

**SGI PHILIPPINES GENERAL INSURANCE  
COMPANY, INC.**

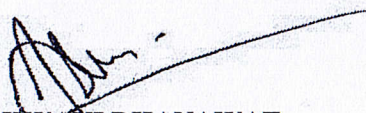
**FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

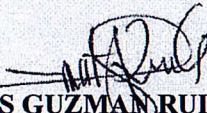
## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of SGI Philippines General Insurance Company, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other 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 all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of SGI Philippines General Insurance Company, Inc. is complete and correct in all material respects. Management likewise affirms that:

- a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of 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) SGI Philippines General Insurance Company, Inc. 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.

  
**ASHWANI DHANAWAT**  
Director authorized to sign in lieu of the CEO

  
**MATIAS GUZMAN RUIZ**  
Corporate Secretary authorized to sign in lieu of the CFO



**TEODORO SANTAMARIA AND Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Suite 2108 Cityland 10 Tower 1  
156 H.V. Dela Costa St.  
Salcedo Village 1226  
Makati City, Philippines

Tel : (632) 8812 - 4202

(632) 8553 - 4845

Email: tscocpas@gmail.com

**Trust Service Commitment**

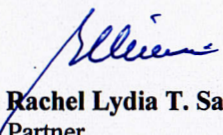
**Report of Independent Auditor**  
**To Accompany Income Tax Return**

**The Board of Directors and Stockholders**  
**SGI Philippines General Insurance Company, Inc.**  
15<sup>th</sup> Floor, BDO Towers Valero  
8741 Paseo de Roxas  
Makati City, Philippines

We have audited the financial statements of **SGI Philippines General Insurance Company, Inc.** (the Company) for the year ended December 31, 2025, on which we have rendered the attached report dated April 6, 2026.

In compliance with Revenue Regulations V-1, we are stating that no partner of our Firm is related by consanguinity or affinity to the President or any principal stockholders and officers of the Company.

**TEODORO SANTAMARIA AND CO.**

  
**By: Rachel Lydia T. Santamaria**  
Partner

CPA License No. 083524  
Valid until December 9, 2026  
BOA/PRC Accreditation No. 5593 (Firm)  
Valid until September 26, 2027  
BOA/PRC Accreditation No. 5593/P-001 (Individual)  
Valid until September 26, 2027  
SEC Accreditation No. 5593 – SEC (Firm)  
Valid until 2025 Financial Statements of SEC covered institutions  
SEC Accreditation No. 83524 – SEC (Individual)  
Valid until 2025 Financial Statements of SEC covered institutions  
IC Accreditation No. 5593 – IC (Firm)  
Valid until 2025 Financial Statements of IC covered institutions  
IC Accreditation No. 83524 – IC (Individual)  
Valid until 2025 Financial Statements of IC covered institutions  
BIR A.N. 08-008055-000-2025 (Firm)  
Valid until March 11, 2028  
BIR A.N. 08-008055-001-2025 (Individual)  
Valid until March 11, 2028  
T.I.N. 102-921-088  
PTR No. 10768479 / Makati City  
January 06, 2026

April 6, 2026  
Makati City, Philippines



**TEODORO SANTAMARIA AND Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Suite 2108 Cityland 10 Tower 1  
156 H.V. Dela Costa St.  
Salcedo Village 1226  
Makati City, Philippines

Tel : (632) 8812 - 4202

(632) 8553 - 4845

Email: tscocpas@gmail.com

**Trust Service Commitment**

**Report of Independent Auditors**

**The Board of Directors and Stockholders**  
**SGI Philippines General Insurance Company, Inc.**  
15<sup>th</sup> Floor, BDO Towers Valero  
8741 Paseo de Roxas  
Makati City, Philippines

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of **SGI Philippines General Insurance Company, Inc.** ("the Company"), which comprise the statement of financial position as at **December 31, 2025 and 2024**, and the related statements of profit, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of material accounting policies and other explanatory information.

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

**Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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:

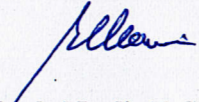
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Other Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 28 of the Notes to financial statements is presented for the purpose of filing with the Bureau of Internal Revenue under Revenue Regulation No. 15-2010 and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**TEODORO SANTAMARIA AND CO.**

  
**By: Rachel Lydia T. Santamaria**

Partner

CPA License No. 083524

Valid until December 9, 2026

BOA/PRC Accreditation No. 5593 (Firm)

Valid until September 26, 2027

BOA/PRC Accreditation No. 5593/P-001 (Individual)

Valid until September 26, 2027

SEC Accreditation No. 5593 – SEC (Firm)

Valid until 2025 Financial Statements of SEC covered institutions

SEC Accreditation No. 83524 – SEC (Individual)

Valid until 2025 Financial Statements of SEC covered institutions

IC Accreditation No. 5593 – IC (Firm)

Valid until 2025 Financial Statements of IC covered institutions

IC Accreditation No. 83524 – IC (Individual)

Valid until 2025 Financial Statements of IC covered institutions

BIR A.N. 08-008055-000-2025 (Firm)

Valid until March 11, 2028

BIR A.N. 08-008055-001-2025 (Individual)

Valid until March 11, 2028

T.I.N. 102-921-088

PTR No. 10768479 / Makati City

January 06, 2026

April 6, 2026  
Makati City, Philippines

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**  
(A Non-life Insurance Company)

**STATEMENTS OF FINANCIAL POSITION**

	Notes	December 31	
		2025	2024
(In Philippine Peso)			
<b>Assets</b>			
Cash and cash equivalents	7	44,463,635	63,489,083
Insurance receivables	8	183,169,764	269,496,450
Financial asset at FVPL	9	862,805,546	864,158,441
Financial asset at FVOCI	9	1,310,846	1,176,926
Financial asset at amortized cost	9	329,580,727	328,543,222
Property and equipment - net	10	115,528,566	125,192,177
Deferred acquisition cost	11	17,118,875	22,055,653
Deferred reinsurance premium	12	8,753,980	23,199,122
Deferred tax assets	24	63,778,301	55,110,493
Other assets	13	31,379,986	31,992,080
<b>Total Assets</b>		<b>1,657,890,226</b>	<b>1,784,413,647</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance liabilities	14	126,037,875	227,544,892
Commission payable	14	20,776,497	24,727,571
Accounts and other payables	15	19,167,795	35,656,484
Retirement benefit liability	22	3,927,920	8,164,182
<b>Total liabilities</b>		<b>169,910,086</b>	<b>296,093,130</b>
<b>Equity</b>			
Common stock	16	1,330,457,200	1,330,457,200
Share premium	16	14,912,155	14,912,155
Revaluation reserve on financial asset at FVOCI	9	(284,580)	(418,500)
Actuarial gains on retirement benefit liability, net	17	5,353,789	2,379,514
Revaluation increment in property	10	100,667,197	109,058,684
Retained earnings	16	37,331,578	32,388,665
Treasury shares	16	(457,200)	(457,200)
<b>Total equity</b>		<b>1,487,980,139</b>	<b>1,488,320,518</b>
<b>Total Liabilities and Equity</b>		<b>1,657,890,226</b>	<b>1,784,413,647</b>

See accompanying notes to financial statements.

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**  
(A Non-life Insurance Company)

**STATEMENTS OF PROFIT**

	Notes	For the years ended December 31	
		2025	2024
(In Philippine Peso)			
<b>Revenues</b>			
Gross premiums written	18	113,518,691	167,422,645
Reinsurance premium ceded	18	(17,567,460)	(77,569,053)
Net premiums retained		95,951,231	89,853,592
Decrease in reserve for unearned premiums	18	5,507,463	29,614,256
Premiums earned		101,458,694	119,467,848
Commissions earned	18	18,980,693	9,451,923
Gross underwriting income	18	120,439,388	128,919,770
Underwriting deductions	19	(109,670,163)	(185,818,857)
Net underwriting income/(loss)		10,769,225	(56,899,087)
Other income	20	69,129,090	69,233,707
<b>Gross profit</b>		<b>79,898,314</b>	<b>12,334,620</b>
<b>Operating expenses</b>			
General and administrative expenses	21	(70,801,250)	(46,186,484)
Interest expense	21	-	(425,352)
<b>Total expenses</b>		<b>(70,801,250)</b>	<b>(46,611,836)</b>
<b>Net Income/(loss) before income tax</b>		<b>9,097,064</b>	<b>(34,277,216)</b>
<b>Income tax benefit</b>	24		
Final		(13,933,637)	(14,074,140)
Deferred		15,004,318	25,496,996
		<b>1,070,680</b>	<b>11,422,856</b>
<b>Net Income/(loss)</b>		<b>10,167,744</b>	<b>(22,854,360)</b>
Earnings/(Loss) per share	25	<b>3.06</b>	<b>(6.87)</b>

See accompanying notes to financial statements.

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**  
(A Non-life Insurance Company)

**STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	For the years ended December 31	
		2025	2024
		(In Philippine Peso)	
<b>Net Income/(Loss)</b>		<b>10,167,744</b>	(22,854,360)
<b>Other comprehensive income that recycle to profit or loss in subsequent periods:</b>			
Fair value adjustment on financial asset at FVOCI	9	<b>133,920</b>	510,570
Net unrealized loss on available for sale financial assets, net of tax			
<b>Other comprehensive income that do not recycle to profit or loss in subsequent periods:</b>			
Actuarial gain on retirement benefit plan, net of tax	17	<b>2,974,275</b>	-
Appraisal valuation of property and equipment	10	-	98,602,404
<b>Total comprehensive income</b>		<b>13,275,939</b>	76,258,614

See accompanying notes to financial statements.

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**  
(A Non-life Insurance Company)

**STATEMENTS OF CHANGES IN EQUITY**

	<b>Common stock</b> (Note 16)	<b>Share premium</b> (Note 16)	<b>Treasury shares</b> (Note 16)	<b>Revaluation reserve on financial asset at FVOCI</b> (Note 9)	<b>Revaluation increment on property and equipments</b> (Note 10)	<b>Actuarial gain/(loss) on retirement benefit obligation</b> (Note 17)	<b>Retained Earnings</b> (Note 16)	<b>Total</b>
(In Philippine Peso)								
Balance, January 1, 2024	1,330,457,200	14,912,155	(457,200)	(929,070)	11,663,128	2,379,514	55,515,264	1,413,540,991
Total comprehensive loss	-	-	-	510,570	98,602,404	-	(22,854,360)	76,258,614
Expired MCIT (Note 24)	-	-	-	-	-	-	(272,238)	(272,238)
Depreciation of property and equipment	-	-	-	-	(1,206,848)	-	-	(1,206,848)
Balances, December 31, 2024	1,330,457,200	14,912,155	(457,200)	(418,500)	109,058,684	2,379,514	32,388,665	1,488,320,518
Total comprehensive income	-	-	-	133,920	-	2,974,275	10,167,744	13,275,939
Expired MCIT (Note 24)	-	-	-	-	-	-	(207,920)	(207,920)
Expired NOLCO (Note 24)	-	-	-	-	-	-	(5,016,911)	(5,016,911)
Depreciation of property and equipment	-	-	-	-	(8,391,486)	-	-	(8,391,486)
<b>Balances, December 31, 2025</b>	<b>1,330,457,200</b>	<b>14,912,155</b>	<b>(457,200)</b>	<b>(284,580)</b>	<b>100,667,197</b>	<b>5,353,789</b>	<b>37,331,578</b>	<b>1,487,980,139</b>

See accompanying notes to financial statements.

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**  
(A Non-life Insurance Company)

**STATEMENTS OF CASH FLOWS**

	Notes	For the years ended December 31	
		2025	2024
(In Philippine Peso)			
<b>Cash flows from operating activities</b>			
Income/(Loss) before income tax		9,097,064	(34,277,216)
Adjustments for:			
Depreciation	21	1,595,794	1,618,646
Decrease in deferred acquisition costs	11	4,936,779	5,126,990
Decrease in reserve for unearned premiums	18	(5,507,463)	(29,614,256)
Fair value adjustment on financial assets at FVOCI	9	-	1,105,498
Interest income	20	(68,490,875)	(68,993,309)
Retirement benefit expense	21, 22	1,027,515	3,427,478
Retirement benefit income	22	(973,558)	-
Provision for credit losses	3	42,631,745	-
Operating loss before working capital changes		(15,682,999)	(121,606,169)
Decrease in insurance receivables	8	43,694,941	76,906,797
Decrease/(Increase) in other assets	13	603,092	(2,020,417)
Decrease in insurance contract liabilities	14	(81,554,412)	(41,923,732)
Decrease in commission payable	14	(3,951,075)	(11,348,788)
(Decrease)/Increase in accounts and other payables	15	(16,488,689)	5,016,102
Net cash absorbed by operations		(73,379,141)	(94,976,207)
Retirement benefits paid	21	-	(1,298,077)
Income taxes paid	24	(14,137,903)	(14,074,140)
Net cash used in operating activities		(87,517,045)	(110,348,423)
<b>Cash flows from investing activities</b>			
Settlement of government bonds	9	315,389	6,036,006
Acquisition of property and equipment	10	(323,670)	(713,730)
Interest income earned	13, 20	68,499,878	68,820,112
Net cash provided by investing activities		68,491,597	74,142,388
Net decrease in cash and cash equivalents		(19,025,448)	(36,206,035)
Cash and cash equivalents, January 1	7	63,489,083	99,695,118
Cash and cash equivalents, December 31	7	44,463,635	63,489,083

See accompanying notes to financial statements.

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**  
(A Non-Life Insurance Company)

---

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025**  
(Amounts in Philippine Peso Unless Otherwise Stated)

---

**1. Corporate Information**

SGI Philippines General Insurance Company, Inc. (the Company) is a domestic corporation which was incorporated in the Philippines on April 2, 1964.

The company is engaged in the business of nonlife insurance indemnifying any person against loss, damage, or liability arising from unknown or contingent events. Its current lines include all kinds of insurance (except life), reinsurance, insurance on buildings, automobiles, cars, and earthquake, insurance against accident, and all other forms of undertakings.

As at December 31, 2025, the Company's total paid-up capital is 97% owned by Shriram General Insurance Co. Ltd., a corporation organized under the laws of India. The ownership of the rest of the stockholders ranges from less than 1% to 2%.

The registered office and principal address of the Company is at 15<sup>th</sup> Floor, BDO Towers Valero (formerly Citibank Tower), 8741 Paseo De Roxas, Makati City, Philippines.

**2. Summary of Material Accounting Policies**

Statement of Compliance

The accompanying financial statements were prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretation of the Philippine Interpretations Committee (PIC), Standing Interpretation Committee (SIC), and International Financial Reporting Standards Interpretations Committee (IFRS IC) which have been adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) and approved by the Board of Accountancy (BOA) and the Securities and Exchange Commission (SEC).

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost convention method, as modified for financial assets at FVPL, financial assets at FVOCI and financial assets at amortized cost. The preparation of the financial statements in accordance with PFRS requires the use of critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the Company's functional currency and all values are rounded to the nearest Peso, except when otherwise indicated.

Current Versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### Adoption of New and Revised IFRS Accounting Standards

Effective in 2025, the Company adopted the following new and revised PFRS Accounting Standards and Interpretations that are mandatory for the annual reporting period beginning on or after 1 January 2025.

- *Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*  
The Company has adopted the amendments to IAS 21 Lack of Exchangeability for the first time for the annual reporting period commencing 1 January 2025. The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would take place at a measurement date and at a spot exchange rate. The adoption of these amendments did not have a material impact on the financial position or performance of the Company as of cut-off date. The amendments were applied prospectively from 1 January 2025. No adjustments to opening retained earnings were required.
- *Amendments to IAS 1 and IFRS 7 – Supplier Finance Arrangements*  
Effective 1 January 2025, the Company adopted amendments to IAS 7 and IFRS 7 concerning supplier finance arrangements. These amendments require entities to provide both qualitative and quantitative disclosures about these arrangements. Disclosures have been updated to reflect the impact of these arrangements on liabilities and cash flows.
- *Other Amendments*  
Amendments to the SASB standards to enhance international applicability were also adopted effective 1 January 2025 but did not significantly impact the financial statements.

### New Accounting Standards Issued But Not Yet Effective

In accordance with IAS 8:30, entities must disclose information about new standards that have been issued but are not yet effective.

- PFRS 17 Insurance Contracts - Insurance Contracts (effective from January 1, 2027, application as of 2025 is allowed). The new standard for insurance contracts, which covers recognition, measurement, presentation and disclosure, will replace PFRS 4, Insurance Contracts. On December 15, 2021, the FSRSC amended the effective date of PFRS 17 from January 1, 2023 to January 1, 2025. In line with this, the Insurance Commission (IC) issued Circular Letter No. 2025-04 on March 10, 2025, providing further deferral of the implementation of PFRS 17 for life insurance and non-life insurance industry to 2027.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9, Financial Instruments.

In addition, the standard provides an optional simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

In preparation for the adoption of PFRS Company 17, the Company continues to perform end to end system tests, preparing policy and accounting data required for these tests and updating the accounting and actuarial policies and processes to comply with PERS 17 requirements. Also, the Company is still assessing the quantitative impact of the initial application of the new standard to its financial statements.

- *IFRS 18 Presentation and Disclosures in Financial Statements*  
Issued in April 2024, IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with early application permitted. It replaces IAS 1 and introduces new categories for income and expenses (operating, investing, financing) and mandates disclosure of management-defined performance measures. The Company is evaluating the potential impact of IFRS 18 on its financial statement presentation and required disclosures.
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures*  
IFRS 19, issued in May 2024 and effective for periods starting on or after 1 January 2027, allows eligible subsidiaries to use reduced disclosure requirements. The Company is assessing whether it qualifies for IFRS 19, which could lead to fewer disclosures in the financial statement notes.

- *Amendments to IAS 21 – Translation to a Hyperinflationary Currency (Effective 1 January 2027)*  
The amendments relate to the translation of financial statements from a functional currency not subject to hyperinflation into a reporting currency that is.
- *Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments (Effective 1 January 2026)*  
These amendments clarify the "solely payments of principal and interest" (SPPI) criterion for financial assets, particularly those with non-recourse features or ESG-linked features.

The Company is in the process of evaluating the impact of these standards and amendments but does not expect them to have a material effect on the financial statements upon adoption.

#### IC Circular Letter (ICL) No. 2016-67

On December 28, 2016 the IC issued IC Circular Letter (ICL) No. 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, which supersedes Circular Letter No. 2015-32. The following are the more significant provisions of this Circular:

A non-life insurance company shall maintain reserves for its written policies, which shall be charged as a liability in any determination of its financial condition, as required by the IC, in accordance to Sections 219 and 220 of the New Insurance Code (RA 10607), as well as this Valuation Standards for Life Insurance Policy Reserves.

#### *Claims Liabilities*

- a. Claims liabilities for both direct business and assumed treaty and facultative reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expense and IBNR, with MfAD.
- b. Outstanding claims reserve shall be based on actual claims reported but have not been settled as of valuation date. The company shall ensure integrity of the data inputs as well as minimize uncertainties in the claims processing.
- c. The IBNR shall be calculated based on standard actuarial projection techniques or combinations of such techniques, such as but not limited to the chain ladder approach, the expected loss ratio approach, and the Bornhuetter-Ferguson (BF) method. The Actuary shall determine the appropriateness of the methodology considering the characteristics of the data, such as maturity of the business.
- d. The Claims liabilities shall include a provision for Claims handling expenses, which covers the estimated expenses of settling all claims, both reported and unreported, outstanding as of valuation date.
- e. The Actuary shall ensure the reliability of the expected loss ratio by obtaining estimates from various sources, such as underwriters, the business plan, pricing actuaries, market statistics, or from a historic view of profitability and loss ratios.
- f. In valuing Claims liabilities, the Actuary should consider 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 and changes in claims handling process, and external conditions.
- g. To ensure sufficiency of reserves, the Actuary shall conduct a back-testing exercise of the IBNR by comparing the previous year's IBNR of expected current year claim developments, with actual current year claim developments. In cases where the IBNR has proven insufficient to cover actual claims development, the Actuary shall revisit the assumptions for IBNR valuation and document the rationale for this deterioration.

IC Circular Letter (ICL) No. 2016-69

On December 28, 2016 the IC issued IC Circular Letter (ICL) No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-Based Capital (RBC2) Framework*.

The following are the more significant provisions of this Circular:

1. Financial Reporting Framework (FRF): CL No. 2016-65.
2. Valuation Standards for Life Insurance Policy Reserves: CL No. 2016-66
3. Valuation Standards for Non-Life Insurance Policy Reserves: CL No. 2016-67.

For the initial year of implementation, the requirements will be the relaxed as follows:

*Premiums Liabilities*

For 2017, companies shall be allowed to set up as Premium Liabilities the Unearned Premium Reserves (UPR) instead of the higher of the UPR and Unexpired Risk Reserve (URR), determined in accordance with Section 7.2 of the Circular Letter No. 2016-67.

Starting 2018, the Premium Liabilities shall be determined in accordance with the valuation standards prescribed under the Circular Letter No. 2016-67.

*Claims Liabilities*

Claims Liabilities shall be determined in accordance with the valuation standards prescribed under Section 8 of CL No. 2016-67.

For 2017, the companies shall be allowed to set the Margin for Adverse Deviation (MfAD) to zero (0).

IC Circular Letter (ICL) No. 2018-19

On March 9, 2018 the IC issued IC Circular Letter (ICL) No. 2018-19, *Amendment to Circular Letter No. 2016-69 “Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-Based Capital (RBC2) Framework.”*

The following are the more significant provisions of this Circular:

*Margin for Adverse Deviation*

MfAD shall be company-specific. The companies shall submit to the IC the documents and certification signed by an IC-accredited actuary to support the computation of their MfAD.

Companies shall be allowed to set the MfAD as follows:

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

This amendatory circular shall take effect immediately. Except as amended hereby, all other provisions of CL No. 2016-69 shall remain effective.

The above ICLs become effective on January 1, 2017. The Company assesses the effect of this circular and has made disclosures in the notes to the financial statement based on its parallel run as of December 31, 2025 and 2024.

IC Circular Letter (ICL) No. 2025-04

On March 10, 2025 the IC issued IC Circular Letter (ICL) No. 2025-04, *Application of Philippine Financial Reporting Standard 17 – Insurance Contracts (PFRS 17) in the Audited Financial Statements (AFS) and Preparation of IC Reportorial Requirements.*

The following are the more significant provisions of this Circular:

All companies shall adopt PFRS 17 in their AFS for submission to the SEC effective 1 January 2027. However, companies are allowed to adopt PFRS 17 in their AFS beginning 1 January 2025.

All companies applying PFRS 17 in their AFS shall provide a supplemental report covering specific insurance and reinsurance asset and liability accounts. This supplemental report shall be used for prudential analysis and admittance assessment as mandated under the Code.

**Material Accounting Policies**

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in value.

Foreign Currency Translation

Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income, the gain or loss is then recognized net of the exchange component in other comprehensive income.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way of purchases or sales of financial assets are recognized on the trade date, which is the date the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Company has no financial liabilities at FVPL or derivatives for the years ended December 31, 2025 and 2024.

Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

#### Financial Assets at Amortized Cost

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

- the asset is held within the company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("held to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Loans and Other receivables, Investment securities at amortized cost and certain accounts under Other Assets account in the statement of financial position. For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, and investment securities at amortized cost with original maturities of three months or less from placement date.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of income as part of Interest Income.

#### Financial Assets at Fair Value Through Other Comprehensive Income

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as FVPL. The Company has designated equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the equity account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account except for those debt securities classified as FVOCI wherein fair value changes are recycled back to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Miscellaneous under Other Operating Income account, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

#### Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. Also, equity securities are classified as financial assets at FVPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVPL include equity securities which are held for trading purposes or designated as at FVPL. Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading Gain – net under Other Operating Income in the statements of income. Related transaction costs are recognized directly as expense in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists. Interest earned on these investments is recorded as Interest Income and dividend income is reported as part of Dividends both under Other Income account in the statements of income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

Accordingly, the Company is required to reclassify financial assets:

- (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

#### Effective Interest Rate Method and Interest Income

Interest income is recognized using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and financial instrument designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI are recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive (negative) adjustment to the carrying amount of the asset in the balance sheet with an increase (reduction) in Interest income. The adjustment is subsequently amortized through interest and similar income in the statements of income. The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income

reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

#### Impairment of Financial Assets

The Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost, debt instruments measured at FVOCI and other contingent accounts. No impairment loss is recognized on equity investments. Recognition of credit losses or impairment is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for impairment is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and has been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

Measurement of ECL The key elements used in the calculation of ECL are as follows:

- Probability of Default (PD) – it is an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- Loss Given Default (LGD) – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those the Company would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.
- Exposure at Default (EAD) – it represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Company shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and,

- (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

#### Other Financial Receivables

Other financial receivables include “Insurance receivables” which are recorded when due and measured at the original invoice amount then subsequently carried at amortized cost less allowance from any uncollectible amount. The carrying value of insurance receivables is reviewed from impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the Statement of comprehensive income.

#### Impairment of Financial Assets at Amortized Cost

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

If there is objective evidence that an impairment loss on financial assets 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 (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income. The asset together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

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 statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### Impairment of Insurance Receivable

A provision for impairment is made when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of

the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

#### Fair Value Measurement

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

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

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

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

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

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input is significant to the fair value measurement is unobservable

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

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

#### Other Financial Liabilities

Issued financial instruments or their components, which are not classified as financial liabilities at 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 lender, 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 the Company's own equity instruments.

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 an integral part of the effective interest rate. The amortization is included as part of interest expense in the statements of comprehensive income. Any effect of restatement of foreign currency-denominated liabilities is recognized in foreign exchange gains/ (losses) account in the statements of comprehensive income.

As at December 31, 2025 and 2024, the Company's other financial liabilities include insurance liabilities and accounts and other payables.

#### Derecognition of Financial Liabilities

Financial liabilities are derecognized in the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

#### Product Classification

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligation are extinguished or have expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance and investment contracts are further classified as being with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed contracts, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF or when the host insurance contract and/or investment contract with DPF itself is measured at FVPL. The options and guarantees within the insurance contracts issued by the Company are treated as derivative financial instruments are clearly and closely related to the host insurance and therefore not

bifurcated subsequently. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of an interval investment fund meets the definition of an insurance contract and is therefore not accounted separately from the host insurance contract.

#### Insurance Contract

*Non-Life insurance contract liabilities.* Non-life insurance contracts are recognized when the contracts are entered into and the premiums are recognized. The reserve for Non-life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life operation. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission.

*Insurance contracts with fixed and guaranteed terms.* The liability is determined as the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used. The liability is based on mortality, morbidity and investment income assumptions that are established at the time the contract is issued. The Company has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be not more than 6% compound interest and mortality and morbidity rates to be in accordance with the standard table of mortality and morbidity. Reserves are computed per thousands of sum insured and depend on the issue age and policy duration. The net change in legal policy reserves during the year is taken to profit or loss. This is not applicable to the Company.

#### Contract Classification

The company issues short-term insurance contracts categorized as:

Casualty insurance contracts protect the assured against the risk of causing them harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Property insurance contracts mainly compensate the Company's assured for damages suffered to their properties or for the value of property lost.

Short-duration accident insurance protects the assured from the consequences of events such as death or disability.

An insurance contract remains in force at the inception date of policy until its maturity regardless of number of claims reported and for as long as the coverage is sufficient.

#### Deferred Acquisition Costs

Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting and policy issue costs and inspection fees, are deferred and charged to expense in proportion to premium revenue recognized.

#### Claim Cost Recognition

Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur.

The liabilities for unpaid claims (including those for incurred but not reported) are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and

payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in the Statement of comprehensive income and expenses in the period the recoveries are determined. Recoverable amounts are presented as part of Reinsurance assets.

Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvage recoverable and deducted from the liability for unpaid claims.

#### Liability Adequacy Test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of all contractual cash flows, claims and claims handling cost. If the test shows that the liability is inadequate, the entire deficiency is recognized in the statement of comprehensive income.

#### Reinsurance

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

Amounts recoverable from insurers that relate to paid and unpaid claims and claim adjustment expenses are classified as assets. Reinsurance receivables and the related liabilities are reported separately.

Reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs.

An impairment review is performed at each reporting period or more frequently when indication of impairment arises during the 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 receives from the reinsurer can be measured reliably. The impairment loss is recorded is charged to profit or loss.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balance due to reinsurance companies, which are included in insurance payable account in the Statement of financial position. Amounts payable are estimated in a manner consistent with the associated insurance contract.

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

#### Property and Equipment

Property and equipment, including owner-occupied properties, are computed at cost less accumulated depreciation, amortization and accumulated impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Office premises and improvements	40 years
Furniture and office equipment	10 years
Transportation and computer equipment	5 years

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to operations as incurred. Leasehold improvements are amortized over estimated useful life of the improvements or the term of the relate lease, whichever is shorter. When assets are sold, retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss charged to current operations.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting period.

#### Derecognition of Property and Equipment

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. This is not applicable to items that still have useful lives but are currently classified as idle. Depreciation continues for those items until fully depreciated or disposed.

#### Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists (or when annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged directly to the revaluation increment of the said asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; (3) individuals

owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

#### Equity

Capital stock is determined using the nominal value of shares that have been issued. Share premium represents the excess of consideration received when the Company issues shares over its par. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Treasury shares are portion of shares that a company keeps in their own treasury. Treasury stock may have come from a repurchase or buyback from shareholders; or it may have never been issued to the public in the first place. These shares don't pay dividends, have no voting rights, and should not be included in shares outstanding calculations.

Revaluation reserve on financial assets at FVOCI comprise of gains and losses due changes in fair value of financial assets at FVOCI.

Revaluation increment in property and equipment results from appraisal of property and equipment reduced by depreciation on the appraisal increment.

Retained earnings/(deficit) include all current and prior period results as disclosed in the Statement of comprehensive income.

#### Revenue Recognition

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

- Premiums are recognized as revenue from short duration insurance contracts over the period of the contracts using the 24<sup>th</sup> method, except for marine cargo insurance contracts. The gross premiums written for marine cargo insurance policies for the first ten months of the year and the last two months of the preceding year are recognized as premium income in the current year. The portion of the premiums written that relate to the unexpired periods of the policies at Reporting periods and the last two months of marine cargo policies are accounted for as reserve for unearned premiums and presented in the liabilities section of the Statement of financial position, under "Reserve for unearned premiums". The related reinsurance premiums that pertain to the unexpired periods accounted as for as deferred reinsurance premiums shown in the Statement of financial position. The net changes in these accounts between Reporting period are charged to or credited against income for the year;
- Commissions income is recognized as revenue from short duration insurance contracts over the period of the contracts using the 24<sup>th</sup> method, except for marine cargo insurance contracts where the deferred portion pertains to the commissions for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting period is accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.
- Dividend income is recognized when the right to receive dividends is established;

- Interest income is recognized as the interest accrues (taking into account the effective yield on the interest);

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for the services provided, excluding value added tax (VAT).

#### Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease equity, other than those relating to distributions to equity participants. Expenses are recognized when the related revenue is earned or when the service is incurred.

#### Leases

##### *Policy applicable upon adoption of PFRS 16*

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. This policy is applied to contracts entered into on or after January 1, 2019.

##### *Short-term leases and leases of low-value assets*

The Company has elected not to recognize right-of-use assets and liabilities for 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.

#### Retirement Benefit Costs

Retirement benefits liability, as presented in the statement of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for the effect of limiting a net defined 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 defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined liability or asset and the remeasurements of net defined liability or assets.

Service costs which include service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendments or curtailments occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined liability or asset. Net interest on the net defined 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 liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not classified to profit or loss in subsequent periods.

#### Income Taxes

Current tax assets or liabilities comprise those claims from, or obligation to, taxation authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting

period. They are calculated according to the tax rates and tax laws applicable to the calendar periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the Statement of comprehensive income.

Deferred tax is provided, using the balance sheet liability method on all temporary differences at the balance reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused net operating loss carry over (NOLCO) and unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax, if there are any, to the extent that it is probable that taxable profit will be available against deductible temporary differences.

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

The carrying amount of deferred tax assets is reviewed at each reporting period 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 tax asset to be utilized.

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

Under the present Revenue Code, MCIT of two percent (2%) of the gross income as of the end of the taxable year is hereby imposed on a corporation beginning on the fourth year immediately following the year in which such corporation commenced its business operations, when the income tax computed based on MCIT is greater than the tax computed as normal tax under Subsection (A) of Section 27 of the Code, for the taxable year.

Under current tax laws, corporations subject to income tax are required to file quarterly returns and pay the corresponding amount of tax. Certain forms of income received by the Company such as earnings from bank deposits, interest and others have been subjected to withholding tax at various rates specified by law and remitted by payors for the account of the Company. An adjustment return is filed at the end of the taxable year at which time the balance, if any, shall be paid.

#### Earnings Per Share

Earnings per share is computed by dividing net profit by the weighted average number of shares subscribed and issued and outstanding at the end of the year.

#### Provisions and Contingencies

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain

as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required if settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements, however, they are disclosed if material. In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

#### Events After the Reporting Period

Events after the reporting period that provide additional information about the Company's financial position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events are disclosed in the notes when material.

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

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related 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 circumstances. Actual results may ultimately differ from these estimates.

#### Critical Judgments in Applying Accounting Policies

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

#### Determination of Functional and Presentation Currency

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 pesos, which is the Company's functional and presentation currency.

#### Determination of Operating Lease

Company as a lessee – The Company entered into a lease agreement with a term of one (1) year and renewable upon mutual terms by the parties.

Rental expenses amounted to P772,043 in 2025 and P651,567 in 2024 (Please see Note 21).

#### Categories of Financial Instruments

The company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument based on the substance of the contractual arrangement and the definitions of financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification at initial recognition and re-evaluates this designation at every financial reporting date (Please see Note 5).

#### Impairment of Financial Assets

The Company determines when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2 – Provisions.

#### Estimates

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by Management on its December 31, 2025 and 2024 financial statements:

#### Valuation of Financial Instruments

The Company carries certain financial instruments at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence from observable active markets and other valuation techniques including the use of mathematical models. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Management valuation methods and assumptions in determining the fair value of the Company's financial instrument are discussed in Note 5.

#### Allowance for Impairment Losses of Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

A provision for doubtful accounts is made when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account.

Allowance for impairment losses on Premium Receivables amounted to P42,631,745 and nil in 2025 and 2024, respectively. (Note 8)

Allowance for impairment losses on Due from Ceding Companies and Reinsurers amounted P3,745,805 both in 2025 and 2024. (Note 8)

#### Useful Life of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of assets. In addition, estimation of the useful lives of property and

equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

Property and equipment, net of accumulated depreciation, amounted to P115,528,566 in 2025 and P125,192,177 in 2024. (Please see Note 10).

#### Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial asset is discussed in detail in Note 2 – Impairment of non-financial assets. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Based on Management's assessment, there is no impairment loss on non-financial assets needed to be recognized in 2025 and 2024.

#### Realizable Amount of Deferred Income Tax Assets

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

Deferred income tax assets, net of deferred tax liability, amounted to P63,778,301 and P55,110,493 in 2025 and 2024, respectively. (Please see Note 24).

#### Liability for Insurance Claims

Estimates have been made both of expected ultimate cost of claims reported at the reporting period and for the expected ultimate cost of the claims incurred but not yet reported at the reporting period. It can take significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, unreported claims significantly comprise the claims payable presented in the Statement of financial position. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to the Statement of comprehensive income at a non-discounted amount for the time value of money.

Insurance claims payable as of December 31, 2025 and 2024 amounted to P51,446,986 and P113,886,989, respectively. (Please see Note 14).

#### Employee Retirement Benefits

The determination of the Company's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rate, expected rate of return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded obligation in such future periods.

The estimated retirement benefits obligation amounted to P3,927,920 in 2025 and P8,164,182 in 2024. The accumulated actuarial gain, net of tax, amounted to P5,353,789 in 2025 and P2,379,514 in 2024 (Note 17). Retirement benefit expense amounted to P1,027,515 in 2025 and P2,129,401 in 2024. (Note 22)

#### **4. Risk Management Objectives and Policies**

The Company is exposed to a variety of financial risk in relation to its financial instruments. The Company's financial assets and liabilities by category are summarized in Note 5. The main types of risks are insurance risk, market, credit and liquidity.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write option. The most significant financial risks to which the Company is exposed to are described as follows.

##### Insurance Risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under the insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of the severity of claims and benefits are greater than estimated.

Insurance events are random and then the actual number of the amount of claims and benefits will vary from year to year from the estimated established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in the subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Apart from the Company's risk management function, regulators also apply a vital role in the insurance industry in ensuring that policyholders and creditors are assured of any claims that may arise within the term of the policy. The Insurance Commission (IC) imposes:

- Risk-based capital framework that will effectively manage the equity requirement of the Company
- Margin of solvency which requires an appropriate ratio of admitted assets over admitted liabilities
- A mandatory reserve of highly-liquid debt instruments to answer the claims of policy holders and creditors
- And minimum statutory net worth to streamline the operation of insurance industry.

Internally, the Company manages its risks through underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured events. Other reinsurance facility entered includes surplus treaties, catastrophe cover and facultative reinsurance.

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

<b>2025</b>				
	Gross	RI Recoverable	Net Liability	%
Fire	34,148,249	21,325,327	12,822,922	44%
Engineering	60,770	56,655	4,115	0%
Motor Car	15,991,342	623,007	15,368,335	53%
PA	1,232,958	587,107	645,851	2%
Miscellaneous	13,666	9,461	4,205	0%
<b>Total</b>	<b>51,446,986</b>	<b>22,601,558</b>	<b>28,845,428</b>	<b>100%</b>

<b>2024</b>				
	Gross	RI Recoverable	Net Liability	%
Fire	68,599,875	53,716,234	14,883,641	30%
Engineering	127,452	126,427	1,026	0%
Motor Car	44,344,157	9,301,790	35,042,367	70%
PA	783,966	345,274	438,693	1%
Miscellaneous	31,538	15,769	15,769	0%
<b>Total</b>	<b>113,886,989</b>	<b>63,505,493</b>	<b>50,381,495</b>	<b>100%</b>

#### Financial Risk

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

The risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

#### Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both operating and financing activities.

#### Interest Rate Risk

Interest rate risk is the risk to future earnings or equity arising from the movement of interest rates. Changes in interest rates affect (1) the Company's earnings by changing its net interest income and the level of other interest rate-sensitive income and operating expenses; and (2) the underlying economic value of the Company's assets, liabilities and off-balance sheet instruments by means of reducing the present value of future cash flows (and in some cases, the cash flows themselves). The Company exposure to changes in market interest rates is only through the "Cash in bank", "Cash equivalents" and "Government bonds", which is subject to variable interest rates.

The following table demonstrates sensitivity of the Company's profit before tax and equity to reasonable possible changes in interest rate of +10/-10 and +100/-100 basis points of the Company's cash in banks and notes payable, respectively, on December 31, 2025 and

December 31, 2024. These changes are considered to be reasonably possible based on observation of current market conditions. All other variables are held constant.

	Change in	Effect on		Change in	Effect on	
	basis points	Net results	Equity	basis points	Net results	Equity
<b>2025</b>						
Financial assets						
Cash and						
cash equivalents	+10	444,390	355,512	-10	(444,390)	(355,512)
Government bonds	+100	1,192,386	953,909	-100	(1,192,386)	(953,909)
		1,636,777	1,309,421		(1,636,777)	(1,309,421)
<b>2024</b>						
Financial assets						
Cash and						
cash equivalents	+10	634,641	507,713	-10	(634,641)	(507,713)
Government bonds	+100	1,192,702	954,161	-100	(1,192,702)	(954,161)
		1,827,342	1,461,874		(1,827,342)	(1,461,874)

#### Foreign Currency Risks

The Company has no significant exposure to foreign currency risk as most transactions are denominated in Philippine Peso, its functional currency.

#### Credit Risks

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligation, as and when they fall due.

Credit risk limit is also used to manage credit exposure which specifies exposure credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

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

- Reinsurer's share of insurance premiums.
- Amounts due from reinsurer's in respect of claims already paid.
- Amounts due from insurance contract holders, and insurance intermediaries.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

Limits on the level of credit risk by category and territory are approved quarterly by the reinsurance department. Reinsurance is used to manage insurance risk. This does not however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to policyholder.

The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The table below shows the credit quality of financial assets as at December 31, 2025 and 2024:

2025	High Grade	Standard Grade	Low Grade	Allowance for impairment	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	44,463,635	-	-	-	-	-	44,463,635
Insurance receivable	94,896,258	7,849,552	123,055,698	(42,631,745)	3,745,805	(3,745,805)	183,169,764
Financial asset at FVPL	862,805,546	-	-	-	-	-	862,805,546
Financial asset at FVOCI	-	1,288,980	21,866	-	-	-	1,310,846
Financial asset at amortized cost	329,580,727	-	-	-	-	-	329,580,727
	1,331,746,167	9,138,532	123,077,564	(42,631,745)	3,745,805	(3,745,805)	1,421,330,519

2024	High Grade	Standard Grade	Low Grade	Commission payable	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	63,489,083	-	-	-	-	-	63,489,083
Insurance receivable	127,827,314	11,810,828	105,130,736	24,727,571	3,745,805	(3,745,805)	269,496,450
Financial asset at FVPL	864,158,441	-	-	-	-	-	864,158,441
Financial asset at FVOCI	-	1,155,060	21,866	-	-	-	1,176,926
Financial asset at amortized cost	328,543,222	-	-	-	-	-	328,543,222
	1,384,018,060	12,965,888	105,152,602	24,727,571	3,745,805	(3,745,805)	1,526,864,121

High grade cash and cash equivalents are deposited in reputable banks.

High grade receivables pertain to receivables with high collectivity, standard and low grade receivables consist of receivable with delay in payments.

High grade Financial Asset at FVPL and Financial Asset at amortized cost consist of government bonds.

Standard grade Financial Asset at FVOCI consists of investment in quoted equities and low grade Financial Asset at FVOCI consists of investment in unquoted equity shares.

The Commission Payable previously offset against Premium due and uncollected in 2024 was reversed in 2025 to conform with the current year's presentation.

As of December 31, 2025 and 2024, the carrying amount of insurance receivables represents the maximum credit exposures, which is aged as follows:

	Premium due and uncollected	Reinsurance recoverable on losses	Due from ceding companies and reinsurers	Total
<b>2025</b>				
Current	1,466,339	87,016,651	6,413,268	94,896,258
30 days past due not over 90 days	6,427,371	-	975,361	7,402,732
90 days past due not over 120 days	446,820	-	-	446,820
Over 120 days	67,635,068	-	55,420,630	123,055,698
<b>Total</b>	<b>75,975,598</b>	<b>87,016,651</b>	<b>62,809,259</b>	<b>225,801,508</b>
Less: Allowance for doubtful accounts	42,631,745	-	-	42,631,745
<b>Total</b>	<b>33,343,854</b>	<b>87,016,651</b>	<b>62,809,259</b>	<b>183,169,764</b>
<b>2024</b>				
Current	6,507,993	114,906,053	6,413,268	127,827,314
30 days past due not over 90 days	9,372,516	-	935,152	10,307,668
90 days past due not over 120 days	1,503,160	-	-	1,503,160
Over 120 days	47,890,704	-	57,240,033	105,130,736
Previously presented, net	65,274,372	114,906,053	64,588,453	244,768,878
Add: Commission Payable	24,727,571	-	-	24,727,571
<b>Total, reclassified</b>	<b>90,001,944</b>	<b>114,906,053</b>	<b>64,588,453</b>	<b>269,496,450</b>

In 2024 and previous years, Premium due and uncollected is presented net of Commission Payable. However, in 2025 this account is presented at gross amount. Consequently, the 2024 amount was also reclassified to conform with the current year's presentation.

#### Liquidity Risks

Liquidity risks or funding risks are the risks that the Company will encounter in raising funds to meet its commitments and obligations. Liquidity risks may result from difficulty in collections or inability to generate cash inflows as anticipated.

The Company's objective in managing its profile is:

- to ensure that adequate funding is available at all times;
- to meet commitments as they arise without incurring unnecessary cost;
- to be able to access funding when needed at the least possible cost;
- to regularly monitor and evaluate its projected cash flow

The Company's financial liabilities have contractual maturities with one (1) year as follows:

	<b>2025</b>	2024
Insurance liabilities	<b>126,037,875</b>	227,544,892
Commission payable	<b>20,776,497</b>	24,727,571
Accounts and other payables	<b>19,167,795</b>	35,656,484
	<b>165,982,166</b>	287,928,948

## 5. Categories of Fair Values of Financial Assets and Liabilities

### Comparison of Carrying Values and Fair Values

The carrying values and fair values of the categories of financial assets and liabilities presented in the statements of financial position are shown below:

	2025		2024	
	Carrying values	Fair values	Carrying values	Fair values
<b>Financial assets</b>				
Cash and cash equivalents	44,463,635	44,463,635	63,489,083	63,489,083
Other assets	31,379,986	31,379,986	31,992,080	31,992,080
Financial asset at FVPL	862,805,546	862,805,546	864,158,441	864,158,441
Financial asset at FVOCI	1,310,846	1,310,846	1,176,926	1,176,926
Financial asset at amortized cost	329,580,727	329,580,727	328,543,222	328,543,222
<b>Other financial asset</b>				
Insurance receivable	183,169,764	183,169,764	269,496,450	269,496,450
	<b>1,452,710,504</b>	<b>1,452,710,504</b>	1,558,856,202	1,558,856,202
<b>Other financial liabilities</b>				
Insurance liabilities	126,037,875	126,037,875	227,544,892	227,544,892
Commission payable	20,776,497	20,776,497	24,727,571	24,727,571
Accounts and other payables	19,167,795	19,167,795	35,656,484	35,656,484
	<b>165,982,166</b>	<b>165,982,166</b>	287,928,948	287,928,948

Because of their short period, management considers the carrying amounts recognized in the statement of financial position to be reasonable estimates of the fair values of cash and cash equivalents, insurance receivables, other assets, insurance liabilities and accounts and other payables.

The fair values of financial asset at FVPL and financial asset at amortized cost are based on government bond rates. Financial assets at FVOCI are based on the quoted market price in the PSE for quoted shares while the unquoted shares are carried at carrying amount which approximate their fair values as at December 31, 2025 and 2024.

### Fair Value Hierarchy Measurement

The table below presents the hierarchy of fair value measurements used by the Company:

	Level 1	Level 2	Level 3	Total
<b>December 31, 2025</b>				
Financial Asset at FVPL	-	862,805,546		862,805,546
Financial Asset at OCI	-		1,310,846	1,310,846
Financial Asset at amortized cost	-	329,580,727		329,580,727
<b>December 31, 2024</b>				
Financial Asset at FVPL	-	864,158,441	-	864,158,441
Financial Asset at OCI	-	-	1,176,926	1,176,926
Financial Asset at amortized cost	-	328,543,222	-	328,543,222

The different levels have been defined as follows:

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

There were no transfers of financial instruments between level 1, 2 and 3 during 2025 and 2024.

## **6. Capital Management Objectives, Policies and Procedures**

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.

### Required Minimum Net Worth

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.

On August 15, 2013, the IC approved the amendment of Republic Act No. 10607 known as “The Insurance Code” and was issued on August 22, 2013. The amended Insurance Code provides the required minimum Net Worth for non-life insurance companies doing business in the Philippines.

The required minimum Net Worth is as follows:

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

At the meetings held on September 4, 2018 and December 26, 2019, the Corporation’s Board of Directors by majority vote and the stockholders’ affirmative vote of at least two thirds (2/3) of the outstanding capital stock, respectively, approved the increase in capital stock of the Corporation from Eight Hundred Million Pesos (P800,000,000.00) divided into Two Million (2,000,000) shares with a par value of Four Hundred Pesos (P400) per share to One Billion Four Hundred Fifty Million Pesos (P1,450,000,000.00) divided into Three Million Six Hundred Twenty Five Thousand (3,625,000) shares with a par value of Four Hundred Pesos (P400) per share.

As of December 31, 2025 and 2024, the Company is in compliance with the required Net worth as provided in “The Insurance Code”.

### Inadmissible Assets

In any determination of a financial condition of any insurance company, there shall be allowed and admitted as assets only such assets legally or beneficially owned by the insurance company

as determined by the Commissioner. The following assets shall in no case be allowed as admitted assets of an insurance company:

1. Goodwill, trade names, and other like intangible assets;
2. Prepaid or deferred charges for expenses and commissions paid by such insurance company;
3. Advances from officers which are not adequately secured and which are not previously allowed by the Commissioner, as well as advances to employees, agents and other persons on mere personal security;
4. Shares of stock of such insurance company, owned by it, or an equity therein; as well as loans secured thereby;
5. Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature and supplies;
6. Items of bank credits representing checks, drafts, or notes returned unpaid after the date of settlement;
7. The amount, if any, by which the aggregate value of investments as carried in the ledger assets of such insurance company exceeds the aggregate value thereof as determined in accordance with the provisions of Insurance Code and/or rules of the Commissioner; and
8. Any asset, as the Commissioner from time to time determine to be non-admitted assets

The inadmissible assets of the Company as at December 31, 2025 and 2024 include the following:

	Note	2025	2024
Furniture, fixtures and office equipment, net	10	<b>1,199,194</b>	1,332,458
Other assets, net of accrued investment income	13	<b>16,255,360</b>	16,858,452
Deferred tax assets, net	24	<b>63,778,301</b>	55,110,493
		<b>81,232,855</b>	73,301,403

#### Capital Management Objectives

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the Statement of financial position. Capital for the reporting periods under review is summarized as follows:

	2025	2024
Total liabilities	<b>169,910,086</b>	296,093,130
Total equity	<b>1,487,980,139</b>	1,488,320,518
Debt to equity ratio	<b>0.11</b>	0.20

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

**7. Cash and Cash Equivalents**

This account consists of:

	2025	2024
Cash on hand	24,600	25,000
Cash in banks	16,511,006	36,424,083
Cash equivalents	27,928,029	27,040,000
<b>Total</b>	<b>44,463,635</b>	<b>63,489,083</b>

Cash in banks are interest bearing account balances maintained in various banks of the Company. These generally earn interest at rates based on daily bank deposit rates ranging from 0.1% to 0.15% for the year ended December 31, 2025 and 2024.

Cash equivalents are short-term special deposits which are placed for varying periods depending on the immediate requirements of the Company, earn interest at rate ranging from 1.50% to 4.00% both in 2025 and 2024. Interest earned from cash and cash equivalents amounted to P1,241,828 in 2025 and P1,377,392 in 2024. (Note 20)

**8. Insurance Receivables**

This account consists of the following:

	2025	2024
Premiums due and uncollected	75,975,598	90,001,944
Less: Allowance for impairment losses	42,631,745	-
	<b>33,343,854</b>	90,001,944
Due from ceding companies and reinsurers	60,141,796	61,920,990
Less: Allowance for impairment losses	3,745,805	3,745,805
	<b>56,395,991</b>	58,175,185
Reinsurance recoverable on losses	87,016,651	114,906,053
Funds withheld by ceding company	6,413,268	6,413,268
<b>Total</b>	<b>183,169,764</b>	<b>269,496,450</b>

The amounts due from ceding companies and reinsurers pertain to assumed premiums.

In 2025 and 2024, an allowance for impairment losses amounting to P42,631,745 and nil, respectively, was recognized in compliance with the requirements of the Insurance Commission (IC).

Allowance for impairment losses includes receivable from suspended companies in 2025 and 2024.

Premium due and uncollected in previous years were presented net of Commission Payable. The current year Financial Statements presents this account at gross amount. Consequently, the 2024 amount was also reclassified to conform with the current year's presentation.

## 9. Financial Assets

Financial assets with quoted prices are measured at fair value while unquoted financial assets are carried at cost. The difference between the acquisition cost and the fair value is reflected as deduction to equity. Investment in bond which management intends to hold until maturity is measured at amortized cost which approximates its fair value.

	2025	2024
Investment in stock - financial asset at FVOCI		
Quoted equity shares	1,288,980	1,155,060
Unquoted equity shares	21,866	21,866
Investment in government bonds		
Financial asset at FVPL	862,805,546	864,158,441
Financial asset at amortized cost	329,580,727	328,543,222
<b>Balance, December 31</b>	<b>1,193,697,120</b>	<b>1,193,878,589</b>

Investment in government bonds has a term ranging from one (1) to twenty-three (23) years both in 2025 and 2024 earning an interest rate ranging from 2.38% to 9.25% both in 2025 and 2024. Interest earned from government bonds amounted to P66,836,706 in 2025 and P67,887,811 in 2024. (Note 20).

Movement of financial assets is as follows:

	2025	2024
<b>Investment in government bonds</b>		
Financial asset at FVPL		
January 1	864,158,441	871,094,070
Matured	(84,287)	(6,036,006)
Amortization on discount	493,184	732,258
Amortization on premium	(1,761,792)	(1,631,881)
Reclassified to HTM - Amortized cost	-	-
<b>December 31</b>	<b>862,805,546</b>	<b>864,158,441</b>
Financial asset at amortized cost		
Face Value	325,000,000	325,000,000
Matured	-	-
Unamortized discount	5,139,705	4,642,433
Unamortized premium	(558,978)	(1,099,212)
Reclassification from AFS - Fair value	-	-
<b>December 31</b>	<b>329,580,727</b>	<b>328,543,222</b>
<b>Investment in stock - Financial asset at FVOCI</b>		
January 1	1,176,926	666,356
Fair value adjustment	133,920	510,570
<b>December 31</b>	<b>1,310,846</b>	<b>1,176,926</b>
<b>Total</b>	<b>1,193,697,120</b>	<b>1,193,878,589</b>

The maturity profile of investment in government bonds is as follows:

	2025	2024
Financial asset at FVPL		
Due within one year	78,617,929	19,996,480
Due beyond one year	784,187,618	844,161,961
	<b>862,805,546</b>	864,158,441
Financial asset at amortized cost		
Due within one year	34,947,029	49,749,408
Due beyond one year	294,633,698	278,793,814
Balance, December 31	<b>1,192,386,274</b>	1,192,701,662

The movement of revaluation reserve on financial asset at FVOCI is as follows:

	2025	2024
Balance, January 1	(418,500)	(929,070)
Fair value adjustment	133,920	510,570
Balance, December 31	<b>(284,580)</b>	(418,500)

## 10. Property and Equipment, Net

The details of this account follow:

	Office premises and improvements	Furnitures and office equipment	Transportation equipment	Total
<b><u>Cost</u></b>				
Balance, December 31, 2023	65,723,630	16,589,520	1,514,679	83,827,829
Additions	-	713,730	-	713,730
Transfer to cost	(39,995,034)	-	-	(39,995,034)
Revaluation increment	98,602,404	-	-	98,602,404
Balance, December 31, 2024	124,331,000	17,303,251	1,514,679	143,148,929
Additions	-	323,670	-	323,670
Transfer to cost	-	-	-	-
Revaluation increment	-	-	-	-
Balance, December 31, 2025	124,331,000	17,626,920	1,514,679	143,472,599
<b><u>Accumulated depreciation</u></b>				
Balance, December 31, 2023	38,122,386	15,489,229	1,514,679	55,126,293
Depreciation expense	2,343,929	481,565	-	2,825,493
Transfer to cost	(39,995,034)	-	-	(39,995,034)
Balance, December 31, 2024	471,281	15,970,794	1,514,679	17,956,753
Depreciation expense	9,530,347	456,933	-	9,987,280
Transfer to cost	-	-	-	-
Balance, December 31, 2025	10,001,628	16,427,727	1,514,679	27,944,032
<b><u>Net book value</u></b>				
<b>December 31, 2025</b>	<b>114,329,372</b>	<b>1,199,194</b>	<b>-</b>	<b>115,528,566</b>
December 31, 2024	123,859,719	1,332,457	-	125,192,177

In December 2024, the Company obtained the services of an appraisal company accredited by the Insurance Commission, to appraise the value of the office premises in 15<sup>th</sup> floor of BDO Towers Valero (formerly Citibank Tower), Makati City, Philippines, consisting of an office condominium unit and three parking lots. The appraisal of the particular property has been coordinated with and approved for recording by the Insurance Commission. The appraisal increase was recorded at P124,331,000. The recorded cost of office premises and improvements is P124,331,000 as at December 31, 2025 and 2024. Depreciation on the revaluation increment in property amounted to P8,391,486 in 2025 and P1,206,848 in 2024. The balance of the revaluation increments in property amounted to P100,667,197 and P109,058,684 in 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the following are fully depreciated properties that are still in use.

<b>2025</b>	Cost	Accumulated Depreciation
Office premises and improvements	<b>680,330</b>	<b>680,330</b>
Furnitures and office equipment	<b>3,995,535</b>	<b>3,995,535</b>
Transportation/computer equipment	<b>12,746,306</b>	<b>12,746,306</b>
<b>Total</b>	<b>17,422,171</b>	<b>17,422,171</b>

2024	Cost	Accumulated Depreciation
Office premises and improvements	680,330	680,330
Furnitures and office equipment	3,987,386	3,987,386
Transportation/computer equipment	12,142,258	12,142,258
<b>Total</b>	<b>16,809,975</b>	<b>16,809,975</b>

#### **11. Deferred Acquisition Cost**

Movement of this account is as follows:

	2025	2024
Balance, January 1	<b>22,055,653</b>	27,182,643
Released during the year	<b>(22,055,653)</b>	(27,182,643)
Deferred commission expense	<b>17,166,593</b>	22,216,966
Unearned commission income	<b>(47,718)</b>	(161,312)
<b>Balance, December 31</b>	<b>17,118,875</b>	22,055,653

#### **12. Deferred Reinsurance Premium**

Movement of this account are as follows:

	2025	2024
Balance, January 1	<b>23,199,122</b>	60,682,351
Ceded during the year	<b>13,131,706</b>	77,569,053
Amortized during the year	<b>(27,576,848)</b>	(115,052,282)
<b>Balance, December 31</b>	<b>8,753,980</b>	23,199,122

### 13. Other Assets

This account consists of:

	2025	2024
Accrued investment income	15,124,626	15,133,628
Advances and other assets	5,603,743	6,904,631
Utility and other deposits	6,833,603	6,135,805
Cash/ Investment under garnishment	3,818,016	3,818,016
<b>Total</b>	<b>31,379,986</b>	<b>31,992,080</b>

Cash under garnishment refers to cash on hold by the National Labor Regulations Commission (NLRC). The cash was garnished due to order issued by NLRC on alleged counterfeited bonds issued by perpetrator.

Advances and other assets represent cash provided to employees, agents, brokers and third party suppliers of goods and services and prepaid taxes. It also includes cash in bank that was dormant as of December 31, 2025.

### 14. Insurance Liabilities and Commission Payable

This account consists of:

	2025	2024
Reserve for unearned premiums	51,455,760	71,408,366
Claims payable	51,446,986	113,886,989
Due to reinsurers and ceding companies	22,316,072	41,430,482
Funds held for reinsurers	819,056	819,056
<b>Total</b>	<b>126,037,875</b>	<b>227,544,892</b>

Movement of reserve for unearned premiums is as follows:

	2025	2024
Balance, January 1	71,408,366	138,505,850
New policies written during the year	113,518,691	167,422,645
Premiums earned during the year	(133,471,296)	(234,520,130)
<b>Balance, December 31</b>	<b>51,455,760</b>	<b>71,408,366</b>

Claims payable consists of the estimated liability for reported claims, accrual of estimated losses incurred but not reported (IBNR).

	2025	2024
Claims reported and loss adjustment expenses	<b>38,650,542</b>	87,036,366
Provision for IBNR	<b>7,222,000</b>	15,248,000
Provision for MFAD	<b>4,981,444</b>	10,416,623
Provision for claims handling expense	<b>593,000</b>	1,186,000
<b>Total</b>	<b>51,446,986</b>	113,886,989

#### Commission Payable

As of December 31, 2025 and 2024, the Company's Commission Payable amounted to P20,776,497 and P24,727,571, respectively. In previous years, these amounts were offset against Premium Receivable.

The current year's Financial Statements present Premium Receivable at its gross amount. In addition, Commission Payable and Insurance Receivable are shown separately. Accordingly, the 2024 amount was also reclassified to conform with the current year's presentation.

#### **15. Accounts and Other Payables**

	2025	2024
Accounts payable	<b>18,389,217</b>	33,990,572
Taxes payable	<b>509,265</b>	783,146
Documentary stamp tax payable	<b>184,601</b>	671,158
Others	<b>84,713</b>	211,608
<b>Total</b>	<b>19,167,795</b>	35,656,484

Accounts payable are payables to non-trade suppliers of goods and services, deferred VAT and accrued utilities.

## 16. Equity

The details of the Company's capital stock are shown below:

	2025	2024
<b>Common stocks - P400 par value</b>		
Authorized capital stock:		
3,625,000 shares	<u><b>P1,450,000,000</b></u>	
Paid up, January 1:		
3,326,143 shares	<b>1,330,457,200</b>	1,330,457,200
Total paid up, December 31	<b>1,330,457,200</b>	1,330,457,200
Less: Treasury shares, 1,143 shares	<b>457,200</b>	457,200
<b>Issued and outstanding, December 31</b>	<b>1,330,000,000</b>	1,330,000,000

As of December 31, 2025, the Company's total issued and outstanding share capital is owned by forty-seven (47) shareholders, thirteen (13) of which own 100 or more shares each.

Share premium amounted to P14,912,155 both in 2025 and 2024.

Treasury shares amounted to P457,200 both in 2025 and 2024.

Adjustments to retained earnings follow:

	Notes	2025	2024
Expired excess MCIT	24	<b>207,920</b>	272,238
Expired NOLCO	24	<b>5,016,911</b>	-
		<b>5,224,831</b>	272,238

## 17. Actuarial Gains on Retirement Benefit Liability, Net of Tax

Movement of this account is as follows:

	2025	2024
Balance, January 1	<b>2,379,514</b>	2,379,514
Actuarial gain during the year	<b>2,974,275</b>	-
Balance, December 31	<b>5,353,789</b>	2,379,514

Gross amount is P7,138,385 in 2025 and P3,172,685 in 2024 (Note 22).

**18. Gross Underwriting Income**

The account consists of:

	2025	2024
Premiums written	75,177,361	128,757,026
Premiums assumed	38,341,330	38,665,620
Gross premium written	113,518,691	167,422,645
Reinsurance premium ceded	(17,567,460)	(77,569,053)
Net premium retained	95,951,231	89,853,592
Decrease/(increase) in unearned premium	5,507,463	29,614,256
Commissions earned	18,980,693	9,451,923
Balance, December 31	120,439,388	128,919,770

**19. Underwriting Expenses**

The account consists of:

	2025	2024
Commissions	61,172,768	66,065,167
Claims and losses, net	32,076,377	106,852,431
Other underwriting expense	16,421,018	12,901,260
As of December 31	109,670,163	185,818,857

**20. Other Income**

The breakdown of other income is as follows:

	Notes	2025	2024
Interest income, net of amortization	7,9	68,078,534	69,265,203
Foreign exchange gain/(loss)		62,242	(31,496)
Miscellaneous		14,756	-
Retirement benefit income, net	22	973,558	-
Total		69,129,090	69,233,707

## 21. Other Expenses

The breakdown of other expenses is as follows:

	Notes	2025	2024
<b>General and administrative expenses</b>			
Salaries, wages and employee benefits		13,664,856	29,022,428
Doubtful account expenses		42,631,745	-
Association and pool dues		1,933,548	2,949,575
Utilities		1,841,651	1,318,593
Professional fees		2,007,901	1,435,881
Depreciation expense	10	1,595,794	1,618,646
Taxes and licenses	28	1,663,079	634,061
Retirement expense	22	1,027,515	2,129,401
Rent	23	772,043	651,567
Insurance		461,133	622,010
Communication		367,166	647,500
Supplies		356,599	352,256
Travel and transportation		323,932	1,119,901
Representation		188,227	1,996,123
Promotion, advertising and networking		128,493	-
Christmas party/ Anniversary expenses		103,584	42,446
Repairs, maintenance and janitorial services		54,103	182,601
Books and subscription		21,799	6,890
Training and seminar		3,500	15,000
Retirement benefits paid		-	1,298,077
Miscellaneous		1,654,583	143,527
<b>Total general and administrative expenses</b>		<b>70,801,250</b>	<b>46,186,484</b>
Interest expense		-	425,352
<b>Total expenses</b>		<b>70,801,250</b>	<b>46,611,836</b>

Details of salaries, wages and other benefits are as follows:

	2025	2024
Salaries and wages	11,406,400	25,362,306
Employees' benefits	2,258,456	3,660,122
<b>Total</b>	<b>13,664,856</b>	<b>29,022,428</b>

## 22. Retirement Benefits Plan

The Company has a funded, non-contributory defined benefit type of retirement plan covering substantially all of its employees. The benefits normal retirement is equal to 125% of the final compensation as of the date of retirement multiplied by years of service.

Actuarial valuations are made at least every two years applying the accrued actuarial cost method (Projected Unit Credit) taking into account the factors of interest, mortality, disability

and salary projection rates. The Company's annual contributions to the defined benefit plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The assumptions used in determining retirement benefit liability for the Company are as follows:

	2025	2024
Present value of the obligation	4,212,700	8,441,717
Fair value of plan assets	(284,780)	(277,535)
Underfunded obligation	3,927,920	8,164,182
Liability to be recognized in the Statement of financial position	3,927,920	8,164,182

The movements of present value of the retirement benefit liability recognized in the books are as follows:

	2025	2024
Balance, January 1	8,441,717	6,296,360
Interest cost	514,945	384,078
Current service cost	529,500	1,761,279
Benefits paid directly from book reserve	(1,298,077)	-
Actuarial (gain)/loss on;		
Changes in financial assumptions	(166,399)	-
Changes in demographic assumptions	-	-
Experience	(3,808,986)	-
Balance, December 31	4,212,700	8,441,717

Benefits paid is included as other income in the statement of income.

The movements of fair value of plan assets are as follows:

	2025	2024
Balance, January 1	277,535	261,579
Interest income	16,930	15,956
Remeasurement loss	(9,685)	-
Balance, December 31	284,780	277,535

The Company's actual return on plan assets is as follows:

	2025	2024
Interest income	16,930	15,956
Remeasurement loss	(9,685)	-
Balance, December 31	7,245	15,956

The amounts of retirement benefits expense recognized in the Statements of comprehensive income are as follows:

	2025	2024
Current service cost	529,500	1,761,279
Interest cost	514,945	384,078
Interest income on plan assets	(16,930)	(15,956)
<b>Expense recognized during the year</b>	<b>1,027,515</b>	<b>2,129,401</b>

Defined benefit cost recognized in other comprehensive income (OCI):

	2025	2024
Accumulated other comprehensive income, January 1	(3,172,685)	(3,172,685)
Actuarial gain - DBO	(3,975,385)	-
Remeasurement loss - plan assets	9,685	-
<b>Defined benefit cost in OCI - income</b>	<b>(3,965,700)</b>	<b>-</b>
<b>Accumulated other comprehensive income, ending</b>	<b>(7,138,385)</b>	<b>(3,172,685)</b>

For the determination of the movement of the retirement benefits liability, the following actuarial assumptions were used:

	2025	2024
Discount rate	6.44%	6.10%
Salary increase rate	5.00%	5.00%

Sensitivity analysis as follows:

Decrease in DBO due to 100 bps increase in discount rate	(438,594)	;	10.4%
Increase in DBO due to 100 bps decrease in discount rate	518,077	;	12.3%
Increase in DBO due to 100 bps increase in salary increase rate	520,415	;	12.4%
Decrease in DBO due to 100 bps decrease in salary decrease rate	(448,053)	;	10.6%
Increase in DBO, no attrition rates	539,110	;	12.8%

Expected future benefit payments as follows:

Financial year	
Year 1	701,485
Year 2	185,584
Year 3	41,205
Year 4	51,023
Year 5	62,506
Year 6 - 10	1,418,664

Allocation of plan assets as follows:

Financial year	
Cash and cash equivalents	0.89%
Unit investment trust fund	99.24%
Debt instruments - government bonds	0.00%
Other (Market gains/losses, accrued receivables, etc.)	-0.13%
<b>Total</b>	<b>100.00%</b>

Weighted average duration of the retirement benefits liability is 11.4 in 2025 and 9.1 in 2024.

### 23. Lease Commitments

The Company is a lessee under cancellable operating leases. The future minimum rentals payable under this cancellable operating lease are as follows:

	2025	2024
Within one year	241,500	241,500
More than one year but less than five years	-	-
<b>Total</b>	<b>241,500</b>	<b>241,500</b>

Total rental expense charged to operations amounted to P772,043 in 2025 and P651,567 in 2024. (Note 21)

### 24. Income Taxes

Corporate income tax rate – 25%

The income tax expense consists of the following:

	2025	2024
Current:		
Regular corporate income tax	-	-
Final tax on interest income	13,933,637	14,074,140
Deferred:		
NOLCO	(4,232,174)	(31,086,462)
Deferred acquisition cost	(1,234,195)	(1,281,747)
Reserve for unearned premium	1,376,866	7,403,564
Retirement benefit expense	(256,879)	(532,350)
Allowance for credit losses	(10,657,936)	-
	<b>(15,004,318)</b>	<b>(25,496,996)</b>
<b>Income tax benefit</b>	<b>(1,070,680)</b>	<b>(11,422,856)</b>

A reconciliation of tax on pretax income computed at the applicable statutory rates to income tax expense as reported in the income statements is as follows:

	2025	2024
Tax on pretax income at prevailing rate	2,274,266	(8,569,304)
Adjustments for items subject to lower tax rates:		
Interest income	(3,085,996)	(3,242,161)
Capital gains	-	-
Tax effect on:		
Non-deductible expenses	-	388,609
Non-taxable income	(258,950)	-
<b>Income tax benefit</b>	<b>(1,070,680)</b>	<b>(11,422,856)</b>

#### Deferred Income Tax Assets

Components of the Company's deferred income tax (DTA) assets account are as follows:

	2025	2024
Deferred tax assets:		
NOLCO	44,207,768	44,992,505
Reserve for unearned premium	10,675,445	12,052,311
Retirement benefits obligation	981,980	2,041,046
Allowance for reinsurance receivable	11,594,387	936,451
MCIT	598,440	602,094
<b>Total deferred tax assets</b>	<b>68,058,020</b>	<b>60,624,407</b>
Deferred tax liability		
Deferred acquisition cost	4,279,719	5,513,914
<b>Total deferred tax liability</b>	<b>4,279,719</b>	<b>5,513,914</b>
<b>Deferred tax assets/(liability)</b>	<b>63,778,301</b>	<b>55,110,493</b>

Validity of NOLCO as follows:

Year incurred	Validity	Amount	Expired in the current year	Applied in the previous year	Balance	Deferred tax assets
2025	2028	16,928,695	-	-	16,928,695	4,232,174
2024	2027	124,345,849	-	-	124,345,849	31,086,462
2023	2026	23,127,438	-	-	23,127,438	5,781,860
2022	2025	-	14,730,791	-	-	-
2021	2026	12,429,089	-	-	12,429,089	3,107,272
2020	2025	-	5,336,852	-	-	-
		<b>176,831,071</b>	<b>20,067,643</b>	<b>-</b>	<b>176,831,071</b>	<b>44,207,768</b>

As provided by BIR Revenue Regulations No. 25-2020 (Section 4) dated September 30, 2020, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating

loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

Under the National Internal Revenue Code (NIRC) of 1977, the income tax liability of Corporations shall be the higher between RCIT and the Minimum Corporate Income Tax (MCIT). MCIT is computed at 2% of the modified gross income. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

Validity of MCIT as follows:

<b>Year incurred</b>	<b>Validity</b>	<b>Amount</b>	<b>Applied</b>	<b>Expired</b>	<b>Balance</b>
2022	2025	207,920	-	207,920	-
2023	2026	394,174	-	-	394,174
2025	2028	204,266	-	-	204,266
		<b>806,360</b>	<b>-</b>	<b>207,920</b>	<b>598,440</b>

Deferred Income Tax Liability

Components of deferred income tax liability are as follows:

	<b>2025</b>	<b>2024</b>
Deferred tax liability	<b>4,279,719</b>	5,513,914

**25. (Loss)/Earnings Per Common Share**

	<b>2025</b>	<b>2024</b>
Income/(Loss) for the year	<b>10,167,744</b>	(22,854,360)
Weighted average number of common shares	<b>3,325,000</b>	3,325,000
As of December 31	<b>3.06</b>	(6.87)

**26. Related Party Transactions**

In the ordinary course of trade or business, the Company has transaction with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences.

Key Management Personnel Compensation

The key management compensation consists of salaries, allowances and employee benefits amounting P3,100,642 and P11,580,608 in 2025 and 2024, respectively.

Defined Benefits Plan

The Company has a significant influence over the funding and management of the Company's plan assets. The outstanding amount of the plan assets amounts to P284,780 in 2025 and P277,535 in 2024. The Company paid benefits from plan assets amounting to P1,298,077 in 2025 and nil 2024. No contribution was made both in 2025 and 2024.

## 27. Approval of Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on April 6, 2026.

## 28. Supplementary Information Required by the Bureau of Internal Revenue

Revenue Regulations No. 15-2010 issued by the Bureau of Internal Revenue requires, in addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements to include information on taxes, duties and license fees paid or accrued during the taxable year, as follows:

### Output VAT

Details of the Company's output VAT declared are as follows:

	VATable	VAT - Zero-rated	VAT - exempt	2025	2024
Vatable receipts	74,302,181	587,790	1,389,559	<b>76,279,529</b>	204,137,607
Output VAT rate	12%	0%	-	<b>12%/0%</b>	12%/0%
Total	8,916,262	-	-	<b>8,916,262</b>	23,762,891

### Input VAT

Details of the Company's input VAT claimed are as follows:

	2025	2024
Balance, January 1	<b>101,031</b>	-
Add: Current year's domestic purchases/payments for:		
Purchase of services	<b>8,747,436</b>	15,249,398
Purchase of capital goods and domestic purchases of goods other than capital goods		-
Total available input VAT	<b>8,848,467</b>	15,249,398

### Documentary Stamp Tax (DST)

The DST paid/accrued during the reporting period was P9,717,751 in 2025 and P13,521,399 in 2024 for insurance of policies.

### Other Taxes and Licenses

	OR No.	2025	2024
Business permits	various	<b>1,389,057</b>	607,802
Other licenses and various	various	<b>274,022</b>	26,259
Total per Statement of Comprehensive Income		<b>1,663,079</b>	634,061

Withholding Taxes

The amount of withholding taxes paid/accrued for the taxable year amounted to:

	2025	2024
Tax withheld by the company on:		
Compensation	682,852	3,061,565
Expanded	5,116,603	8,764,970
Final	-	-
<b>Total</b>	<b>5,799,454</b>	<b>11,826,535</b>

Taxes on Importation of Goods

The Company has no importation of goods, hence, no taxes were paid during the reporting period.

Excise Tax

The Company has no excise tax paid during the reporting period.

Others

As of the year ended December 31, 2025, the Company settled the BIR tax assessment on Value-Added Tax (VAT) from year 2023. However, the Company has still ongoing tax assessment for the year 2023 from the BIR with LOA no. eLA202300054024 dated February 13, 2025.

--oOo--

**SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.**

(A Non-life Insurance Company)

**FINANCIAL SOUNDNESS INDICATORS**

December 31, 2025

<b>Ratio</b>	<b>Formula</b>	<b>2025</b>	<b>2024</b>
Current Ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets 227,633,399 Divided by: Total Current Liabilities 165,982,166 Current Ratio 1.37	<b>1.37</b>	1.16
Acid test Ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 227,633,399 Less: Inventories - Other Current Assets - Quick Assets 227,633,399 Divide by: Total Current Liabilities 165,982,166 Acid test Ratio 1.37	<b>1.37</b>	1.16
Working Capital to Total Asset	Working Capital divided by Total Asset  Working Capital 61,651,233 Divided by: Total Asset 1,657,890,226 0.04	<b>0.04</b>	0.03
Debt to Total Assets Ratio	Total Debt Divided by Total Asset  Total Debt 169,910,086 Divided by: Total Asset 1,657,890,226 0.10	<b>0.10</b>	0.17
Debt to Equity Ratio	Total Debt divided by Total Equity  Total Debt 169,910,086 Divided by: Total Equity 1,487,980,139 0.11	<b>0.11</b>	0.20
Asset to Equity Ratio	Total Asset divided by Total Equity  Total Asset 1,657,890,226 Divided by: Total Equity 1,487,980,139 1.11	<b>1.11</b>	1.20
Interest Coverage Ratio	EBIT divided by Interest Expense  EBIT 9,097,064 Divided by: Interest Expense 0 NA	<b>NA</b>	(79.59)

Gross Profit Margin	Gross Profit Divided by Commission Revenue		<b>0.66</b>	0.10
	Gross Profit	79,898,314		
	Divided by: Revenue	<u>120,439,388</u>		
		0.66		
Profit Margin	Net Income/(Loss) Divided by: Revenue		<b>0.08</b>	(0.18)
	Net Income/(Loss)	10,167,744		
	Divided by: Revenue	<u>120,439,388</u>		
		0.08		
Return on Asset (ROA)	Net Income/(Loss) Divided by: Average Asset		<b>0.01</b>	(0.01)
	Net Income/(Loss)	10,167,744		
	Divided by: Average Asset	<u>1,721,151,936</u>		
		0.01		
Return on Equity	Net Income/(Loss) Divided by: Average Equity		<b>0.01</b>	(0.02)
	Net Income/(Loss)	10,167,744		
	Divided by: Average Equity	<u>1,488,150,329</u>		
		0.01		