2025
AUDITED FINANCIAL STATEMENTS

WESTERN GUARANTY CORPORATION
December 31, 2025 and 2024

R. R. TAN AND ASSOCIATES
Certified Public Accountants

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西 聯 保 險 有 限 公 司

WESTERN GUARANTY CORPORATION

11th Floor, ETY Building, 484 Quintin Paredes Street, Binondo, Manila
Tel. No. 8241-7401: Website: westernguaranty.ph

STATEMENT OF MANAGEMENT RESPONSIBILITY

FOR ANNUAL INCOME TAX RETURN

The Management of **WESTERN GUARANTY CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the period ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all the information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the period ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of **WESTERN GUARANTY CORPORATION** complete and correct in all material respects. Management likewise affirms that:

(a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuance of the Department of Finance and the Bureau of Internal Revenue.

(b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **WESTERN GUARANTY CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ATTY. LEVY EDWIN C. ANG
Chairman of the Board

CHOA SIU TIN
President

MARIA JOSELITA L. ANG
Treasurer

Signed this 6th day of May 2026.

R. R. TAN & ASSOCIATES, CPAs

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32
e-mail: info@rrtan.net

PRC-BOA Reg. No. 0132, valid until August 13, 2027
BIR Accreditation No. 07-100995-003-2025, valid until September 1, 2028
SEC Accreditation No. 0132-SEC (Group A), valid to cover audit of 2025-2027 financial statements

Report of Independent Public Accountants

The Board of Directors and Stockholders
WESTERN GUARANTY CORPORATION
11th floor ETY Building
484 Quintin Paredes St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **WESTERN GUARANTY 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 the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **WESTERN GUARANTY CORPORATION** taken as a whole. The supplementary information disclosed in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. R. TAN & ASSOCIATES, CPAs

By: **DOMINGO A. DAZA, JR.**
Partner
CPA Certificate No. 109993
Tax Identification No. 203-917-449
PTR No. 3986699, January 12, 2026, Pasig City
PRC-BOA Reg. No. 0132/P-001, valid until August 13, 2027
BIR Accreditation No. 07-100997-003-2025, valid until September 1, 2028
SEC Accreditation No. 109993-SEC (Group A), valid to cover audit of 2025 financial statements
IC Accreditation No. IC EA-2025-0079-R (Group A), valid to cover audit of 2025 to 2027 financial statements

May 6, 2026
Pasig City

R. R. TAN & ASSOCIATES, CPAs

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32
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BIR Accreditation No. 07-100995-003-2025, valid until September 1, 2028
SEC Accreditation No. 0132-SEC (Group A), valid to cover audit of
2025-2027 financial statements

Report of Independent Public Accountants to Accompany Income Tax Return

The Board of Directors and Stockholders
WESTERN GUARANTY CORPORATION
11th floor ETY Building
484 Quintin Paredes St.
Binondo, Manila

We have audited the financial statements of **WESTERN GUARANTY CORPORATION** (the company) as at and for the year ended December 31, 2025, on which we have rendered the attached report dated May 6, 2026.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R. R. TAN & ASSOCIATES, CPAs

By: **DOMINGO A. DAZA, JR.**
Partner
CPA Certificate No. 109993
Tax Identification No. 203-917-449
PTR No. 3986699, January 12, 2026, Pasig City
PRC-BOA Reg. No. 0132/P-001, valid until August 13, 2027
BIR Accreditation No. 07-100997-003-2025, valid until September 1, 2028
SEC Accreditation No. 109993-SEC (Group A), valid to cover audit of
2025 financial statements
IC Accreditation No. IC EA-2025-0079-R (Group A), valid to cover audit of
2025 to 2027 financial statements

May 6, 2026
Pasig City

WESTERN GUARANTY CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS	***Notes***		**2025**		2024
Cash and Cash Equivalents	*8*	**P**	**188,926,802**	P	150,669,974
Short-term Investments	*9*		**33,054,981**		32,805,615
Financial Assets					
Fair Value Through Profit or Loss (FVPL)	*5,10*		**100,797,806**		129,107,561
Available-for-Sale (AFS)	*5,10*		**16,971,980**		36,949,425
Held-to-Maturity (HTM)	*5,10*		**437,693,148**		462,271,647
Insurance Balance Receivables	*11*		**1,001,192,106**		971,153,434
Reinsurance Assets	*12*		**797,510,024**		747,416,536
Deferred Acquisition Costs	*15*		**224,204,335**		180,561,743
Investment Properties	*13*		**220,352,528**		220,768,389
Property and Equipment - Net	*14*		**465,822,792**		469,701,201
Accrued Investment Income	*16*		**4,388,031**		4,430,145
Other Assets	*17*		**82,789,267**		66,918,450
TOTAL ASSETS		**P**	**3,573,703,800**	P	3,472,754,120

LIABILITIES AND EQUITY					
Reserve for Unearned Premiums	*18*	**P**	**613,819,895**	P	530,153,046
Insurance Claims Payable	*19*		**632,286,934**		807,752,627
Accounts Payable and Accrued Expenses	*20*		**158,440,219**		171,427,670
Reinsurance Liabilities	*21*		**165,921,010**		89,734,596
Deferred Commission Income	*15*		**10,222,710**		3,688,777
Deferred Tax Liabilities - Net	*30*		**5,288,792**		9,616,606
Lease Liability	*31*		**5,449,177**		4,082,430
Total Liabilities			**1,591,428,737**		1,616,455,752
EQUITY					
Share Capital	*22*		**900,000,000**		900,000,000
Contributed Surplus			**350,000**		350,000
Contingency Surplus	*22*		**65,000,000**		-
Revaluation Reserve on:					
Property and Equipment - net			**41,336,673**		41,336,673
AFS Financial Assets	*10*		**(15,511,329)**		(18,192,742)
Retained Earnings - December 31			**991,099,719**		932,804,437
Total Equity			**1,982,275,063**		1,856,298,368
TOTAL LIABILITIES AND EQUITY		**P**	**3,573,703,800**	P	3,472,754,120

See Accompanying Notes to Financial Statements

WESTERN GUARANTY CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes		2025	2024
REVENUES				
Gross Premiums Earned	*24*	**P**	**1,742,750,816**	P 1,485,720,406
Reinsurance Premium Ceded	*24*		**279,226,406**	155,622,312
Net Insurance Revenue			**1,463,524,410**	1,330,098,094
Commission Income	*27*		**19,422,552**	11,336,983
Interest and Other Investment Income - Net	*25*		**33,777,403**	30,302,937
			1,516,724,365	1,371,738,014
CLAIMS, LOSSES AND ADJUSTMENT EXPENSES				
Insurance Claims, Losses and Adjustment Expenses Paid - Net of Salvages and Recoveries	*26*		**887,869,415**	592,560,180
Paid Insurance Claims, Losses and Adjustment Expenses Recovered from Reinsurers	*26*		**(185,108,644)**	(108,113,077)
Changes in Insurance Claims Payable			**(175,465,693)**	548,037,496
Changes in Reinsurers' Share of Claims, Losses and Adjustment Expenses			**149,252,033**	(364,055,931)
Other Underwriting Expenses			**361,013**	11,321,638
			676,908,124	679,750,306
COSTS AND EXPENSES				
Commission Expense	*27*		**405,416,025**	324,441,680
General and Administrative Expenses	*28*		**367,257,612**	321,859,610
Finance cost			**7,827**	374,937
			772,681,464	646,676,227
INCOME BEFORE INCOME TAX EXPENSE			**67,134,777**	45,311,481
INCOME TAX EXPENSE	*30*		**8,839,495**	4,564,401
PROFIT FOR THE YEAR			**58,295,282**	40,747,080
OTHER COMPREHENSIVE INCOME (LOSS)				
Item to be reclassified to profit or loss in subsequent periods:				
Fair value changes in AFS investments	*10*		**2,681,413**	(1,395,125)
TOTAL COMPREHENSIVE INCOME		**P**	**60,976,695**	P 39,351,955

See accompanying notes to financial statements

WESTERN GUARANTY CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes		**2025**		2024
SHARE CAPITAL	*22*				
Balance, January 1		**P**	**900,000,000**	P	607,000,000
Issuance during the year			**-**		293,000,000
Balance, December 31			**900,000,000**		900,000,000
CONTRIBUTED SURPLUS			**350,000**		350,000
CONTINGENCY SURPLUS	*22*		**65,000,000**		-
REVALUATION RESERVE					
Property and equipment - *Net of Tax*			**41,336,673**		41,336,673
Available-for-Sale Financial Assets					
Balance, January 1	*10*		**(18,192,742)**		(16,797,617)
Changes in Fair Values			**2,681,413**		(1,395,125)
Balance, December 31			**(15,511,329)**		(18,192,742)
RETAINED EARNINGS					
Balance, January 1			**932,804,437**		892,057,357
Profit for the Year			**58,295,282**		40,747,080
Balance, December 31			**991,099,719**		932,804,437
		P	**1,982,275,063**	P	1,856,298,368

See accompanying notes to financial statements

2025
AUDITED FINANCIAL STATEMENTS

WESTERN GUARANTY CORPORATION
December 31, 2025 and 2024

R. R. TAN AND ASSOCIATES
Certified Public Accountants

STATEMENT OF MANAGEMENT RESPONSIBILITY

FOR ANNUAL INCOME TAX RETURN

The Management of **WESTERN GUARANTY CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the period ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all the information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the period ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of **WESTERN GUARANTY CORPORATION** complete and correct in all material respects. Management likewise affirms that:

(a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuance of the Department of Finance and the Bureau of Internal Revenue.

(b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **WESTERN GUARANTY CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ATTY. LEVY EDWIN C. ANG
Chairman of the Board

CHOA SIU TIN
President

MARIA JOSELITA L. ANG
Treasurer

Signed this 6th day of May 2026.

R. R. TAN & ASSOCIATES, CPAs

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32
e-mail: info@rrtan.net

PRC-BOA Reg. No. 0132, valid until August 13, 2027
BIR Accreditation No. 07-100995-003-2025, valid until September 1, 2028
SEC Accreditation No. 0132-SEC (Group A), valid to cover audit of 2025-2027 financial statements

Report of Independent Public Accountants

The Board of Directors and Stockholders
WESTERN GUARANTY CORPORATION
11th floor ETY Building
484 Quintin Paredes St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **WESTERN GUARANTY 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 the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **WESTERN GUARANTY CORPORATION** taken as a whole. The supplementary information disclosed in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. R. TAN & ASSOCIATES, CPAs

By: **DOMINGO A. DAZA, JR.**
Partner
CPA Certificate No. 109993
Tax Identification No. 203-917-449
PTR No. 3986699, January 12, 2026, Pasig City
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IC Accreditation No. IC EA-2025-0079-R (Group A), valid to cover audit of 2025 to 2027 financial statements

May 6, 2026
Pasig City

R. R. TAN & ASSOCIATES, CPAs

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Report of Independent Public Accountants to Accompany Income Tax Return

The Board of Directors and Stockholders
WESTERN GUARANTY CORPORATION
11th floor ETY Building
484 Quintin Paredes St.
Binondo, Manila

We have audited the financial statements of **WESTERN GUARANTY CORPORATION** (the company) as at and for the year ended December 31, 2025, on which we have rendered the attached report dated May 6, 2026.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R. R. TAN & ASSOCIATES, CPAs

By: DOMINGO A. DAZA, JR.
Partner
CPA Certificate No. 109993
Tax Identification No. 203-917-449
PTR No. 3986699, January 12, 2026, Pasig City
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2025 to 2027 financial statements

May 6, 2026
Pasig City

WESTERN GUARANTY CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS	***Notes***		**2025**		2024
Cash and Cash Equivalents	*8*	**P**	**188,926,802**	P	150,669,974
Short-term Investments	*9*		**33,054,981**		32,805,615
Financial Assets					
Fair Value Through Profit or Loss (FVPL)	*5,10*		**100,797,806**		129,107,561
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Property and Equipment - Net	*14*		**465,822,792**		469,701,201
Accrued Investment Income	*16*		**4,388,031**		4,430,145
Other Assets	*17*		**82,789,267**		66,918,450
TOTAL ASSETS		**P**	**3,573,703,800**	P	3,472,754,120

LIABILITIES AND EQUITY					
Reserve for Unearned Premiums	*18*	**P**	**613,819,895**	P	530,153,046
Insurance Claims Payable	*19*		**632,286,934**		807,752,627
Accounts Payable and Accrued Expenses	*20*		**158,440,219**		171,427,670
Reinsurance Liabilities	*21*		**165,921,010**		89,734,596
Deferred Commission Income	*15*		**10,222,710**		3,688,777
Deferred Tax Liabilities - Net	*30*		**5,288,792**		9,616,606
Lease Liability	*31*		**5,449,177**		4,082,430
Total Liabilities			**1,591,428,737**		1,616,455,752
EQUITY					
Share Capital	*22*		**900,000,000**		900,000,000
Contributed Surplus			**350,000**		350,000
Contingency Surplus	*22*		**65,000,000**		-
Revaluation Reserve on:					
Property and Equipment - net			**41,336,673**		41,336,673
AFS Financial Assets	*10*		**(15,511,329)**		(18,192,742)
Retained Earnings - December 31			**991,099,719**		932,804,437
Total Equity			**1,982,275,063**		1,856,298,368
TOTAL LIABILITIES AND EQUITY		**P**	**3,573,703,800**	P	3,472,754,120

See Accompanying Notes to Financial Statements

WESTERN GUARANTY CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes		2025	2024
REVENUES				
Gross Premiums Earned	*24*	**P**	**1,742,750,816**	P 1,485,720,406
Reinsurance Premium Ceded	*24*		**279,226,406**	155,622,312
Net Insurance Revenue			**1,463,524,410**	1,330,098,094
Commission Income	*27*		**19,422,552**	11,336,983
Interest and Other Investment Income - Net	*25*		**33,777,403**	30,302,937
			1,516,724,365	1,371,738,014
CLAIMS, LOSSES AND ADJUSTMENT EXPENSES				
Insurance Claims, Losses and Adjustment Expenses Paid - Net of Salvages and Recoveries	*26*		**887,869,415**	592,560,180
Paid Insurance Claims, Losses and Adjustment Expenses Recovered from Reinsurers	*26*		**(185,108,644)**	(108,113,077)
Changes in Insurance Claims Payable			**(175,465,693)**	548,037,496
Changes in Reinsurers' Share of Claims, Losses and Adjustment Expenses			**149,252,033**	(364,055,931)
Other Underwriting Expenses			**361,013**	11,321,638
			676,908,124	679,750,306
COSTS AND EXPENSES				
Commission Expense	*27*		**405,416,025**	324,441,680
General and Administrative Expenses	*28*		**367,257,612**	321,859,610
Finance cost			**7,827**	374,937
			772,681,464	646,676,227
INCOME BEFORE INCOME TAX EXPENSE			**67,134,777**	45,311,481
INCOME TAX EXPENSE	*30*		**8,839,495**	4,564,401
PROFIT FOR THE YEAR			**58,295,282**	40,747,080
OTHER COMPREHENSIVE INCOME (LOSS)				
Item to be reclassified to profit or loss in subsequent periods:				
Fair value changes in AFS investments	*10*		**2,681,413**	(1,395,125)
TOTAL COMPREHENSIVE INCOME		**P**	**60,976,695**	P 39,351,955

See accompanying notes to financial statements

WESTERN GUARANTY CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes		**2025**		2024
SHARE CAPITAL	*22*				
Balance, January 1		**P**	**900,000,000**	P	607,000,000
Issuance during the year			**-**		293,000,000
Balance, December 31			**900,000,000**		900,000,000
CONTRIBUTED SURPLUS			**350,000**		350,000
CONTINGENCY SURPLUS	*22*		**65,000,000**		-
REVALUATION RESERVE					
Property and equipment - *Net of Tax*			**41,336,673**		41,336,673
Available-for-Sale Financial Assets					
Balance, January 1	*10*		**(18,192,742)**		(16,797,617)
Changes in Fair Values			**2,681,413**		(1,395,125)
Balance, December 31			**(15,511,329)**		(18,192,742)
RETAINED EARNINGS					
Balance, January 1			**932,804,437**		892,057,357
Profit for the Year			**58,295,282**		40,747,080
Balance, December 31			**991,099,719**		932,804,437
		P	**1,982,275,063**	P	1,856,298,368

See accompanying notes to financial statements

WESTERN GUARANTY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income Before Income Tax Expense		**P 67,134,777**	P 45,311,481
Adjustments for:			
Amortizations of:			
Premium (Discount) on Held-To-Maturity Investments	10	**(564,179)**	(942,193)
Deferred Acquisition Cost - Net	15	**(37,108,659)**	(24,140,591)
Reserve for Unearned Premiums - net	24	**47,033,476**	(1,314,932)
IBNR and Other Reserves - Net		**197,623,190**	(342,139,339)
Depreciation and amortization	28	**20,007,332**	15,850,493
Unrealized Loss on Foreign Exchange	25	**315,792**	368,712
Gain on Sale of Property and Equipment		**(236,000)**	
Gain on Sale of Available-for-Sale Investments	25	**(3,445,449)**	(158,082)
Interest Income	25	**(29,466,397)**	(29,522,447)
Dividend Income	25	**(138,617)**	(448,357)
Interest Expense	31	**465,508**	374,937
Operating Income (Loss) Before Working Capital Changes		**261,620,774**	(336,760,318)
Decrease (Increase) in Operating Assets:			
Insurance Balance Receivables		**(30,038,672)**	(103,796,747)
Reinsurance Assets		**(162,708,745)**	(57,767,396)
Other Assets		**(20,489,837)**	(7,588,412)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable and Accrued Expenses		**(12,987,451)**	(3,447,168)
Reinsurance Liabilities		**76,186,413**	57,150,710
Insurance Claims Payable		**(223,836,851)**	526,117,501
Cash Provided by Operations		**(112,254,367)**	73,908,170
Income Taxes Paid		**(10,315,513)**	(18,314,244)
Net Cash Provided by (Used in) Operating Activities		**(122,569,882)**	55,593,926
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale/Maturities of:			
Financial Assets:			
Short-term Investments		**32,805,615**	37,857,874
Fair Value Through Profit or Loss		**129,107,561**	75,478,936
Available-for-Sale		**26,104,307**	3,158,082
Held-to-Maturity		**121,500,000**	27,250,000
Property and Equipment		**300,000**	
Acquisitions of:			
Property and Equipment	14	**(7,214,620)**	(262,188,048)
Financial Assets:			
Short-term Investments		**(33,054,981)**	(32,805,615)
Fair Value Through Profit or Loss	10	**(100,797,806)**	(129,107,561)
Available-for-Sale	10	**-**	(20,000,000)
Held-to-Maturity	10	**(96,357,322)**	(110,707,268)
Interest and Dividend Received		**29,647,128**	28,077,943
Net Cash Provided by (Used in) Investing Activities		**102,039,882**	(382,985,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Lease Liability, including interest expense	31	**(5,897,380)**	(3,897,096)
Proceeds from Contributed Surplus	22	**65,000,000**	-
Proceeds from Issuance of Share Capital	22	**-**	293,000,000
Net Cash Provided by Financing Activities		**59,102,620**	289,102,904
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**38,572,620**	(38,288,827)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(315,792)**	(368,712)
CASH AND CASH EQUIVALENTS, JANUARY 1		**150,669,974**	189,327,513
CASH AND CASH EQUIVALENTS, DECEMBER 31		**P 188,926,802**	P 150,669,974

See accompanying notes to financial statements

WESTERN GUARANTY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

1. Corporate Information

WESTERN GUARANTY CORPORATION (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 31, 1964 with SEC Reg. No. 25659. The Company insure houses, tenements, merchandise and all other property and effects, real or personal against loss or damage by fire, storm, earthquake shock, fire resulting from earthquake, accident or otherwise, and to carry on the ordinary business of fire insurance in all of the aforesaid branches.

The Company's registered office address which is also its principal office is at the 11th Floor, ETY Building, 484 Quintin Paredes St., Binondo, Manila.

The financial statements of the Company were authorized for issue by the Board of Directors on May 06, 2026.

2. Statement of Compliance and Basis of Preparation and Presentation

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

Basis of Financial Statement Preparation and Presentation
The accompanying financial statements have been prepared on a historical cost basis except for the following:

- Financial assets of Fair value through profit or loss, which are carried at fair value
- Available-for-Sale Financial Assets, which are carried at fair value
- Investment Properties, which are carried at fair value
- Land and Buildings included under Property and Equipment, which are carried at revalued amounts

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

The preparation of the financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The Company's significant accounting judgments and estimates are discussed in Note 5.

The Company presents its statements of financial position broadly following the order of its liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in Note 31.

3. Changes in Accounting Policies and Disclosures

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

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

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

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

Effective beginning on or after January 1, 2026

Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosure about Uncertainties in the Financial Statements*
The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements. The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation. The illustrative examples are not an integral part of PFRS Accounting Standards and, as such, do not have an effective date or transition requirements. However, an entity is expected to be entitled to sufficient time to implement any changes to align the information disclosed in its financial statements with the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any changes on a timely basis. The expected adoption will not materially affect the Company.

Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments. The expected adoption will not materially affect the Company.

Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
The amendments only apply to contracts that reference nature-dependent electricity such as contracts to buy or sell nature-dependent electricity, as well as financial instruments that reference such electricity. This amendment cannot be applied by analogy to other contracts, items or transactions. The amendments clarify the application of the 'own-use' requirements for in-scope contracts, amend the designation requirements for a hedge item in a cash flow hedging relationship for in-scope contracts and include new disclosure requirements. The expected adoption will not materially affect the Company.

Annual Improvements to PFRS Accounting Standards - Volume 11
The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

- Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are

intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

- Amendments to PFRS 7, *Gain or Loss on Derecognition*
The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

- Amendments to PFRS 9
  a) *Lessee Derecognition of Lease Liabilities*
  The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.

  b) *Transaction Price*
  The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to 'transaction price as defined by PFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying PFRS 15'. The term 'transaction price' in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

- Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*
The amendments to paragraph 37 of PAS 7 replaced the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

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

Effective beginning on or after January 1, 2027

PFRS17, *Insurance Contracts*
PFRS 17 replaces PFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2025. The Company will apply PFRS 17 starting January 1, 2025 with full comparative figures for 2024. A transition team has been created for this purpose to ascertain the impact of transition.

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

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

Level of Aggregation
PFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined first by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together and are established at initial

recognition. No group may contain contracts issued more than one year apart. No group may contain contracts issued more than one year apart. The Company has defined groups of insurance and reinsurance contracts issued based on its product lines and underwriting year. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

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

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

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

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

The Company will apply PFRS 17 by on or after January 1, 2027.

PFRS 18, *Presentation and Disclosure in Financial Statements*
The standard replaces PAS 1 Presentation of Financial Statements and responds to investors’ demand for better information about companies’ financial performance. The new requirements include:

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

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

PFRS 19, *Subsidiaries without Public Accountability*
The standard allows eligible entities to elect to apply PFRS 19’s reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

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

Amendment to PAS 21, *Translation to a Hyperinflationary Presentation Currency*
The amendments introduce translation requirements for entities translating their financial statements, or the results and financial position of a foreign operation, from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy.

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

Deferred effectivity

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

4. Summary of Material Accounting Policies

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

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

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

Financial Instruments

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

Initial Recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL "Fair Value through Profit or Loss", the initial measurement of these financial instruments includes transaction costs.

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

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

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

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

- Financial Assets and Financial Liabilities at FVPL
  Financial Assets and Financial Liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition at FVPL. After initial recognition, Financial Assets and Financial Liabilities at FVPL are carried at fair value.
  A financial asset and financial liability is classified as held for trading if:

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

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

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

  As at December 31, 2025, and 2024, financial asset under this category amounted to P100,797,806 and P129,107,561.

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

  As at December 31, 2025 and 2024, financial assets under this category amounted to P16,971,980 and P36,949,425, respectively.

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

  Included under this category are the Company's Cash and Cash Equivalents, Short-term Investments, Insurance Balances Receivable, Reinsurance Assets, Accrued Investment Income, Deposits, and Other Loans and Receivables and Security Funds lodged under Other Assets.

- Held-to-Maturity (HTM)
  HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less

impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of comprehensive income.

As at December 31, 2025 and 2024, financial assets under this category amounted to P437,693,148 and P462,271,647, respectively, comprising of government securities and corporate bonds.

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

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

  Included under this category are Accounts Payable and Accrued Expenses, Insurance Claims Payable, Reinsurance Liabilities and Lease Liability.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met:

(i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near future; and
(ii) there is a rare situation

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

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

(i) Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on Loans and Receivables or Held-to-Maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

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

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

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

Derecognition of Financial Instruments

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

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

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

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

Insurance Contract
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 the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. As a general guideline, the Company defines insurance risk as significant if the insured event could cause an insurer to pay significant additional benefits even if the insured event is extremely unlikely to happen.

Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance 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 this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if the insurance risk becomes significant.

Insurance Balances Receivable
These include amounts due from insurance agents, brokers and ceding companies.

Insurance Balances Receivable are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration received for the period or coverage. Subsequent to initial recognition, Insurance Balance Receivables are measured at amortized cost.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statements of comprehensive income.

Insurance receivables are derecognized under the derecognition criteria of financial assets.

Reinsurance
The Company cedes (Treaty and Facultative) insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurance can be measured reliably. The impairment loss is charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligation to policyholders.

The Company also assumes (Facultative) reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

Deferred Acquisition Costs
Commissions and other acquisition costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged to expense in proportion to the premium revenue recognized. Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the statements of comprehensive income. The unamortized acquisition costs are shown in the assets section of the statement of financial position as “Deferred Acquisition Costs”. All Other costs are recognized as incurred.

Investment Properties
Investment Properties consist of properties held for long term rental yields and/or for capital appreciation. Investment Properties are initially measured at cost, including transaction costs.

After initial recognition, Investment Properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually.

Investment property is derecognized when either it has been disposed or when the investment property is permanently withdrawn or sold 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 profit or loss in the year of retirement or disposal.

Transfers to or from investment property are made only when there is evidence of a change in use, including:

- commencement of owner-occupation, for a transfer from investment property to property and equipment;
- end of owner-occupation, for a transfer from property and equipment to investment property;
- commencement of development with a view to sale, for a transfer from investment property to inventories; or
- end of construction or development, for a transfer from property under construction to investment property.

For a transfer from owner-occupied property to investment property carried at fair value, any difference between the carrying amount under PAS 16 and the fair value of the property at the date of transfer is recognized in the same manner as a revaluation under PAS 16. Any resulting increase is recognized in other comprehensive income to the extent that it reverses a previous impairment loss, with any remaining increase recognized in equity under revaluation surplus. Any decrease in value is recognized in profit or loss, except to the extent of any existing revaluation surplus relating to the property.

Property and Equipment
The initial cost of Property and Equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of Property and Equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of Property and Equipment. Subsequent to initial recognition, property and equipment, except buildings and condominium, are carried at cost less accumulated depreciation and impairment losses, if any.

Land and Buildings are subsequently carried at a revalued amount, net of accumulated depreciation and impairment loss, if any.

When assets are sold, or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Statement of Comprehensive Income of such period.

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

Items of Property and Equipment	Estimated Useful Life
Buildings	50 years
Leasehold Improvements	5 years
Office Furniture & Fixtures	10 years
Transportation Equipment	10 years
Electronic Data Processing (EDP) Equipment	5 years
Right-of-Use Assets	lease term

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of Property and Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Software
Software which is not specifically identifiable and integral part to a specific hardware is an intangible asset. These are carried at cost, less accumulated amortization and any impairment in value. Amortization is computed on straight-line method over its estimated useful life of 10 years.

Impairment of Non-financial Assets
The Company's investment properties, property and equipment and software development cost are subject to impairment testing. All other individual asset or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

Creditable Withholding Taxes
Creditable withholding taxes represent amounts withheld by Company's counterparties in relation to premiums earned. Subsequently, these amounts are applied against the Company's income tax liabilities.

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

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

- Chain ladder or Loss Development Triangles Method
- Bornhuetter-Ferguson Method
- Expected Loss Ratio Method

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

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

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

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

Accounts Payable and Accrued Expenses
Accounts payable are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts payable are non-interest bearing and are stated at their nominal value.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

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

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

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

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

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

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

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

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

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

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

<u>*Equity*</u>

Share Capital
Share Capital is determined using the par value of shares that have been subscribed (or issued and paid-up).

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

Retained Earnings
Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income, net of dividends declared.

Revaluation Reserve on Property and Equipment
This represents the revaluation increment on land, building and condo units, which are presented at appraised values in the financial statements net of deferred income tax.

Revaluation Reserve on AFS Financial Assets
This represents gains or losses arising from fair value changes of Available-for-Sale financial assets.
<u>*Revenue Recognition*</u>
Revenue is recognized only when the Company satisfies a performance obligation by transferring control of the promised services to the customer. Revenue is measured at the transaction price which the entity expects to be entitled in exchange for a good or service. The following specific revenue recognition criteria must also be met before revenue is recognized

Premiums
Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "*Reserve for Unearned Premiums"* and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "*Reserve for Reinsurance*

Premiums" and lodge under "*Reinsurance Assets*" account in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

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

Interest Income
For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

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

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

Cost and Expense Recognition

Claims
This account consists of claims paid to policyholders, which includes changes in the valuation of insurance claims payable, including IBNR. The IBNR is 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, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

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

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

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

Other Expenses
Other Expenses are decreases in economic benefits in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Other expenses are recognized in the statements of comprehensive income as they are incurred.

Retirement Benefit Cost
The net Defined Benefit Liability or asset is the aggregate of the present value of the Defined Benefit Liability at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:

(a) Service cost
(b) Net interest on the net Defined Benefit Liability or asset; and
(c) Re-measurements of net Defined Benefit Liability or asset

Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs.

Net interest on the net Defined Benefit Liability or asset is the change during the period in the net Defined Benefit Liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net Defined Benefit Liability or asset. Net interest on the net Defined Benefit Liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on Defined Benefit Liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

The Company's right to be reimbursed of some or all of the expenditure required to settle a Defined Benefit Liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes
The Company accounts for income tax using the deferred income taxes method. Under the deferred income taxes method, the Company recognizes the current and future tax consequences of transactions and other events that have been recognized in the financial statements. These recognized amounts comprise current tax and deferred tax.

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

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

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

Most changes in deferred tax assets and liabilities are recognized as a component of tax expense in the statements of comprehensive income. Only changes in deferred tax assets and liabilities that relate to items recognized directly to equity are recognized in equity and other comprehensive income.

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

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

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

Related Party Transactions
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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

The related party transactions are recognized based on transfer of resources and obligations between related parties whether price is changed.

Provisions
Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the date of the Statement of Financial Position, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent Assets and Liabilities
Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources

embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events After End of the Reporting Period
Any event after the financial reporting date that provides additional information about the Company's position at the financial reporting date (adjusting event) are reflected in the financial statements. Any event after the financial reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

5. Summary of Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with Philippine Financial Reporting Standard requires Management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. Judgments and estimates 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. Actual results may actually differ from such estimates.

Judgments

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

Classification of Investments
In classifying its investments, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

The classifications of investments as at December 31, 2025 and 2024 are as follows:

		2025		2024
Fair value through profit or loss	**P**	**100,797,806**	P	129,107,561
Available-for-sale		**16,971,980**		36,949,425
Held-to-maturity		**437,693,148**		462,271,647

Classification and Valuation of Owner-Occupied Properties and Investment Properties
The Company determines whether a property qualifies as an investment property. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the delivery of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

Owner-occupied properties, net of accumulated depreciation and impairment losses amounted to P465,822,792 and P469,701,201 in 2025 and 2024, respectively.

Investment properties amounted to P220,352,528 and P220,768,389 in 2025 and 2024, respectively.

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

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

Determination of Fair Value of Financial Assets
Management applies valuation techniques to determine the fair value of financial assets where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

Estimating Allowance for Impairment of Financial Assets
The Company assesses whether objective evidence of impairment exist for receivables that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Estimating Useful Lives of Property and Equipment
The Company estimated 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 the property and equipment based on expected asset utilization.

Property and Equipment, net of accumulated depreciation and impairment losses, amounted to P465,822,792 and P469,701,201 as at December 31, 2025 and 2024, respectively. (See Note 14)

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

Impairment of Non-Financial Asset
The Company assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant under performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

Valuation of Insurance Claims Payable
Estimates have to be made at the reporting date for both the expected ultimate cost of both claims reported and IBNR claims. It can take a significant period of time before the ultimate claim cost can be established with certainty and for some types of policies, IBNR claims form the majority of the claims provision. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain Ladder method and Bornhuetter-Ferguson method based on paid and reported claims information.
The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Insurance claims payable as at December 31, 2025 and 2024 amounted to P632.3 million and P807.8 million, respectively. (See Note 19)

6. Fair Value Measurement

Financial instruments

The fair value of financial instruments and their carrying amounts is as follows:

	2025		2024	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets measured at fair value				
Fair value through profit or loss	**P 100,797,806**	**P 100,797,806**	P 129,107,561	P 129,107,561
Available-for-sale investments	**16,971,980**	**16,971,980**	36,949,425	36,949,425
Financial assets for which fair value is disclosed				
Held-to-maturity investments	**437,693,148**	**441,988,668**	462,271,647	465,482,238
Loans and receivables				
Cash and cash equivalents	**188,926,802**	**188,926,802**	150,669,974	150,669,974
Short-term investments	**33,054,981**	**33,054,981**	32,805,615	32,805,615
Insurance balances receivable	**1,001,192,106**	**1,001,192,106**	971,153,434	971,153,434
Reinsurance assets	**647,425,270**	**647,425,270**	633,965,155	633,965,155
Accrued investment income	**4,388,031**	**4,388,031**	4,430,145	4,430,145
Other assets	**67,297,848**	**67,297,848**	22,357,969	22,357,969
	P 2,497,747,972	**P 2,502,043,492**	P 2,443,710,925	P 2,446,921,516
Financial Liabilities				
Insurance claims payable	**P 632,286,934**	**P 632,286,934**	P 807,752,627	P 807,752,627
Reinsurance liabilities	**165,921,010**	**165,921,010**	89,734,596	89,734,596
Lease liability	**5,449,177**	**5,449,177**	4,082,430	4,082,430
Accounts payable and accrued expenses	**1,301,267**	**1,301,267**	3,269,377	3,269,377
	P 804,958,388	**P 804,958,388**	P 904,839,030	P 904,839,030

The fair value hierarchy of the Company's financial instruments is summarized in the tables below:

	2025			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial instruments measured at fair value				
AFS				
Quoted equity securities	**P 16,971,980**	**P 16,971,980**	**P -**	**P -**
Mutual fund	**-**	**-**	**-**	**-**
Fair value through profit or loss	**100,797,806**	**100,797,806**	**-**	**-**
Financial instruments for which fair value is disclosed				
HTM				
Government securities	**439,488,668**	**439,488,668**	**-**	**-**
Corporate securities	**2,500,000**	**2,500,000**	**-**	**-**
Loans receivable				
Cash and cash equivalents	**188,926,802**	**-**	**188,926,802**	**-**
Short-term bank placements	**33,054,981**	**-**	**33,054,981**	**-**
Insurance balances receivable	**1,001,192,106**	**-**	**1,001,192,106**	**-**
Reinsurance assets	**647,425,270**	**-**	**647,425,270**	**-**
Accrued investment income	**4,388,031**	**-**	**4,388,031**	**-**
Other assets	**67,297,848**	**-**	**67,297,848**	**-**
Other financial liabilities				
Insurance claims payable	**632,286,934**	**-**	**632,286,934**	**-**
Reinsurance liabilities	**165,921,010**	**-**	**165,921,010**	**-**
Lease liability	**5,449,177**	**-**	**5,449,177**	**-**
Other liabilities	**1,301,267**	**-**	**1,301,267**	**-**

		Fair value		Level 1		Level 2		Level 3
Financial instruments measured at fair value								
AFS								
Quoted equity securities	P	16,634,467	P	16,634,467	P	-	P	-
Mutual funds		20,314,958		-		20,314,958		-
Fair value through profit or loss		129,107,561		129,107,561				
Financial instruments for which fair value is disclosed								
HTM								
Government securities		460,482,238		460,482,238		-		-
Corporate securities		5,000,000		5,000,000		-		-
Loans receivable								
Cash and cash equivalents		146,399,974		-		146,399,974		-
Short-term bank placements		32,805,615		-		32,805,615		-
Insurance balances receivable		971,153,434		-		971,153,434		-
Reinsurance assets		633,965,155		-		633,965,155		-
Accrued investment income		4,430,145		-		4,430,145		-
Other assets		22,357,969		-		22,357,969		-
Other financial liabilities								
Insurance claims payable		807,752,627		-		807,752,627		-
Reinsurance liabilities		89,734,596		-		89,734,596		-
Lease liability		4,082,430		-		4,082,430		-
Other liabilities		3,269,377		-		3,269,377		-

The Company measures fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1
  Inputs are quoted in active market for identical assets or liabilities that the entity can access at the measurement date.

  Included in Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.

  A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2
  Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3
  Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fair values were determined as follows:

- Cash and Cash Equivalents, Short-term Investments – the fair values are approximately the carrying amounts due to short-term nature.
- Quoted Debt Securities (Government and Corporate) – the fair values were determined from the published references from Philippine Dealing System or third-party information.
- Quoted Equity Securities - the fair values were determined from the published prices from Philippine Stock Exchange.
- Mutual Fund – The fair value was determined via Net Asset Value per share/unit. These are calculated by dividing the fair value of net assets over the total number of shares/units issued.
- Insurance balance receivable, Reinsurance assets, Accrued investment income, Other assets and other financial liabilities – Due to their short duration, the carrying amounts of receivables, and other financial liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

<u>Investment properties and Land, Buildings and Condo Units included under Property and equipment</u>
The valuation for Investment properties and property and equipment were derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g., market conditions, location, physical condition, and amenities).

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of investment properties and property and equipment. The valuation of the improvements was derived using cost approach based on the amount required to replace the service capacity of an asset. Significant increases (decreases) in estimated replacement cost (i.e., materials and labor cost) would result in a significantly higher (lower) fair value of the properties. The asset valuation was based on a hypothetical sale of the land and building in its highest and best use and not by using the asset in its current use.

The fair value estimate is the price that would be received in a current transaction to sell the combined assets assuming that those assets would be available to market participants.

The description of valuation technique and key inputs used is as follows:

Investment properties:

Description	Location	Valuation Technique	Significant input used	Range Minimum	Range Maximum
Land and Building	Cebu City	Sales Comparison Approach	Value per sqm	P 140,000	P 224,000
Land	Antipolo, Rizal	Sales Comparison Approach	Value per sqm	10,000	10,000
Land	San Mateo, Rizal	Sales Comparison Approach	Value per sqm	10,000	10,000

Property and equipment:

Description	Location	Valuation Technique	Significant input used	Range Minimum	Range Maximum
Condominium unit	Makati City	Sales Comparison Approach	Value per sqm	P 240,000	P 240,000
Land and Building	Santiago City, Isabela	Sales Comparison Approach	Value per sqm	47,600	53,200
			Adjustment factors		
			Size	40%	40%
Land and Building	Cagayan de Oro City	Sales Comparison Approach	Value per sqm	72,000	90,000
			Adjustment factors		
			Location	-15%	-15%
			Size	5%	5%
Land	Binondo, Manila	Offer to Buy	Value per sqm	280,000	280,000

7. Management of Insurance Risk, Financial Risk and Capital

<u>*Insurance Risk*</u>
The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur due to any of the following:

a) Occurrence risk – the possibility that the number of insured events will differ from those expected.
b) Severity risk – the possibility that the cost of the events will differ from those expected.
c) Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected across the board of change in any subset of the portfolio. The variability of risk is also improved by careful selection and implementation of underwriting strategy and guidelines.

The business of the Company comprises short-term non-life insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, etc.

The Company manages insurance risk through the following mechanisms:

- The use and maintenance of management information systems that provide up to date and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

The business of the Company mainly comprises of short-term non-life insurance contract.

The Company principally issued the following types of general insurance contracts: fire, marine, personal accident, engineering, motor car, bonds and miscellaneous casualty.

The concentration of insurance claims as at December 31, 2025 and 2024 is as follows:

	2025			2024		
	Gross	**Share of Reinsurer**	**Net Liability**	Gross	Share of Reinsurer	Net Liability
Fire	**P 461,146,353**	**P 260,229,865**	**P 200,916,488**	P 684,384,157	P 413,861,466	P 270,522,691
Motor car	**147,979,078**	**22,885,923**	**125,093,155**	103,760,686	19,845,614	83,915,072
Personal accident	**14,448,463**	**1,445,065**	**13,003,398**	11,415,351	1,170,077	10,245,274
Engineering	**2,622,950**	**100,421**	**2,522,529**	3,459,992	440,485	3,019,507
Other lines	**6,090,090**	**2,563,410**	**3,526,680**	4,732,441	1,159,075	3,573,366
	P 632,286,934	**P 287,224,684**	**P 345,062,250**	P 807,752,627	P 436,476,717	P 371,275,910

<u>*Financial Risk*</u>
The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

i. <u>*Credit Risk*</u>

The Company's credit risk is primarily attributable to its insurance receivable and financial instruments. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counter party or group of counter parties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

<u>*Exposure*</u>
The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2025 and 2024.

	2025	2024
Cash and cash equivalents*	**P 188,926,802**	P 146,399,974
Short term investments	**33,054,981**	32,805,615
Financial Assets:		
FVPL	**100,797,806**	129,107,561
AFS	**16,971,980**	36,949,425
HTM	**437,693,148**	462,271,647
Insurance balances receivable	**1,005,727,708**	973,418,802
Reinsurance assets	**649,181,698**	635,721,582
Accrued investment income	**4,388,031**	4,430,145
Other assets	**67,297,848**	22,357,969
	P 2,504,040,002	P 2,443,462,720

**Excludes cash on hand of P4,780,000 in 2025 and P4,270,000 in 2024*

The Company uses the following risk mitigation policies to reduce credit risks:

- Cash in banks and short-term investments are deposited and placed with reputable commercial and universal banks in the Philippines. Moreover, all bank deposits are automatically covered up to a certain amount from Philippine Deposit Insurance Corporation.

- Financial assets that are HTM are mostly debt securities issued and guaranteed by the Philippine government which is considered risk free. HTM investments are lodge under Philippine Depository & Trust Corporation. Furthermore, prior approval from IC is sought before the Company can invest on these securities.

- The Company's equity investments classified as AFS are mostly stocks belonging to Philippine Stock Exchange Index (PSEi) with regular trading transaction in the Philippine Stock Exchange. Other AFS investment includes mutual funds.

- Insurance balances of brokers and agents have a maximum age of 90 days. Commissions are released only upon full remittance of premiums. Reinsurance arrangements are placed only with reputable reinsurers at industry acceptable terms.

- Accrued investment income is collectible in subsequent period. Interest proceeds are either rolled over to principal balance or credited to savings account.

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

(i) *Cash-in-bank, cash equivalents and short-term investments*
Substantial portion of the Company's Cash-in-banks, Cash equivalents and Short-term investments are maintained in universal and commercial banks thereby limiting the credit risk. Limits are placed on thrift and lower-tiered banks. This is consistent with Company's internal policy on deposit maintenance. Cash-in-bank, cash equivalents and short-term investments classified by type of banks are as follows:

Cash and Cash Equivalents:

		2025		2024
Universal banks	**P**	**155,649,304**	P	131,537,920
Commercial banks		**14,518,900**		3,822,055
Thrift and rural banks		**13,978,598**		11,039,999
	P	**184,146,802**	P	146,399,974

Short-term Investments:

		2025		2024
Universal banks	**P**	**31,545,479**	P	31,335,740
Thrift and rural banks		**1,509,502**		1,469,875
	P	**33,054,981**	P	32,805,615

(ii) *Fair value through profit or loss, Available-for-sale and Held-to-maturity Investments*
The credit risk on investments represents the risk of actual default of the issuer. This risk is managed through limits which takes into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems. Investment exposures and limits are monitored on a regular basis.

The limits are defined by the following categories:

- Limits on government securities is guided by the existing circulars issued by the Insurance Commission;

- Limits on corporate bonds are based on certain criteria such as total corporate bonds exposure as a percentage of the portfolio, limits by sector based on the credit ratings; currency and monitoring of concentrated exposure;

  The credit rating applied by the Company is based on the best available rating from Moody's, Fitch and Standard & Poor's. For specific exposure types, other rating agencies can be used such as AM Best for reinsurance counterparties.

The table below provides information on the credit quality of investments:

	December 31, 2025					
	Rated					
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	Unrated	Total
Debt securities:						
Treasury bills	P -	P -	P -	P -	P100,797,806	P 100,797,806
Fixed-rated treasury bonds	-	-	-	66,285,185	368,907,962	435,193,148
Corporate bonds	-	-	-	-	2,500,000	2,500,000
Equity securities	-	-	-	-	16,971,980	16,971,980
	P -	P -	P -	P 66,285,185	P489,177,748	P 555,462,934

	December 31, 2024					
	Rated					
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	Unrated	Total
Debt securities:						
Treasury bills	P -	P -	P -	P 14,341,073	P114,766,488	P 129,107,561
Fixed-rated treasury bonds	-	-	-	122,556,148	334,715,499	457,271,647
Equity securities	-	-	-	-	36,949,425	36,949,425
	P -	P -	P -	P136,897,221	P491,431,412	P 628,328,633

The aging analysis of Insurance Balance Receivables and Reinsurance Recoverable on Paid and Unpaid Losses are as follows:

	Direct and Assumed Accounts				Reinsurance Loss Recoverable		
2025	**Due from Agents & Brokers**	**Due from Ceding Companies**	**Funds held by Ceding Companies**	**Total**	**Paid**	**Unpaid**	**Total**
30 days	P 96,336,625	P 409,280	P -	P 96,745,905	P 36,874,128	P 47,945,119	P 84,819,247
60 days	103,440,629	960,379	1,141,174	105,542,182	260,071,252	623,945	260,695,197
over 60 days	758,342,773	21,296,286	23,800,562	803,439,621	65,011,633	238,655,620	303,667,254
	P 958,120,027	P 22,665,945	P 24,941,736	P1,005,727,708	P 361,957,013	P 287,224,684	P 649,181,697

	Direct and Assumed Accounts						
	Due from Agents &	Due from Ceding	Funds held by Ceding		Reinsurance Loss Recoverable		
2024	Brokers	Companies	Companies	Total	Paid	Unpaid	Total
30 days	P 92,538,829	P 643,167	P -	P 93,181,996	P 20,297,937	P 72,858,518	P 93,156,455
60 days	99,362,778	1,509,198	798,459	101,670,435	143,160,264	948,161	144,108,425
over 60 days	728,447,274	33,466,265	16,652,832	778,566,371	35,790,066	362,666,630	398,456,696
	P 920,348,881	P 35,618,630	P 17,451,291	P 973,418,802	P 199,248,267	P 436,473,309	P 635,721,576

ii. *Liquidity Risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counter party failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

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

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

Contractual maturities of financial assets and liabilities as at December 31, 2025 and 2024 are presented below:

	Contractual maturities			
2025 (in thousand)	**< 1 year**	**> 1 year < 5 years**	**>5 years**	**Total**
Financial assets that are :				
Cash and cash equivalents	**P 188,927**	**P -**	**P -**	**P 188,927**
Short-term investments	**33,055**	**-**	**-**	**33,055**
FVPL	**100,798**	**-**		**100,798**
HTM	**44,937**	**242,281**	**150,476**	**437,693**
Insurance balances receivable	**1,005,728**	**-**	**-**	**1,005,728**
Reinsurance assets	**649,182**	**-**	**-**	**649,182**
Accrued investment income	**4,388**	**-**	**-**	**4,388**
Other assets	**67,298**	**-**	**-**	**67,298**
Financial liabilities:				
Insurance claims payable	**632,287**	**-**	**-**	**632,287**
Accounts payable and accrued expenses	**1,301**	**-**	**-**	**1,301**
Reinsurance liabilities	**165,921**	**-**	**-**	**165,921**
Lease liability	**1,993**	**3,456**	**-**	**5,449**

	Contractual maturities			
2024 (in thousand)	< 1 year	> 1 year < 5 years	>5 years	Total
Financial assets that are :				
Cash and cash equivalents	P 146,400	P -	P -	P 146,400
Short-term investments	32,806	-	-	32,806
FVPL	129,108	-	-	129,108
HTM	120,635	162,157	179,480	462,272
Insurance balances receivable	973,419	-	-	973,419
Reinsurance assets	635,722	-	-	635,722
Accrued investment income	4,430	-	-	4,430
Other assets	22,358	-	-	22,358
Financial liabilities:				-
Insurance claims payable	807,753	-	-	807,753
Accounts payable				-
and accrued expenses	3,269	-	-	3,269
Reinsurance liabilities	89,735	-	-	89,735
Lease liability	3,295	787	-	4,082

It is unusual for a Company primarily transacting insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied in insurance contracts to ascertain the likely provision and time period when such liabilities will require settlement. The amount and maturities in respect of insurance liabilities are thus based on management's best estimate and on statistical techniques and past experience.

iii. *Market Risk*

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

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

The Company manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

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

Sensitivity analysis of market risk exposures follows:

a. Currency Risk
Foreign currency risk pertains to US$ denominated cash and special savings accounts and AFS investments. No foreign currency forward contracts are outstanding as at December 31, 2025 and 2024 to hedge the foreign currency accounts.

The carrying values of financial assets exposed to currency risk at the end of reporting period are as follows:

	2025		2024	
	Phil. Peso	**US $**	Phil. Peso	US $
Cash and cash equivalents	**P 1,445,349**	**$ 24,579**	P 8,463,347	$ 145,885

**The exchange rate used was P58.805 in 2025 and P58.014 in 2024 to US$ 1.00*

The following table demonstrates the sensitivity to a reasonable change in the US$ exchange rate, with all other variables held constant, of the Company's income before tax and equity:

	2025		2024	
Effect on	**Net income**	**Equity**	Net income	Equity
5% appreciation	**P 72,267**	**P 54,201**	P 283,810	P 212,858
5% depreciation	**(72,267)**	**(54,201)**	(283,810)	(212,858)

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

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures to interest rate risk comprise the following:

		As of December 31, 2025		
		Due in		
	Interest rate	**< 1 year**	**> 1 year but <5 years**	**> 5 years**
Financial assets that are:				
Cash and cash equivalents	**1.000% - 2.000%**	**P188,926,802**	**P -**	**P -**
Short-term investments	**0.50% - 5.735%**	**33,054,981**	**-**	**-**
FVPL	**5.500% - 6.175%**	**100,797,806**	**-**	**-**
HTM	**3.500% - 8.125%**	**45,000,000**	**242,500,000**	**147,180,000**

		As of December 31, 2024		
		Due in		
	Interest rate	< 1 year	> 1 year but <5 years	> 5 years
Financial assets that are:				
Cash and cash equivalents	0.25% - 2.75%	P146,399,974	P -	P -
Short-term investments	0.375% - 1.04%	32,805,615	-	-
FVPL	5.500% - 6.175%	129,107,561	-	-
HTM	2.625% - 8.125%	126,500,000	242,680,000	90,000,000

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate investments). There is no other impact on the Company's equity other than those already affecting the profit and loss.

	Changes in basis points		Effect on income before income tax
2025	**+100**	**P**	**2,005,937**
	- 100		**(2,005,937)**
2024	+100	P	2,013,955
	- 100		(2,013,955)

c. Price Risk

The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's investments are regulated under the pertinent provisions of Presidential Decree No. 612, otherwise known as "The Insurance Code of the Philippines (the Code)". The Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

For equity investments, Section 200 of the Code further provides, among other things that insurance companies may only invest in stocks of Philippine corporations which have prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution to 10% of an insurer's total admitted assets.

Beyond the provisions of the Code, the Company has established additional guidelines to control the risks inherent in equity investments. The Company's investment policy requires that they invest only in shares of companies that are listed in the Philippine Stock Exchange. Further, these listed companies must have profitable business operations and market capitalization which are on a scale that would qualify them as blue chips.

As of December 31,2025, if the market prices of the equity investments had been 2% higher with all other variables held constant, the Company's equity would have been P339,440 higher as a result of an increase in the fair value of equity instruments. Consequently, the same amount would decrease equity had equity investments decrease by 2%

As of December 31,2024, if the market prices of the equity investments had been 2% higher with all other variables held constant, the Company's equity would have been P332,689 higher as a result of an increase in the fair value of equity instruments. Consequently, the same amount would decrease equity had equity investments decrease by 2%

d. Operational Risk

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

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

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

		2025		2024
Share Capital	**P**	**900,000,000**	P	900,000,000
Contributed Surplus		**65,350,000**		350,000
Retained Earnings		**991,099,719**		932,804,437
	P	**1,956,449,719**	P	1,833,154,437

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

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance code, domestic insurance companies under the supervision of IC must have a net worth of at least P250 million by December 31, 2013. The minimum net worth of a particular company shall remain unimpaired at all times and shall increase to the amounts as follows:

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

Risk-Based Capital Requirement
The IC has adopted a three (3) pillar risk-based approach to solvency which comprise the following:

- Quantitative requirements in relation to the calculation of capital requirements and recogition of eligible capital;
- Governance and risk management requirement that consists of supervisory review process which may include a supervisory adjustment to capital; and
- Disclosure requirement designed to encourage market discipline.

The minimum RBC ratio is set at 100% which are requried to be maintained at all times. Failure to meet the minimum RBC ratio shall subject the Company to the corresponding regulatory intervention which has been defined at various levels as follows:

- Company Action Event – the RBC is less than 100% but not below 75%, the Company is required to identify the conditions that contributed to the event and will provide corrective actions that company intend to take including future projections of financial position and analysis of operations.
- Regulatory Action Event – the RBC is less than 75% but not below 50%, the Company is required to submit an RBC plan and IC will perform an examination of the Company including its RBC plan.
- Authorized and Mandatory Control Event – the RBC is less than 50%, the Company is placed under the regulatory control of IC.

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

Internal calculations of Net Worth and RBC ratio as at December 31, 2025 in comparison to actual figures as confirmed in the IC Synopsis for 2024 revealed the following.

		2025		2024
Networth	**P**	**1,863,978,403**	P	1,215,265,691
RBC requirement		**246,854,886**		186,676,757
RBC ratio		**755%**		651%

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

8. Cash and Cash Equivalents

This account consists of:

		2025		2024
Cash on Hand	**P**	**4,780,000**	P	4,270,000
Cash in Banks		**162,913,116**		124,916,922
Cash Equivalents		**21,233,686**		21,483,052
	P	**188,926,802**	P	150,669,974

Cash on Hand represents petty cash fund, commission fund and various branch operating funds.

Cash in Banks represent cash deposited in various reputable local banks that earn interests at the respective banks' deposit rates.

Cash Equivalents are short-term placements made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placements rates.

Cash in Banks and Cash Equivalents earn interest at prevailing bank interest rates. Interest income earned on these deposits amounted to P91,648 in 2025 and P412,329 in 2024. (See Note 25)

9. Short-term Investments

This account consists of time deposit with maturity of more than three months but less than one year from the date acquired. As of December 31, 2025 and 2024, the balance of short-term investments amounted to P33,054,981 and to P32,805,615, respectively.

Short-term investments earn interest at annual interest rates ranging from 0.50% to 5.735% in 2025 and 2024. Interest income earned on these investments amounted to P323,361 in 2025 and P915,056 in 2024. (See Note 25)

10. Financial Assets

This account consists of the following:

		2025		2024
Fair value through profit or loss (FVPL) investments	**P**	**100,797,806**	P	129,107,561
Available-for-sale (AFS) investments		**16,971,980**		36,949,425
Held-to-maturity (HTM) investments		**437,693,148**		462,271,647

The reconciliation of the carrying amounts of financial assets at the beginning and end of the year is provided below:

	December 31, 2025							
		FVPL		**AFS**		**HTM**		**Total**
Balance, January 1	**P**	**129,107,561**	**P**	**36,949,425**	**P**	**462,271,647**	**P**	**628,328,633**
Acquisitions		**100,797,806**		**-**		**96,357,322**		**197,155,128**
Sale/Maturity		**(129,107,561)**		**(22,658,858)**		**(121,500,000)**		**(273,266,419)**
Changes in Fair Value		**-**		**2,681,413**		**-**		**2,681,413**
Amortization of Premium/Discount - Net		**-**		**-**		**564,179**		**564,179**
Balance, December 31	**P**	**100,797,806**	**P**	**16,971,980**	**P**	**437,693,148**	**P**	**555,462,934**

	December 31, 2024							
		FVPL		AFS		HTM		Total
Balance, January 1	P	75,478,936	P	21,344,550	P	377,872,186	P	474,695,672
Acquisitions		129,107,561		20,000,000		110,707,268		259,814,829
Sale/Maturity		(75,478,936)		(3,000,000)		(27,250,000)		(105,728,936)
Changes in Fair Value		-		(1,395,125)		-		(1,395,125)
Amortization of Premium/Discount - Net		-		-		942,193		942,193
Balance, December 31	P	129,107,561	P	36,949,425	P	462,271,647	P	628,328,633

Fair value through Profit or Loss (FVPL) Investments
Investments that are designated at FVPL represent Treasury Bills (TBills) issued by the Philippine Government with interest rates ranging from 5.500% to 6.175% per annum for the year 2025 and 2024. TBills comprise a portfolio of financial instruments that are managed for which there is evidence of recent actual pattern of short-term profit-taking. As of December 31, 2025, the total face value of TBills which are due 12 months amounted to P100.79 million and P129.10 million as of December 31, 2024. Due to its relatively short-term nature, the carrying value approximates the fair value at year-end.

Available-for-Sale Financial Assets
The breakdown of this account is as follows:

		2025		2024
Acquisition Cost:				
Quoted equity securites	**P**	**32,483,309**	P	35,142,167
Mutual Fund		**-**		20,000,000
		32,483,309		55,142,167
Changes in Fair Value:				
Quoted equity securites		**(15,511,329)**		(18,507,700)
Mutual Fund		**-**		314,958
		(15,511,329)		(18,192,742)
	P	**16,971,980**	P	36,949,425

Quoted equity securities represent shares of stock that are traded in the Philippine Stock exchange.

Unquoted equity securities represent shares of stock which are not traded on stock exchanges or other organized financial markets.

Mutual fund are money market placements managed by various fund managers. Fair values are determined in a manner discussed in Note 6.

Realized gain (loss) on AFS investments reported in the statements of comprehensive income are as follows:

		2025		2024
Dividend Income	**P**	**138,617**	P	448,357
Gain on Sale of Available-for-Sale Investments		**3,445,449**		158,082

The reconciliation of unrealized fair value losses are as follows:

		2025		2024
Balance at the beginning of the year	**P**	**(18,192,742)**	P	(16,797,617)
Fair value adjustments taken to:				
Other Comprehensive Income (Loss)		**2,681,413**		(1,395,125)
	P	**(15,511,329)**	P	(18,192,742)

Held-to-Maturity Financial Assets
The breakdown of this account is as follows:

		2025		2024
Government Securities	**P**	**432,180,000**	P	454,180,000
Corporate Bonds		**2,500,000**		5,000,000
		434,680,000		459,180,000
Unamortized Premium (Discounts)		**3,013,148**		3,091,647
	P	**437,693,148**	P	462,271,647

Government securities have a maximum term of 25 years with coupons rates ranging from 3.500% to 8.125% per annum in 2025 and 2.625% to 8.125% per annum in 2024. Government securities with face value of P537.2 million in 2025 and P457.3 million in 2024, are deposited with the Insurance Commission in accordance with the provision of the Insurance Code as security for the benefit of the policyholders and creditors of the Company.

Corporate bonds are issued by various private corporations for a period ranging from 2 years to 5 years and bears interest at the rate of 5.624% per annum payable quarterly or semi-annually.

The net changes in unamortized discount (premium) charged to interest income amounted to P78,499 in 2025 and P1,442,186 in 2024.

The contractual maturities of Held-to-Maturity investments are as follows:

		2025		2024
Due within 12 months	**P**	**45,000,000**	P	121,500,000
Due after 1 year but not more than 5 years		**242,500,000**		207,500,000
Due beyond 5 years.		**147,180,000**		130,180,000
	P	**434,680,000**	P	459,180,000

11. Insurance Balance Receivables

The breakdown of this account is as follows:

		2025		2024
Due from Agents and Brokers	**P**	**958,120,027**	P	920,348,881
Due from Ceding Companies		**22,665,945**		35,618,630
Funds Held by Ceding Companies		**24,941,736**		17,451,291
		1,005,727,708		973,418,802
Allowance for Impairment Losses		**(4,535,602)**		(2,265,368)
	P	**1,001,192,106**	P	971,153,434

Premiums receivable have an average term 90 days to 120 days. Premiums receivable represent premiums on written policies.

Due from ceding companies pertains to premiums from treaty and facultative acceptances from ceding companies.

Funds held by ceding companies pertain to the portion of the premium withheld by ceding companies in accordance with the reinsurance contracts.

Allowance for impairment losses is individually determined taking into account the age, collection experience, historical loss experience and collateral held.

The movement of allowance for impairment losses is as follows:

		Due from Agents and Brokers		Due from Ceding Companies		Total
Beginning balance	P	-	P	2,265,368	P	2,265,368
Provision for the year		1,916,828		353,406		2,270,234
Ending balance	P	1,916,828	P	2,618,774	P	4,535,602

12. Reinsurance Assets

This account consists of:

		2025		2024
Reserve for Reinsurance Premium (see Note 18)	**P**	**150,084,754**	P	113,451,381
Reinsurance Recoverable on:				
Paid Losses		**361,957,013**		199,248,268
Unpaid Losses (see Note 19)		**287,224,684**		436,476,717
		799,266,451		749,176,366
Allowance for Impairment Losses		**(1,756,427)**		(1,756,427)
	P	**797,510,024**	P	747,419,939

Reinsurance recoverable on paid losses pertains to the Company’s receivables from the reinsurers for their share on the losses paid by the Company.

The movement of Reinsurance Recoverable on Paid Losses is as follows:

		2025		2024
Balance, January 1	**P**	**199,248,268**	P	141,477,469
Reinsurers' share of losses		**227,864,117**		91,951,246
Settlement		**(65,155,372)**		(34,180,447)
Balance, December 31	**P**	**361,957,013**	P	199,248,268

13. Investment Properties

As of December 31, the movement of this account is as follows:

		2025		2024
Cost				
At January 1	**P**	**91,752,826**	P	89,852,826
Reclassification		**(415,861)**		1,900,000
At December 31		**91,336,965**		91,752,826
Accumulated increase in fair value		**129,015,563**		129,015,563
	P	**220,352,528**	P	220,768,389

Certain investment properties were acquired in extinguishment of debt by way of bond collateral.

As of December 31, 2025 and 2024, investment properties consist of:

		2025		2024
Land and building				
Cebu City	**P**	**133,059,217**	P	124,197,578
Antipolo, Rizal		**50,000,000**		50,000,000
San Mateo, Rizal		**7,377,500**		14,755,000
Bataan		**5,860,364**		5,860,364
Makati		**-**		1,900,000
Quezon City		**2,984,952**		2,984,952
Equity on damaged condominium property		**21,070,495**		21,070,495
	P	**220,352,528**	P	220,768,389

Rent income generated from investment properties amounted to P806,733 and P542,762 for the years ended December 31, 2025 and 2024.

The equity on damaged condominium property represents the residual interest of the Company over the condominium property that was completely gutted by fire in 2018. Prior to the fire incident, the Company owns a total of 1,023 square meters of condominium units which the Company previously occupies as its head office. Collectively, the Company's interest is equivalent to 13% of the entire property. In 2021, the insurance claim of the condominium association amounting to P150 million have been settled. The latest valuation of the lot where the condominium was previously located was estimated to be P359.2 million. Hence, management believes that the carrying amount of damaged condominium property is fully recoverable.

As of December 31, 2025 and 2024, no investment properties has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of investment properties and no contractual obligation to purchase, construct or developed or for repairs, maintenance for enhancements.

Fair value information of investment properties is presented in Note 6.

14. Property and Equipment - Net

The breakdown of this account is as follows:

2025	Land, Building and Condominium*	Office Leasehold Improvements	Furniture & Fixtures	EDP Equipment	Transportation Equipment	Right-of-Use Assets (Note 31)	Construction in progress	Total
Costs								
At January 1, 2025	P 424,538,622	P 24,470,923	P 15,628,587	P 31,593,130	P 49,719,483	P 10,790,770	P -	P 556,741,515
Additions	-	698,077	610,494	1,007,221	2,959,039	-	-	5,274,831
Lease inception	-	-	-	-	-	6,798,619	-	6,798,619
Reclassification	415,861	-	-	-	-	-	1,939,788	2,355,649
Disposal	-	-	-	-	(16,891,537)	-	-	(16,891,537)
At December 31, 2025	424,954,483	25,169,000	16,239,081	32,600,351	35,786,985	17,589,389	1,939,788	554,279,077
Accumulated depreciation								
At January 1, 2025	8,386,470	12,393,567	7,094,566	21,535,199	30,708,595	6,921,917	-	87,040,314
Provisions	2,534,471	2,932,797	1,538,448	2,526,685	3,282,795	5,428,312	-	18,243,508
Disposal	-	-	-	-	(16,827,537)	-	-	(16,827,537)
At December 31, 2025	10,920,941	15,326,364	8,633,014	24,061,884	17,163,853	12,350,229	-	88,456,285
Net Carrying Value								
At December 31, 2025	P 414,033,542	P 9,842,636	P 7,606,067	P 8,538,467	P 18,623,132	P 5,239,160	P 1,939,788	P 465,822,792

**at revalued amounts*

2024	Land, Building and Condominium	Office Leasehold Improvements	Furniture & Fixtures	EDP Equipment	Transportation Equipment	Right-of-Use Assets (Note 31)	Total
At January 1, 2024	P 181,009,501	P 20,639,150	P 14,405,898	P 29,994,120	P 39,614,027	P 11,615,718	P 297,278,414
Additions	245,429,121	3,831,773	1,222,689	1,599,010	10,105,456	2,697,646	264,885,695
Reclassifications	(1,900,000)	-	-	-	-	-	(1,900,000)
Disposal	-	-	-	-	-	(3,522,594)	(3,522,594)
At December 31, 2024	424,538,622	24,470,923	15,628,587	31,593,130	49,719,483	10,790,770	556,741,515
Accumulated depreciation							
At January 1, 2024	5,852,000	10,370,131	5,658,340	18,859,546	28,170,311	6,915,161	75,825,489
Provisions	2,534,470	2,023,436	1,436,226	2,675,653	2,538,284	3,529,350	14,737,419
Disposal	-	-	-	-	-	(3,522,594)	(3,522,594)
At December 31, 2024	8,386,470	12,393,567	7,094,566	21,535,199	30,708,595	6,921,917	87,040,314
Net Carrying Value							
At December 31, 2024	P 416,152,152	P 12,077,356	P 8,534,021	P 10,057,931	P 19,010,888	P 3,868,853	469,701,201

**at revalued amounts*

Had the land, building, and condominium units been carried at cost less accumulated depreciation, their carrying amounts would have been as follows:

	2025	2024
Cost		
Balance, January 1	**P 424,538,622**	P 181,009,501
Additions	**-**	245,429,121
Reclassification	**415,861**	(1,900,000)
Balance at end of year	**424,954,483**	424,538,622
Accumulated depreciation		
Balance, January 1	**8,386,470**	5,852,000
Provisions	**2,534,471**	2,534,470
Balance at end of year	**10,920,941**	8,386,470
	P 414,033,542	P 416,152,152

15. Deferred Acquisition Costs (DAC) and Deferred Commission Income (DCI)

Movements of this account during the year are as follows:

2025	**Deferred Commission Expense**	**Deferred Commission Income**	**Net DAC**
Balances, beginning	**P 180,561,743**	**P 3,688,777**	**P 176,872,966**
Net changes in acquisition cost (see Note 27)	**43,642,592**	**6,533,933**	**37,108,659**
	P 224,204,335	**P 10,222,710**	**P 213,981,625**

2024	Deferred Commission Expense	Deferred Commission Income	Net DAC
Balances, beginning	P 155,758,660	P 3,026,284	P 152,732,376
Net changes in acquisition cost (see Note 27)	24,803,083	662,493	24,140,590
	P 180,561,743	P 3,688,777	P 176,872,965

16. Accrued Investment Income

This account represents accrued interest income from government securities amounting to P4,388,031 as of December 31, 2025 and P4,430,145 as of December 31, 2024.

17. Other Assets

This account consists of:

	2025	2024
Software cost - net	**P 34,573,166**	31,132,600
Due from employees	**18,316,206**	14,878,917
Deferred input taxes	**12,469,871**	-
Creditable withholding tax	**8,498,698**	11,350,494
Due from agents	**5,909,598**	5,717,475
Prepayments	**1,813,605**	2,077,387
Deposits	**1,017,215**	720,669
Other loans and receivables	**125,000**	975,000
Security fund	**65,908**	65,908
	P 82,789,267	P 66,918,450

The descriptions of these accounts are as follows:

- Due from employees and Agents have a maturity of less than 12 months collectible through payroll deductions or commissions due.

- Other loans and receivable represents loans granted that are collateralized by real estate mortgaged. As of December 31, 2025, management believes that the balance of the loan is fully recoverable.

- Software cost represents the acquisition cost of Enterprise-wide system for Non-life Insurance which is carried at cost. The movements during the year of this account are as follows.

		2025		2024
Cost				
Balance, January 1	**P**	**35,276,474**	P	29,661,499
Additions		**5,204,390**		5,614,975
Balance, December 31		**40,480,864**		35,276,474
Accumulated amortization				
Balance, January 1		**4,143,874**		3,030,799
Provision for amortization		**1,763,824**		1,113,075
Balance, December 31		**5,907,698**		4,143,874
Net carrying value	**P**	**34,573,166**	P	31,132,600

- Creditable withholding tax pertains to the Company's tax withheld at source by its customers. These can be credited against the income tax liability of the Company.

- Prepayments include unused supplies and prepaid insurance.

- Deposits consist mainly of rental and utility deposits in relation to the Company's rental of office space.

- Security fund was created under Section 365 of Presidential Decree (PD) No. 612 as amended under PD No. 1640, to be used for payment of allowed claims against insolvent insurance companies. The balance of the fund amounting to P65,908 in 2024 and 2023 represents the Company's contribution to the fund. The balance of the fund earns interest at rates determined by the IC annually.

18. Reserve for Unearned Premiums

The analysis of this account is as follows:

	2025			2024		
	Gross Premium	**Ceded Business**	**Net Retained**	Gross Premium	Ceded Business	Net Retained
Balances, January 1	**P 530,153,046**	**P 113,451,381**	**P 416,701,665**	P 477,120,682	P 59,104,085	P 418,016,597
Policies Written During the Year	**1,826,417,665**	**315,859,779**	**1,510,557,886**	1,538,752,770	209,969,608	1,328,783,162
Premiums Earned During the Year	**(1,742,750,816)**	**(279,226,406)**	**(1,463,524,410)**	(1,485,720,406)	(155,622,312)	(1,330,098,094)
	P 613,819,895	**P 150,084,754**	**P 463,735,141**	P 530,153,046	P 113,451,381	P 416,701,665

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

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

	Gross	
	2025	2024
UPR (a)	**P613,819,895**	P530,153,046
URR (b)		
Best Estimate of Future Obligation	**219,735,849**	219,735,849
Maintenance Expenses	**16,561,495**	16,561,495
Claims Handling Expenses	**1,434,950**	1,434,950
Margin for Adverse Deviation	**32,239,625**	32,239,625
	269,971,919	269,971,919
Premium Liability (whichever is higher between a and b)	**P613,819,895**	P530,153,046

	Net of Reinsurance	
	2025	2024
UPR (a)	**P463,735,141**	P416,701,665
URR (b)		
Best Estimate of Future Obligation	**152,168,637**	152,168,637
Maintenance Expenses	**16,561,495**	16,561,495
Claims Handling Expenses	**1,434,950**	1,434,950
Margin for Adverse Deviation	**21,714,926**	21,714,926
	191,880,008	191,880,008
Premium Liability (whichever is higher between a and b)	**P463,735,141**	P416,701,665

19. Insurance Claims Payable

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

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

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

The analysis of this account is shown below:

	2025			2024		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Balances, January 1	**P 807,752,627**	**P 436,476,717**	**P 371,275,910**	P 259,715,131	P 72,417,382	P 187,297,749
Claims and Losses Incurred - Net of Recoveries	**500,590,853**	**(37,540,221)**	**538,131,074**	977,155,964	432,052,642	545,103,322
Provision for Incurred but not Reported Claims	**211,812,869**	**73,393,429**	**138,419,440**	163,441,712	40,119,770	123,321,942
Claims and Losses Paid - Net of Recoveries	**(887,869,415)**	**(185,105,241)**	**(702,764,174)**	(592,560,180)	(108,113,077)	(484,447,103)
	P 632,286,934	**P 287,224,684**	**P 345,062,250**	P 807,752,627	P 436,476,717	P 371,275,910

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

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

Mfad is included to allow the inherent uncertainty of the best estimate of the policy reserves and to consider the variability of claims experience with a class of business, the diversification between classes of business and conservatism in the best estimate.

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

	Gross	
	2025	2024
Outstanding claims reserve	**P 420,474,064**	P 644,310,915
Claims handling expense	**1,192,329**	1,169,103
IBNR	**153,311,501**	87,888,280
Mfad	**57,309,040**	74,384,329
	P 632,286,934	P 807,752,627

	Net of Reinsurance	
	2025	2024
Outstanding claims reserve	**P 206,642,810**	P 247,953,968
Claims handling expense	**1,192,329**	1,169,103
IBNR	**101,554,880**	82,911,787
Mfad	**35,672,231**	39,241,052
	P 345,062,250	P 371,275,910

20. Accounts Payable and Accrued Expenses

This account consists of:

		2025	2024
Taxes and Social Security Costs Payable	**P**	**155,670,844**	P 168,158,293
Premium Deposits		**2,301,543**	2,801,543
Accrued Expenses		**467,832**	467,834
	P	**158,440,219**	P 171,427,670

The terms and conditions of these accounts are as follows:

Taxes and Social Security Costs Payable represent documentary stamps, net output vat, premium taxes and other local government taxes outstanding at reporting date.

Premium Deposits represent collection of advance premium payments for new and existing insurance policy renewals, subsequently offset from premium receivable upon policy issuance.

Accrued Expenses represent current liabilities due to various suppliers outstanding at reporting date, representing expenses, shared or otherwise direct expenses incurred in its normal course of operation.

21. Reinsurance Liabilities

The movements of this account are as follows:

	As of December 31, 2025					
		Due to reinsurers		**Funds held for reinsurers**		**Total**
Balance at the beginning of year	**P**	**88,874,194**	**P**	**860,402**	**P**	**89,734,596**
Additions		**72,022,553**		**10,109,143**		**82,131,696**
Reductions		**(5,945,282)**		**-**		**(5,945,282)**
Balance at the end of year	**P**	**154,951,465**	**P**	**10,969,545**	**P**	**165,921,010**

	As of December 31, 2024					
		Due to reinsurers		Funds held for reinsurers		Total
Balance at the beginning of year	P	28,636,481	P	3,947,405	P	32,583,886
Additions		155,534,107		933,735		156,467,842
Reductions		(95,296,394)		(4,020,738)		(99,317,132)
Balance at the end of year	P	88,874,194	P	860,402	P	89,734,596

22. Equity

Share Capital
As at December 31, 2025 and 2024, the Company has an authorized share capital of P1 billion divided into 10 million shares at P100 par value per share.

The movement of the Company's share capital for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Balance at the beginning of the year	**P 900,000,000**	P 607,000,000
Issuance during the year	**-**	293,000,000
Balance at the end of the year	**P 900,000,000**	P 900,000,000

As at December 31, 2025, the Company has 8 stockholders owning 100 or more shares each.

Contingency Surplus
On various dates during 2025, a stockholder infused unto the Company funds totaling ₱65 million. The same was credited to Contingency surplus aimed to raise the Company's net worth required under IC Circular 2015-02-A.

23. Insurance Contracts – Terms, Assumption and Sensitivities

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

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

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

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

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

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. There are select sensitivities to certain variables such as legislative changes and inherent uncertainties in the estimation process which are impossible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

Since certain proportional reinsurance facilities are in place, the Company's net exposure to these sensitivities is minimal. The Company considers that the liability recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Sensitivity tests are set out below, showing the impact on profit and loss and equity.

% change in	Impact on income		Impact on equity	
loss ratio	**2025**	2024	**2025**	2024
+5%	**+P73.2 million**	+P66.5 million	**+P54.9 million**	+P49.8 million
-5%	**- P73.2 million**	- P66.5 million	**- P54.9 million**	- P49.8 million

	Gross Insurance Contract Liabilities in 2025											
Accident Year	End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	Total
Estimate of ultimate claim cost												
2015 and prior	P 771,591,310	P 828,393,291	P 836,295,320	P 836,232,114	P 836,284,333	P 836,060,788	P 835,611,627	P 835,611,627	P 833,111,627	P 833,111,627	P 831,138,816	P 831,138,816
2016	175,500,067	240,118,718	238,993,439	246,205,198	245,913,698	244,635,698	244,635,698	243,698,198	243,698,198	243,698,198	-	243,698,198
2017	171,272,893	232,660,753	222,051,348	221,051,348	220,851,348	220,851,348	220,851,348	220,851,348	220,851,348	-	-	220,851,348
2018	260,090,113	351,949,146	363,982,239	362,447,312	362,422,856	362,422,856	362,422,856	362,422,856	-	-	-	362,422,856
2019	232,854,122	364,235,197	375,857,686	376,882,044	376,365,095	377,683,260	377,896,364	-	-	-	-	377,896,364
2020	343,227,390	394,908,324	403,270,941	416,025,247	419,027,324	414,949,686	-	-	-	-	-	414,949,686
2021	277,236,272	400,004,032	406,138,389	412,328,307	409,250,304	-	-	-	-	-	-	409,250,304
2022	267,074,999	334,577,580	332,521,737	332,900,578	-	-	-	-	-	-	-	332,900,578
2023	378,217,736	520,342,701	525,880,467	-	-	-	-	-	-	-	-	525,880,467
2024	963,250,105	1,033,198,334	-	-	-	-	-	-	-	-	-	1,033,198,334
2025	591,650,182	-	-	-	-	-	-	-	-	-	-	591,650,182
Total	591,650,182	1,033,198,334	525,880,467	332,900,578	409,250,304	414,949,686	377,896,364	362,422,856	220,851,348	243,698,198	831,138,816	5,343,837,134
Provision for IBNR and other reserves	211,812,869											211,812,869
Cumulative payments to date	(332,199,275)	(881,179,376)	(517,648,717)	(332,200,578)	(409,177,854)	(414,949,686)	(377,896,364)	(362,422,856)	(220,851,348)	(243,698,198)	(831,138,816)	(4,923,363,071)
Liability recognized in the statements of financial position	P 471,263,777	P 152,018,957	P 8,231,750	P 700,000	P 72,450	P -	P -	P -	P -	P -	P -	P 632,286,934

	Net Insurance Contract Liabilities in 2025											
Accident Year	End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	Total
Estimate of ultimate claim cost												
2015 and prior	P 523,498,714	P 559,118,771	P 567,698,306	P 567,635,100	P 567,687,320	P 567,691,161	P 567,198,305	P 567,198,305	P 566,948,305	P 566,948,305	P 566,810,208	P 566,810,208
2016	110,152,605	170,672,491	175,825,289	179,453,663	179,413,913	178,655,026	178,603,083	178,420,651	178,420,651	178,420,651	-	178,420,651
2017	145,963,468	209,002,333	213,169,873	212,169,873	212,164,159	212,164,159	212,164,159	212,164,159	212,164,159	-	-	212,164,159
2018	163,100,270	243,978,625	256,090,291	255,851,659	255,845,867	255,845,867	255,845,867	255,845,867	-	-	-	255,845,867
2019	195,844,069	331,570,571	347,638,603	348,732,644	349,356,342	350,715,475	350,928,579	-	-	-	-	350,928,579
2020	173,862,563	249,307,622	257,278,563	253,673,858	256,532,966	254,982,106	-	-	-	-	-	254,982,106
2021	252,878,495	352,641,097	359,192,407	362,742,602	362,225,034	-	-	-	-	-	-	362,225,034
2022	202,760,971	267,509,751	272,501,576	273,348,512	-	-	-	-	-	-	-	273,348,512
2023	315,617,441	464,518,910	476,958,799	-	-	-	-	-	-	-	-	476,958,799
2024	491,174,952	647,511,623	-	-	-	-	-	-	-	-	-	647,511,623
2025	492,291,482	-	-	-	-	-	-	-	-	-	-	492,291,482
Total	492,291,482	647,511,623	476,958,799	273,348,512	362,225,034	254,982,106	350,928,579	255,845,867	212,164,159	178,420,651	566,810,208	4,071,487,019
Provision for IBNR and other reserves	138,419,440											138,419,440
Cumulative payments to date	(327,537,154)	(613,060,698)	(469,749,172)	(273,193,031)	(362,152,584)	(254,982,106)	(350,928,579)	(255,845,867)	(212,164,159)	(178,420,651)	(566,810,208)	(3,864,844,209)
Liability recognized in the statements of financial position	P 303,173,768	P 34,450,925	P 7,209,627	P 155,480	P 72,449	P -	P -	P -	P -	P -	P -	P 345,062,250

Accident Year	End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	Total
	Gross Insurance Contract Liabilities in 2024											
Estimate of ultimate claim cost												
2014 and prior	P 525,308,054	P 596,056,327	P 596,284,731	P 603,189,121	P 603,125,915	P 603,178,134	P 602,954,589	P 602,954,589	P 602,954,589	P 600,454,589	P 600,454,589	P 600,454,589
2015	175,534,983	232,108,560	233,106,199	233,106,199	233,106,199	233,106,199	232,657,038	232,657,038	232,657,038	232,657,038	-	232,657,038
2016	175,500,067	240,118,718	238,993,439	246,205,198	245,913,698	244,635,698	244,635,698	243,698,198	243,698,198	-	-	243,698,198
2017	171,272,893	232,660,753	222,051,348	221,051,348	220,851,348	220,851,348	220,851,348	220,851,348	-	-	-	220,851,348
2018	260,090,113	351,949,146	363,982,239	362,447,312	362,422,856	362,422,856	362,422,856	-	-	-	-	362,422,856
2019	232,854,122	364,235,197	375,857,686	376,882,044	376,365,095	377,683,260	-	-	-	-	-	377,683,260
2020	343,227,390	394,908,324	403,270,941	416,025,247	419,027,324	-	-	-	-	-	-	419,027,324
2021	277,236,272	400,004,032	406,138,389	412,328,307	-	-	-	-	-	-	-	412,328,307
2022	267,074,999	334,577,580	332,521,737	-	-	-	-	-	-	-	-	332,521,737
2023	378,217,736	520,342,701	-	-	-	-	-	-	-	-	-	520,342,701
2024	963,250,105	-	-	-	-	-	-	-	-	-	-	963,250,105
Total	963,250,105	520,342,701	332,521,737	412,328,307	419,027,324	377,683,260	362,422,856	220,851,348	243,698,198	232,657,038	600,454,589	4,685,237,463
Provision for IBNR and other reserves	163,441,713											163,441,713
Cumulative payments to date	(385,010,905)	(473,048,754)	(327,989,484)	(406,088,570)	(414,329,531)	(376,348,087)	(362,422,856)	(220,851,348)	(243,698,198)	(232,657,038)	(598,481,778)	(4,040,926,549)
Liability recognized in the statements of financial position	P 741,680,912	P 47,293,947	P 4,532,254	P 6,239,737	P 4,697,793	P 1,335,173.50	P -	P -	P -	P -	P 1,972,811	P 807,752,627

Accident Year	End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	Total
	Net Insurance Contract Liabilities in 2024											
Estimate of ultimate claim cost												
2014 and prior	P 381,163,291	P 414,820,496	P 415,638,759	P 422,470,854	P 422,407,648	P 422,459,867	P 422,463,708	P 422,075,611	P 422,075,611	P 421,825,611	P 421,825,611	P 421,825,611
2015	108,678,218	143,480,012	145,227,453	145,227,453	145,227,453	145,227,453	145,122,694	145,122,694	145,122,694	145,122,694	-	145,122,694
2016	110,152,605	170,672,491	175,825,289	179,453,663	179,413,913	178,655,026	178,603,083	178,420,651	178,420,651	-	-	178,420,651
2017	145,963,468	209,002,333	213,169,873	212,169,873	212,164,159	212,164,159	212,164,159	212,164,159	-	-	-	212,164,159
2018	163,100,270	243,978,625	256,090,291	255,851,659	255,845,867	255,845,867	255,845,867	-	-	-	-	255,845,867
2019	195,844,069	331,570,571	347,638,603	348,732,644	349,356,342	350,715,475	-	-	-	-	-	350,715,475
2020	173,862,563	249,307,622	257,278,563	253,673,858	256,532,966	-	-	-	-	-	-	256,532,966
2021	252,878,495	352,641,097	359,192,407	362,742,602	-	-	-	-	-	-	-	362,742,602
2022	202,760,971	267,509,751	272,501,576	-	-	-	-	-	-	-	-	272,501,576
2023	315,617,441	464,518,910	-	-	-	-	-	-	-	-	-	464,518,910
2024	491,174,952	-	-	-	-	-	-	-	-	-	-	491,174,952
Total	491,174,952	464,518,910	272,501,576	362,742,602	256,532,966	350,715,475	255,845,867	212,164,159	178,420,651	145,122,694	421,825,611	3,411,565,463
Provision for IBNR and other reserves	123,321,942											123,321,942
Cumulative payments to date	(283,251,164)	(435,277,429)	(269,036,464)	(359,063,300)	(254,361,951)	(349,380,301)	(255,845,867)	(212,164,159)	(178,420,651)	(145,122,694)	(421,687,514)	(3,163,611,495)
Liability recognized in the statements of financial position	P 331,245,730	P 29,241,480	P 3,465,112	P 3,679,302	P 2,171,016	P 1,335,173	P -	P -	P -	P -	P 138,097	P 371,275,910

24. Premiums

Analysis of premiums is as follows:

2025	**Direct and Assumed**		**Ceded Business**	**Net Premiums Retained**
Premiums Written	**P 1,826,417,665**	**P**	**315,859,778**	**P 1,510,557,887**
Changes in Unexpired Risk	**(83,666,849)**		**(36,633,372)**	**(47,033,477)**
Net	**P 1,742,750,816**	**P**	**279,226,406**	**P 1,463,524,410**

2024	Direct and Assumed		Ceded Business	Net Premiums Retained
Premiums Written	P 1,538,752,770	P	209,969,608	P 1,328,783,162
Changes in Unexpired Risk	(53,032,364)		(54,347,296)	1,314,932
Net	P 1,485,720,406	P	155,622,312	P 1,330,098,094

25. Interest and Other Investment Income, Net

Interest and other investment income consist of:

		2025		2024
Interest Income				
HTM Financial Assets	**P**	**27,785,547**	P	27,210,280
Cash and Cash Equivalents (see Note 8)		**91,648**		412,329
Short-term Investments (see Note 9)		**323,361**		915,056
Others		**1,265,841**		984,783
Dividend Income (see Note 10)		**138,617**		448,357
Gain on Sale of Available-for-Sale Investments (see Note 10)		**3,445,449**		158,082
Gain on Sale of Transportation Equipment		**236,000**		-
Loss on Foreign Exchange		**(315,793)**		(368,712)
Rental Income (see Note 13)		**806,733**		542,762
	P	**33,777,403**	P	30,302,937

26. Claims, Losses and Adjustment Expenses Paid

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

	December 31, 2025					
		Direct and Assumed		**Recoveries**		**Net**
Claims and Losses	**P**	**874,007,909**	**P**	**180,425,035**	**P**	**693,582,874**
Loss Adjustment Expenses		**13,861,506**		**4,680,206**		**9,181,300**
	P	**887,869,415**	**P**	**185,105,241**	**P**	**702,764,174**

	December 31, 2024		
	Direct and Assumed	Recoveries	Net
Claims and Losses	P 586,818,197	P 106,445,126	P 480,373,071
Loss Adjustment Expenses	5,741,983	1,667,951	4,074,032
	P 592,560,180	P 108,113,077	P 484,447,103

27. Commission Expense and Commission Income

The composition of this account is as follows:

	2025		2024	
	Commission Expense	**Commission Income**	Commission Expense	Commission Income
Direct Business	**P 443,549,920**	**P -**	P 344,065,303	P -
Reinsurance Business	**5,508,697**	**25,956,485**	5,179,460	11,999,476
Total	**449,058,617**	**25,956,485**	349,244,763	11,999,476
Increase/(Decrease) in DAC/DCI *(see Note 15)*	**(43,642,592)**	**(6,533,933)**	(24,803,083)	(662,493)
	P 405,416,025	**P 19,422,552**	P 324,441,680	P 11,336,983

28. General and Administrative Expenses

General and administrative expenses consist of:

	2025	2024
Salaries and Allowances	**P 177,195,308**	P 166,463,622
Taxes and Licenses	**22,090,747**	6,698,759
Employee Welfare and Other Benefits	**20,116,103**	14,350,358
Depreciation and Amortization (see Notes 14 and 17)	**20,007,330**	15,850,493
Advertising and Promotions	**16,247,283**	34,499,304
Transportation and Travel	**14,374,934**	13,317,464
Rent (see Note 31)	**13,377,880**	14,741,101
Retirement (see Note 29)	**11,400,000**	5,069,630
Representation and Entertainment	**10,430,713**	8,196,577
Training and Development	**9,043,509**	4,748,652
Repairs and Maintenance	**7,217,235**	9,122,330
Communication and Postage	**6,489,855**	5,704,950
Audit and Legal Fees	**5,869,602**	5,605,919
Printing and Office Supplies	**4,188,750**	4,390,329
Insurance	**3,605,332**	140,360
Light and Water	**3,010,126**	2,670,686
Provision for doubtful account (see note 11)	**2,270,235**	-
Association and Pool Dues	**1,702,591**	1,356,004
Bank Charges	**662,215**	96,680
Miscellaneous	**17,957,864**	8,836,392
	P 367,257,612	P 321,859,610

29. Retirement Benefit Cost

On May 1, 1999, the Company established the Western Guaranty Corporation Retirement Plan (the Plan), a non-contributory and defined benefit type retirement plan. Membership in the Plan is automatic for all officers and employees of the Company who are considered having regular employment status. Normal retirement is upon attainment of 60 years old with at least five years of credited service. Late retirement may allowed up to the age of 70 years old. Early retirement may be allowed subject to the consent of the Company, provided a member has completed at least 5 years of credited service.

Retirement benefit is equivalent to 22.5 days pay for every year of credited service. The benefit is paid in lump sum upon retirement or separation in accordance with the terms of the plan. Contribution to the plan and earnings thereof are managed by a trustee. The Plan has no specific matching strategy between the Plan asset and the Plan liabilities. The Company is not required to pre-fund the defined benefit obligation payable under the plan before they become due. The amount and timing of contribution to the plan asset are at the Company's discretion. However, in the event a benefit claim arises and the plan asset is insufficient to pay the claim, the shortfall will then be due and payable to the plan asset.

Annual normal cost amounted to P13,300,000 and P5,069,630 in 2025 and 2024, respectively. As of December 31, 2025 and 2024, the plan asset amounted to P40,293,138 and P32,832,277 which is equivalent to the retirement benefit obligation at year end. Normal cost is computed using the Projected Unit Credit Method. Under this method, annual normal cost is the present value of retirement benefits payable in the future in respect of services in the current period.

The composition of plan asset is as follows:

		2025		2024
Cash and cash equivalents	**P**	**46,056**	P	4,573,838
Government and other securities		**39,910,730**		27,901,369
Accrued interest		**377,902**		362,756
Accrued expenses		**(41,550)**		(14,686)
	P	**40,293,138**	P	32,823,277

Plan assets are valued by the fund manager at fair value using the mark-to-market valuation. The Company contributes to the fund based on a funding valuation as recommended by an actuary.

The changes in plan assets are as follows:

		2025		2024
Balance at the beginning of the year	**P**	**32,823,277**	P	26,633,109
Contributions during the year		**13,300,000**		5,069,630
Net income (loss)		**1,491,476**		1,120,538
Withdrawal		**(7,321,615)**		-
	P	**40,293,138**	P	32,823,277

Actuarial assumptions used to determine retirement benefits in 2025 and 2024 are as follows:

Rate of investment	**5%**
Salary projection rate	**5%**
Number of lives covered	**57**
Funding method	Project unit credit
Mortality rate	The 2001 CSO Generational (Scale AA, Society of Actuaries)
Disability rate	The Disability Study, Period 2, Benefit 5 (Society of Actuaries)

30. Income Taxes

The major components of provision for income tax for the years ended December 31, 2025 and 2024 are as follows:

		2025		2024
Current				
RCIT	**P**	**13,167,309**	P	6,443,351
MCIT		**-**		520,400
Deferred		**(4,327,814)**		(2,399,350)
	P	**8,839,495**	P	4,564,401

The reconciliation of the provision for income tax to the taxable income computed at the applicable statutory tax rates is as follows:

		2025		2024
Statutory income tax	**P**	**16,783,694**	P	11,327,870
Adjustments for:				
Non-taxable income and income subject to final tax		**(7,946,155)**		(7,283,869)
Nondeductible expenses		**1,956**		-
Unrecognized MCIT		**-**		520,400
Actual provision for income tax	**P**	**8,839,495**	P	4,564,401

Excess MCIT can be offset against RCIT until 2028.

Significant components of the Company's deferred tax assets and liabilities recognized in the financial statements are as follows:

		2025		2024
Deferred Tax Assets				
Allowance for impairment				
Reinsurance assets	**P**	**439,107**	P	439,107
Premium receivables		**1,133,901**		566,342
Provision for IBNR losses		**6,785,638**		3,011,264
Effect of PFRS 16		**52,504**		53,394
Unrealized loss on foreign exchange		**78,949**		92,178
		8,490,099		4,162,286
Deferred Tax Liabilities				
Revaluation reserve on property and equipment		**13,778,891**		13,778,892
Net Deferred Tax Liabilities	**P**	**5,288,792**	P	9,616,606

The movement of the Company's deferred taxes as of December 31, 2025 and 2024 are as follows:

			Changes taken to					
		Beginning		**Profit and loss**		**Equity**		**Ending**
Deferred tax assets	**P**	**4,162,286**	**P**	**4,327,814**	**P**	**-**	**P**	**8,490,100**
Deferred tax liabilities		**(13,778,892)**		**-**		**-**		**(13,778,892)**
	P	**(9,616,606)**	**P**	**4,327,814**	**P**	**-**	**P**	**(5,288,792)**

		As of December 31, 2024						
			Changes taken to					
		Beginning		Profit and loss		Equity		Ending
Deferred tax assets	P	1,762,937	P	2,399,349	P	-	P	4,162,287
Deferred tax liabilities		(13,778,892)		-		-		(13,778,892)
	P	(12,015,955)	P	2,399,349	P	-	P	(9,616,606)

31. Other Significant Matters

1. <u>*Deferral of adoption of PFRS 9*</u>

Deferral of adoption of PFRS 9
In 2025 and 2024, the Company continues to apply the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 with PFRS 4* issued in 2016. The temporary exemption from applying the PFRS 9 is applicable until the mandatory effectivity of PFRS 17 for entities whose activities are predominantly connected with issuing contracts within the scope of PFRS 4. The predominance test, as required by the standard, was performed using the Statement of financial position as of December 31, 2018. Accordingly, the Company's gross liabilities arising from insurance contracts within the scope of PFRS 4 is equivalent to 81% of the total carrying amount of all its liabilities. No re-assessments have been performed at subsequent date because there was no substantial change in the business of Company that would require such re-assessment.

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

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

	Fair values as of December 31, 2025		Fair values as of December 31, 2024	
	Meets the SPPI test	**Does not meet the SPPI test**	Meets the SPPI test	Does not meet the SPPI test
Cash and cash equivalents	**P 188,926,802**	**P -**	P 146,399,974	P -
Short-term investments	**33,054,981**	**-**	32,805,615	-
Financial Assets:				
FVPL	**100,797,806**	**-**	129,107,561	-
HTM	**437,693,148**	**-**	462,271,647	-
AFS	**-**	**16,971,980**	-	36,949,425
Insurance-related receivables	**1,654,909,405**	**-**	1,609,140,384	-
Accrued investment income	**4,388,031**	**-**	4,430,145	-
Other loans and receivables	**65,359,243**	**-**	21,571,392	-
Deposits	**1,813,605**	**-**	720,669	-
Security fund	**125,000**	**-**	65,908	-
	P 2,487,068,020	**P 16,971,980**	P 2,406,513,295	P 36,949,425

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

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

	As of December 31, 2025				
	Neither Past Due nor Impaired		**Past Due but**		
	Rated	**Unrated**	**Unimpaired**	**Impaired**	**Total**
Cash and cash equivalents	**P 188,926,802**	**P -**	**P -**	**P -**	**P 188,926,802**
Short-term investments	**33,054,981**	**-**	**-**	**-**	**33,054,981**
FVPL	**100,797,806**	**-**	**-**	**-**	**100,797,806**
HTM	**437,693,148**	**-**	**-**	**-**	**437,693,148**
Insurance-related receivables	**1,648,617,376**	**-**	**-**	**6,292,029**	**1,654,909,405**
Accrued investment income	**4,388,031**	**-**	**-**	**-**	**4,388,031**
Other loans and receivables	**65,359,243**	**-**	**-**	**-**	**65,359,243**
Deposits	**1,813,605**	**-**	**-**	**-**	**1,813,605**
Security fund	**125,000**	**-**	**-**	**-**	**125,000**
	P2,480,775,992	**P -**	**P -**	**P 6,292,029**	**P2,487,068,020**

	As of December 31, 2024				
	Neither Past Due nor Impaired		Past Due but		
	Rated	Unrated	Unimpaired	Impaired	Total
Cash and cash equivalents	P 146,399,974	P -	P -	P -	P 146,399,974
Short-term investments	32,805,615	-	-	-	32,805,615
FVPL	129,107,561	-	-	-	129,107,561
HTM	465,482,238	-	-	-	465,482,238
Insurance-related receivables	1,605,118,589	-	-	4,021,795	1,609,140,384
Accrued investment income	4,430,145	-	-	-	4,430,145
Other loans and receivables	21,571,392	-	-	-	21,571,392
Deposits	720,669	-	-	-	720,669
Security fund	65,908	-	-	-	65,908
	P2,405,702,091	P -	P -	P 4,021,795	P2,409,723,886

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

	December 31, 2025			
		Financial		
	Government	**Institutions**	**All others**	**Total**
Cash and cash equivalents	**P -**	**P 188,926,802**	**P -**	**P 188,926,802**
Short-term investments	**-**	**33,054,981**	**-**	**33,054,981**
FVPL	**-**	**100,797,806**	**-**	**100,797,806**
HTM	**435,193,148**	**2,500,000**	**-**	**437,693,148**
Insurance-related receivables	**-**	**-**	**1,654,909,405**	**1,654,909,405**
Accrued investment income	**4,388,031**	**-**	**-**	**4,388,031**
Other loans and receivables	**-**	**-**	**65,359,243**	**65,359,243**
Deposits	**-**	**-**	**1,813,605**	**1,813,605**
Security fund	**-**	**-**	**125,000**	**125,000**
	P 439,581,178	**P 325,279,589**	**P 1,722,207,253**	**P 2,487,068,020**

	December 31, 2024			
		Financial		
	Government	Institutions	All others	Total
Cash and cash equivalents	P -	P 146,399,974	P -	P 146,399,974
Short-term investments	-	32,805,615	-	32,805,615
FVPL	-	129,107,561	-	129,107,561
HTM	460,482,238	5,000,000	-	465,482,238
Insurance-related receivables	-	-	1,609,140,384	1,609,140,384
Accrued investment income	4,430,145	-	-	4,430,145
Other loans and receivables	-	-	21,571,392	21,571,392
Deposits	-	-	720,669	720,669
Security fund	-	-	65,908	65,908
	P 464,912,383	P 313,313,150	P 1,631,498,353	P 2,409,723,886

2. *Contingencies*

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

3. *Lease Agreements*

The Company is a lessee to the following lease agreements:

(i) Contract of lease for its head office located at Quintin Paredes St., in Binondo, Manila;
(ii) Contract of lease for its Branch Office located at Cebu City; Santiago City, Isabela; Santa Rosa City, Laguna; Dagupan City, Pangasinan; Gen. Hughes Street, Iloilo City; Cagayan de Oro; Bajada, Davao City; Cauayan, Isabela; Calbayog City, Samar; Ayala Avenue, Makati City; Fordland 1, Bacolod City and Naga City.

The lease terms are for a period of 1 to 5 years. Significant terms and conditions of the lease contracts include (i) payment of monthly rent (ii) Payment of security deposit (iii) Annual escalation clause of rental rates (iv) Fit-out period and (v) restriction of use, among others.

Lease liability
Set out below are the carrying amounts of lease liabilities and the movements during the period:

		2025		2024
Balance at beginning of year	**P**	**4,082,430**	P	4,906,944
Lease inceptions		**6,798,619**		2,697,646
Interest expense		**465,508**		374,937
Cash flows:				
Principal		**(5,431,872)**		(3,522,160)
Interest		**(465,508)**		(374,937)
Balance at end of year		**5,449,177**		4,082,430
Less: Current Portion		**1,993,425**		3,294,991
Non-current portion	**P**	**3,455,752**	P	787,439

Right-of-use asset
Set out below are the carrying amounts of right-of-use assets and the movements during the period:

		2025		2024
Cost				
At January 1	**P**	**10,790,770**	P	11,615,718
Lease inception		**6,798,619**		2,697,646
Disposal		**-**		(3,522,594)
At December 31		**17,589,389**		10,790,770
Accumulated Depreciation				
At January 1		**6,921,917**		6,915,161
Provisions		**5,428,312**		3,529,350
Disposal		**-**		(3,522,594)
At December 31		**12,350,229**		6,921,917
	P	**5,239,160**	P	3,868,853

Amounts recognized in statement of comprehensive income
Set out below, are the amounts recognized in the statement of comprehensive income:

		2025		2024
Rent expense relating to short-term leases	**P**	**13,377,880**	P	14,741,101
Depreciation expense of right-of-use asset		**5,428,312**		3,529,350
Interest expense on lease liability		**465,508**		374,937

4. <u>*Current Assets and Liabilities Distinction*</u>

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

		2025		2024
Current Assets				
Cash and Cash Equivalents	**P**	**188,926,802**	P	150,669,974
Short-term Investments		**33,054,981**		32,805,615
Insurance and Reinsurance Assets		**1,798,702,130**		1,718,569,970
Financial assets:				
FVPL		**100,797,806**		129,107,561
HTM		**45,000,000**		126,500,000
Deferred Acquisition Cost		**224,204,335**		180,561,743
Accrued Investment Income		**4,388,031**		4,430,145
Other Assets		**72,286,056**		34,999,273
	P	**2,467,360,141**	P	2,377,644,281
Current Liabilities				
Reserve for Unearned Premiums	**P**	**613,819,895**	P	530,153,046
Insurance Claims Payable		**632,286,934**		807,752,627
Accounts Payable and Accrued Expenses		**158,440,219**		171,427,670
Reinsurance Liabilities		**165,921,010**		89,734,596
Deferred Commission Income		**10,222,710**		3,688,777
Lease Liability		**1,993,425**		3,294,991
	P	**1,582,684,193**	P	1,606,051,707

The Company classifies all other assets and liabilities as non-current.

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 end of 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 end of the reporting period.

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

32. Supplementary Information Required under Revenue Regulations 15-2010

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

- The output tax on premiums declared in the Company's 2025 VAT returns amounted to P106,515,077 based on gross receipts/income of P887,625,643

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

Balance at the beginnning of the year	P	-
Current year' domestic purchases/payments for:		
Goods and services		58,502,164
Applied against output tax		(58,502,164)
	P	-

- The premium tax on personal accident insurance paid and accrued amounted to P1,418,637.

- The documentary stamp tax paid/accrued for insurance policies amounted to P52,960,588.

- The amounts of withholding tax payments, by category are as follows:

Expanded withholding tax	P	30,976,910
Tax on compensation and benefits		12,297,584
Final tax		5,773

- As of December 31, 2025, the Company has received a Letter of Authority with the Bureau of Internal Revenue covering taxable year 2023.

- The details of taxes and licenses presented under administrative expenses in the Company's statement of comprehensive income are as follows:

Business permits and other licenses	P	20,238,109
Real property tax		1,138,285
LTO vehicle registration		714,353
	P	22,090,747