3,053,185	5,457,664
Insurance		1,059,696	1,176,206
Directors fee		5,882,222	160,000
Association dues and fees		964,385	847,436
Provision for expected credit losses	*8*	9,945,891	3,314,753
Penalties		-	14,092,820
Miscellaneous		10,769,474	12,049,857
		404,774,748	415,851,520

Professional fees pertain to audit and legal fees.

Miscellaneous pertains to bank charges, books and subscriptions and other items that do not fall on the categories above.

29. EMPLOYEE BENEFITS

Aggregate employee benefits expense as disclosed in Note 27 comprised:

	Note	**2025**	2024
Short-term employee benefits	*28.01*	204,890,337	191,028,624
Post-employment benefits	*28.02*	10,573,406	28,006,880
		215,463,743	219,035,504

29.01 Short-term Employee Benefits

The components of short-term employee benefits are as follows:

	2025	2024
Salaries and wages	134,533,071	121,986,106
Allowances and other benefits	56,007,586	56,079,957
SSS, Philhealth, HDMF contributions	14,349,680	12,962,561
	204,890,337	191,028,624

29.02 Post-employment Benefit Plans

The Company has a single retirement plan under the regulatory framework of the Philippines. Under R.A. No. 7641 the Company is legally obliged to provide a minimum retirement pay for qualified employees upon retirement. The framework, however, does not have a minimum funding requirement. The Company’s benefit plan is aligned with this framework.

The Company’s funded defined benefit plans for qualifying employees are entitled to post-employment benefits varying between 6.12% of final salary on attainment of a retirement age of sixty (60) and completion of at least five (5) years of service. The payments for the unfunded benefits are borne by the Company as it falls due from trustee-administered funds. Plan assets held by trustee are governed by a trust agreement between the latter and the Company. Responsibility for governance of the plan assets including investment decision lies with the board of trustees while plan governance and contribution schedule lies with the Company.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 31, 2025 by E.M. Zalamea Actuarial Services. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method (PUCM).

As of December 31, 2025, the fair value of plan assets amounted to ₱109,897,593. The plan's funded status resulted in a surplus of ₱35,277,150, of which **₱30,463,687** was recognized as a net defined benefit asset after considering the effect of the asset ceiling. The plan assets are primarily invested in government bonds (84.78%) and unit investment trust funds (14.21%).

In accordance with the provisions of the Bureau of Internal Revenue Regulations No. 1-68, it is required that a formal Retirement Plan be Trusteed; that there must be no discrimination in benefits; those forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or diverted to, any purpose other than for the exclusive benefit of the Plan members.

The Retirement Plan Trustee, as appointed by the Company in the Trust Agreement executed between the Company and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the Management of the Retirement Fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

There were no plan amendments and curtailments recognized as of December 31, 2025.

Amounts recognized in profit or loss, as disclosed in Note 27, in respect of these defined benefit plans are as follows:

	2025	2024
Current Service Cost	10,683,073	25,694,076
Net interest on the defined benefit obligation	(109,667)	2,312,804
	10,573,406	28,006,880

The amount included in the statement of financial position arising from the entity's defined benefit plans is as follows:

	2025	2024
Present value of defined benefit obligation	74,620,443	105,690,095
Fair value of plan assets	(109,897,593)	(104,763,317)
Funded Status - Deficit / (Surplus)	(35,277,150)	926,778
Effect of the Asset Ceiling	4,813,463	0
Net Defined Benefit Liability / (Asset)	**(30,463,687)**	926,778

The Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the benefit schemes. Within this framework, the Company’s ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. A large portion of assets in the current year consist of investments in unquoted government bonds. The Company believes that risk-free debt securities offer the best returns over the long term.

The Company is exposed to a number of risks through its defined benefit plan. The most significant risks are detailed below:

Volatility Risk

The plan liabilities are calculated using a discount rate set with reference to government bond rate; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of debt securities, which is expected to outperform equity securities in the long-term while providing volatility and risk in the short-term.

As the plans mature, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Company makes additional contribution to the fund during the year.

However, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing debt securities is an appropriate element of the Company's long-term strategy to manage the plans efficiently.

Investment Risk

Investment risk is the risk that investments on plan assets will result to a lower return than originally expected. This risk emanates on the premise that funded defined benefit plans should be arranged on the basis of Asset-Liabilities Matching principle. Thus, plan assets and future contributions are invested in such a way that it will generate return to cover-up future payments of defined benefit obligations and interest costs.

These plan activities expose the Company to sensitivity in investment risks that would result to lower plan assets and higher defined benefit obligations should the performance of the investment portfolio falls below the inflation rate, interest rates and other economic conditions. Investment risk is mitigated through proper investment planning and concentration of investments. Plan assets as of December 31, 2025 and December 31, 2024 are concentrated on investments which account 100% in both years, of the total plan assets.

Inflation Risk

Inflation risk is the risk that the equivalent purchasing power of the plan assets will not be able to match the recorded liabilities.

Payments for the defined benefit plan of the Company are not linked to inflation, thus, the exposure to this risk is immaterial.

Life Expectancy Risk

The majority of the plans' obligations are to provide benefits which paid in full in a lump sum upon retirement or separation of an employee, so, increases in life expectancy will has no effect in the plans' liabilities. This risk is closely associated with inflation risk wherein inflationary increases result in higher sensitivity to changes in life expectancy. The plan possesses a minimal exposure to this risk since inflationary risk, which is directly associated to the plan's sensitivity to life expectancy risk, is immaterial.

30. LEASE AGREEMENTS

30.01 The Company as a Lessee

The Company has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets for its leases of various branch office spaces around the country. Payments made under such leases are expensed on a straight-line basis.

Upon inception of the lease agreements, the Company is required to pay certain amount as security deposits. The Company likewise pay a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of the area leased. The lease agreements are automatically renewed unless otherwise decided by the lessor and the Company.

As of December 31, 2025 and December 31, 2024, the amount of security deposits paid amounted to P4,796,290 and P3,537,601, respectively, as disclosed in Note 15, which can be refunded at the end of the terms of the lease.

For the period ended December 31, 2025 and December 31, 2024, the Company recognized rent expense which amounted to P10,514,554 and P10,949,721, respectively, as disclosed in Note 27.

30.02 The Company as a Lessor

Operating leases relate to the investment property owned by the Company with lease terms of between less than one (1) year to five (5) years.

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to P6,151,490 and P14,444,216 for the period ended December 31, 2025 and December 31, 2024, respectively, as disclosed in Notes 13 and 24.

As of December 31, 2025 and December 31, 2024, the amount of rental deposits paid to the Company amounted to P6,357,936 and P6,036,487, respectively, as disclosed in Note 19, which can be refunded at the end of the terms of the lease.

31. COMMISSION INCOME

The details of this account follow:

	2025	2024
Collected and earned during the period	133,865,599	35,094,967
Gross change in deferred reinsurance commission	(85,147,044)	3,635,954
	48,718,555	38,730,921

32. COMMISSION EXPENSE

The details of this account follow:

	2025	2024
Paid and accrued during the period	722,285,068	592,451,546
Gross change in deferred acquisition cost	(105,380,222)	82,618,063
	616,904,846	675,069,609

33. INCOME TAXES

33.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	Note	**2025**	2024
Current tax expense		9,468,718	10,813,334
Deferred tax benefit	*31*	15,291,578	(24,441,503)
Final tax from finance income		**9,260,816**	9,015,032
		34,021,112	(4,613,137)

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rates in 2025 and 2024 are as follows:

	2025	2024
Accounting profit	134,958,465	102,214,384
Tax expense at 25%	33,739,616	25,553,596
Tax effects of the following:		
Derecognition of DTA	7,618,132	21,489,005
Non-deductible penalties	-	3,523,205
Non-deductible expenses	5,129,824	360,437
Income subject to final tax	(11,576,020)	(707,937)
Dividend income	-	(4,263,688)
Unrealized fair value gain on financial assets at FVTPL	(1,066,298)	
Unrealized fair value gain on foreign exchange	(596,562)	(7,724,575)
Fair value gain on Investment Property	(16,161,843)	
Income subjected to other taxes	-	(11,239,496)
Derecognition of DTL	**7,673,447**	(40,618,716)
	24,760,297	(13,628,169)
Final tax from finance income	**9,260,816**	9,015,032
	34,021,112	(4,613,137)

33.02 Income Tax Recognized in Other Comprehensive Income

An analysis on the income tax recognized in Company's other comprehensive income is as follows:

	2025	2024
Deferred tax expense		
Revaluation increment on property and equipment	10,005,080	2,799,158
Remeasurements on defined benefit plan	8,437,532	14,580,874
	18,442,612	17,380,032

34. DEFERRED TAXES – net

Components of deferred taxes are as follows:

	Note	**2025**	2024
Deferred tax assets	*30.01*	47,487,412	55,105,544
Deferred tax liabilities	*30.02*	(111,297,926)	(85,181,867)
		(63,810,514)	(30,076,323)

34.01 Deferred Tax Assets

The components of the Company's deferred tax assets and their respective movements are as follows:

	Provision for IBNR	**Allowance for expected Credit Losses**	**Retirement Benefit Obligation**	**Unamortized Pension Cost**	**Unrealized Fair Value Change on Financial Assets at FVTPL**	**Total**
Balance at January 1, 2024	27,406,558	5,343,209	7,121,238	766,161	21,489,005	62,126,171
Recognized in profit or loss	9,653,559	828,689	4,132,599	(146,469)	(21,489,005)	(7,020,627)
December 31, 2024	37,060,117	6,171,898	11,253,837	619,692	-	55,105,544
Recognized in profit or loss	(10,787,146)	2,486,473	829,010	(146,469)	-	(7,618,132)
December 31, 2025	**26,272,971**	**8,658,371**	**12,082,847**	**473,223**	**-**	**47,487,412**

34.02 Deferred Tax Liabilities

The components of the Company's deferred tax liabilities and their respective movements are as follows:

	Fair value gain on investment properties	**Unrealized foreign exchange gain (loss) - net**	**Revaluation reserve**	**Actuarial gain (loss)**	**Total**
Balance at January 1, 2024	40,618,716	(62,441)	62,266,422	(3,558,732)	99,263,965
Recognized in profit or loss	(33,128,373)	1,666,243			(31,462,130)
Recognized in other comprehensive income			2,799,158	14,580,874	17,380,032
December 31, 2024	7,490,343	1,603,802	65,065,580	11,022,142	85,181,867
Recognized in profit or loss	8,671,500	(998,053)			7,673,447
Recognized in other comprehensive income			10,005,080	8,437,532	18,442,612
December 31, 2025	**16,161,843**	**605,749**	**75,070,660**	**19,459,674**	**111,297,926**

35. MATURITY PROFILE OF ASSETS AND LIABILITIES

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

	2025		
	Due Within One (1) Year	Due Beyond One (1) Year	Total
Financial Assets - at gross			-
Cash	197,274,216		197,274,216
Short-term investments	339,058,426		339,058,426
Insurance receivables	2,509,644,695		2,509,644,695
AFS financial assets	99,931,349	214,308,175	314,239,524
HTM investments	45,016,191	224,848,317	269,864,508
Financial Assets at FVTPL	-		-
Loans and receivables	192,910,169		192,910,169
Reinsurance assets	1,379,015,478		1,379,015,478
Accrued interest receivables	8,178,125		8,178,125
Security deposits	-	4,796,290	4,796,290
	4,771,028,649	443,952,782	5,214,981,431
Less:			
Allowance for expected credit losses	(34,633,484)	-	(34,633,484)
Allowance for impairment loss	(401,182)	-	(401,182)
	(35,034,666)	-	(35,034,666)
	4,735,993,983	443,952,782	5,179,946,765
Non-financial Assets – at gross			
Deferred acquisition costs	331,379,724	-	331,379,724
Property and equipment	-	343,563,157	343,563,157
Investment properties	-	473,109,819	473,109,819
Net Pension Asset	-	30,463,687	30,463,687
Intangible asset	-	54,586,003	54,586,003
Asset held for sale	-	-	-
Other assets	59,501,390	-	58,343,206
	389,722,929	901,722,666	1,291,445,595
Less:			
Accumulated depreciation	-	(93,138,274)	(93,138,274)
Accumulated amortization	-	(43,184,235)	(43,184,235)
	-	(136,322,509)	(136,322,509)
	389,722,929	-	1,155,123,086
Total Assets	5,125,716,912	443,952,782	6,335,069,851
Financial Liabilities			
Insurance contract liabilities	3,327,229,649	-	3,327,229,649
Insurance payables	417,062,963	-	417,062,963
Accounts and other payables	209,108,921	75,081,444	284,190,365
	3,953,401,533	75,081,444	4,028,482,977
Non-financial Liabilities			
Accounts and other payables	-	-	-
Deferred reinsurance commissions	103,753,937	-	103,753,937
Retirement benefit obligation – net	-	-	-
Deferred taxes – net	-	62,652,329	62,652,329
	103,753,937	62,652,329	166,406,267
Total Liabilities	4,057,155,470	137,733,773	4,194,889,244

2024			
	Due Within One (1) Year	Due Beyond One (1) Year	Total
Financial Assets - at gross			-
Cash	183,759,440		183,759,440
Short-term investments	40,056,864		40,056,864
Insurance receivables	2,209,370,435		2,209,370,435
AFS financial assets	137,617,260	394,093,157	531,710,417
HTM investments	82,435,931	201,816,807	284,252,738
Financial Assets at FVTPL	155,829,500		155,829,500
Loans and receivables	222,123,571		222,123,571
Reinsurance assets	1,355,261,540		1,355,261,540
Accrued interest receivables	9,394,770		9,394,770
Security deposits		3,537,601	3,537,601
	4,395,849,311	599,447,565	4,995,296,876
Less:			
Allowance for expected credit losses	(24,687,593)	-	(24,687,593)
Allowance for impairment loss	(401,182)	-	(401,182)
	(25,088,775)	-	(25,088,775)
	4,370,760,536	599,447,565	4,970,208,101
Non-financial Assets – at gross			
Deferred acquisition costs	225,999,502	-	225,999,502
Property and equipment	-	287,744,427	287,744,427
Investment properties	-	419,886,034	419,886,034
Intangible asset	-	49,042,264	49,042,264
Asset held for sale	3,184,464	-	3,184,464
Other assets	55,870,412	-	55,870,412
	285,054,378	756,672,725	1,041,727,103
Less:			
Accumulated depreciation	-	(85,909,617)	(85,909,617)
Accumulated amortization	-	(34,443,875)	(34,443,875)
	-	(120,353,492)	(120,353,492)
	285,054,378	636,319,233	921,373,611
Total Assets	4,655,814,914	1,235,766,798	5,891,581,712
Financial Liabilities			
Insurance contract liabilities	3,496,446,884		3,496,446,884
Insurance payables	90,477,732		90,477,732
Accounts and other payables	170,423,436		170,423,436
	3,757,348,052	-	3,757,348,052
Non-financial Liabilities			
Accounts and other payables	102,274,925		102,274,925
Deferred reinsurance commissions	18,606,893		18,606,893
Retirement benefit obligation – net	-	926,778	926,778
Deferred taxes – net	-	30,076,323	30,076,323
	120,881,818	31,003,101	151,884,919
Total Liabilities	3,878,229,870	31,003,101	3,909,232,971

36. FAIR VALUE MEASUREMENTS

36.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2025 and December 31, 2024 are presented below:

	2025		2024	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets - at gross				
Cash	197,274,216	197,274,216	183,759,440	183,759,440
Short-term investments	339,058,426	339,058,426	40,056,864	40,056,864
Insurance receivables	2,475,011,211	2,475,011,211	2,184,682,842	2,184,682,842
AFS financial assets	314,239,524	314,239,524	531,710,417	531,710,417
HTM investments	269,864,508	269,864,508	284,252,738	284,252,738
Financial Assets at FVTPL	-	-	155,829,500	155,829,500
Loans and receivables	192,508,987	192,508,987	221,722,389	221,722,389
Reinsurance assets	1,379,015,478	1,379,015,478	1,355,261,540	1,355,261,540
Accrued interest receivables	8,178,125	8,178,125	9,394,770	9,394,770
Security deposits	4,796,290	4,796,290	3,537,601	3,537,601
	5,179,946,765	5,179,946,765	4,970,208,101	4,970,208,101
Financial Liabilities				
Insurance contract liabilities	3,327,229,649	3,327,229,649	3,496,446,884	3,496,446,884
Insurance payables	417,062,963	417,062,963	90,477,732	90,477,732
Accounts and other payables	284,190,365	284,190,365	170,423,436	170,423,436
	4,028,482,977	4,028,482,977	3,757,348,052	3,757,348,052

The fair values of other financial assets and financial liabilities are determined as follows:

• Due to short-term nature and demand features, Management believes that the carrying amounts of cash, short-term investments, insurance receivables, reinsurance assets, accrued interest receivables, insurance contract liabilities, insurance payables and accounts and other payables (except payable to government agencies and customers' deposits) approximate their fair values;

• The fair values of AFS financial assets and financial assets at FVTPL that are actively traded in organized financial markets are determined by reference to quoted market bid prices, at the close of business on the reporting date or the last trading day as applicable. Unquoted AFS financial instruments are carried at cost, less any allowance for impairment loss.

• The fair values of HTM financial assets were determined using quoted market prices.

• Management believes that the carrying amounts of loans and receivables and security deposits approximate their fair values.

37. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the individual business unit levels. 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.

The Company's Management function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk and fair value interest rate risk, credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks through appropriate and dedicated investment planning aimed to reduce risk exposure. These parameters include monitoring cash flows and investigation of counterparty's credit quality. Compliance with policies and exposure limits is reviewed by the Treasury on a continuous basis.

Management reports quarterly closely and monitors risks and policies implemented to mitigate risk exposures.

37.01 Market Risk Management

37.01.01 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash deposits in banks, loans and receivables, AFS financial assets and HTM debt securities which are subject to variable interest rates.

The interest rate risk arising from the aforementioned assets are managed by maintaining an appropriate investment planning and analysis, and maximizing investment opportunities in various local banks and financial institutions. The Company also manages its interest rate risk by investing in fixed rate instruments and managing the maturities of interest-bearing financial assets and financial liabilities.
In addition, the Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Profit for the years ended December 31, 2025 and 2024 would have been unaffected since its financial instruments are not subject to floating interest rate.

37.01.02 Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary asset at the end of the reporting periods are as follows:

	2025		2024	
	Dollar	**Peso**	Dollar	Peso
Monetary Asset				
Cash in banks	218,577	15,162,051	762,635	44,114,627
Investment in FVPL	-	-	1,100,000	63,629,500
	218,577	**15,162,051**	1,862,635	107,744,127

The Company is mainly exposed to the USD. The exchange rates used were P57.845 and P57.84 as of December 31, 2025 and December 31,2024, respectively.

37.01.03 Other Price Risk Management

The Company is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

37.02 Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The carrying amount of financial assets recognized in the financial statements represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

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 year-end, management performs assessment of credit worthiness of reinsurers to update reinsurance purchase strategies and ascertaining suitable allowance for impairment of reinsurance assets.

In respect of investment securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer.

The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

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. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions will only persist during the grace period specified in the policy document.

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties and industry segments as of December 31, 2025 and December 31, 2024.

The table below shows the maximum exposure to credit risk for the components of its statements of financial position.

	Notes	**2025**	2024
Cash		197,274,216	183,759,440
Short-term investments		339,058,426	40,056,864
Insurance receivables – net		2,475,011,211	2,184,682,842
AFS financial assets		314,239,524	531,710,417
HTM investments		269,864,508	284,252,738
Financial assets at FVTPL		-	155,829,500
Loans and receivables		192,508,987	221,722,389
Reinsurance assets		1,379,015,478	1,355,261,540
Accrued interest receivables		8,178,125	9,394,770
Security deposits		4,796,290	3,537,601
		5,179,946,765	4,970,208,101

As of December 31, 2025 and December 31, 2024, the carrying values of the Company's financial instruments represent maximum exposure to credit risk at reporting date. The gross maximum exposure to credit risk of the Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the criteria in PAS 32. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2025 and December 31, 2024.

Since the Company transacts only with recognized, creditworthy third parties, there is no requirement for collateral. Insurance receivables and loans and receivables are highly collectible. Cash and cash equivalents are placed with reputable financial institutions.

The standard credit-term given by the Company is 90 days. However, accounts more than 90 days may be past due but not necessarily impaired. A 180-day credit term may be given for those accounts with reciprocal business and those accounts involving large amounts of sum insured or the jumbo accounts which as practiced are subject to quarterly remittance scheme.

Neither Past Due nor Impaired				
	High Grade	Medium Grade	Low Grade	Total
2025				
Cash	197,274,216	-	-	197,274,216
Short-term investments	339,058,426	-	-	339,058,426
Insurance receivables – net	2,475,011,211	-	-	2,475,011,211
AFS financial assets	314,239,524	-	-	314,239,524
HTM investments	269,864,508	-	-	269,864,508
Financial assets at FVTPL	-	-	-	-
Reinsurance assets	1,379,015,478			1,379,015,478
Loans and receivables – net	-	192,508,987	-	192,508,987
Accrued interest receivables	-	8,178,125	-	8,178,125
Security deposits	-	-	4,796,290	4,796,290
	4,974,463,363	200,687,112	4,796,290	5,179,946,765

Neither Past Due nor Impaired				
	High Grade	Medium Grade	Low Grade	Total
2025				
Cash	183,759,440	-	-	183,759,440
Short-term investments	40,056,864	-	-	40,056,864
Insurance receivables – net	2,184,682,842	-	-	2,184,682,842
AFS financial assets	531,710,417	-	-	531,710,417
HTM investments	283,628,750	-	-	283,628,750
Financial assets at FVTPL	155,829,500	-	-	155,829,500
Reinsurance assets	1,355,261,540			1,355,261,540
Loans and receivables – net	-	221,722,389	-	221,722,389
Accrued interest receivables	-	9,394,770	-	9,394,770
Security deposits	-	-	3,537,601.00	3,537,601
	4,734,929,353	231,117,159	3,537,601	4,969,584,113

The credit quality of the financial assets was determined as follows:

• High grade – These are receivables from counterparties with no default in payment. High grade financial assets include cash in banks, financial assets at FVTPL with good credit rating or bank standing. Credit risk is minimal. These counterparties include large prime financial institutions, and the two largest government banks.

• Medium grade – These are receivables from counterparties with up to three (3) defaults in payment.

• Low grade – These are receivables from counterparties with more than three (3) defaults in payment.

37.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity Management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

37.04 Insurance Risk Management

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 could occur due to any of the following:

Occurrence risk - the possibility that the number of insured events will differ from those expected.

Severity risk - the possibility that the cost of the events will differ from those expected.
Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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 and types of risks insured.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts and as a more diversified portfolio is less likely to be affected across the board by change 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 Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's premiums retained.

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 statement 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. There is no single counterparty exposure that exceeds 5% of the total reinsurance assets at the reporting date.

38. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Requirement model. To ensure compliance with these externally-imposed capital requirements, it is the Company's policy to monitor the regulatory requirements of the IC on a quarterly basis as part of the Company's internal financial reporting process. As of December 31, 2025 and December 31, 2024, the Company fully complied with the externally-imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirement.

Fixed Capitalization Requirements

On January 13, 2015, the IC issued CL No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and nonlife insurance companies duly licensed by the IC must have a net worth of at least P900,000,000 by December 31, 2019. The following presents the amount of required net worth and the schedule of compliance:

Minimum Net Worth	Compliance Date
550,000,000	December 31, 2016
900,000,000	December 31 2019
1,300,000,000	December 31, 2022

As of December 31, 2025 and December 31, 2024, the Company is compliant with the minimum net worth of P1,300,000,000.

As of December 31, 2019, the Company's estimated statutory net worth amounted to P617,638,189 which is below the P900,000,000 minimum net worth requirement to be complied with until February 28, 2021. On February 24, 2021, the Company wrote a letter to the IC requesting for an extension and indicating therein their plans to increase the authorized capital stock of the Company from P500,000,000 to P900,000,000 which will be subscribed by the existing shareholders.

As of December 31, 2018, the Company's estimated statutory net worth amounted to P554,420,000 and the Company's net worth as of December 31, 2018 after IC's audit amounted to P566,172,474. The Company's statutory net worth as of December 31, 2017 based on the synopsis amounted to

P408,830,000, which is below the P550,000,000 minimum net worth requirement. The net worth deficiency is covered up in full by the capital infusion on October 9, 2018 and subsequent collection of outstanding premiums receivable.

Unimpaired Capital Requirement

IC CL No. 2015-02-A, which supersedes IC CL No. 22-2008, also states that the net worth should remain intact and unimpaired at all times. As of December 31, 2025 and December 31, 2024, the Company has complied with the unimpaired capital requirement.

Risk -based Capital Requirements

Insurance Memorandum Circular (IMC) No. 7-2006 adopted the RBC framework for the nonlife insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every nonlife insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the non-life insurance company to the corresponding regulatory intervention which has been defined at various levels.

Pursuant to IC CL No. 2017-15, Regulatory Requirements and Actions for the New Regulatory Framework, effective January 1, 2017, nonlife insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68, Amended Risk-Based Capital (RBC2) Framework. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement.

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

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 Capital does not have the same high-quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 Capital.

The RBC requirement shall be the capital that is required to be held appropriately to the risks an insurance company is exposed to, computed using the formula as prescribed under IC CL No. 2016-68.

Financial Reporting Framework

IC CL No. 2016-65, Financial Reporting Framework under Section 189 of the Amended Insurance Code, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting effective January 1, 2017. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

IC CL No. 2018-18, Valuation Standards for Nonlife Insurance Policy Reserves, prescribes the new valuation methodology for the nonlife insurance companies. Nonlife insurance companies are required to change the basis of valuation of non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The IBNR reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and BornheutterFerguson method. A margin for adverse deviation is provisionally set at 10% and shall be incorporated on both premiums and claims liability valuation. Discount rates to be used shall be based on the latest PDST-R2 rates and the Bloomberg IYC Curve for PhP and USD-denominated policies, respectively.

Unexpired Risk Reserves or URR refers to the amount of reserve required to cover future claims, commission and expenses at a designated level of confidence that are expected to emerge from an unexpired period of cover. For 2017, companies shall be allowed to set up as premium liabilities the Unearned Premium Reserves or UPR instead of the higher of the UPR and URR. Starting 2018, premiums liabilities shall be determined in accordance with the valuation standards prescribed under IC CL No. 2018-18 which is the higher between the UPR and URR.

On March 9, 2019 the IC issued Circular Letter No. 2018-19, Amendment to Circular Letter No.2016 -69 “Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk -based Capital (RBC2) Framework ”, which provides that item 3c Margin for Adverse Deviation (MfAD) of said circular is hereby amended as follows:

Period Covered Percentage of Company Specific MfAD

Period Covered	Percentage of Company Specific MfaD
2017	0%
2018	50%
2019 onwards	100%

The Company complied with the aforementioned regulation and reflected P10.65 million in the 2018 statement of income. In 2018, the Company used 50% of the company-specific MfAD. 90

39. NON-CASH TRANSACTIONS

The Company entered into the following non-cash investing and financing activities which are not reflected in the statements of cash flows:

- In 2025, the Company transferred land and building and building improvements under investment property to property and equipment amounting to P11,423,588, as disclosed in Notes 12 and 13.

40. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on April 30, 2026.