



# Liberty Insurance Corporation

JCS Building, 119 Dela Rosa Street., Legaspi Village, Makati City, Philippines

Tel. No.: 8819-1961 to 66 • Website: [www.libertyinsurance.com.ph](http://www.libertyinsurance.com.ph)

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VAT Reg. TIN: 000-471-488-00000

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

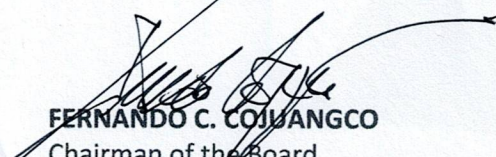
The management of **LIBERTY INSURANCE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein,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

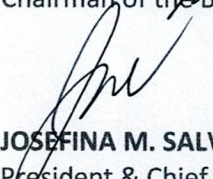
In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

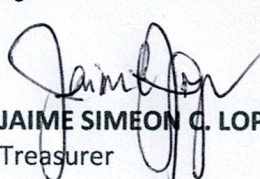
The Board of Directors is responsible in overseeing the Company's financial reporting process.

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**FERNANDO C. COLIANGCO**  
Chairman of the Board

  
**JOSEFINA M. SALVADOR**  
President & Chief Executive Officer

  
**JAIME SIMEON C. LOPA**  
Treasurer

Signed this 27th day of March, 2026





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Liberty Insurance Corporation  
119 JCSO Building  
Dela Rosa corner C. Palanca, Jr. Sts.,  
Legaspi Village, Makati City

### *Opinion*

We have audited the accompanying financial statements of Liberty Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of material accounting policy information.

In our opinion, the 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 the Philippine Financial Reporting Standards (PFRS) Accounting Standards.

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the 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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to the audit of the financial statements of public interest entities in the Philippines. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 the PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

*Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

**REYES TACANDONG & Co.**

*Pamela Ann P. Escudro*  
PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782/P-013; Valid until June 6, 2026

IC Accreditation No. IC EA-2025-0050-R

Issued January 22, 2026

Valid for Financial Periods 2025 to 2027

SEC Accreditation No. 128829-SEC Group A

Issued March 23, 2021

Valid for Financial Periods 2020 to 2025

BIR Accreditation No. 08-005144-013-2025

Valid until October 20, 2028

PTR No. 10764016

Issued January 2, 2026, Makati City

March 25, 2026

Makati City, Metro Manila

**LIBERTY INSURANCE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2025	2024
<b>ASSETS</b>			
Cash and cash equivalents	4	₱121,423,798	₱247,328,877
Insurance receivables	5	151,660,771	40,085,607
Short-term investments	6	925,710,783	629,844,542
Long-term time deposits	6	88,207,500	–
Held-to-maturity (HTM) investments	7	933,950,186	954,975,953
Investments at fair value through profit or loss (FVPL)	7	197,939,950	159,789,765
Available-for-sale (AFS) investments	7	43,276,257	57,024,653
Other receivables	5	21,645,131	23,604,732
Deferred acquisition costs	8	138,392,903	120,122,315
Reinsurance assets	9	51,704,809	75,657,882
Investment properties	10	1,514,854,001	1,410,568,001
Property and equipment:			
At revalued amount	11	680,501,948	646,897,000
At cost	11	34,677,887	41,138,841
Other assets	12	4,839,402	4,235,954
		<b>₱4,908,785,326</b>	<b>₱4,411,274,122</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contract liabilities	13	₱705,205,313	₱655,116,159
Insurance payables	14	29,933,722	33,996,429
Deferred reinsurance commissions	8	9,420,645	13,917,881
Accounts and other payables	15	83,528,951	76,923,194
Income tax payable		54,603,300	60,386,319
Net retirement benefit liability	22	28,822,055	17,540,433
Net deferred tax liabilities	23	168,141,932	157,803,574
Total Liabilities		<b>1,079,655,918</b>	<b>1,015,683,989</b>
<b>Equity</b>			
Capital stock	17	606,687,600	606,687,600
Additional paid-in capital		2,239	2,239
Retained earnings	17	2,785,484,392	2,369,728,232
Other components of equity:			
Revaluation reserve on property and equipment	11	457,813,661	436,155,876
Cumulative remeasurement loss on net retirement benefit liability	22	(19,440,846)	(15,764,458)
Cumulative unrealized loss on fair value changes on AFS investments	7	(1,417,638)	(1,219,356)
Total Equity		<b>3,829,129,408</b>	<b>3,395,590,133</b>
		<b>₱4,908,785,326</b>	<b>₱4,411,274,122</b>

See accompanying Notes to Financial Statements.

**LIBERTY INSURANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31	
		2025	2024
<b>REVENUE</b>			
Gross premiums earned on insurance contracts	18	<b>₱1,108,310,300</b>	₱1,007,507,503
Reinsurers' share of gross premiums earned on insurance contracts	18	<b>(195,931,465)</b>	(203,957,277)
Net premiums earned on insurance contracts		<b>912,378,835</b>	803,550,226
Fair value gain on investment properties	10	<b>104,286,000</b>	346,403,000
Investment and other income - net	21	<b>115,264,174</b>	90,894,875
Commission income	8	<b>30,604,702</b>	28,786,360
Other underwriting income	18	<b>16,470,378</b>	20,303,644
		<b>1,179,004,089</b>	1,289,938,105
<b>BENEFITS, CLAIMS AND EXPENSES</b>			
Net insurance benefits and claims	19	<b>180,220,312</b>	85,830,694
Commission expense	8	<b>251,476,719</b>	226,795,708
Operating expenses	20	<b>236,012,937</b>	257,271,378
Other underwriting expenses	19	<b>5,612,965</b>	3,799,048
		<b>673,322,933</b>	573,696,828
<b>INCOME BEFORE INCOME TAX</b>		<b>505,681,156</b>	716,241,277
<b>INCOME TAX EXPENSE</b>			
Current		<b>68,018,018</b>	68,548,764
Final		<b>17,575,370</b>	14,391,833
Deferred	23	<b>4,341,323</b>	1,902,529
		<b>89,934,711</b>	84,843,126
<b>NET INCOME</b>		<b>415,746,445</b>	631,398,151
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Not to be reclassified to profit or loss</i>			
Revaluation increment on property and equipment (net of deferred tax amounting to ₱7.2 million in 2025 and ₱145.4 million in 2024)	11	<b>21,667,500</b>	436,155,876
Remeasurement gain (loss) on net retirement benefit liability (net of deferred tax amounting to ₱1.2 million in 2025 and ₱0.8 million in 2024)	22	<b>(3,676,388)</b>	2,455,709
<i>To be reclassified to profit or loss when realized</i>			
Unrealized gain on fair value changes on AFS investments	7	<b>5,815,437</b>	5,166,897
		<b>23,806,549</b>	443,778,482
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱439,552,994</b>	₱1,075,176,633

See accompanying Notes to Financial Statements.

**LIBERTY INSURANCE CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

	Note	Years Ended December 31	
		2025	2024
<b>CAPITAL STOCK</b>			
	17		
Balance at beginning of year		₱606,687,600	₱356,687,600
Issuance of shares through stock dividends		–	250,000,000
Balance at end of year		<b>606,687,600</b>	606,687,600
<b>ADDITIONAL PAID-IN CAPITAL</b>		<b>2,239</b>	2,239
<b>RETAINED EARNINGS</b>			
	17		
Balance at beginning of year		<b>2,369,728,232</b>	1,988,330,081
Net income		<b>415,746,445</b>	631,398,151
Transfers from revaluation reserve on property and equipment	11	<b>9,715</b>	–
Stock dividends		–	(250,000,000)
Balance at end of year		<b>2,785,484,392</b>	2,369,728,232
<b>OTHER COMPONENTS OF EQUITY</b>			
<b>Revaluation reserve on property and equipment</b>			
	11		
Balance at beginning of year		<b>436,155,876</b>	–
Revaluation increment, net of tax effect		<b>21,667,500</b>	436,155,876
Transfers to retained earnings		<b>(9,715)</b>	–
Balance at end of year		<b>457,813,661</b>	436,155,876
<b>Cumulative remeasurement loss on net retirement benefit liability</b>			
	22		
Balance at beginning of year		<b>(15,764,458)</b>	(18,220,167)
Remeasurement gain (loss), net of tax effect		<b>(3,676,388)</b>	2,455,709
Balance at end of year		<b>(19,440,846)</b>	(15,764,458)
<b>Cumulative unrealized loss on fair value changes on AFS investments</b>			
	7		
Balance at beginning of year		<b>(1,219,356)</b>	(4,243,357)
Unrealized gain on fair value changes		<b>5,815,437</b>	5,166,897
Realized gain on sale transferred to profit or loss		<b>(6,013,719)</b>	(2,142,896)
Balance at end of year		<b>(1,417,638)</b>	(1,219,356)
		<b>436,955,177</b>	419,172,062
		<b>₱3,829,129,408</b>	₱3,395,590,133

See accompanying Notes to Financial Statements.

**LIBERTY INSURANCE CORPORATION**  
**STATEMENTS OF CASH FLOWS**

		Years Ended December 31	
	Note	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>₱505,681,156</b>	₱716,241,277
Adjustments for:			
Fair value gain on investment properties	10	<b>(104,286,000)</b>	(346,403,000)
Interest income	21	<b>(89,668,754)</b>	(74,006,159)
Dividend income	21	<b>(13,876,516)</b>	(11,353,355)
Net retirement benefit expense	22	<b>12,879,771</b>	23,155,062
Depreciation and amortization	11	<b>11,233,701</b>	16,350,824
Loss (gain) on sale of:			
AFS investments	21	<b>(6,013,719)</b>	(2,142,896)
Investment in FVPL	21	<b>(2,665,000)</b>	–
Property and equipment	11	<b>(1,560,000)</b>	11,903,809
Unrealized fair value gain on investments at FVPL	7	<b>(1,480,185)</b>	(3,392,465)
Impairment loss on AFS investments	7	<b>1,574,660</b>	1,643,507
Operating income before changes in working capital		<b>311,819,114</b>	331,996,604
Decrease (increase) in:			
Insurance receivables		<b>(111,575,164)</b>	59,710,712
Reinsurance assets		<b>23,953,073</b>	(20,054,327)
Deferred acquisition costs		<b>(18,270,588)</b>	(35,066,128)
Other receivables		<b>2,700,175</b>	(2,556,235)
Other assets		<b>(603,448)</b>	2,635,524
Increase (decrease) in:			
Insurance contract liabilities		<b>50,089,154</b>	212,660,583
Accounts and other payables		<b>6,605,757</b>	3,746,533
Deferred reinsurance commissions		<b>(4,497,236)</b>	4,365,566
Insurance payables		<b>(4,062,707)</b>	11,241,801
Net cash generated from operations		<b>256,158,130</b>	568,680,633
Income tax paid		<b>(91,376,407)</b>	(81,470,322)
Contributions to the retirement plan	22	<b>(6,500,000)</b>	(5,500,000)
Net cash provided by operating activities		<b>158,281,723</b>	481,710,311

(Forward)

	Note	Years Ended December 31	
		2025	2024
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Short-term investments	6	(P747,668,241)	(P637,943,287)
HTM investments	7	(163,700,000)	(256,750,568)
Long-term time deposits	6	(88,207,500)	–
Investments at FVPL	7	(73,980,000)	(40,000,000)
AFS investments	7	(71,839,302)	(48,330,899)
Property and equipment	11	(9,487,695)	(8,442,071)
Proceeds from maturities of:			
Short-term investments	6	451,802,000	352,651,000
HTM investments	7	184,590,000	119,500,000
Proceeds from disposals of:			
AFS investments	7	89,828,475	45,838,050
Investment at FVPL	7	39,975,000	–
Property and equipment		1,560,000	875,000
Interest received		90,375,888	72,282,172
Dividend received		12,564,573	10,654,967
Net cash used in investing activities		(284,186,802)	(389,665,636)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(125,905,079)	92,044,675
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		247,328,877	155,284,202
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
	4	P121,423,798	P247,328,877

See accompanying Notes to Financial Statements.

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**LIBERTY INSURANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

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**1. Corporate Information**

Liberty Insurance Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 11, 1953.

The Company is a member of Jose Cojuangco and Sons Group of Companies.

The Company is engaged in the business of non-life insurance which includes fire, motor car, marine insurance, personal accident insurance and miscellaneous casualty that are permitted to be sold by nonlife insurance companies in the Philippines.

On December 23, 2024, the Insurance Commission (IC) renewed the Company's license to operate as an Insurance Company with Certificate of Authority No. 2025/23-R valid until December 31, 2027.

The registered office address of the Company is 119 JCSO Building, Dela Rosa corner C. Palanca, Jr. Sts., Legaspi Village, Makati City.

**Authorization and Approval for Issuance of the Financial Statements**

The financial statements as at and for the years ended December 31, 2025 and 2024 were approved and authorized for issue by the Board of Directors (BOD) on March 25, 2026.

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**2. Summary of Material Accounting Policy Information**

**Basis of Preparation**

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by SEC. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

**Measurement Basis**

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

The financial statements have been prepared on the historical cost basis of accounting, except for investments at FVPL, AFS investments and investment properties which are stated at fair value, land and building and improvements included as part of property and equipment which are measured at revalued amounts and net retirement benefit liability which is measured at the present value of the defined benefit obligation less fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 7 - *HTM Investments, Investments at FVPL and AFS Investments*
- Note 10 - *Investment Properties*
- Note 11 - *Property and Equipment*
- Note 26 - *Fair Value of Financial Instruments*

#### **Adoption of Amendments to PFRS Accounting Standards**

The accounting policies adopted are consistent with those of the previous financial year. There were no amendments to PFRS Accounting Standards effective for annual periods beginning on or after January 1, 2025 that materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

#### **New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective or Adopted**

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have not been applied in preparing the financial statements, are summarized below:

Effective for annual periods beginning on or after January 1, 2026:

- Annual Improvements to PFRS Accounting Standards Volume 11:
  - Amendments to PFRS 7, *Financial Instruments: Disclosures* – The amendments remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity

that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.
- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-62, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Subsequently, on March 19, 2025, the Insurance Commission issued Circular Letter 2025-04, *Application of PFRS 17 – Insurance Contracts in the Audited Financial Statements and Preparation of IC Reportorial Requirements*, further extending the effectivity date of PFRS 17 to January 1, 2027. Earlier application is permitted.

- Amendment to PFRS 17, *Insurance Contracts - Initial Application of PFRS 17* and PFRS 9, *Financial Instruments - Comparative Information* – The amendment adds a transition option for a “classification overlay” to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS Accounting Standards, except for the adoption of PFRS 17, is not expected to have any material effect on the financial statements of the Company. For the adoption of PFRS 18, while it is not expected to have a material impact on the Company’s financial position or financial performance, it will result in changes in the presentation, classification, and aggregation of items in the separate statements of comprehensive income and related disclosures as required by the standard.

For the adoption of PFRS 17, the management is currently in the process of performing detailed review and analysis to determine the financial impact.

### **Current and Noncurrent Classification**

The Company presents assets and liabilities in the statements of financial position based on liquidity.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

### **Financial Instruments**

The Company applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 until the effectivity of the new insurance standards beginning January 1, 2027, based on Circular Letter 2025-04, *Application of PFRS 17 in the Audited Financial Statements and Preparation of IC Reportorial Requirements* issued by the IC.

Based on the assessment made by the Management, the Company qualifies for the deferral of application of PFRS 9 since its activities are predominantly connected with insurance. Accordingly, the Company deferred the adoption of PFRS 9 and has continued to apply PAS 39.

To comply with the disclosure requirements of the amendments to PFRS 4, the table below presents the comparison of the classification of the Company's financial assets as at December 31, 2025 and 2024 under PAS 39 and PFRS 9. The carrying amounts of these financial assets under PAS 39 remain unchanged under PFRS 9.

Financial Assets	Classification under PAS 39	Classification under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost
Short-term investments	Loans and receivables	Financial assets at amortized cost
Long-term time deposits	Loans and receivables	Financial assets at amortized cost
HTM investments	HTM investments	Financial assets at amortized cost
Investments at FVPL	Financial assets at FVPL	Financial assets at FVPL
AFS investments	AFS investments	Financial assets at fair value through other comprehensive income (OCI)
Other receivables	Loans and receivables	Financial assets at amortized cost

A financial instrument is any contract that gives rise to a financial asset or a liability or equity instrument of another entity.

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

*Classification.* Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company classifies its financial assets into the following categories: financial assets at FVPL, HTM investments, AFS investments, and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition, and where allowed and appropriate, re-evaluates the designation at each reporting date.

*Financial Assets and Financial Liabilities at FVPL.* This category consists of financial assets and financial liabilities that are held for trading or financial instruments designated by management as at FVPL on initial recognition.

After initial measurement, financial assets and financial liabilities at FVPL are recorded in the statements of financial position at fair value, with any changes in fair value recognized in profit or loss.

Financial assets or financial liabilities that are not held for trading but are classified under the FVPL category are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the asset or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be bifurcated.

The Company's financial assets at FVPL pertains to investments in publicly traded preferred equity instruments (see Note 7). The Company does not have any financial liabilities at FVPL as at December 31, 2025 and 2024.

*HTM Investments.* HTM investments are nonderivative financial assets that are quoted in the market, with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. HTM investments are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of "Interest income" lodged in "Investment and other income - net" account in the statements of comprehensive income. Gains and losses are recognized in profit or loss when the HTM investments are derecognized. Any impairment loss is recognized in profit or loss.

Where the Company sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS investments. The Company would then be unable to categorize financial instruments as HTM investments for the next two (2) years in the financial statements.

HTM investments with maturity period within twelve months from the reporting date is considered current. Otherwise, these are considered as noncurrent assets.

The Company's HTM investments consist of corporate retail bonds and Peso-denominated government bonds (see Note 7).

*AFS Investments.* AFS investments are nonderivative financial assets that are either designated in this category or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. Financial assets may be designated at initial recognition as AFS investments if these are purchased indefinitely and may be sold in response to liquidity requirements or change in market conditions.

After the initial measurement, AFS investments are carried at fair value in the statement of financial position. Changes in the fair value of AFS investments are reported as part of other comprehensive income (OCI) and accounted for in equity under "Cumulative unrealized loss on fair value changes on AFS investments" account.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of unobservable inputs such as in case of unquoted equity instruments, these financial assets are allowed to be carried as cost less impairment, if any.

Dividends earned on holding AFS investments are recognized in the profit or loss when the right to receive payment has been established. The loss arising from impairment of such securities is recognized as impairment loss in profit or loss.

When AFS investments are derecognized, the cumulative gain or loss previously recognized in OCI and previously reported in equity is transferred to profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a weighted average basis.

The Company's AFS investments include investments in equity securities (see Note 7).

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL, AFS investments or HTM investments.

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes cash and cash equivalents, short-term investments, long-term time deposits and other receivables (see Notes 4, 5, and 6).

*Cash and Cash Equivalents.* Cash includes cash on hand and in banks. Cash equivalents pertain to short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at face amount.

*Short-term Investments.* Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

*Long-term Time Deposits.* Long-term time deposits pertain to time deposits with maturity periods beyond one year after the reporting date. These earn interests at the respective long-term investment rates.

*Other Financial Liabilities.* Financial liabilities which are not held for trading or are not designated at FVPL are classified as financial liabilities carried at amortized cost where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized and through the amortization process.

This category includes accounts and other payables (excluding payable to government agencies) (see Note 15).

#### **Impairment of Financial Assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant

financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

*HTM Investments and Loans and Receivables.* The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets' effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Where HTM investments and loans and receivables have been ascertained to be worthless, the related amount is written off against the corresponding allowance for impairment.

*AFS Investments Carried at Fair Value.* In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from OCI and recognized in profit or loss. Recovery of impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

The Company treats "significant" generally as 20% or more and "prolonged" as 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.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

*AFS Investments Carried at Cost.* If there is an objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, the amount of the loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

### **Derecognition of Financial Assets and Financial Liabilities**

*Financial Asset.* A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its right to receive cash flows from the financial asset and either has transferred substantially all the risks and rewards incidental to ownership of the financial asset; or
- Has neither transferred nor retained substantially all the risks and rewards incidental to ownership of the financial asset, but has transferred control of the financial asset.

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

*Financial Liability.* A financial liability is derecognized from the statements of financial position when the obligation under the financial liability is discharged, cancelled or has expired.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

### **Offsetting of Financial Assets and Liabilities**

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

### **Insurance Contracts**

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid against benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

*Reinsurance.* The Company cedes insurance risk in the normal course of business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. 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. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amounts due under the terms of the contract and that this can be measured reliably. If such evidence exists, impairment loss is recognized in profit or loss.

Premiums and claims on assumed reinsurance are recognized in profit or loss 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 reinsurance contract.

### **Insurance Receivables**

Insurance receivables pertain to premiums due from policyholders and intermediaries, premiums due from ceding companies, funds held by ceding companies and reinsurance recoverable on paid losses. These are measured on initial recognition at the amount of consideration receivable for the period of coverage.

Subsequent to initial recognition, insurance receivables are measured at amortized cost, which approximates the outstanding amount due, less any allowance for impairment.

The Company assesses insurance receivables for impairment at each reporting date. An allowance is recognized when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of impairment is measured as the difference between the carrying amount and the estimated recoverable amount. Impairment losses are recognized in profit or loss.

### **Insurance Contract Liabilities**

*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 unearned premiums. The change in the provision for unearned premiums is recognized in profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

*Provision for Claims Reported and Incurred but not Reported (IBNR) Claims.* Provision for claims reported and IBNR losses are based on the 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 costs 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 shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach and the Bornheutter-Ferguson method. At each reporting date, prior year estimates are reassessed for adequacy and changes made are charged to provision.

*Liability Adequacy Test.* At each reporting date, liability adequacy test is performed, to ensure adequacy of insurance contract liabilities, net of deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration are used. Any inadequacy is immediately recognized in profit or loss 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 contract exceed future premiums plus the current provision for unearned premiums.

### **Investment Properties**

Investment properties pertain to parcels of land held for capital appreciation, rather than for use for administrative purposes or sale in the ordinary course of business.

Investment properties are measured initially at cost. Cost includes the acquisition cost of the investment properties plus incidental costs incurred to effect the transfer of title of the investment property and other necessary expenses incurred in its acquisition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged to operations in the year in which the costs are incurred.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects the prevailing market conditions as at report date. Gains or losses resulting from changes in fair value of the investment properties are recognized in profit or loss in the period in which they arise.

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

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

### **Property and Equipment**

Property and equipment, except for land and building and improvements, are stated at cost less accumulated depreciation and amortization and any impairment losses.

*Property and Equipment at Cost.* The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable taxes, and any direct costs attributable in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the assets have been put into operations, such as repairs and maintenance, are normally expensed as incurred. However, subsequent expenditures are capitalized when they increase the future economic benefits of the asset beyond its originally assessed standard of performance.

Depreciation and amortization commence when the property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization ceases at the earlier of the date that the property and equipment is classified as held-for-sale and the date the property and equipment is derecognized.

Depreciation and amortization is computed using the straight-line method based on the estimated useful lives of the assets as follows:

<u>Asset type</u>	<u>Number of Years</u>
Building and improvements	15 to 50
Computer equipment	5
Leasehold improvements	10 or lease term, whichever is shorter
Office furniture, fixtures and equipment	5
Transportation equipment	5

The estimated useful lives and depreciation and amortization method of property and equipment are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated and amortized property and equipment are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those property and equipment.

*Property and Equipment at Revalued Amount.* Land, building and improvements are stated at revalued amounts. Additions subsequent to the last appraisal date are stated at acquisition cost.

The Company applies the revaluation model for its land and building and improvements, whereby these assets are carried at revalued amounts, being their fair values at the date of revaluation less subsequent accumulated depreciation and impairment losses.

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of the reporting period. Fair values are determined by independent appraisers.

Any revaluation surplus is recognized in other comprehensive income and accumulated in equity under "Revaluation reserve for property and equipment." Any revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus for the same asset, in which case it is recognized in other comprehensive income.

Transfers from revaluation reserve to retained earnings are made for the difference between depreciation based on the revalued carrying amount and depreciation based on original cost, net of related taxes. Upon disposal, the related revaluation reserve is transferred directly to retained earnings.

An item of property and equipment (both carried at cost and carried at revalued amount) and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the property and equipment is derecognized.

When items of property and equipment are retired or otherwise disposed of, the carrying amount and related accumulated depreciation and amortization and any impairment loss are removed from the accounts and any resulting gain or loss is charged to the profit or loss.

#### **Impairment of Nonfinancial Assets**

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these nonfinancial assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of comprehensive income. The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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

#### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued and outstanding.

*Additional Paid-in Capital.* Additional paid-in capital includes any premium received in the issuances of capital stock.

*Retained Earnings.* Retained earnings represent the cumulative balance of the Company's net income, net of any dividend declaration.

*Stock Dividends.* Stock dividends declared out of the increase in authorized capital stock will be deducted from retained earnings and distributed upon approval by the SEC of the Company's application for increase in authorized capital stock.

*Revaluation Reserve for Property and Equipment.* This account pertains to revaluation gains and losses on land and building included as part of property and equipment, which were not recognized in profit or loss. These income and expense, when earned or incurred for the period are classified as other comprehensive income or loss and presented after net income in the statement of comprehensive income.

*Cumulative Remeasurement Loss on Net Retirement Benefit Liability.* This account pertains to accumulated remeasurement gains and losses on net retirement benefit liability, which were not recognized in profit or loss. These income and expense when earned or incurred for the period are classified as other comprehensive income or loss and presented after net income in the statements of comprehensive income.

*Cumulative Unrealized Loss on Fair Value Changes on AFS Investments.* This account pertains to accumulated unrealized fair value changes on AFS investments, which are to be reclassified to profit or loss when realized. These income and expense, when earned or incurred for the period, are classified as other comprehensive income and presented after net income in the statements of comprehensive income.

### **Revenue Recognition**

*Premiums Revenue.* Gross insurance written premiums comprise the total premiums receivable for the whole period covered provided by contracts entered into during the accounting period and recognized on the date on which the policy incepts. Premiums include adjustments, if any, relating to prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method. The portion of premiums written that relate to the unexpired periods of the policies at reporting date are accounted for as provisions for unearned premiums and included as part of "insurance contract liabilities" in the statements of financial position. The net changes in these accounts during the year are recognized in profit or loss for the year.

*Commission Income.* Reinsurance commissions are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is presented as "Deferred reinsurance commissions" in the statements of financial position.

*Interest Income.* Interest income is recognized as it accrues, taking into account the effective yield on the asset.

*Dividend Income.* Dividend income is recognized when the right to receive dividends has been established.

*Other Underwriting Income.* Other underwriting income from other sources, if any, is recognized when earned and flow of economic benefit is reasonably assured and reliably measured.

### **Expense Recognition**

*Benefits and Claims.* Benefits and claims consist of benefits and claims to policyholders, which includes the valuation of insurance contract liabilities, except for gross changes in the provision for premiums which are recorded in premiums income. It further includes internal and external handling cost that are directly related to the processing and settlement of claims. General insurance claims are recorded on the basis of notifications received while IBNR claims is based on historical experience .

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

*Commission Expense.* Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition costs" in the asset section of the statements of financial position.

Commission and other acquisition costs incurred 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. All other acquisition costs are recognized as expense when incurred.

*Operating Expenses.* Operating expenses constitute costs of administrating the business and costs incurred in advertising and promotions. These are expensed when incurred.

### **Employee Benefits**

*Short-term Benefits.* The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, leave credits, employer's share on government contributions and other short-term benefits.

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

*Retirement Benefits.* The Company has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporate assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current and past service costs and net interest expense or income in the statements of comprehensive income. Net interest is calculated by applying the discount rate to the net retirement benefit liability or plan asset. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring related costs.

Remeasurements, comprising actuarial gains and losses and return on plan assets, are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The net retirement benefit liability is the aggregate of the present value of defined benefit obligations and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related defined benefit obligations.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting net plan asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Leases**

The Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Company as a Lessee.* At the commencement date, the Company recognizes a right-of-use (ROU) asset and a corresponding lease liability for all leases, except for short-term leases and leases of low-value assets. Payments for these exempt leases are recognized as expense on a straight-line basis over the lease term.

### **Income Tax**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognized in statements of comprehensive income except to the extent of items recognized as OCI or items directly recognized in equity.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

*Final Tax.* Interest income from cash in banks, cash equivalents, short-term investments, long-term time deposits and investment in debt securities, which are subject to final withholding tax, is presented at gross amounts, while taxes paid or withheld are recognized as final tax under "Income tax expense" account in the statements of comprehensive income.

*Offsetting.* Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

#### **Contingencies**

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

#### **Events after the Reporting Date**

Events after the reporting date that provide additional information about the Company's financial position as at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the financial statements requires management to exercise significant judgments, make accounting estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, accounting estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from these estimates and assumptions used, and the effect of any change in estimates will be adjusted in the financial statements when these become reasonably determinable.

Judgments, accounting estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of these significant judgments, accounting estimates, assumptions and related impact and associated risks in the financial statements.

#### **Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

*Identification of Product Classification.* The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. As a general

guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts also transfer financial risk.

*Classifying Financial Instruments.* The Company classifies a financial instrument, on initial recognition as a financial asset, a financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company's financial assets include cash and cash equivalents, short-term investments, long-term time deposits, other receivables, HTM investments, AFS investments and investments at FVPL. The Company's financial liabilities include accounts and other payables (excluding payable to government agencies).

*Assessing Distinction Between Investment Properties and Property and Equipment.* The Company determines whether a property qualifies as investment property or property and equipment. In making its judgment, the Company considers whether the property is held for administrative purposes or is held for capital appreciation and to earn rentals, in which case the property shall be classified as property and equipment or investment property, respectively, as the case may be. The Company considers each property separately in making its judgment.

The carrying amount of investment properties carried at fair value as at December 31, 2025 and 2024, are disclosed in Note 10. The carrying amount of property and equipment as at December 31, 2025 and 2024 are disclosed in Note 11.

*Classifying Leases – The Company as a Lessee.* The Company, as a lessee, has entered into various operating lease agreements for its several branch offices and service centers used in its operations with lease terms ranging from one to two years. The Company assessed its lease commitments by class of underlying asset and assessed the contract renewals as short-term lease. Accordingly, the Company applied the short-term lease recognition exemptions under PFRS 16 for these leases. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

The amount of rent expense on short-term leases is disclosed in Note 24.

#### **Accounting Estimates and Assumptions**

The key accounting estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs.

*Estimating the Claims Liability Arising from Insurance Contracts.* For non-life insurance contracts, estimates have been made both for the expected ultimate costs of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims 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 statement of financial position claims provision. The IBNR provision of the Company has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which

include incurred chain ladder/development approach, paid chain ladder/development method, the Bornheutter-Ferguson incurred approach and the Bornheutter-Ferguson paid approach. At each reporting date, prior year claims estimates are reassessed for adequacy and changed made are charged to provision.

The main assumptions 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. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserve at the face value of loss adjustor 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 and loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which projections are based.

The total outstanding balance of provision for outstanding claims and IBNR included under "Insurance contract liabilities" account as at December 31, 2025 and 2024 are disclosed in Note 13.

*Liability Adequacy Test.* At each reporting period, management performs liability adequacy test to determine if there is a need to set aside expected claims and expenses which could arise during the unexpired coverage period of the policies after the reporting date which is over and above the reserve for unearned premiums. The Company calculated the best estimate of future claims and expenses for each line of business using actuarial valuation techniques. Expected future claims include policy maintenance and claims handling expenses.

The carrying amount of provision for unearned premiums as at December 31, 2025 and 2024, which are disclosed in Note 13, are adequate for the latest current estimate of the Company's unexpired risk reserves.

*Assessing the Impairment Losses on HTM Investments and Other Receivables.* The Company determines impairment of HTM investments and other receivables based on its evaluation of the presence of objective evidence of impairment which includes observable data that comes to the attention of the Company such as but not limited to significant financial difficulty of the counterparty of the probability that the borrower will enter bankruptcy or other financial re-organization. In addition to the individual impairment assessment, if an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets and collectively assesses them for impairment which takes into consideration the credit risk characteristics such as borrower type, payment history and past due status.

No impairment loss was recognized on HTM investments and other receivables in 2025 and 2024. The carrying amount of HTM investments and other receivables are disclosed in Notes 6 and 7.

*Assessing the Impairment Losses on AFS Investments.* The Company treats AFS investments 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" and "prolonged" requires judgment. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged," as greater than six months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows.

The carrying amount of AFS investments and provision for impairment losses on AFS investments are disclosed in Note 7.

*Determining the Fair Value of Investments at FVPL and AFS Investments.* PFRS Accounting Standards requires that certain financial instruments be carried at fair value, which requires the use of judgment and accounting estimates. While significant components of fair value measurement are determined using verifiable objective evidence, the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial instruments would directly affect the statements of comprehensive income and the statements of changes in equity.

The carrying amounts of investments at FVPL and AFS investments measured at fair value are disclosed in Note 7.

*Assessing the Impairment Losses on Insurance Receivables.* At the end of each reporting period, the Company assesses the recoverability of insurance receivables based on facts and circumstances that indicate the asset may be impaired. Insurance receivables are impaired if there is objective evidence, as a result of an event that occurred after initial recognition that the Company may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Company will receive.

No provision for impairment losses was recognized on insurance receivables in 2025 and 2024. The carrying amounts of insurance receivables are disclosed Note 5.

*Determining the Fair Value of Investment Properties.* Investment properties are carried at fair value, which has been determined based on arm's length transactions as at the reporting period, as certified by an independent appraiser using market data approach.

The carrying amount of investment properties are disclosed in Note 10.

*Determining the Revalued Amount of Property and Equipment.* The Company carries its land and building included as part of "Property and equipment" at revalued amounts as at December 31, 2025 and 2024. The appraised values of land and building were arrived using the market data approach.

The carrying amounts of land and building included as part of "Property and equipment" measured at revalued amount are disclosed in Note 11.

*Estimating the Useful Lives of Property and Equipment.* The Company estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the depreciable property and equipment.

There were no changes in the useful lives of property and equipment in 2025 and 2024. The carrying amounts of depreciable property and equipment are disclosed in Note 11.

*Assessing the Impairment Losses on Investment Properties and Property and Equipment.* The Company assesses impairment of its investment properties and property and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Company considered important which could trigger an impairment review include the following:

- Significant changes or planned changes in the use of the assets;
- Significant under-performance of the business; and
- Significant negative industry or economic trends.

There were no impairment indicators on the Company's investment properties and property and equipment in 2025 and 2024. Accordingly, no impairment loss was recognized.

The carrying amounts of investment properties are disclosed in Note 10. The carrying amount of property and equipment are disclosed in Note 11.

*Determining the Net Retirement Benefit Liability and Retirement Expense.* The determination of the net retirement benefit liability and retirement expense is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

The assumptions for determining retirement expense are described in the Note 22 and include, among others, discount rate and expected rate of salary increase. Actual results that differ from certain assumptions are accumulated and are recognized as part of equity. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the retirement benefit liability.

The net retirement benefit liability as at December 31, 2025 and 2024 are disclosed in Note 22.

*Assessing the Realizability of Deferred Tax Assets.* The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be utilized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company's recognized gross deferred tax assets as at December 31, 2025 and 2024 are disclosed in Note 23.

*Assessing Provisions and Evaluating Contingencies.* Provisions can be distinguished from other liabilities because there is uncertainty about the timing and amount of settlement. The most common provisions recorded by the Company arise from obligations in relation to unasserted claims. Contingent liabilities of the Company are not recognized but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Management assessed that unasserted claims will not have any material effect on the Company's financial statements. The Company did not recognize any provisions in 2025 and 2024 (see Note 24).

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#### 4. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	<b>₱790,000</b>	₱770,000
Cash in banks	<b>117,765,473</b>	170,264,280
Cash equivalents	<b>2,868,325</b>	76,294,597
	<b>₱121,423,798</b>	<b>₱247,328,877</b>

Cash in banks earn interest at the prevailing bank deposit rates.

As at December 31, 2025 and 2024, cash equivalents pertain to time deposits and government treasury bills, respectively, made for varying periods with original maturities of up to 90 days from acquisition and with interest rates ranging from 0.25 % to 5.25% per annum in 2025 and 5.80% to 6.00% per annum in 2024.

Interest income earned from cash and cash equivalents amounted to ₱0.3 million and ₱2.9 million in 2025 and 2024, respectively (see Note 21).

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#### 5. Insurance and Other Receivables

##### Insurance Receivables

This account consists of:

	2025	2024
Premium receivables	<b>₱127,360,032</b>	₱22,662,470
Funds held by ceding companies	<b>11,118,638</b>	7,695,624
Reinsurance recoverable on paid losses	<b>6,830,198</b>	4,630,804
Premiums due from ceding companies	<b>6,351,903</b>	5,096,709
	<b>₱151,660,771</b>	<b>₱40,085,607</b>

Premium receivables arise on unpaid premiums from policyholders and intermediaries. Normal credit term of these receivables is 30 days.

Funds held by ceding companies pertain to amounts withheld by ceding companies as collateral for possible reinsurance payments.

Reinsurance recoverable on paid losses represents the share of reinsurance companies for the claims paid by the Company to the insured.

Premiums due from ceding companies are premium receivables for assumed business from other insurance and reinsurance companies.

No impairment loss on insurance receivables were recognized in 2025 and 2024.

**Other Receivables**

This account consists of:

	2025	2024
Receivables from employees	P12,453,757	P15,153,934
Accrued interest income	6,190,469	6,761,836
Accrued dividend income	3,000,905	1,688,962
	<b>P21,645,131</b>	<b>P23,604,732</b>

Receivables from employees include interest-bearing advances settled through salary deductions. Interest income earned from interest bearing advances amounted to P0.2 million and P1.2 million in 2025 and 2024, respectively (see Note 21).

No impairment loss on other receivables were recognized in 2025 and 2024.

**6. Short-term Investments and Long-term Time Deposits**

**Short-term Investments**

Short-term investments amounting to P925.7 million and P629.8 million as at December 31, 2025 and 2024, respectively, are time deposits and government treasury bills made for varying periods with maturities of more than 90 days but less than one year and with interest rates ranging from 1.25% to 6.00% per annum in 2025 and 5.20% to 6.25% per annum in 2024.

Movements of short-term investments are as follows:

	2025	2024
Balance at beginning of year	P629,844,542	P344,552,255
Additions	747,668,241	637,943,287
Maturities	(451,802,000)	(352,651,000)
Balance at end of year	<b>P925,710,783</b>	<b>P629,844,542</b>

Interest income earned from short-term investments amounted to P29.9 million and P24.0 million in 2025 and 2024, respectively (see Note 21).

**Long-term Time Deposits**

Long-term time deposits amounting to P88.2 million as at December 31, 2025 are time deposits with maturity period beyond one year after the reporting date with interest rates ranging from 4.50% to 5.25% per annum in 2025. There is no long-term time deposits as at December 31, 2024.

Interest income earned from long-term time deposits amounted to P4.7 million in 2025 (see Note 21).

## 7. HTM Investments, Investments at FVPL and AFS Investments

### HTM Investments

HTM investments pertain to investments in corporate retail bonds and Peso-denominated government bonds broken down as follows:

	2025	2024
Corporate debt securities	<b>₱650,180,000</b>	₱587,570,000
Government debt securities	<b>283,770,186</b>	367,405,953
	<b>₱933,950,186</b>	₱954,975,953

Movements of the HTM investments are as follows:

	2025	2024
Balance at beginning of year	<b>₱954,975,953</b>	₱817,887,889
Additions	<b>163,700,000</b>	256,750,568
Maturities	<b>(184,590,000)</b>	(119,500,000)
Premium amortization	<b>(135,767)</b>	(162,504)
Balance at end of year	<b>₱933,950,186</b>	₱954,975,953

HTM investments earn interest ranging from 2.7% to 7.0% per annum in 2025 and 2.4% to 8.0% per annum in 2024. Interest income earned from these investments, net of premium amortization, amounted to ₱54.6 million and ₱45.9 million in 2025 and 2024, respectively (see Note 21).

Maturity profile of HTM investments is as follows:

	2025	2024
Within one year	<b>₱113,680,000</b>	₱184,607,047
More than one year but less than five years	<b>660,420,406</b>	626,298,339
More than five years	<b>159,849,780</b>	144,070,567
	<b>₱933,950,186</b>	₱954,975,953

As at December 31, 2025 and 2024, the Company has no HTM investments pledged as collateral.

In compliance with the capital investment requirement under Section 209 of the Amended Insurance Code, certain government debt securities earmarked as security for the benefit of policyholders and creditors of the Company are deposited with the Bureau of Treasury under the Registry of Scripless Securities system.

The minimum capital investment requirement amounted to ₱325.0 million as at December 31, 2025 and 2024 or twenty-five percent (25%) of the minimum net worth required under Section 194.

The carrying amount of these earmarked government debt securities, which are included under cash equivalents, short-term investments and HTM investments accounts, aggregated to ₱1,130.8 million and ₱1,073.5 million as at December 31, 2025 and 2024, respectively.

**Investments at FVPL**

Investments at FVPL pertain to publicly traded preferred equity instruments amounting to ₱197.9 million and ₱159.8 million as at December 31, 2025 and 2024, respectively.

Movements of investments at FVPL are as follows:

	Note	2025	2024
<b>Cost</b>			
Balance at beginning of year		₱158,250,000	₱118,250,000
Additions		73,980,000	40,000,000
Disposal		(37,310,000)	–
Balance at end of year		194,920,000	158,250,000
<b>Cumulative Unrealized Gain on Fair Value Changes</b>			
Balance at beginning of year		1,539,765	(1,852,700)
Unrealized gain on fair value changes	21	1,480,185	3,392,465
Balance at end of year		3,019,950	1,539,765
<b>Carrying Amount</b>		<b>₱197,939,950</b>	<b>₱159,789,765</b>

The fair values of these investments are based on published closing rates from active markets, which are categorized as Level 1.

In 2025, proceeds from disposal of investment at FVPL amounted to ₱39.8 million resulting to a gain on sale of investment at FVPL amounting to ₱2.7 million (see Note 21).

Dividends earned from investments at FVPL amounted to ₱11.8 million and ₱8.5 million in 2025 and 2024, respectively (see Note 21).

**AFS Investments**

AFS investments consist of:

	2025	2024
Equity shares:		
Quoted	₱38,246,257	₱51,994,653
Unquoted	5,030,000	5,030,000
	<b>₱43,276,257</b>	<b>₱57,024,653</b>

The fair values of AFS investments are based on published bidding prices from active markets which are categorized under Level 1 of the fair value hierarchy. Equity shares with no available published prices in active market is stated at cost.

Movements of AFS investments are as follows:

	Note	2025	2024
<b>Cost</b>			
Balance at beginning of year		₱58,244,009	₱55,251,771
Additions		71,839,302	48,330,899
Disposals		(83,814,756)	(43,695,154)
Impairment loss	20	(1,574,660)	(1,643,507)
Balance at end of year		44,693,895	58,244,009
<b>Cumulative Loss on Fair Value Changes</b>			
Balance at beginning of year		(1,219,356)	(4,243,357)
Unrealized gain on fair value changes		5,815,437	5,166,897
Realized gain on sale	21	(6,013,719)	(2,142,896)
Balance at end of year		(1,417,638)	(1,219,356)
<b>Net Book Value</b>		<b>₱43,276,257</b>	<b>₱57,024,653</b>

Proceeds from disposal of AFS investments amounted to ₱89.8 million and ₱45.8 million in 2025 and 2024, respectively, resulting to gain on sale of AFS investments amounting to ₱6.0 million and ₱2.1 million in 2025 and 2024, respectively (see Note 21).

Dividends earned from AFS investments amounted to ₱2.0 million and ₱2.9 million in 2025 and 2024, respectively (see Note 21).

## 8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

### Deferred Acquisition Costs

Movements in this account are as follows:

	2025	2024
Balance at beginning of year	₱120,122,315	₱85,056,187
Cost deferred	269,747,307	261,861,836
Commission expense	(251,476,719)	(226,795,708)
Balance at end of year	₱138,392,903	₱120,122,315

### Deferred Reinsurance Commissions

Movements in this account are as follows:

	2025	2024
Balance at beginning of year	₱13,917,881	₱9,552,315
Income deferred	26,107,466	33,151,926
Commission income	(30,604,702)	(28,786,360)
Balance at end of year	₱9,420,645	₱13,917,881

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## 9. Reinsurance Assets

This account consists of (see Note 13):

	2025	2024
Deferred reinsurance premiums	<b>₱36,472,914</b>	₱49,019,274
Reinsurance recoverable on unpaid losses	<b>15,231,895</b>	26,638,608
	<b>₱51,704,809</b>	₱75,657,882

Deferred reinsurance premiums are reinsurance premiums that pertain to the unexpired periods as of the reporting date using the 24th method.

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

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## 10. Investment Properties

Investment properties pertain to parcels of land held for capital appreciation.

Movements in the Company's investment properties measured at fair value are as follows:

	2025	2024
<b>Cost</b>		
Balance at beginning and end of year	<b>₱97,622,220</b>	₱97,622,220
<b>Cumulative Gain on Fair Value Changes</b>		
Balance at beginning of year	<b>1,312,945,781</b>	966,542,781
Fair value gain	<b>104,286,000</b>	346,403,000
Balance at end of year	<b>1,417,231,781</b>	1,312,945,781
<b>Carrying Amount</b>	<b>₱1,514,854,001</b>	₱1,410,568,001

No rental income was earned from investment properties in 2025 and 2024. Expenses related to investment properties amounted to ₱0.6 million and ₱0.4 million in 2025 and 2024, respectively.

The fair value of the land was determined by an independent property appraiser in 2025 and 2024. The inputs used to determine the market value of the investment property using the Market Approach include location characteristics, size, shape and other physical characteristics. Accordingly, the fair value measurement used is classified as Level 3.

Description of key inputs to valuation on land follows:

Location	Significant observable Inputs	Range (weighted average)	
		2025	2024
Tarlac City, Tarlac	Price per square meter	<b>₱11,500 to ₱15,000 / sq.m.</b>	₱12,000 to ₱16,000 / sq.m.
	Value adjustments	<b>5% to 10%</b>	5% to 10%
San Jose, Tarlac	Price per square meter	<b>₱1,100 to ₱1,300 / sq.m.</b>	₱1,100 to ₱1,500 / sq.m.
	Value adjustments	<b>5% to 25%</b>	5% to 25%
Antipolo, Rizal	Price per square meter	<b>₱6,800 to ₱22,000/ sq. m.</b>	₱6,200 to ₱18,700 / sq. m.
	Value adjustments	<b>5% to 10%</b>	5% to 10%
Pagbilao, Quezon	Price per square meter	<b>₱550 to ₱780 / sq. m.</b>	₱500 to ₱700 / sq. m.
	Value adjustments	<b>15% to 20%</b>	15% to 20%
Cabanatuan, Nueva Ecija	Price per square meter	<b>₱2,550 to 2,800 / sq.m</b>	₱2,500 / sq. m.
	Value adjustments	<b>10% to 20%</b>	10% to 20%
Dona Remedios Trinidad, Bulacan	Price per square meter	<b>₱550 to ₱1,100/ sq. m.</b>	₱500 to ₱900 / sq. m.
	Value adjustments	<b>5% to 20%</b>	5% to 20%
San Mateo, Rizal	Price per square meter	<b>₱4,400 to ₱8,000 / sq. m.</b>	₱3,800 to ₱7,400 / sq. m.
	Value adjustments	<b>50% to 75%</b>	50% to 75%
Andres Bonifacio, Baguio City	Price per square meter	<b>₱52,000 to ₱57,000/ sq. m.</b>	₱48,333 to ₱50,000 / sq. m.
	Value adjustments	<b>10% to 25%</b>	10% to 25%
Bagong Silangan, Quezon City	Price per square meter	<b>₱33,000 to ₱41,500/ sq. m.</b>	₱33,000 to ₱35,000 / sq. m.
	Value adjustments	<b>10% to 30%</b>	10% to 55%

The significant unobservable inputs to fair valuation are as follows:

*Price per square meter.* Estimated value prevailing in the real estate market depending on the location, area, shape and time element.

*Value adjustments.* Adjustments are made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/terrain and development).

In valuing the land using sales comparison approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

*Sensitivity Analysis.* The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial, residential and agricultural land utilization)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

## 11. Property and Equipment

This account consists of:

	2025	2024
At revalued amount	P680,501,948	P646,897,000
At cost	34,677,887	41,138,841
	<b>P715,179,835</b>	<b>P688,035,841</b>

### **At Revalued Amount**

Movements of property and equipment carried at revalued amount are as follows:

	2025		
	Land	Building and Improvements	Total
<b>Revalued Amount</b>			
Balance at beginning of year	P619,065,000	P28,965,760	P648,030,760
Additions	–	5,294,782	5,294,782
Appraisal increase	28,890,000	–	28,890,000
<b>Balance at end of year</b>	<b>647,955,000</b>	<b>34,260,542</b>	<b>682,215,542</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	–	1,133,760	1,133,760
Depreciation	–	579,834	579,834
<b>Balance at end year</b>	<b>–</b>	<b>1,713,594</b>	<b>1,713,594</b>
<b>Carrying Amount</b>	<b>P647,955,000</b>	<b>P32,546,948</b>	<b>P680,501,948</b>

	2024		
	Land	Building	Total
<b>Revalued Amount</b>			
Reclassification from cost model	P38,145,600	P28,343,992	P66,489,592
Revaluation increment	580,919,400	621,768	581,541,168
<b>Balance at end year</b>	<b>619,065,000</b>	<b>28,965,760</b>	<b>648,030,760</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	–	566,880	566,880
Depreciation	–	566,880	566,880
<b>Balance at end year</b>	<b>–</b>	<b>1,133,760</b>	<b>1,133,760</b>
<b>Carrying amount</b>	<b>P619,065,000</b>	<b>P27,832,000</b>	<b>P646,897,000</b>

The reconciliation of revaluation reserve on property and equipment in 2025 and 2024 are as follows:

	2025		
	Revaluation Reserve	Deferred Tax (see Note 23)	Net
Balance at beginning of year	P581,541,168	P145,385,292	P436,155,876
Revaluation increment	28,890,000	7,222,500	21,667,500
Transfer to retained earnings	(12,953)	(3,238)	(9,715)
<b>Balance at end of year</b>	<b>P610,418,215</b>	<b>P152,604,554</b>	<b>P457,813,661</b>

	2024		
	Revaluation Reserve	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱-	₱-	₱-
Revaluation increment	581,541,168	145,385,292	436,155,876
Balance at end of year	₱581,541,168	₱145,385,292	₱436,155,876

The fair value of the parcels of land was determined by an independent property appraiser in 2025 and 2024. The inputs used to determine the market value of the parcels of land using the Market Value Approach include location characteristics, size, and average selling price per square meter. Accordingly, the fair value measurement used is classified as Level 3.

Description of key inputs to valuation of parcels of land follows:

Location	Significant observable Inputs	Range (weighted average)	
		2025	2024
Tarlac City, Tarlac	Price per square meter	₱11,500 to ₱15,000 / sq.m.	₱12,000 to ₱16,000 / sq.m.
	Value adjustments	5% to 10%	5% to 10%

The significant unobservable inputs to fair valuation are as follows:

*Average selling price per square meter:* Estimated value prevailing in the real estate market depending on the location, area, shape and time element.

*Value adjustments:* Adjustments are made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/terrain and development).

In valuing the parcels of land using market approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

*Sensitivity Analysis.* The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (industrial building/land utilization)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

The fair value of the building under property and equipment amounted to ₱32.5 million ₱27.8 million as at December 31, 2025 and 2024, respectively. The fair value of the building under property equipment at revalued amounts recognized in 2024 was assessed in 2025 and was determined not to be significantly different. Accordingly, no revaluation adjustment was recognized in 2025.

The inputs used to determine the current replacement cost is derived from construction cost of similar building. Accordingly, the fair value measurement used for buildings is classified as Level 3.

**At Cost**

Movements of property and equipment carried at cost are as follows:

	2025				Total
	Computer Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>					
Balances at beginning of year	₱44,305,397	₱20,916,865	₱19,934,490	₱11,105,250	₱96,262,002
Additions	3,069,768	-	1,123,145	-	4,192,913
Disposal	-	-	-	(2,761,251)	(2,761,251)
Balances at end of year	47,375,165	20,916,865	21,057,635	8,343,999	97,693,664
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	27,654,692	4,621,147	12,231,387	10,615,935	55,123,161
Depreciation and amortization	5,543,941	2,083,903	2,648,226	377,797	10,653,867
Disposal	-	-	-	(2,761,251)	(2,761,251)
Balances at end of year	33,198,633	6,705,050	14,879,613	8,232,481	63,015,777
<b>Carrying Amounts</b>	<b>₱14,176,532</b>	<b>₱14,211,815</b>	<b>₱6,178,022</b>	<b>₱111,518</b>	<b>₱34,677,887</b>

	2024				Total
	Computer Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>					
Balances at beginning of year	₱59,198,796	₱25,232,299	₱20,543,067	₱13,442,250	₱118,416,412
Additions	6,414,196	-	2,027,875	-	8,442,071
Disposal	(21,307,595)	(4,315,434)	(2,636,452)	(2,337,000)	(30,596,481)
Balances at end of year	44,305,397	20,916,865	19,934,490	11,105,250	96,262,002
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	30,124,965	3,749,378	11,060,535	12,222,011	57,156,889
Depreciation and amortization	9,218,060	2,513,096	3,321,864	730,924	15,783,944
Disposals	(11,688,333)	(1,641,327)	(2,151,012)	(2,337,000)	(17,817,672)
Balances at end of year	27,654,692	4,621,147	12,231,387	10,615,935	55,123,161
<b>Carrying Amounts</b>	<b>₱16,650,705</b>	<b>₱16,295,718</b>	<b>₱7,703,103</b>	<b>₱489,315</b>	<b>₱41,138,841</b>

The Company sold and disposed certain property and equipment with carrying amounts aggregating to nil and ₱12.8 million in 2025 and 2024, respectively. This resulted to a gain on sale on property and equipment amounting to ₱1.6 million presented under "Investment and Other Income" (see Note 21) and loss on sale of property and equipment presented under "Operating expenses" account amounting to ₱11.9 million (see Note 20), respectively.

Depreciation and amortization arise from the following:

	Note	2025	2024
Property and equipment			
At cost		₱10,653,867	₱15,783,944
At revalued amount		579,834	566,880
	20	₱11,233,701	₱16,350,824

The cost of fully depreciated property and equipment still being used in operations amounted to ₱53.8 million and ₱32.3 million as at December 31, 2025 and 2024, respectively.

## 12. Other Assets

This account consists of:

	2025	2024
Prepayments	P4,790,963	P4,187,515
Security fund	48,439	48,439
	<b>P4,839,402</b>	<b>P4,235,954</b>

Prepayments and other assets pertain to prepaid rent, unused office supplies and printed forms.

## 13. Insurance Contract Liabilities

Insurance contract liabilities consist of:

	2025		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 9)	Net
Provision for claims reported	P74,350,656	P7,321,032	P67,029,624
Provision for IBNR	37,120,388	7,910,863	29,209,525
Outstanding claims provision	111,471,044	15,231,895	96,239,149
Provision for unearned premiums	593,734,269	36,472,914	557,261,355
	<b>P705,205,313</b>	<b>P51,704,809</b>	<b>P653,500,504</b>

	2024		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 9)	Net
Provision for claims reported	P83,651,900	P18,946,458	P64,705,442
Provision for IBNR	34,309,281	7,692,150	26,617,131
Outstanding claims provision	117,961,181	26,638,608	91,322,573
Provision for unearned premiums	537,154,978	49,019,274	488,135,704
	<b>P655,116,159</b>	<b>P75,657,882</b>	<b>P579,458,277</b>

Movements of outstanding claims provision follow:

		2025		
	Note	Outstanding Claims Provision	Reinsurers' Share of Liabilities	Net
Balance at beginning of year		P117,961,181	P26,638,608	P91,322,573
Claims incurred		185,146,391	7,518,473	177,627,918
Claims paid, net of recoveries	19	(194,447,635)	(19,143,899)	(175,303,736)
Increase in IBNR	19	2,811,107	218,713	2,592,394
Balance at end of year		<b>P111,471,044</b>	<b>P15,231,895</b>	<b>P96,239,149</b>

		2024		
		Outstanding	Reinsurers'	
	Note	Claims Provision	Share of Liabilities	Net
Balance at beginning of year		₱68,394,243	₱16,520,467	₱51,873,776
Claims incurred		91,536,888	14,927,439	76,609,450
Claims paid, net of recoveries	19	(53,282,213)	(6,900,316)	(46,381,898)
Increase in IBNR	19	11,312,263	2,091,018	9,221,245
Balance at end of year		<b>₱117,961,181</b>	<b>₱26,638,608</b>	<b>₱91,322,573</b>

Movements of provision for unearned premiums follow:

		2025		
		Provision for	Reinsurers'	
	Note	Unearned Premiums	Share of Liabilities	Net
Balance at beginning of year		<b>₱537,154,978</b>	<b>₱49,019,274</b>	<b>₱488,135,704</b>
Premiums written	18	<b>1,164,889,591</b>	<b>183,385,105</b>	<b>981,504,486</b>
Premiums earned	18	<b>(1,108,310,300)</b>	<b>(195,931,465)</b>	<b>(912,378,835)</b>
Balance at end of year		<b>₱593,734,269</b>	<b>₱36,472,914</b>	<b>₱557,261,355</b>

		2024		
		Provision for	Reinsurers'	
	Note	Unearned Premiums	Share of Liabilities	Net
Balance at beginning of year		₱374,061,333	₱39,083,087	₱334,978,246
Premiums written	18	1,170,601,148	213,893,464	956,707,684
Premiums earned	18	(1,007,507,503)	(203,957,277)	(803,550,226)
Balance at end of year		<b>₱537,154,978</b>	<b>₱49,019,274</b>	<b>₱488,135,704</b>

#### 14. Insurance Payables

This account consists of:

	2025	2024
Due to reinsurers	<b>₱16,598,242</b>	₱12,685,926
Funds held for reinsurers	<b>13,335,480</b>	21,310,503
	<b>₱29,933,722</b>	<b>₱33,996,429</b>

Due to reinsurers represent premiums payable on treaty and facultative reinsurance contracts. These are noninterest-bearing and are generally settled within one year.

Funds held for reinsurers pertain to amounts retained by the Company computed as a certain percentage of reinsurance premiums ceded out in accordance with reinsurance agreements.

## 15. Accounts and Other Payables

This account consists of:

	2025	2024
Payables to government agencies	<b>₱43,603,805</b>	₱31,444,096
Collateral bonds	<b>39,311,396</b>	44,415,348
Accrued expenses	<b>613,750</b>	1,063,750
	<b>₱83,528,951</b>	₱76,923,194

Payable to government agencies pertains to statutory liabilities which are normally settled within the following month.

Collateral bonds represent the amount of cash collaterals received by the Company in relation to suretyship contracts which are callable on demand or refunded to the client at the end of the contract period which is normally one year.

Accrued expenses are noninterest-bearing and usually settled throughout the subsequent year.

## 16. Related Party Transactions

In the normal course of business, the Company has transactions with its related parties as follows:

Account	Relationship	Nature of Transaction	Year	Transactions during the Year	Outstanding Balance
	Entity under	Rent expense	<b>2025</b>	<b>₱18,122,409</b>	<b>₱-</b>
Rent	common control	(see Note 24)	2024	₱12,369,725	₱-

Compensation of key management personnel by benefit type is as follows:

	2025	2024
Short-term employee benefits	<b>₱8,754,000</b>	₱7,851,600
Post-employment benefits	<b>1,017,567</b>	942,192
	<b>₱9,771,567</b>	₱8,793,792

There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan.

The Company paid directors' fees amounting to ₱1.7 million and ₱2.8 million in 2025 and 2024, respectively (see Note 20).

## 17. Equity

### Capital Stock

Movements in the Company's authorized, issued and outstanding capital stock follow:

	2025		2024	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorized - ₱100 par value</b>				
Balance at beginning of year	10,000,000	₱1,000,000,000	6,000,000	₱600,000,000
Increase in authorized capital stock	–	–	4,000,000	400,000,000
Balance at end of year	10,000,000	₱1,000,000,000	10,000,000	₱1,000,000,000
<b>Issued and outstanding</b>				
Balance at beginning of year	6,066,876	₱606,687,600	3,566,876	₱356,687,600
Stock dividends	–	–	2,500,000	250,000,000
Balance at end of year	6,066,876	₱606,687,600	6,066,876	₱606,687,600

On March 6, 2024, the SEC approved the application for increase in the Company's authorized capital stock from ₱600.0 million divided into 6.0 million shares at ₱100 par value a share to ₱1,000.0 million divided into 10.0 million shares at the same par value per share. Consequently, the Company issued and distributed the 2.5 million shares of stock dividends totaling ₱250.0 million.

The related stock dividends are deducted from retained earnings and are distributed upon availability of sufficient authorized capital stock, which is upon approval by the SEC of the Company's application for increase in authorized capital stock on March 6, 2024. On September 30, 2024, the Company received the acknowledgement of the IC of the declaration and distribution of the said stock dividend.

### Retained Earnings

Under the Revised Corporation Code of the Philippines, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at December 31, 2025 and 2024, the Company's retained earnings amounting to ₱2,785.5 million and ₱2,369.7 million, respectively, is in excess of its paid-up capital. The retention of excess retained earnings is mainly due to the requirements of the IC for minimum statutory net worth for which the Company has to comply with (see Note 25). The Company's retained earnings available for dividend declaration amounted to ₱1,347.4 million and ₱1,036.8 million as at December 31, 2025 and 2024, respectively.

## 18. Net Premiums Earned on Insurance Contracts and Other Underwriting Income

Gross premiums earned on insurance contracts follow:

	Note	2025	2024
Gross premiums on insurance contracts:			
Direct insurance		₱1,153,059,864	₱1,168,414,087
Assumed reinsurance		11,829,727	2,187,061
Total gross premiums on insurance contracts	13	1,164,889,591	1,170,601,148
Gross change in provision for unearned premiums		(56,579,291)	(163,093,645)
Gross premiums earned	13	₱1,108,310,300	₱1,007,507,503

Reinsurers' share of gross premiums earned on insurance contracts follow:

	Note	2025	2024
Reinsurers' share of gross premiums on direct insurance contracts	13	<b>₱183,385,105</b>	₱213,893,464
Reinsurers' share of gross change in provision for unearned premiums		<b>12,546,360</b>	(9,936,187)
<b>Reinsurers' share of gross premiums earned</b>	<b>13</b>	<b>₱195,931,465</b>	<b>₱203,957,277</b>

Other underwriting income amounting to ₱16.5 million and ₱20.3 million in 2025 and 2024, respectively, mainly pertains to income from various sources including the Company's share in insurance pool.

#### 19. Net Insurance Benefits and Claims and Other Underwriting Expenses

This account consists of:

	2025	2024
Gross benefits and claims on insurance contracts	<b>₱187,957,498</b>	₱102,849,151
Reinsurers' share of benefits and claims on insurance contracts	<b>(7,737,186)</b>	(17,018,457)
<b>Net insurance benefits and claims</b>	<b>₱180,220,312</b>	<b>₱85,830,694</b>

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

	Note	2025	2024
Insurance contract benefits and claims paid	13	<b>₱194,447,635</b>	₱53,282,213
Gross change in:			
Provision for claims reported		<b>(9,301,244)</b>	38,254,675
Provision for IBNR	13	<b>2,811,107</b>	11,312,263
<b>Gross benefits and claims on insurance contracts</b>		<b>₱187,957,498</b>	<b>₱102,849,151</b>

Reinsurers' share of benefits and claims on insurance contracts:

	Note	2025	2024
Reinsurers' share of benefits and claims on insurance contracts	13	<b>₱19,143,899</b>	₱6,900,316
Reinsurers' share of gross change in:			
Provision for claims reported		<b>(11,625,426)</b>	8,027,123
Provision for IBNR	13	<b>218,713</b>	2,091,018
<b>Reinsurer's share of benefits and claims on insurance contracts</b>		<b>₱7,737,186</b>	<b>₱17,018,457</b>

Other underwriting expenses amounted to ₱5.6 million and ₱3.8 million in 2025 and 2024, respectively.

## 20. Operating Expenses

This account consists of:

	Note	2025	2024
Salaries and employee benefits		<b>₱140,210,754</b>	₱130,872,821
Rent	24	<b>30,355,314</b>	26,489,769
Net retirement benefit expense	22	<b>12,879,771</b>	23,155,062
Depreciation and amortization	11	<b>11,233,701</b>	16,350,824
Professional fees		<b>8,865,079</b>	18,553,164
Taxes and licenses		<b>4,626,321</b>	4,323,119
Printing and office supplies		<b>4,618,296</b>	4,384,326
Light and water		<b>3,125,126</b>	2,631,256
Communication and postage		<b>2,616,115</b>	2,404,688
Outside services		<b>2,537,317</b>	2,345,482
Repairs and maintenance		<b>2,041,732</b>	1,754,948
Directors' fees	16	<b>1,670,000</b>	2,760,000
Transportation and travel		<b>1,595,390</b>	1,430,302
Provision for impairment loss on AFS investments	7	<b>1,574,660</b>	1,643,507
Professional and technical development		<b>1,484,803</b>	1,303,179
Entertainment, amusement and recreation		<b>1,095,600</b>	985,748
Insurance		<b>939,290</b>	659,808
Association dues		<b>888,888</b>	777,567
Advertising		<b>622,612</b>	468,172
Donations and contributions		<b>300,000</b>	270,000
Loss on sale of property and equipment	11	–	11,903,809
Others		<b>2,732,168</b>	1,803,827
		<b>₱236,012,937</b>	<b>₱257,271,378</b>

## 21. Investment and Other Income - net

Investment and other income consists of:

	Note	2025	2024
Interest income:			
HTM investments	7	<b>₱54,635,214</b>	₱45,898,489
Short-term investments	6	<b>29,861,373</b>	24,038,470
Long-term time deposits	6	<b>4,654,244</b>	–
Cash and cash equivalents	4	<b>346,200</b>	2,850,939
Receivables from employees	5	<b>171,723</b>	1,218,261
Dividend income:			
Investments at FVPL	7	<b>11,844,123</b>	8,495,698
AFS investments	7	<b>2,032,393</b>	2,857,657
Gain on sale:			
AFS investments	7	<b>6,013,719</b>	2,142,896
Investment at FVPL	7	<b>2,665,000</b>	–
Property and equipment	11	<b>1,560,000</b>	–
Unrealized fair value gain on investments at FVPL	7	<b>1,480,185</b>	3,392,465
		<b>₱115,264,174</b>	<b>₱90,894,875</b>

## 22. Retirement Benefits

The Company has a funded, tax qualified, noncontributory and defined benefit retirement plan covering all of its qualified employees. The benefits are based on the years of service and compensation on the last year of employment.

The Company's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan which delegates the implementation of the investment policy to an Investment Committee. The Investment Committee is responsible for the investment strategy of the plan.

The latest actuarial valuation date of the Company's retirement plan is as at December 31, 2025.

Net retirement benefit expense recognized in the statements of comprehensive income and presented under "Operating expenses" consists of (see Note 20):

	2025	2024
Current service cost	₱11,809,804	₱9,677,229
Net interest cost	1,069,967	192,738
Past service cost	-	13,285,095
	<b>₱12,879,771</b>	<b>₱23,155,062</b>

Net retirement benefit liability recognized in the statements of financial position follows:

	2025	2024
Present value of defined benefit obligations	₱174,396,449	₱150,400,668
Fair value of retirement plan assets	145,574,394	132,860,235
	<b>₱28,822,055</b>	<b>₱17,540,433</b>

Changes in present value of defined benefits obligation are as follows:

	2025	2024
Balance at beginning of year	₱150,400,668	₱125,146,038
Current service cost	11,809,804	9,677,229
Interest cost	9,174,441	7,633,908
Benefits paid	(2,406,321)	(313,961)
Remeasurement loss (gain) on defined benefits obligation	5,417,857	(5,027,641)
Past service cost	-	13,285,095
Balance at end of year	<b>₱174,396,449</b>	<b>₱150,400,668</b>

Changes in fair value of retirement plan assets are as follows:

	2025	2024
Balance at beginning of year	₱132,860,235	₱121,986,388
Interest income	8,104,474	7,441,170
Contributions	6,500,000	5,500,000
Benefits paid	(2,406,321)	(313,961)
Remeasurement gain (loss) on plan assets	516,006	(1,753,362)
Balance at end of year	<b>₱145,574,394</b>	<b>₱132,860,235</b>

The cumulative remeasurement loss on net retirement benefit liability recognized in OCI as at December 31 follows:

	<b>2025</b>		
	<b>Cumulative Remeasurement Loss</b>	<b>Deferred Tax (see Note 23)</b>	<b>Net</b>
Balance at beginning of year	₱21,019,277	₱5,254,819	₱15,764,458
Remeasurement loss	4,901,851	1,225,463	3,676,388
Balance at end of year	<b>₱25,921,128</b>	<b>₱6,480,282</b>	<b>₱19,440,846</b>

	<b>2024</b>		
	<b>Cumulative Remeasurement Loss</b>	<b>Deferred Tax (see Note 23)</b>	<b>Net</b>
Balance at beginning of year	₱24,293,556	₱6,073,389	₱18,220,167
Remeasurement gain	(3,274,279)	(818,570)	(2,455,709)
Balance at end of year	₱21,019,277	₱5,254,819	₱15,764,458

The principal assumptions used to determine the net retirement benefit liability are as follows:

	<b>2025</b>	2024
Discount rates	<b>6.4%</b>	6.1%
Salary increase rates	<b>5.0%</b>	6.0%

Sensitivity analysis based on reasonably possible changes of the assumptions on present value of defined benefit obligation as at December 31, 2024 are as follows:

	Change in Assumption	Effect on Present Value of Defined Benefit Obligation	Present Value of Defined Benefit Obligation
Discount rates	+1.0%	(₱12,016,143)	₱162,380,306
	-1.0%	8,934,922	183,331,371
Salary increase rates	+1.0%	9,871,497	184,267,946
	-1.0%	(6,707,556)	167,688,893

The schedule below presents a projection of benefit payments expected to be paid out of the retirement fund.

Period	Amount
Between one to five years	₱139,939,896
Between six to ten years	77,211,693
Between eleven to 15 years	65,299,814
Over 16 years	221,375,029
	<b>₱503,826,432</b>

The weighted average duration of the net retirement benefit liability is 8 years as at December 31, 2025.

The major categories of plan assets as at December 31, 2025 and 2024 are as follows:

	2025	2024
Fixed income securities	98%	99%
Other assets	2%	1%
	<b>100%</b>	<b>100%</b>

The plan exposes the Company to the following risks:

- *Salary risk* - any increase in the retirement plan participants' salary will increase the retirement plan's liability.
- *Longevity risk* - any increase in the plan participants' life expectancy will increase the retirement plan's liability.
- *Interest rate risk* - a decrease in the bond interest rate will increase the present value of the retirement benefit liability. However, partially counterbalanced by an increase in the return on the plan assets.
- *Investment risk* - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement benefit liability, a plan deficit will arise. However, the compositions of plan assets are balanced enough not to expose the Company to significant concentrations of investment risk.

The Company does not expect to contribute to retirement plan in 2026.

### 23. Income Taxes

The income tax rates used in preparing the financial statements are 25% for RCIT in 2025 and 2024, and 2% for MCIT in 2025 and 2024. The Company's provision for current tax pertains to RCIT in 2025 and 2024.

Final tax on interest income included as part of "Income tax expense" account amounted to ₱17.6 million in 2025 and ₱14.4 million in 2024, respectively.

The Company's net deferred tax liabilities relate to the tax effect on the following temporary differences:

	2025	2024
Deferred tax liabilities on:		
Revaluation reserve on property and equipment	₱152,604,554	₱145,385,292
Deferred acquisition costs	34,598,226	30,030,579
	<b>187,202,780</b>	175,415,871
Less deferred tax assets on:		
Provision for IBNR losses - net of reinsurers' share	7,302,382	6,654,283
Net retirement benefit liability	7,205,514	4,385,108
Deferred reinsurance commissions	2,355,161	3,479,470
Unamortized past service cost	2,197,791	3,093,436
	<b>19,060,848</b>	17,612,297
Net deferred tax liabilities	<b>₱168,141,932</b>	₱157,803,574

The components of deferred tax expense are presented as follows:

	2025	2024
In profit or loss	<b>₱4,341,323</b>	₱1,902,529
In OCI	<b>5,997,035</b>	146,203,862
	<b>₱10,338,358</b>	₱148,106,391

The reconciliation of provision for income tax computed at statutory income tax rate to the provision for income tax as shown in the statements of comprehensive income follows:

	2025	2024
Income tax expense at statutory income tax rate	<b>₱126,420,289</b>	₱179,060,319
Income tax effects of:		
Fair value gain on investment properties	<b>(26,071,500)</b>	(86,600,750)
Difference of final tax rate on interest income against statutory tax rate	<b>(4,798,888)</b>	(3,805,142)
Dividend income exempt from income tax	<b>(3,469,129)</b>	(2,838,339)
Other nontaxable investment income	<b>(2,539,726)</b>	(1,383,840)
Nondeductible expense	<b>393,665</b>	410,878
Income tax expense at effective income tax rate	<b>₱89,934,711</b>	₱84,843,126

## 24. Significant Commitments and Contingencies

### Lease Commitments

The Company, as a lessee, has entered into various lease agreements with third parties and related parties covering its office spaces and service centers used in its operations with lease terms ranging from one to two years.

The Company assessed its lease commitments by class of underlying asset and assessed the contract renewals as short-term leases. The Company applies the “short-term lease” recognition exemptions under PFRS 16 for these leases.

Details of rent expense are as follows (see Note 20):

	Note	2025	2024
Third parties		<b>₱12,232,905</b>	₱14,120,044
Related parties	16	<b>18,122,409</b>	12,369,725
		<b>₱30,355,314</b>	₱26,489,769

### Contingencies

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. The management believes that the ultimate liability for these lawsuits, claims, and assessments, if any, would not be material in relation to the financial position and operating results of the Company.

## 25. Insurance and Financial Risk Management Objectives and Capital Management

### Insurance Risk

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

*Concentration of Insurance Risk.* The following tables set out the concentration of the outstanding claims provision by the type of contract as at December 31.

	2025		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Motor	₱57,328,783	₱202,469	₱57,126,314
Marine	20,201,533	11,154,764	9,046,769
Fire	20,169,120	3,874,662	16,294,458
Bonds	13,751,500	–	13,751,500
Casualty	20,108	–	20,108
	<b>₱111,471,044</b>	<b>₱15,231,895</b>	<b>₱96,239,149</b>

	2024		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Motor	₱51,043,006	₱–	₱51,043,006
Marine	7,900	–	7,900
Fire	62,709,433	25,170,433	37,539,000
Casualty	4,200,842	1,468,175	2,732,667
	<b>₱117,961,181</b>	<b>₱26,638,608</b>	<b>₱91,322,573</b>

For general insurance contracts, the most significant risks which arise from motor are car accidents, carnapping, weather disturbances, natural disasters and terrorist activities. These risks vary significantly in relation to the location of the risk insured by the Company and the types of risks insured.

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

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

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 insurance 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 surplus and excess-of-loss basis with retention limits varying by the product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. Thus, a credit exposure exists with respect to the reinsurance ceded to the extent that any reinsurer 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 a single reinsurance contract. There is no single counterparty exposure that exceeds 5% of the total reinsurance assets at the reporting date.

*Key Assumptions.* The principal assumptions underlying the estimates made by the Company depend on the Company's past claims experience. This includes assumptions in respect to average claim cost, claims handling costs, inflation factor and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decision and government legislation affect the estimates.

*Sensitivity Analysis.* 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, due to delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty as at the reporting date.

#### **Financial Risk Management Objectives**

The Company's principal financial instruments consist of cash in banks and cash equivalents, short-term investments, long-term time deposits, HTM investments, investments at FVPL and AFS investments. The Company also has various other financial assets and liabilities such as other receivables, security fund and accounts and other payables (excluding payable to government agencies) which arise directly from its operations. Financial assets investments arise from the Company's investing activities. The Company also has insurance assets and liabilities such as insurance receivables, reinsurance recoverable on unpaid losses (included under "Reinsurance assets" account), provisions for claims reported (included under "Insurance contract liabilities" account) and insurance payables which are subject to financial risk and insurance risk.

The main risks arising from the Company's financial instruments and insurance assets and liabilities are credit risk, liquidity risk, interest rate risk and equity price risk. The Company's BOD and management review and approve the policies for managing each of the risks summarized below.

*Credit Risk.* Credit risk is a risk that the Company will incur financial loss when its counterparties fail to discharge their contractual obligations. The Company deals with reputable banks to limit this risk.

The table below shows the credit risk exposure of the Company's financial assets and insurance assets as at December 31, 2025 and 2024.

	2025	2024
<b>Financial assets:</b>		
Cash in banks	<b>₱117,765,473</b>	₱170,264,280
Cash equivalents	<b>2,868,325</b>	76,294,597
Short-term investments	<b>925,710,783</b>	629,844,542
Long-term time deposits	<b>88,207,500</b>	-
HTM investments	<b>933,950,186</b>	954,975,953
Other receivables	<b>21,645,131</b>	23,604,732
Security fund*	<b>48,439</b>	48,439
<b>Insurance assets:</b>		
Insurance receivables	<b>151,660,771</b>	40,085,607
Reinsurance recoverable on unpaid losses**	<b>15,231,895</b>	26,638,608
	<b>₱2,257,088,503</b>	₱1,921,756,758

\*Included under "Other assets" account

\*\*Included under "Reinsurance assets" account

The tables below show the credit quality of financial assets as at December 31, 2025 and 2024.

	2025							Total
	Neither past due or impaired			Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
<b>Financial assets:</b>								
Cash in banks	<b>₱117,765,473</b>	P-	P-	P-	P-	P-	P-	<b>₱117,765,473</b>
Cash equivalents	<b>2,868,325</b>	-	-	-	-	-	-	<b>2,868,325</b>
Short-term investments	<b>925,710,783</b>	-	-	-	-	-	-	<b>925,710,783</b>
Long-term time deposits	<b>88,207,500</b>	-	-	-	-	-	-	<b>88,207,500</b>
HTM investments	<b>933,950,186</b>	-	-	-	-	-	-	<b>933,950,186</b>
Other receivables	<b>21,645,131</b>	-	-	-	-	-	-	<b>21,645,131</b>
Security fund*	<b>48,439</b>	-	-	-	-	-	-	<b>48,439</b>
<b>Insurance assets:</b>								
Insurance receivables	<b>24,300,739</b>	<b>42,541,531</b>	<b>42,530,549</b>	<b>36,998,207</b>	<b>3,558,784</b>	<b>1,730,961</b>	-	<b>151,660,771</b>
Reinsurance recoverable on unpaid losses**	<b>15,231,895</b>	-	-	-	-	-	-	<b>15,231,895</b>
	<b>₱2,129,728,471</b>	<b>₱42,541,531</b>	<b>₱42,530,549</b>	<b>₱36,998,207</b>	<b>₱3,558,784</b>	<b>₱1,730,961</b>	<b>P-</b>	<b>₱2,257,088,503</b>

	2024							Total
	Neither past due or impaired			Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
<b>Financial assets:</b>								
Cash in banks	<b>₱170,264,280</b>	P-	P-	P-	P-	P-	P-	<b>₱170,264,280</b>
Cash equivalents	<b>76,294,597</b>	-	-	-	-	-	-	<b>76,294,597</b>
Short-term investments	<b>629,844,542</b>	-	-	-	-	-	-	<b>629,844,542</b>
HTM investments	<b>954,975,953</b>	-	-	-	-	-	-	<b>954,975,953</b>
Loans and receivables	<b>23,604,732</b>	-	-	-	-	-	-	<b>23,604,732</b>
Security fund*	<b>48,439</b>	-	-	-	-	-	-	<b>48,439</b>
<b>Insurance assets:</b>								
Insurance receivables	<b>17,423,137</b>	<b>9,250,575</b>	<b>8,340,107</b>	<b>5,071,788</b>	-	-	-	<b>40,085,607</b>
Reinsurance recoverable on unpaid losses**	<b>26,638,608</b>	-	-	-	-	-	-	<b>26,638,608</b>
	<b>₱1,899,094,288</b>	<b>₱9,250,575</b>	<b>₱8,340,107</b>	<b>₱5,071,788</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>₱1,921,756,758</b>

\*Included under "Other assets" account.

\*\*Included under "Reinsurance assets" account.

Cash in banks are classified as high grade since these are deposited in reputable banks with good credit rating and low probability of insolvency. Cash equivalents and short-term investments are classified as high grade since these are investment in government treasury bills.

HTM investments are assessed as high grade since these include investment in government treasury bonds and investment in debt securities of companies having good financial condition and operating in an industry which has potential growth.

High grade receivables pertain to those receivables from counterparties that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

The Company has no significant concentration of credit risk in relation to its financial assets and insurance assets.

*Liquidity Risk.* Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial liabilities and insurance liabilities.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated funds. The Company manages its liquid funds through cash planning, using historical figures and experiences as well as reasonable forecasts for its collections and disbursements.

The tables below summarize the maturity profile of the Company's financial liabilities and insurance liabilities as at December 31 based on contractual undiscounted payments:

	2025				Total
	On Due or Demand	1 to 3 Years	3 to 5 Years	Over 5 Years	
<b>Financial liabilities:</b>					
Accounts and other payables*	₱39,925,146	₱-	₱-	₱-	₱39,925,146
<b>Insurance liabilities:</b>					
Provision for claims reported**	74,350,656	₱-	-	-	74,350,656
Insurance payables	29,933,722	-	-	-	29,933,722
	<b>₱144,209,524</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱144,209,524</b>
	2024				
	On Due or Demand	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
<b>Financial liabilities:</b>					
Accounts and other payables*	₱45,479,098	₱-	₱-	₱-	₱45,479,098
<b>Insurance liabilities:</b>					
Provision for claims reported**	83,651,900	-	-	-	83,651,900
Insurance payables	33,996,429	-	-	-	33,996,429
	<b>₱163,127,427</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱163,127,427</b>

\*Excluding payables to government agencies amounting to ₱43.6 million and ₱31.4 million as at December 31, 2025 and 2024, respectively.

\*\*Included under "Insurance contract liabilities" account.

*Interest rate risk.* Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The primary source of the Company's interest rate risk relates to interest-bearing financial assets, particularly on cash in banks, cash equivalents, short-term investments, long-term time deposits and HTM investments.

As at December 31, 2025 and 2024, the Company's cash in banks, cash equivalents, short-term investments, long-term time deposits and HTM investments bear fixed annual interest rates and are carried at amortized cost as disclosed in Notes 5, 6 and 7. Therefore, a change in interest rates at the reporting date would not materially affect profit or loss and equity.

*Equity Price Risk.* The Company's price risk exposure at year-end relates to financial instruments whose values will fluctuate as a result of changes in market prices, principally, investments at FVPL amounting to ₱197.9 million and ₱159.8 million as at December 31, 2025 and 2024, respectively, and AFS investments amounting to ₱43.3 million and ₱57.0 million as at December 31, 2025 and 2024, respectively (see Note 7). Such investments in equity securities are subject to price risk due to changes in market values of instruments arising either from factor specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The sensitivity rate used for reporting equity price risk represents management's assessment of the reasonably possible change in equity pricing per PSE index. The sensitivity analysis of the Company's stock portfolio as at December 31, 2025 and 2024 follows:

	2025		
	Increase (decrease) in market value	Effect on income before tax	Effect on Equity
Investments at FVPL	16.68% (16.68%)	₱30,517,747 (30,517,747)	₱30,517,747 (30,517,747)
AFS investments	16.68% (16.68%)	– –	5,141,915 (5,141,915)
	2024		
	Increase (decrease) in market value	Effect on income before tax	Effect on Equity
Investments at FVPL	10.90% (10.90%)	₱18,009,829 (18,009,829)	₱18,009,829 (18,009,829)
AFS investments	10.90% (10.90%)	– –	5,685,760 (5,685,760)

### **Capital Management**

The primary objective of the Company's capital management is to ensure that it complies with the IC requirements. The Company manages its capital structure and makes adjustments whenever there are changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and process in 2025 and 2024.

The minimum required net worth for the Company starting December 31, 2022 amounted to ₱1,300.0 million. The minimum net worth requirements must remain unimpaired for the continuance of the license.

Pursuant to Section 202 of the Code, the Company's estimated net worth as at December 31, 2025 and the actual net worth as at December 31, 2024 based on the examination of IC follows:

	<b>2025</b> <b>(Estimated)</b>	2024 (Approved)
Total assets	<b>₱4,908,798,280</b>	₱4,417,501,678
Less: Total liabilities	<b>1,079,655,917</b>	1,015,683,989
Total equity	<b>3,829,142,363</b>	3,401,817,689
Less: Non-admitted assets	<b>388,870,064</b>	349,801,862
Net worth	<b>3,440,272,299</b>	3,052,015,827
Less: Net worth requirements	<b>1,300,000,000</b>	1,300,000,000
Excess over net worth requirements	<b>₱2,140,272,299</b>	₱1,752,015,827

The final net worth of the Company and status of compliance can be determined only after the accounts of the Company have been examined by the IC especially as to admitted and non-admitted assets as defined by the Insurance Code.

As at December 31, 2025 and 2024, the Company's estimated and actual net worth, respectively, is within the minimum statutory net worth requirements of the IC.

#### **Risk-Based Capital (RBC) Requirements**

The RBC ratio shall be computed as net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve shall form part of the net worth only to the extent authorized by the IC. The RBC requirement is the ratio of the number of insurers which are able to meet the corresponding RBC Hurdle Rate requirement for a given year to the total number of insurers in the industry.

CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital divided by the RBC requirement.

The following table shows how the RBC ratio as at December 31, 2025 and 2024 was determined by the Company based on its internal calculations:

	<b>2025</b> <b>(Estimated)</b>	2024 (Approved)
Total available capital	<b>₱3,529,475,401</b>	₱3,052,015,827
RBC requirement	<b>684,335,948</b>	630,581,782
RBC ratio	<b>516%</b>	484%

The final amount of the RBC ratio as at December 31, 2025 can be determined only after the accounts of the Company have been examined by IC specifically for the determination of admitted and non-admitted assets as defined under the Code.

CL No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Code and all other accounts not discussed in the Code but are used in accounting of insurance and reinsurance companies.

CL No. 2016-67, *Valuation Standards for Non-Life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premiums reserves, the concept of unexpired risk reserves is also included in the calculation of the premiums 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 Bornheutter-Ferguson method. A margin for the adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to Mack method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the IC.

CL No. 2016-69, implementation requirements for FRF, valuation standards for insurance policy reserves and new risk-based capital framework provides that the level of sufficiency for the RBC 2 Framework shall be at 95% level in 2017, 97.50% in 2018, 99.50% in 2019.

The new regulatory requirements under CL Nos. 2016-65, 2016-67, 2016-68, and 2016-69 took effect on January 1, 2017.

As at December 31, 2025 and 2024, the Company is compliant with the RBC ratio requirements of the IC.

## 26. Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements as at December 31, 2025 and 2024:

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Financial assets at amortized cost:				
Cash and cash equivalents	₱121,423,798	₱121,423,798	₱247,328,877	₱247,328,877
Short-term investments	925,710,783	925,710,783	629,844,542	629,844,542
Long-term time deposits	88,207,500	88,207,500	–	–
Other receivables	21,645,131	21,645,131	23,604,732	23,604,732
Security fund*	48,439	48,439	48,439	48,439
HTM investments	933,950,186	950,747,673	954,975,953	957,734,020
Investments at FVPL	197,939,950	197,939,950	159,789,765	159,789,765
AFS investments	43,276,257	43,276,257	57,024,653	57,024,653
	<b>₱2,332,202,044</b>	<b>₱2,348,999,531</b>	<b>₱2,072,616,961</b>	<b>₱2,075,375,028</b>
<b>Financial Liabilities</b>				
Accounts and other payables**	₱39,925,146	₱39,925,146	₱45,479,098	₱45,479,098

\*Included under "Other assets" account.

\*\*Excluding payables to government agencies aggregating to ₱43.6 million and ₱31.4 million in 2025 and 2024, respectively.

*Cash in Banks, Cash Equivalents, Short-term Investments, Other Receivables, Security Fund (included under "Other Assets" account) and Accounts and Other Payables (excluding payable to government agencies).* The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

*Long-term Time Deposits.* The fair value of long-term time deposits approximates its carrying amount. The effect of not discounting the financial assets is insignificant.

*HTM Investments.* The fair values of HTM investments were determined based on Level 2 in which the inputs are based on the discounted cash flow technique using market interest rates for comparable instruments. The discount rates used in determining the fair value of the Company's HTM investments ranges from 2.6% to 8.22% in 2025 and 2.3% to 8.0% in 2024.

*Investments at FVPL and AFS Investments.* The fair values were determined based on Level 1 in which the inputs are based on quoted prices in active markets.

### **Fair Value Hierarchy**

For the years ended December 31, 2025 and 2024, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

## **27. Classification of Assets and Liabilities**

The following tables present the carrying amounts of assets and liabilities classified as either current or noncurrent as at December 31:

	2025			2024		
	Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Assets:</b>						
Cash and cash equivalents	₱121,423,798	₱-	₱121,423,798	₱247,328,877	₱-	₱247,328,877
Insurance receivables	151,660,771	-	151,660,771	40,085,607	-	40,085,607
Short-term investments	925,710,783	-	925,710,783	629,844,542	-	629,844,542
Long-term time deposits	-	88,207,500	88,207,500	-	-	-
HTM investments	113,680,000	820,270,186	933,950,186	184,607,047	770,368,906	954,975,953
Investments at FVPL	197,939,950	-	197,939,950	159,789,765	-	159,789,765
AFS investments	-	43,276,257	43,276,257	-	57,024,653	57,024,653
Other receivables	21,645,131	-	21,645,131	23,604,732	-	23,604,732
Deferred acquisition costs	138,392,903	-	138,392,903	120,122,315	-	120,122,315
Reinsurance assets	51,704,809	-	51,704,809	75,657,882	-	75,657,882
Investment properties	-	1,514,854,001	1,514,854,001	-	1,410,568,001	1,410,568,001
Property and equipment:						
At revalued amount	-	680,501,948	680,501,948	-	646,897,000	646,897,000
At cost	-	34,677,887	34,677,887	-	41,138,841	41,138,841
Other assets	4,839,402	-	4,839,402	4,235,954	-	4,235,954
	<b>₱1,726,997,547</b>	<b>₱3,181,787,779</b>	<b>₱4,908,785,326</b>	<b>₱1,485,276,721</b>	<b>₱2,925,997,401</b>	<b>₱4,411,274,122</b>
<b>Liabilities:</b>						
Insurance contract liabilities	₱705,205,313	₱-	₱705,205,313	₱655,116,159	₱-	₱655,116,159
Insurance payables	29,933,722	-	29,933,722	33,996,429	-	33,996,429
Deferred reinsurance commissions	9,420,645	-	9,420,645	13,917,881	-	13,917,881
Accounts and other payables	83,528,951	-	83,528,951	76,923,194	-	76,923,194
Net retirement benefit liability	-	28,822,055	28,822,055	-	17,540,433	17,540,433
Income tax payable	54,603,300	-	54,603,300	60,386,319	-	60,386,319
Deferred tax liabilities	-	168,141,932	168,141,932	-	157,803,574	157,803,574
	<b>₱882,691,931</b>	<b>₱196,963,987</b>	<b>₱1,079,655,918</b>	<b>₱808,895,886</b>	<b>₱175,344,007</b>	<b>₱1,015,683,989</b>



**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Liberty Insurance Corporation  
119 JCSO Building  
Dela Rosa corner C. Palanca, Jr. Sts.,  
Legaspi Village, Makati City

We have audited the accompanying financial statements Liberty Insurance Corporation (the Company) as at and for the years then ended December 31, 2025 and 2024, on which we have rendered our report dated March 25, 2026.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 77 stockholders owning one hundred or more shares each.

**REYES TACANDONG & Co.**

*Pamela Ann P. Escudro*  
PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782/P-013; Valid until June 6, 2026

IC Accreditation No. IC EA-2025-0050-R

Issued January 22, 2026

Valid for Financial Periods 2025 to 2027

SEC Accreditation No. 128829-SEC Group A

Issued March 23, 2021

Valid for Financial Periods 2020 to 2025

BIR Accreditation No. 08-005144-013-2025

Valid until October 20, 2028

PTR No. 10764016

Issued January 2, 2026, Makati City

March 25, 2026

Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES OF  
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors  
Liberty Insurance Corporation  
119 JCSCO Building  
Dela Rosa corner C. Palanca, Jr. Sts.  
Legaspi Village, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the basic financial statements of Liberty Insurance Corporation as at and for the year ended December 31, 2025, and have issued our report thereon dated March 25, 2026. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2025 is the responsibility of the Company's management.

This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**

*Pamela Ann P. Escudro*  
PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782/P-013; Valid until June 6, 2026

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March 25, 2026

Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2025**

**LIBERTY INSURANCE CORPORATION**

119 JCSO Building, Dela Rosa corner C. Palanca, Jr. Sts., Legaspi Village, Makati City

	Amount
<b>Unappropriated retained earnings, beginning of reporting period</b>	<b>₱1,036,811,819</b>
<b>Add: <u>Category A</u>: Items that are directly credited to unappropriated retained earnings</b>	
Reversal of retained earnings appropriation/s	—
Effect of restatements or prior-period adjustments	—
Others (describe nature)	—
—	
<b>Less: <u>Category B</u>: Items that are directly debited to unappropriated retained earnings</b>	
Dividend declaration during the reporting period	—
Retained earnings appropriated during the reporting period	—
Effect of restatements or prior-period adjustments	—
Others (describe nature)	—
—	
<b>Unappropriated retained earnings, as adjusted</b>	<b>1,036,811,819</b>
<b>Add/less: Net income (loss) for the current year</b>	<b>415,746,445</b>
<b>Less: <u>Category C.1</u>: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>	
Equity in net income of associate/joint venture, net of dividends declared	—
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPL)	(1,480,185)
Unrealized fair value gain of investment property	(104,286,000)
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the Philippine Financial Reporting Standards (PFRS) (describe nature)	—
—	
Sub-total	<b>(105,766,185)</b>

	Amount
<b>Add: <u>Category C.2: Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period (net of tax)</u></b>	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	-
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	-
Realized fair value of investment property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
Realized foreign exchange gain, except those attributable to cash and cash equivalents	-
<b>Sub-total</b>	<b>-</b>
<b>Add: <u>Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)</u></b>	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVPL	-
Reversal of previously recorded fair value of investment property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-
<b>Sub-total</b>	<b>-</b>
<b>Adjusted net income (loss)</b>	<b>309,980,260</b>
<b>Add: <u>Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)</u></b>	
Depreciation on revaluation increment (after tax)	9,715
<b>Sub-total</b>	<b>9,715</b>
<b>Add/less: <u>Category E: Adjustments related to relief granted by the SEC</u></b>	
Amortization of the effect of reporting relief	-
Total amount of reporting relief granted during the year	-
Others (describe nature)	-
<b>Sub-total</b>	<b>-</b>

	Amount
<b>Add/less: <u>Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution</u></b>	
Net movement of treasury shares (except for reacquisition of redeemable shares)	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	595,482
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	-
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-
Others: Effect of restatement on unrealized fair value gain on investment properties in prior periods	-
Sub-total	595,482
<b>Total retained earnings, end of the reporting period available for dividend</b>	<b>₱1,347,397,276</b>

**LIBERTY INSURANCE CORPORATION**  
**SUPPLEMENTARY SCHEDULE OF**  
**EXTERNAL AUDITOR FEE-RELATED INFORMATION**  
**AS OF DECEMBER 31, 2025 AND 2024**

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	2025	2024
Total audit fees	<b>₱1,100,000</b>	₱1,000,000
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total non-audit fees	-	-
Total audit and non-audit fees	<b>₱1,100,000</b>	₱1,000,000

**From:** eafs@bir.gov.ph <eafs@bir.gov.ph>  
**Sent:** Tuesday, 28 April 2026 1:49 pm  
**To:** Info <info@libertyinsurance.com.ph>  
**Cc:** FRANCISCO, Sonia <sfrancisco@libertyinsurance.com.ph>  
**Subject:** Your BIR AFS eSubmission uploads were received

Hi LIBERTY INSURANCE CORPORATION,

**Valid files**

- EAFS000471488ITRTY122025.pdf
- EAFS000471488TCRTY122025-01.pdf
- EAFS000471488AFSTY122025.pdf
- EAFS000471488OTHTY122025.pdf
- EAFS000471488RPTTY122025.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-7CKJ5BEA042SPV3WQP2ZTYT1M0LHBGJ86**

Submission Date/Time: **Apr 28, 2026 01:49 PM**

Company TIN: **000-471-488**

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- 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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