

**COPY FOR THE
BUREAU OF INTERNAL REVENUE**



Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Ayala Plans, Inc.
8th Floor BPI Buendia Center
Sen. Gil J. Puyat Ave., Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ayala Plans, Inc. (the "Company") as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the Philippines (GAAP) for pre-need companies as described in Note 22 to the financial statements.

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2025 and 2024;
- the statements of comprehensive income for the years ended December 31, 2025 and 2024;
- the statements of changes in equity for the years ended December 31, 2025 and 2024;
- the statements of cash flows for the years ended December 31, 2025 and 2024; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audits of the financial statements of public interest entities in the Philippines. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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 GAAP for pre-need companies as disclosed in Note 22, 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits 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.

Isla Lipana & Co.



Partner

CPA Cert. No. 0121827

P.T.R. No. 0032961; issued on January 8, 2026 at Makati City

SEC A.N. (individual) as general auditors 121827-SEC, Category A;
valid to audit 2022 to 2026 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements

T.I.N. 255-979-765

BIR A.N. 08-000745-241-2026, issued on January 16, 2026; effective until January 15, 2029

BOA/PRC Reg. No. 0142/P-031, effective until November 14, 2028

Makati City
April 1, 2026



Isla Lipana & Co.

Statement Required by Section 8-A Revenue Regulation No. V-1

To the Board of Directors and Shareholders of
Ayala Plans, Inc.
8th Floor BPI Buendia Center
Sen. Gil J. Puyat Ave., Makati City

None of the partners of the firm has any financial interest in Ayala Plans, Inc. or any family relationships with its president, managers or principal shareholders.

The supplementary information on taxes and licenses is presented in Note 23 to the financial statements.

Isla Lipana & Co.

Dexter DJ V Toledaña
Partner

CPA Cert. No. 0121827

P.T.R. No. 0032961; issued on January 8, 2026 at Makati City

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April 1, 2026

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Ayala Plans, Inc.

Statements of Financial Position
As at December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Assets			
Cash	2	15,597,072	5,094,279
Investments in trust funds	3	1,969,345,337	2,209,095,132
Investments at fair value through profit or loss (FVTPL) - Premium fund	4	3,427,834	3,479,529
Investments at fair value through other comprehensive income (FVOCI) - Premium fund	4	4,033,686	5,622,712
Loans and receivables, net	5	2,032,923	2,769,734
Property and equipment, net	6	1,838,373	2,916,307
Other assets	7	3,261,776	3,372,323
Total assets		1,999,537,001	2,232,350,016
Liabilities and Equity			
Pre-need reserves	3	1,134,303,425	1,373,251,304
Premium reserves	4	6,038,831	7,697,270
Due to related parties	18	34,607,619	15,114,362
Accrued expenses and other liabilities	8	623,758,948	633,484,985
Total liabilities		1,798,708,823	2,029,547,921
Share capital	10	100,000,000	100,000,000
Share premium	10	775,000,000	775,000,000
Deficit		(685,206,316)	(672,824,874)
Accumulated other comprehensive income	10	11,034,494	626,969
Total equity		200,828,178	202,802,095
Total liabilities and equity		1,999,537,001	2,232,350,016

(The notes on pages 1 to 33 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Income
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Income			
Trust fund income, gross of provision for income tax of P17,605,285 (2024 - P19,737,245)	3	83,274,048	119,020,137
Income from investment at FVTPL			
Dividend income	18	120,497	116,137
(Loss) gain on sale of investments	4	(74,650)	203,690
Unrealized fair value (loss) gain on investments		(164,210)	14,312
		(118,363)	334,139
Interest income	11	368,413	399,020
Policy income		2,768	12,679
Others		-	42,293
		83,526,866	119,808,268
Expenses			
Costs of contracts issued	12		
Plan benefits		(297,016,562)	(276,561,088)
Decrease in pre-need and premium reserves		240,606,318	210,042,699
Direct costs - insurance		(1,829,558)	(2,319,743)
General and administrative expenses			
Salaries, wages and employee benefits	13	(13,823,184)	(12,426,184)
Interest expense	15,18	(1,847,652)	(728,720)
Outsourcing services		(997,566)	(1,554,711)
Professional fees		(744,950)	(706,818)
Depreciation	6	(577,934)	(561,785)
Occupancy costs	15	(185,591)	(141,769)
Advertising and promotions		(76,662)	(47,153)
Provision for impairment	3,5	(55,898)	(786,105)
Office supplies		(44,116)	(45,673)
Others		(1,653,674)	(2,940,434)
		(78,247,029)	(88,777,484)
Income before income tax		5,279,837	31,030,784
Income tax expense	16	(17,661,279)	(20,640,826)
Net (loss) income for the year		(12,381,442)	10,389,958

(The notes on pages 1 to 33 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Net (loss) income for the year		(12,381,442)	10,389,958
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Changes in fair value of investments at FVOCI	10	12,223,032	(6,130,204)
Remeasurement loss on retirement benefit obligation	10,14	(1,815,507)	(307,028)
		10,407,525	(6,437,232)
Total comprehensive (loss) income for the year		(1,973,917)	3,952,726

(The notes on pages 1 to 33 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Share capital (Note 10)	Share premium (Note 10)	Accumulated other comprehensiv e income	Deficit	Total
Balances at January 1, 2024	100,000,000	775,000,000	7,064,201	(683,214,832)	198,849,369
Comprehensive income (loss)					
Net income for the year	-	-	-	10,389,958	10,389,958
Other comprehensive loss	-	-	(6,437,232)	-	(6,437,232)
Total comprehensive (loss) incor for the year	-	-	(6,437,232)	10,389,958	3,952,726
Balances at December 31, 2024	100,000,000	775,000,000	626,969	(672,824,874)	202,802,095
Comprehensive income (loss)					
Net loss for the year	-	-	-	(12,381,442)	(12,381,442)
Other comprehensive income	-	-	10,407,525	-	10,407,525
Total comprehensive income (loss) for the year	-	-	10,407,525	(12,381,442)	(1,973,917)
Balances at December 31, 2025	100,000,000	775,000,000	11,034,494	(685,206,316)	200,828,178

(The notes on pages 1 to 33 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Cash flows from operating activities			
Cash absorbed by operations	17	(308,891,046)	(268,888,605)
Final income taxes paid	16	(17,661,279)	(20,640,826)
Interest received		417,408	413,357
Dividends received		120,497	116,137
Net cash used in operating activities		(326,014,420)	(288,999,937)
Cash flows from investing activities			
Net change in trust funds		317,481,215	277,109,354
Proceeds from disposals and maturities of investments at FVOCI		1,750,958	7,999,150
Acquisition of property and equipment		-	(1,226,475)
Net cash from investing activities		319,232,173	283,882,029
Cash flow from financing activity			
Proceeds from borrowing		21,000,000	15,000,000
Payments on borrowings, including interest		(3,244,458)	(5,589,989)
Payments on lease liabilities, including interest	15	(470,502)	(448,100)
Net cash from financing activities		17,285,040	8,961,911
Net increase in cash		10,502,793	3,844,003
Cash			
January 1	2	5,094,279	1,250,276
December 31		15,597,072	5,094,279

(The notes on pages 1 to 33 are an integral part of these financial statements)

Ayala Plans, Inc.

Notes to the Financial Statements

As at and for the years ended December 31, 2025 and 2024

(All amounts are shown in Philippine Peso, unless otherwise stated)

1 General information

Ayala Plans, Inc. (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 23, 1994, primarily to engage in selling education and pension pre-need plans. The Company is a subsidiary of Bank of the Philippine Islands (BPI or the Parent Bank), a domestic commercial bank with an expanded banking license, which is also its ultimate parent.

The Company has 8 regular employees as at December 31, 2025 and 2024.

In July 2019, the SEC approved the Company's registration of its new office address, which is also its principal place of business, at 8th Floor BPI Buendia Center, 360 Sen. Gil J. Puyat Ave., Makati City.

Status of operations

As at December 31, 2025 and 2024, the Company has already discontinued selling pre-need products to new customers. The Company has not earned any premium in 2025 and 2024. The Company is committed to continue servicing its existing contracts and customers until the foreseeable future. Management assessed the availability of capital and is satisfied in the Company's ability to service its contracts with customers and settle financial obligations as they fall due, for at least 12 months after the reporting date. Further, management has no plans to liquidate the Company for at least 12 months after the reporting date. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

Approval and authorization for issuance of the financial statements

These financial statements have been approved and authorized for issuance by the Company's Board of Directors (the "Board") on April 1, 2026.

2 Cash

As at December 31, 2025, the account consists entirely of peso-denominated cash in bank amounting to P15.60 million (2024 - P5.09 million).

Cash in bank bear interest rates ranging from 0.06% to 0.35% in 2025 and 2024. Interest earned from cash in bank for the year ended December 31, 2025, amounts to P9,455 (2024 - P9,889) (Note 11).

3 Investments in trust funds

The Company has trust funds which are being administered by BPI Wealth under trust agreements for the fulfilment of the Company's obligations under its pre-need plans. In compliance with the implementing rules and regulations of the Pre-need Code and in accordance with the terms of the trust agreements, no withdrawal shall be made from the Trust Funds except to: (a) pay all costs, expenses, and charges incurred in connection with the administration, preservation, maintenance, and protection of the fund or any part thereof, inclusive of expenses needed for the payment of benefits; (b) settle, compromise, or abandon all claims and demands in favor of or against the fund, with prior written consent of the Company; and (c) engage in investing activities.

Accumulated trust fund income included in the Company's deficit account amounts to P6,557 million for the year ended December 31, 2025 (2024 - P6,443 million).

The Company has classified and measured its investments in trust funds based on the business model and the contractual terms of the cash flows arising from its investments. In the determination of the business model, the Company considers its past experience on how the cash flows for these investments were collected, how the investments' performance is evaluated, and the risks are assessed and managed.

The Company's investments in trust funds at December 31 consist of the following:

	2025		Total
	Education	Pension	
Assets			
Cash	613	507	1,120
Investments at FVTPL			
Listed equities	92,622,123	400,175,605	492,797,728
Unit investment trust fund (UITF)	50,950,639	73,890,725	124,841,364
Investments at FVOCI			
Government securities	239,148,739	1,078,061,483	1,317,210,222
Other debt instruments	2,894,117	10,411,348	13,305,465
Accrued interest income	1,934,375	19,509,139	21,443,514
Other receivables	132,229	610,342	742,571
Total assets	387,682,835	1,582,659,149	1,970,341,984
Payables	(185,133)	(811,514)	(996,647)
Net assets	387,497,702	1,581,847,635	1,969,345,337

	2024		Total
	Education	Pension	
Assets			
Cash	595	615	1,210
Investments at FVTPL			
Listed equities	88,266,919	446,204,895	534,471,814
UITF	63,398,944	15,267,329	78,666,273
Investments at FVOCI			
Government securities	262,600,113	1,276,242,155	1,538,842,268
Other debt instruments	6,841,282	22,279,311	29,120,593
Accrued interest income	2,032,834	23,856,905	25,889,739
Other receivables	135,071	3,118,831	3,253,902
Total assets	423,275,758	1,786,970,041	2,210,245,799
Payables	(255,157)	(895,510)	(1,150,667)
Net assets	423,020,601	1,786,074,531	2,209,095,132

Movement in the net assets of investment in trust funds for the year ended December 31 follow:

	2025	2024
At January 1	2,209,095,132	2,393,047,706
Withdrawals	(317,481,215)	(277,109,354)
Net change in fair value	12,061,100	(6,126,112)
Net income from investment in trust funds	65,670,320	99,282,892
December 31	1,969,345,337	2,209,095,132

Net income from investments in trust funds is net of tax, amounting to P17,605,285 for the year ended December 31, 2025 (2024 - P19,737,245).

Investments in listed equities include common shares of related companies (Note 18). UITF pertains to placements in BPI's Short-Term Fund managed by a related party (Note 18).

Fair value gain recognized from investments at FVTPL amounts to P28.45 million for the year ended December 31, 2025 (2024 - P35 million gain).

Investments in peso-denominated government securities bear effective interest at rates in 2025 ranging from 3.9% to 10% (2024 - 2% to 15%). Interest income earned on these investments, net of tax, amounts to P69.2 million for the year ended December 31, 2025 (2024 - P77.4 million).

Other debt instruments pertain to fixed rate bonds of various private corporations. Interest income earned on other debt instruments amounts to P1.2 million for the year ended December 31, 2025 (2024 - P1.3 million).

Aggregate dividends received on listed common stocks amount to P17.8 million for the year ended December 31, 2025 (2024 - P16.4 million).

Other receivables include dividend receivables and due from brokers which represent receivables for securities sold that have been contracted for but not yet settled or delivered at the end of the reporting period.

The cash balances within investments in trust funds are not considered as cash and cash equivalents for purposes of reporting cash flows, as these funds are exclusively used for the activities of the trust funds. The Company does not have direct access and control to these funds. As at December 31, 2025 and 2024, all underlying investments in trust funds are denominated in Philippine Peso.

Movements in the investments at FVOCI for the years ended December 31 follow:

	2025	2024
At January 1	1,567,964,939	1,619,735,873
Contributions	260,568,884	804,942,123
Withdrawals	(501,093,128)	(142,479,636)
Net change in fair value reserve on investments at FVOCI	12,062,657	(708,107,309)
Net income (loss) from investment in trust funds	(8,987,665)	(6,126,112)
December 31	1,330,515,687	1,567,964,939

The aggregate net gain recognized from disposal of investments at FVOCI amounts to P 0.13 million for the year ended December 31, 2025 (2024 - P0.2 million).

Details of the provision for investment at FVOCI for the years ended December 31 follow:

	2025	2024
January 1	2,079	22,863
Reversal of impairment loss	(1,560)	(20,784)
December 31	519	2,079

Significant accounting judgments and estimates made in the calculation of reserves are disclosed in Note 21.1.

4 Investments (FVTPL and FVOCI)

Premium fund

The Company's premium fund at December 31 consists of investments at:

	2025		2024	
	FVTPL	FVOCI	FVTPL	FVOCI
Government securities	-	4,033,686	-	5,622,712
Listed equity securities	3,219,956	-	3,384,900	-
UITF	207,878	-	94,629	-
	3,427,834	4,033,686	3,479,529	5,622,712

UITFs pertain to placements in BPI's Short-Term Fund managed by a related party (Note 18).

The Company's premium fund is restricted to cover the payment of premium reserves. At December 31, 2025, premium reserves amount to P6.0 million (2024 - P7.7 million). The excess of premium over the premium reserves set up as at December 31, 2025 amounts to P1.4 million (2024 - P1.5 million).

FVOCI

The movements in investments at FVOCI for the years ended December 31 follow:

	2025	2024
At January 1	5,622,712	7,422,265
Disposals and maturities	(1,750,958)	(1,727,656)
Amortization of premium (discount)	-	(67,804)
Net change in fair value	161,932	(4,093)
At December 31	4,033,686	5,622,712

Investments in government securities bear effective interest at rates ranging from 4.8% to 6.5% in 2025 (2024 - 5.0% to 6.5%). Interest income earned on these investments amounts to P270,512 for the year ended December 31 2025 (2024 - P354,097) (Note 11).

FVTPL

Investments in listed equity securities include common shares of related parties (Note 18). Aggregate dividends received on all listed common stocks in 2025 and 2024 amount to P0.1 million.

In 2024, the Company also had investments in club shares valued at FVTPL, which were sold on February 7, 2024. The book value of the club share at the time of sale was P6.0M, resulting in a recognized gain of P200,000 in 2024.

The aggregate net loss recognized from disposal of investments for the year ended December 31, 2025 amounts to P74,650 (2024 - P203,690 net gain).

The Company's investments are under the custodianship of BPI Wealth (Note 19).

5 Loans and receivables, net

The account at December 31 consists of:

	2025	2024
Loans and advances to employees	618,393	575,784
Accrued interest income	51,508	100,503
Others	1,448,865	2,121,832
	2,118,766	2,798,119
Allowance for impairment	(85,843)	(28,385)
	2,032,923	2,769,734

Other receivables pertain mainly to taxes receivable.

Provisions for impairment on receivables are as follows:

	2025	2024
January 1	28,385	2,210,721
Provision for impairment	57,458	806,889
Write-off of allowance	-	(2,989,225)
December 31	85,843	28,385

6 Property and equipment, net

Details of property and equipment, net as at December 31 and their movements during the years ended are as follows:

2025	Furniture, fixtures and equipment	Motor vehicle	Right-of-use asset (Note 16)	Total
Cost				
At beginning of year	298,397	1,500,000	1,998,003	3,796,400
Disposals	-	(750,000)	-	(750,000)
At end of year	298,397	750,000	1,998,003	3,046,400
Accumulated depreciation				
At beginning of year	298,343	248,750	333,000	880,093
Depreciation and amortization	-	178,333	399,601	577,934
Disposals	-	(250,000)	-	(250,000)
At end of year	298,343	177,083	732,601	1,208,027
Net book value	54	572,917	1,265,402	1,838,373

2024	Furniture, fixtures and equipment	Motor vehicle	Right-of-use asset (Note 16)	Total
Cost				
At beginning of year	952,255	750,000	1,716,028	3,418,283
Additions	-	750,000	1,998,003	2,748,003
Disposals	(422,105)	-	-	(422,105)
Adjustment/lease termination	(231,753)	-	(1,716,028)	(1,947,781)
At end of year	298,397	1,500,000	1,998,003	3,796,400
Accumulated depreciation				
At beginning of year	952,154	56,667	1,679,373	2,688,194
Depreciation and amortization	47	192,083	369,655	561,785
Disposal	(422,122)	-	-	(422,122)
Adjustment/lease termination	(231,736)	-	(1,716,028)	(1,947,764)
At end of year	298,343	248,750	333,000	880,093
Net book value	54	1,251,250	1,665,003	2,916,307

7 Other assets

The account at December 31 consists of:

	2025	2024
Input value-added tax (VAT) and prepaid documentary tax	3,101,361	2,950,078
Prepaid expenses	108,000	138,000
Others	52,415	284,245
	3,261,776	3,372,323

8 Accrued expenses and other liabilities

The account at December 31 consists of:

	Notes	2025	2024
Planholders' deposits		606,061,025	615,908,478
Retirement benefit obligation	14	14,121,531	13,687,699
Accrued expenses		1,512,134	1,399,007
Lease liability	15	1,430,583	1,759,766
Withholding taxes payable		266,837	274,902
Social security contributions		56,603	66,101
Others		310,235	389,032
		623,758,948	633,484,985

Planholders' deposits represent any of the following: (a) plan benefits that are due but remain unpaid to and/or unclaimed by the planholder; or (b) any fractional payments of a regular instalment.

9 Maturity profile of assets and liabilities

Details of assets and liabilities by maturities at December 31 follow:

2025	On demand or up to 1 year	Over 1 year up to 3 years	Over 3 years	No contractual maturity	Total
Assets					
Cash	15,597,072	-	-	-	15,597,072
Investments in trust funds	299,360,284	388,355,314	663,990,648	617,639,091	1,969,345,337
Investments at FVTPL	-	-	-	3,427,834	3,427,834
Investments at FVOCI	-	-	4,033,686	-	4,033,686
Loans and receivables, net	2,032,923	-	-	-	2,032,923
Other assets	3,261,776	-	-	-	3,261,776
Total assets	320,252,055	388,355,314	668,024,334	621,066,925	1,997,698,628
Liabilities					
Pre-need reserves	248,695,546	469,613,585	415,994,294	-	1,134,303,425
Premium reserves	6,038,831	-	-	-	6,038,831
Due to related parties	34,607,619	-	-	-	34,607,619
Accrued expenses and other liabilities	608,401,600	1,145,305	14,212,043	-	623,758,948
Total liabilities	897,743,596	470,758,890	430,206,337	-	1,798,708,823

2024	Up to 1 year	Over 1 year up to 3 years	Over 3 years	No contractual maturity	Total
Assets					
Cash	5,094,279	-	-	-	5,094,279
Investments in trust funds	450,192,380	301,362,864	844,401,801	613,138,087	2,209,095,132
Investments at FVTPL	-	-	-	3,479,529	3,479,529
Investments at FVOCI	-	-	5,622,712	-	5,622,712
Other investments	-	-	-	-	-
Loans and receivables, net	2,769,734	-	-	-	2,769,734
Other assets	3,355,081	-	-	-	3,355,081
Total assets	461,411,474	301,362,864	850,024,513	616,617,616	2,229,416,467
Liabilities					
Pre-need reserves	281,015,235	452,526,919	639,709,150	-	1,373,251,304
Premium reserves	7,697,270	-	-	-	7,697,270
Due to related parties	15,114,362	-	-	-	15,114,362
Accrued expenses and other liabilities	618,122,901	1,071,919	14,290,165	-	633,484,985
Total liabilities	921,949,768	453,598,838	653,999,315	-	2,029,547,921

Pre-need and premium reserves are expected to be settled within their contractual maturity dates. Asset-liability matching is employed to invest in assets to match the maturing liabilities arising from the pre-need contracts issued by the Company to effectively manage liquidity risk and funding gaps.

10 Share capital

Total authorized share capital, which is fully issued and outstanding, consists of P100 million common shares with a par value of P1 per share as at December 31, 2025 and 2024. Share premium pertains to the excess of proceeds from the issuance of share capital at par value amounting to P775 million as at December 31, 2025 and 2024.

Details of accumulated other comprehensive income at December 31 follow:

	Net unrealized gain (loss) on investments at FVOCI	Remeasurement on retirement benefit obligation (Note 14)	Total
Balances, January 1, 2024	14,555,426	(7,491,225)	7,064,201
Changes in fair value of investments at FVOCI	(18,406,167)	-	(18,406,167)
Fair value gain transferred to profit or loss	12,275,963	-	12,275,963
Remeasurement loss on retirement benefit obligation	-	(307,028)	(307,028)
Balance, December 31, 2024	8,425,222	(7,798,253)	626,969
Changes in fair value of investments at FVOCI	(35,538,201)	-	(35,538,201)
Fair value gain transferred to profit or loss	47,761,233	-	47,761,233
Remeasurement loss on retirement benefit obligation	-	(1,815,507)	(1,815,507)
Balance, December 31, 2025	20,648,254	(9,613,760)	11,034,494

Net unrealized gain (loss) on investments at FVOCI includes the fair value reserve for investments at FVOCI held within investment in trust funds.

11 Interest income

The account for the years ended December 31 consists of:

	Notes	2025	2024
Government securities	4	270,512	354,097
Bank deposits	2	9,455	9,889
Others		88,446	35,034
		368,413	399,020

Other interest income pertains to interest earned on employee loans.

12 Cost of contracts issued

Cost of contracts issued for the years ended December 31 consists of:

	2025	2024
Plan benefits		
Maturity claims	265,459,809	240,900,393
Surrenders	13,558,705	7,685,026
Anticipated endowments	17,998,048	27,975,669
	297,016,562	276,561,088
Decrease in pre-need and premium reserves		
Pre-need		
Pension	(207,866,190)	(160,903,068)
Education	(31,081,689)	(47,347,447)
Premium reserves	(1,658,439)	(1,792,184)
	(240,606,318)	(210,042,699)
	56,410,244	66,518,389

The movement in pre-need and premium reserves arises mainly from the release of reserves due to policy maturities.

There are no premium collections, no lapsed plans reinstated, and no contract price of lapsed plans reinstated in 2025 and 2024.

13 Salaries, wages and employee benefits

The account for the years ended December 31 consists of:

	Note	2025	2024
Salaries, wages and employee benefits		12,046,325	10,746,817
Retirement expense	14	1,776,859	1,679,367
		13,823,184	12,426,184

14 Retirement plan

The Company has a retirement benefit plan in 2025 and 2024 covering substantially all of its eight employees. Under this plan, the normal retirement benefit is equal to the employee's equity in the fund as at retirement, or 175% of the employee's basic monthly salary at date of retirement multiplied by the number of years of service, whichever is higher. The normal retirement date is upon attainment of age 60. The optional retirement benefit is determined on the same basis as normal retirement. Optional retirement date is upon attainment of age 50 and completion of at least 20 years of service. The death benefit is equal to the retirement benefit computed as at the date of death. The disability benefit is equal to the retirement benefit computed as at the date of total and permanent disability; plus a deferred benefit equivalent to the contributions to the fund and their actual earnings from the date of his disability up to his normal retirement date or date of death, whichever comes first.

The funding status of the defined contribution plan as at December 31 is shown below:

	Note	2025	2024
Present value of defined benefit obligation (PVDBO)		24,274,240	23,232,164
Fair value of plan asset (FVPA)		(10,152,709)	(9,544,465)
Net retirement benefit obligation	8	14,121,531	13,687,699

The retirement benefit obligation recognized as part of accrued expenses and other liabilities in the statement of financial position.

The movement of the Company's PVDBO for the years ended December 31 are as follows:

	2025	2024
At January 1	23,232,164	20,899,250
Current service cost	941,135	871,360
Interest cost	1,424,132	1,260,225
Benefits paid	(3,049,809)	-
Remeasurement loss (gain)		
Due to change in financial assumptions	95,694	(141,073)
Due to experience adjustments	1,630,924	342,402
At December 31	24,274,240	23,232,164

The movement of the Company's FVPA for the year ended December 31 are as follows:

	2025	2024
At January 1	9,544,465	5,801,000
Interest income	588,408	452,218
Contributions	3,158,534	3,396,946
Benefits paid	(3,049,809)	-
Remeasurement loss - return on plan assets	(88,889)	(105,699)
At December 31	10,152,709	9,544,465

Pension expense recognized in the statement of income for the years ended December 31 consist of:

	Note	2025	2024
Current service cost		941,135	871,360
Net interest cost		835,724	808,007
	14	1,776,859	1,679,367

The Company's plan assets as at December 31 consist of:

	2025	2024
Government securities	5,080,856	5,021,762
Money market deposits	3,158,534	3,400,000
UITFs	1,880,367	1,092,787
Other assets	32,952	29,916
	10,152,709	9,544,465

The money market deposits are with BPI, while the UITFs are invested in funds managed by BPI Wealth, a related party (Note 18).

The Company has no specific asset-liability matching strategy between the plan assets and the plan liabilities, and is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the retirement fund.

The principal actuarial assumptions used at December 31 are as follows:

	2025	2024
Discount rate	6.06%	6.13%
Salary increase rate	6.00%	6.00%

Discount rate

The discount rate was determined in accordance with the Financial and Sustainability Reporting Standards Council (FRSC)-approved Philippine Interpretations Committee (PIC) Q&A 2008-01 (Revised), which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero-coupon rates, even though theoretically derived. The procedure of bootstrapping was applied to the PHP Bloomberg BVAL Reference Rates benchmark reference curve for the government securities market. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years. Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value. The PVDBO is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the PVDBO is directly affected by the discount rate to be applied by the Company.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The average remaining service life of employees under the retirement plan and weighted average duration of the retirement benefit obligation as at December 31, 2025 is 20.3 years and 5.7 years (2024 - 16.2 years and 6.1 years), respectively.

The projected maturity analysis of retirement benefit payments as at December 31 is as follows:

	2025	2024
Less than a year	1,279,967	1,213,528
Between 1 to 5 years	6,068,442	8,531,177
Between 5 to 10 years	31,106,200	27,963,679
Between 10 to 15 years	3,777,805	3,850,338
Between 15 to 20 years	350,948	729,178
Over 20 years	7,639,799	7,903,917

The sensitivity of the defined benefit obligation as at December 31 to changes in the weighted principal assumptions follows:

2025	Change in assumption	Impact on defined benefit obligation	
Discount rate	+/- 0.5%	Decrease by 5.4%	Increase by 5.9%
Salary growth rate	+/- 1.0%	Increase by 5.8%	Decrease by 5.5%

2024	Change in assumption	Impact on defined benefit obligation	
Discount rate	+/- 0.5%	Decrease by 5.8%	Increase by 6.3%
Salary growth rate	+/- 1.0%	Increase by 6.3%	Decrease by 5.9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (PVDBO calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement asset recognized within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to previous period.

15 Leases

The Company leases office space in BPI Buendia Center with a term of five years beginning March 2024 from its Parent bank. The rental payment has an annual escalation rate of 5%.

Lease term is negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Company recognized a right-of-use (ROU) asset and a lease liability in relation to such lease agreement. The associated ROU asset was adjusted by the amount of any prepaid or accrued lease payments at initial recognition and by the depreciation recognized during the year. Lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

Details of ROU asset and lease liability at December 31 are as follows:

	2025	2024
ROU asset		
Office space (included under Property and equipment, net)	1,265,402	1,665,003
Lease liability (included under Accrued expenses and other liabilities)		
Current	383,701	376,403
Non-current	1,046,882	1,383,363
	1,430,583	1,759,766

Movements in the ROU asset for the years ended is shown below:

	2025	2024
At January 1	1,665,003	36,655
Additions	-	1,998,003
Depreciation	(399,601)	(369,655)
At December 31	1,265,402	1,665,003

Movements in the lease liability for the years ended is shown below:

	2025	2024
At January 1	1,759,766	71,424
Additions	-	1,998,003
Interest accretion on lease liability	141,319	138,439
Principal and interest payments	(470,502)	(448,100)
At December 31	1,430,583	1,759,766

The statement of income shows the following amounts relating to leases for the years ended December 31:

	2025	2024
Depreciation expense on ROU asset	399,601	369,656
Interest expense on lease liability (included under interest expense)	141,319	138,439
Expense relating to short-term lease (included under occupancy cost)	185,591	141,769

16 Income taxes

Provision for income tax pertains to final tax for the year ended December 31, 2025 which amounts to P17.7 million (2024 - P20.6 million).

A reconciliation between the provision for income tax at the statutory income tax rate to the actual provision for income tax for the years ended December 31 are as follows:

	2025	2024
Income tax at statutory income tax rate of 25%	1,319,959	7,757,696
Add (deduct) tax effect of:		
Unrecognized net operating loss carry-over (NOLCO)	18,943,966	21,908,716
Income subject to final tax	(3,533,356)	(3,171,985)
Non-deductible expense (non-taxable gains)	930,710	(5,853,601)
Provision for income tax	17,661,279	20,640,826

Deferred income tax assets are recognized only to the extent that taxable income will be available against which the deferred income tax assets can be used. As at December 31, 2025 and 2024, the Company has not recognized deferred income tax assets in view of its limited capacity to generate sufficient future taxable income.

The details of the Company's unrecognized deferred tax assets as at December 31 follows:

	2025	2024
NOLCO	95,150,932	170,804,814
Retirement benefit obligation	3,530,403	3,957,241
Provision for bonus	375,437	175,364
Allowance for impairment	21,591	-
Deferred income tax asset not recognized	99,078,363	174,937,419

As at December 31, details of NOLCO are as follows:

Year Incurred	Year of Expiry	2025	2024
2025	2028	75,775,862	-
2024	2027	87,634,864	87,634,864
2023	2026	96,795,960	96,795,960
2022	2025	108,439,420	108,439,420
2021	2026	120,397,041	120,397,041
2020	2025	269,951,970	269,951,970
		758,995,117	683,219,255
Expired NOLCO		378,391,390	-
		380,603,727	683,219,255
Tax rate		25%	25%
		95,150,932	170,804,814

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020, Rules and Regulations Implementing Section 4 (bbbb) of Bayanihan Act I relative to NOLCO under Section 34 (D)(3) of the National Internal Revenue Code, as amended, allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2021 and 2020 to carry over the same as a deduction from its gross income for the next five consecutive taxable years immediately following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only. Accordingly, the NOLCO incurred by the Company in 2021 and 2020 shall be carried over for the next five years.

17 Cash absorbed by operations

Details of the Company's cash flow from operations for the years ended December 31 are as follows:

	Notes	2025	2024
Income before income tax		5,279,837	31,030,784
Adjustment for:			
Decrease in pre-need and premium reserves	12	(240,606,318)	(210,042,699)
Trust fund income	3	(65,670,320)	(99,282,892)
Retirement benefit expense	14	1,776,859	1,679,367
Unrealized fair value loss (gain) on investments		164,210	(14,312)
Interest income	11	(368,413)	(399,020)
Depreciation	6	577,934	561,738
Loss (gain) on sale of investments	4	74,650	(203,690)
Provision for impairment	3,5	55,898	(786,105)
Dividend income	18	(120,497)	(116,137)
Interest expense	15,18	1,847,652	728,720
Operating losses before changes in operating assets and liabilities		(296,988,508)	(276,844,246)
Changes in operating assets and liabilities			
Decrease (increase) in:			
Investments at FVTPL		(187,165)	140,876
Loans and receivables, net		894,113	780,004
Other assets		110,547	(299,949)
(Increase) decrease in:			
Accrued expenses and other liabilities		(12,751,415)	7,463,510
Due to related parties		31,382	(128,800)
Cash absorbed by operations		(308,891,046)	(268,888,605)

18 Related party transactions

Significant related party transactions are summarized below:

	2025		2024		Terms and conditions
	Transactions	Outstanding balances	Transactions	Outstanding balances	
Cash (Note 2)					
Parent Bank (cash in bank)	10,502,994	15,597,072	3,844,003	5,094,279	These are checking accounts bearing average interest rates ranging from 0.0625% to 0.35%
Parent Bank (interest income)	9,455	-	9,889	-	
Investment in trust funds (Note 3)					
Parent Bank	36,365,358	174,554,455	(76,072,527)	138,189,097	These are investments in listed common and preferred stocks, and UITFs classified and measured at FVTPL.
Significant investor of Parent Bank	4,030,110	30,284,280	(32,270,520)	26,254,170	
Other related party	(3,601,849)	31,962,267	(445,056)	35,564,116	
	36,793,619	236,801,002	(108,788,103)	200,007,383	
Investments at FVTPL (Note 4)					
Parent bank	96,535	536,789	(88,648)	440,255	These are investments in listed and preferred stocks, UITFs and mutual funds classified and measured at FVTPL.
Investor of Parent bank	(52,400)	187,200	(32,800)	239,600	
Other related party	(30,000)	179,600	(69,000)	209,600	
	14,135	903,589	(190,448)	889,455	
Due to related parties					
Parent Bank (borrowing) (a)(i)	19,500,000	34,500,000	10,000,000	15,000,000	Unsecured; interest at 7.10% to 7.75% per annum; payable in cash, at gross amounts; due in various dates in 2026. The Company also made partial payments to renew existing loans on March 28, 2025, July 17, 2025 and December 1, 2025.
Parent Bank (shared service costs)	96,132	107,619	(112,814)	11,487	
Other related party (a)(ii)	(102,875)	-	(15,696)	102,875	
	19,493,257	34,607,619	9,871,490	15,114,362	Unsecured; non-interest bearing and are payable in cash, at gross amounts, on demand.
Accrued expenses and other liabilities (Note 8)					
Parent Bank (Interest on borrowings) (a)(i)	(1,706,333)	-	(590,281)	(38,125)	See Parent bank borrowing above.
Parent Bank and others (b)	415	(4,493)	5	(4,908)	Unsecured; non-interest bearing and are payable in cash, at gross amounts, on demand
	(1,705,918)	(4,493)	(590,276)	(43,033)	
Rent					
Parent bank	(329,183)	1,430,583	1,688,342	1,759,766	Refer to Note 15

(a) Due to related parties

(i) Loans payable to BPI

This represents financing obtained from the Parent Bank through a credit facility with a limit of P50 million, intended to support the Company's operations. Each drawdown is governed by the terms and conditions specified in the corresponding promissory note. Movements for the years ended December 31 are as follows:

	2025	2024
At January 1	15,000,000	5,000,000
Additional borrowings	21,000,000	15,000,000
Payments on borrowings	(1,500,000)	(5,000,000)
At December 31	34,500,000	15,000,000

(ii) Trust fund management fees and investment management fees

These pertain to payments to BPI Wealth for the management of the Trust Funds and investments of the Company subject to the terms and conditions of an Investment Management Agreement. These fees are calculated based on a fixed rate applied to the net asset value of the funds and the fair value of assets under management, respectively. BPI Wealth also serves as the trustee for the plan assets of the Company's retirement plan.

(b) Shared service cost

Shared service cost pertains to the internal audit, human resources, legal, UCAG, contact center and remittance services provided by the Parent Bank and outsourcing services relating to accounting services and mailing provided by fellow subsidiaries and entity under common control. The costs are determined based on the amounts agreed by the parties. The Company also makes payments of the planholders' insurance expense to BPI AIA Life Assurance Corporation (BPI AIA).

The above agreements remain in force, unless terminated by the parties. No provisions were recognized against receivables from related parties.

The aggregate amounts included in the determination of income before income tax for the years ended December 31 that resulted from transactions with each class of related parties are as follows:

	2025	2024
Interest income (Note 11)		
Parent bank	9,455	9,889
Dividend income (Note 3)		
Parent Bank	1,800,978	1,673,120
Investor of Parent Bank	254,564	439,258
Entity under control of investor of Parent	1,994,010	1,471,140
	4,049,552	3,583,518
Trust fund management fees (Note 3)		
Entity under common control	3,527,855	3,902,887
Investment management fees		
Entity under common control	14,668	18,056
Shared service cost		
Parent bank	1,653,659	1,696,480
Entity under common control	2,010,288	2,548,272
	3,663,947	4,244,752
Salaries, allowances and other short-term benefits		
Key management personnel	8,578,442	7,157,442
Post-employment and other benefits		
Key management personnel	589,687	503,024
Interest expense on lease liability (Note 15)		
Parent Bank	141,319	138,439
Others		
Remuneration of directors	67,000	113,500

Dividend income

Dividend income from related parties amounting to P4.0 million (2024 - P3.6 million) is recorded under Trust fund income in the statement of income for the year ended December 31, 2025. The remaining dividends on company-managed investments from related parties are recorded under Dividend income in the statement of income, amounting to P18,846 (2024 - P18,598).

19 Provisions and contingencies

As at December 2025 and 2024, the Company has a pending lawsuit. In the opinion of management, after reviewing all legal actions and proceedings with legal counsels, the aggregate liability, if any, arising therefrom will not have a material effect on the Company's financial statements.

The Company has no contingent liability as at December 31, 2025 and 2024.

20 Financial risks and capital management

The Company's activities expose it to a variety of risks. The overall objective of risk management is to minimize the potential adverse effects of these risks on the financial condition and results of operations of the Company.

20.1 Pre-need plan

Features of a pre-need plan

A pre-need contract promises the payment of a benefit upon reaching a specified maturity date. Ownership of the plan may also be transferred to another party upon payment of a consideration. A pre-need plan is classified as a security. Pre-need companies are regulated by the Insurance Commission (IC) (Note 22.1).

Pre-need plans can either be fixed-value plans or actual cost plans. Fixed-value or fixed-benefit plans are plans in which the amount of the benefit is fixed at the time the plan is purchased. Actual cost or traditional plans are plans in which the amount of the benefit is the actual cost of such benefit or service at the time of payment of the benefit. The Company only sold fixed-value plans which contain a fixed schedule of benefits, in the form of education and pension plans and is exposed only to fixed benefits due to policyholders under the policy contract. Investments risks relative to fund investments are borne and managed by the Company.

In compliance with the rules and regulations originally set forth by the SEC and adopted by the IC, the Company has set up separate trust funds for pension and education plans. BPI Wealth acts as the trustee for these funds and manages the contributions to the funds, ensures that the monies are properly invested in order to get the appropriate yield, and disburses benefits as they become due and payable.

The Company's pre-need plans also provide insurance benefits which will pay for the unpaid plan installments to the Company upon the death or total and permanent disability of the planholder. To provide this benefit, the Company purchases yearly term insurance from BPI AIA, an associate of BPI. This will make the plan paid up upon the death of the planholder. The plan also provides for the payment of a fixed sum upon the occurrence of certain contingencies as follows:

- (i) For peso-denominated regular pension plans issued prior to August 1, 2005 and education plans, an amount equal to the plan price will be paid to the beneficiaries of the planholder upon the death of the planholder;
- (ii) For peso-denominated regular pension plans issued on or after August 1, 2005, an amount equal to the maturity benefit shall be paid to the beneficiaries of the planholder upon the death of the planholder; and
- (iii) For education plans issued on or after August 1, 2005, an amount in accordance with the prescribed schedule of benefits shall be paid to the planholder upon the accidental death or dismemberment of the nominee.

Nature and management of the risks

The Company is not exposed to risk of the premiums not being uncollected in the event of death or disability of the policyholder since the premiums under the plan are covered by a Group Term Life Insurance policy with BPI AIA. The risks under a pre-need contract are included in the financial risk factors set out below Note 20.2.

Concentration of risks

The table below presents the concentration of risk by product line at December 31, 2025 and 2024. Exposure is measured in terms of the maturity value of the plans that are in force, paid-up, and lapsed but still within the reinstatable period. Exposures are also shown in terms of prospective benefits without discounting.

Product	2025		2024	
	Exposure ('000)	Concentration (%)	Exposure ('000)	Concentration (%)
Pension	1,275,457	97%	1,543,899	96%
Education	35,113	3%	66,161	4%
Total	1,310,570	100%	1,610,060	100%

The above exposures are the actual liability of the Company to its plan holders in the future at undiscounted amounts. These exposures are managed by the Company by matching these amounts with investments.

20.2 Financial risk factors

The Company is exposed to financial risks through its financial assets and financial liabilities. The key financial risk is that its financial assets will not be sufficient to meet the obligations in its pre-need contracts. Components of this financial risk include market risk, credit risk and liquidity risk. Market risk includes foreign exchange risk, interest rate risk and other price risk.

Interest rate risk

There are two types of interest rate risk: (i) fair value interest risk and (ii) cash flow interest risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Company's long-term view on interest rates. Strict investment guidelines, as approved by the Investment Committee and IC, are in place and reviewed regularly to provide the general direction for the investment funds and to monitor the risk undertaken.

The Company and Trust Fund's interest rate risk arises from investments in government and corporate bonds. However, the exposure is only on fair value interest rate risk because of debt securities in the statement of financial position and in the Trust Funds classified as investments at FVOCI, which are subject to fixed interest rates (Notes 3 and 4).

Based on the sensitivity analysis performed by the Company, after taking into consideration the reasonable possible shift in interest rates of the debt securities, a shift of 100 basis points would result to the below changes in fair value reserves (shown as part of other comprehensive income) as a result of gains/losses on debt securities:

	2025	2024
Government securities		
Investments in trust fund	35,435,667	44,463,722
Investments at FVOCI	242,576	352,662
Other debt securities		
Investments in trust fund	201,980	462,012

The reasonable possible shift in interest rates are based on the Company's year-on-year monitoring of interest rate movements.

Price risk

The Company is exposed to price risk since it sells long-term contracts with fixed and guaranteed terms. The pre-need contract price is determined using assumptions on the investment yield and persistency and policy expenses. When actual experience deviates from pricing assumption, the viability of the plan may be affected.

The Company manages this risk by closely monitoring actual experience vis-à-vis pricing assumption by way of financial statements and investment reports prepared by the trustees and regular studies performed by the Actuarial Department of the Company in the areas of persistency and expense. Should it be warranted, the pre-need plans may be repriced based on updated assumptions. The assumptions used in establishing the liability for benefits reflected in the books of the Company are based on the Amended Pre-need Rule, which sets forth the standards for valuation of pre-need reserves of the plans.

The Company and Trust Fund are also exposed to equity securities price risk because of investments held and classified as investments at FVTPL in the statement of financial position (Notes 3 and 4). The price risk is managed by the trustee.

For sensitivity analysis purposes, a change in the performance of the below monitoring basis would increase/decrease profit or loss for the years ended December 31 as follows:

	Basis	Shift in rates	2025	2024
Listed equity securities				
Investment in trust fund	Philippine Stock		49,279,773	53,447,181
Investments at FVTPL	Exchange Index	+/-10%	321,996	338,490
UITF				
Investment in trust fund			1,248,414	786,663
Investments at FVTPL	Net asset value per unit	+/-1%	2,079	946

The above are consistent with the assumption that all the variables are held constant and all the Company's equity instruments moved according to the historical correlation with the index.

Credit risk

Credit risk represents the loss that would be recognized if counterparties to investment and other receivable transactions are unable or unwilling to fulfill their payment obligations.

(a) Credit risk management

One of the Company's primary investment objectives is to seek the preservation of its portfolio by mitigating the credit risk which is the risk of loss due to failure of the issuer to make good on its obligation when the investment becomes due. This is mitigated by investing in government securities and diversifying its investment portfolio so that the failure of any one issuer would not materially affect the cash flow of the Company. Within the guidelines provided by the IC, the Company's Investment Committee ensures that the Company invests in allowable categories of investment instruments and follows the limitation as to the percentage of the portfolio which can be invested in certain category. Presently, the Company and the Trust Funds are investing primarily in government securities.

The credit risk arising from operations is closely monitored by the Finance Department on a regular basis.

In measuring credit risk of loans and receivables to customers and other debtors at a counterparty level, the Company reflects three components as follows:

- (i) the probability of default by the customers or counterparty on its contractual obligations;
- (ii) current exposures to the customers or counterparty and its likely future development; and
- (iii) the likely recovery ratio on the defaulted obligations.

Receivables also consist mainly of agent accounts (sales counselors), loans to employees and other receivables. The Company regularly evaluates its credit risk through its aging reports and adherence to its escalation policy to ensure that all outstanding receivables are properly elevated to the concerned Company authority for collection and disposition. Receivables aged over six months from the date of recognition are considered past due and are subjected for provision assessment.

(b) *Risk limit and control mitigation policies*

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Limits on large exposures and credit concentration are approved by the Board.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(c) *Maximum exposure to credit risk*

Credit risk exposures relating to financial assets at December 31 are as follows:

	2025	2024
Cash	15,597,072	5,094,279
Investments in trust fund		
Cash	1,120	1,210
Investments at FVTPL	617,639,092	613,138,087
Investments at FVOCI	1,330,515,687	1,567,962,861
Accrued interest income	21,443,514	25,889,739
Other receivables	742,571	3,253,902
Investments at FVTPL	207,878	94,629
Investments at FVOCI	4,033,686	5,622,712
Loans and receivables		
Receivable from sales counselors		-
Loans and advances to employees	618,393	575,984
Accrued interest income	55,141	100,503
Others*	3,634	5,005
	1,990,857,788	2,221,738,911

*Excludes taxes receivable

Cash

The Company manages credit risk on its cash by depositing largely in universal bank. The Company's depository bank is of good credit standing and have no history of default. Accordingly, management has assessed that credit risk is minimal.

Investments at FVTPL

These pertains to investments in redeemable units of UITF. The Company manages its credit risk by only investing in UITFs that are duly approved by the BSP and those funds that are compliant with regulatory minimum liquidity requirements. They also only invest in funds that are managed by reputable fund managers in the Philippines. Management has assessed that these securities have minimal credit risk.

Investments at FVOCI

The Company manages credit risk by investing primarily on Philippine government-guaranteed bonds which are considered risk-free. Other investments subject to credit risk pertain to bond issuances of reputable corporations which have no history of defaults.

Management has assessed that the securities are of low credit risk and that the 12-month expected credit loss (ECL) is deemed not material for financial reporting purposes as at December 31, 2025 and 2024.

Loans and receivables

The Company applies the Philippine Financial Reporting Standards (PFRS) 9 simplified approach in assessing ECL, which uses a lifetime ECL for receivables. To measure the ECL, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on payment profiles, and the corresponding historical credit loss experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information or macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Company has identified gross domestic product and inflation rate to be the most relevant factors and accordingly adjust the historical loss rates based on the expected changes on these factors. The payment profile of the Company's investment in trust fund and loans and receivables (except taxes receivable) are all current as at December 31, 2025 and 2024.

Based on management's experience, loans and receivables are fully collectible, except for credit impaired receivables that are fully provided with allowance. Credit impaired receivables are those receivables aged more than one year which we are assessed to be non-performing. Management has determined that the level of allowance required as at December 31, 2025 and 2024 is adequate to comply with the ECL assessment made on loans and receivables.

(d) Concentrations of risks of financial assets with credit exposure

The Company's main exposure at their carrying amounts, as categorized by industry sectors as at December 31 follows:

2025	Financial institutions	Philippine government	Real estate	Others	Allowance for impairment	Carrying amount
Cash	15,597,072	-	-	-	-	15,597,072
Investment in trust fund						
Cash	1,120	-	-	-	-	1,120
Investments at FVOCI	-	1,317,210,741	8,100,703	5,204,762	(519)	1,330,515,687
Accrued interest income	-	21,378,941	40,554	24,018	-	21,443,513
Other receivables	-	-	-	742,575	-	742,575
Investments at FVTPL	207,878	-	-	-	-	207,878
Investments at FVOCI	-	4,033,686	-	-	-	4,033,686
Loans and receivables						
Loans and advances to employees	-	-	-	618,393	-	618,393
Accrued interest income	-	-	-	55,142	-	55,142
Others	-	-	-	3,634	-	3,634
	15,806,070	1,342,623,368	8,141,257	6,648,524	(519)	1,373,218,700
2024	Financial institutions	Philippine government	Real estate	Others	Allowance for impairment	Carrying amount
Cash	5,094,279	-	-	-	-	5,094,279
Investment in trust fund						
Cash	1,210	-	-	-	-	1,210
Investments at FVTPL	78,666,273	-	-	-	-	78,666,273
Investments at FVOCI	-	1,538,844,346	25,017,742	4,102,852	(2,079)	1,567,962,861
Accrued interest income	-	25,730,373	139,722	19,644	-	25,889,739
Other receivables	-	-	-	3,253,902	-	3,253,902
Investments at FVTPL	94,629	-	-	-	-	94,629
Investments at FVOCI	-	5,622,712	-	-	-	5,622,712
Loans and receivables						
Loans and advances to employees	-	-	-	579,984	-	579,984
Accrued interest income	-	-	-	100,503	-	100,503
Others	-	-	-	5,005	-	5,005
	83,856,391	1,570,197,431	25,157,464	8,061,890	(2,079)	1,687,271,097

"Others" industry sector includes telecommunications, energy development, food and beverage companies and other various industry sectors for investments.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. Through the Company's trustee bank, the Company is able to manage its Trust Funds' liquidity by close monitoring of the Trust Funds' cash flows and ensuring that the operation maintains optimum levels of liquidity which is at all times sufficient to meet contractual obligations as and when they fall due.

It is also the Company's policy to maintain adequate liquidity to meet its cash flow requirements. Accordingly, each portfolio is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities is consistent with the cash requirements in order to avoid the forced sale of securities prior to maturity.

Pre-need reserves at December 31, 2025 amounting to P1.1 billion (2024 - P1.4 billion) are fully matched by the balance of the trust funds. As at December 31, 2025, the balance of investment in trust funds in excess of the pre-need reserves set-up amounts to P835.0 million (2024 - P835.8 million).

The maturities of financial liabilities as at December 31 are detailed below.

2025	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial liabilities				
Investments in trust fund				
Accrued trust fees payable	125,964	-	-	125,964
Pre-need reserves	248,695,546	469,613,585	415,994,294	1,134,303,425
Plan premium reserves	6,038,831	-	-	6,038,831
Due to related parties	34,607,619	-	-	34,607,619
Accrued expenses and other liabilities*	608,103,424	1,145,305	90,512	609,339,241
	897,571,384	470,758,890	416,084,806	1,784,415,080

*Excluding retirement benefit obligation, withholding taxes payable and social security contributions

2024	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial liabilities				
Investments in trust fund				
Accrued trust fees payable	1,946,022	-	-	1,946,022
Pre-need reserves	281,015,235	452,526,919	639,709,150	1,373,251,304
Plan premium reserves	7,697,270	-	-	7,697,270
Due to related parties	15,114,362	-	-	15,114,362
Accrued expenses and other liabilities*	617,781,900	1,071,919	602,466	619,456,285
	923,554,789	453,598,838	640,311,616	2,017,465,243

*Excluding retirement benefit obligation, withholding taxes payable and social security contributions

Fair value hierarchy

PFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

The following table presents the Company's assets that are measured at fair value at December 31.

	2025		2024	
	Level 1	Level 2	Level 1	Level 2
Investment in trust funds				
Equity securities	492,797,728	-	534,471,814	-
Unit investment in trust fund	124,841,364	-	78,666,273	-
Government securities	1,317,210,741	-	1,538,842,268	-
Other debt instruments	-	13,305,465	-	29,120,593
Investments at FVTPL				
Equity securities	3,219,956	-	3,384,900	-
UITF	207,878	-	94,629	-
Investments at FVOCI				
Government securities	4,033,686	-	5,622,712	-
	1,942,311,353	13,305,465	2,161,082,596	29,120,593

The Company has no financial instruments that fall under Level 3 category as at December 31, 2025 and 2024. There were no transfers between levels at December 31, 2025 and 2024.

20.3 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide dividend payments to its shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Company calculates its capital as equity, as shown in the statements of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

In accordance with the Pre-Need Code, the Company maintains a minimum paid-up capital of P75 million.

21 Critical accounting policies, assumptions and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

Critical accounting estimates and assumptions

Pre-need reserves

The Company determines its pre-need reserves in accordance with the requirements of the Amended Pre-need Rule. Statutory valuation requires the use of a prospective method and assumptions based on Company experience.

- (i) Investment yield - The interest rate used in 2025 is 4.5% (2024 - 4.5%) for peso education plans and 5% for peso pension plans in 2025 and 2024.

The Company's actual experience for 2025 (net of withholding tax) is 3.63% gain (2024 - 4.22% gain) for Education Trust Fund and 3.83% gain (2024 - 4.12% gain) for Pension Trust Fund. Realized investment income in 2025 amounts to P23.32 million (2024 - P23.30 million) for the Education Trust Fund and P92.94 million (2024 - P107.25 million) for the Pension Trust Fund. In addition, there were unrealized gains/loss due to increase/decrease in market value of equity investments at P5.90 million loss (2024 - P4.64 million loss) for the Education Trust Fund and P29.62 million loss (2024 - P32.77 million loss) for the Pension Trust Fund. Moreover, the average yield to maturity of the fixed-income investments, which comprise 68.3% (2024 - 71.9%) of the total portfolio, is 4.20% (2024 - 4.49%) for Education Trust Fund and 4.45% (2024 - 4.93%) for Pension Trust Fund as at December 31, 2025.

On August 7, 2020, the IC approved the request of the Company to terminate its trust agreement for its dollar pension fund.

Assuming that a 4.0% annual investment yield will be used as projected by the Trustee Bank to value education and 4.5% in peso pension plans, the additional pre-need and other reserves will be P21.77 million as of December 31, 2025 (2024 - P26.37 million).

- (ii) Mortality - There is no mortality decrement assumed in the valuation. In lieu of this, an premium reserve is set up as a separate liability account against which future premiums will be charged. The assumptions used for computing the premium reserves and based on the corresponding surrender rates of the plan and an interest rate of the lower between 6.0% note or the SEC approved hurdle rate per product model.
- (iii) Withdrawal Rates - For Education and Regular pension plans, withdrawal rates assumed during the premium paying period are based on the latest persistency study and are set equal to zero after the premium paying period. For Active pension plans, withdrawal rates are assumed to be zero for all durations.
- (iv) Surrender Rates - Based on the latest persistency study, the trend of surrender rate experience for policies on the first to tenth year in 2025 and 2024 is at an average of 0.7% for Education plans and at an average of 1.1% for Regular pension plans.
- (v) Reinstatement Rates - Based on actual experience as at 2007, average monthly reinstatement rate is 3.83% for Education plans and 2.3% for Regular pension plans.
- (vi) Expense - There is no expense assumption in the statutory valuation.

Investment yields are the more significant assumptions and estimates relative to the Company's pre-need reserves.

The assumptions are reviewed and adjusted annually to reflect current and projected experience.

Determination of incremental borrowing rate

The lease payments are discounted using the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing, and
- makes adjustments specific to the lease, (e.g. term, currency and security).

The Company's incremental borrowing rate applied to the lease liabilities was 3.07% in 2025 and 2024. The rate was determined in reference to the prevailing bank market rates applicable to the leased properties with similar terms and conditions. The Company has assessed that it is impracticable to present a sensitivity analysis arising from the impact of upward/downward changes in the discount rates used in the determination of lease liabilities without undue efforts. As such, the sensitivity analysis was no longer presented.

Measurement of ECL allowance on investments at FVOCI and loans and receivables

The Company measures its investments at FVOCI and loans and receivables based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation based on the Company's past experience, existing market conditions as well as forward-looking estimates at the end of the reporting period.

Details about the credit quality of investments at FVOCI and loans and receivables are disclosed in Note 21.

22 Summary of material accounting policies

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

22.1 Basis of preparation

The financial statements of Company have been prepared in accordance with accounting principles generally accepted in the Philippines for pre-need companies as set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts*, applicable IC Circular Letters, and PFRS Accounting Standards. The term PFRS Accounting Standards in general includes all applicable PFRS Accounting Standards, Philippine Accounting Standards (PAS) and interpretations of the PIC, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at FVOCI, FVTPL and plan assets. The financial statements of the Company are presented in Philippine Peso, which is also the Company's functional currency.

The preparation of financial statements in conformity with the framework discussed above requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 21.

On December 3, 2009, Republic Act No. 9829, an act establishing the Pre-Need Code of the Philippines (Pre- Need Code), was made effective. Under the Pre-Need Code, the primary and exclusive supervision and regulation of all pre-need companies was given to the IC.

Changes in accounting policies and disclosures

(a) Amendment to existing standards adopted by the Company

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2025 that have a material effect on the financial statements of the Company.

(b) New standard, interpretation and amendments not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below:

(i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7 (effective for annual periods beginning on or after 1 January 2026)

In May 2024, the International Accounting Standards Board (IASB) issued targeted amendments to International Financial Reporting Standard (IFRS) 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. In July 2024, the FSRSC adopted the targeted amendments to PFRS 9 and PFRS 7. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payment of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at FVOCI.

(ii) Annual Improvements to PFRS Accounting Standards – Volume 11 (effective for annual periods beginning on or after 1 January 2026)

On 18 July 2024, the IASB has issued narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the Standards. These amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards. In August 2024, the FSRSC adopted these amendments. The amended Standards are:

- PFRS 1 First-time Adoption of International Financial Reporting Standards;
- PFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing PFRS 7;
- PFRS 9 Financial Instruments;
- PFRS 10 Consolidated Financial Statements; and
- PAS 7 Statement of Cash Flows.

(iii) PFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

PFRS 18 will replace PAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

The amendments to PFRS 9, PFRS 7 and PFRS 18, as well as the annual improvements to PFRS Accounting Standards are not expected to have a material financial impact to the financial statements of the Company.

There are no other standards, amendments to existing standards or interpretations effective subsequent to January 1, 2026 that are considered relevant or would be expected to have a material impact on the Company's financial statements.

22.2 Financial assets

22.2.1 Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVPTL;
- those to be measured subsequently at FVOCI; and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investment in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of the initial recognition to account for the equity investment at FVOCI.

The Company reclassifies its financial assets when and only when its business model for managing those assets changes.

22.2.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

22.2.3 Subsequent measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is computed using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of income and presented in other income. Impairment losses, if any, are presented as separate line item in the statement of income.

The Company's financial assets at amortized cost at December 31, 2025 and 2024 include cash (Note 2) and loans and receivables (Note 5).

Cash pertain to deposits held at call with bank, and earn interest at the respective bank deposit rates. These are carried in the statement of financial position at face or nominal amount, which approximates its amortized cost using the effective interest rate method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses and foreign exchange gains and losses which are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income. Interest income from these financial assets is computed using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented as separate line item in the statement of income, if any.

The Company's assets measured at FVOCI at December 31, 2025 and 2024 consist of government securities.

FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of income in the period in which it arises.

The Company's assets measured at FVTPL at December 31, 2025 and 2024 consist of UITFs and listed equity securities.

Equity instruments

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company's listed equity instruments are measured at FVTPL at December 31, 2025 and 2024.

22.2.4 Impairment and write-off

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at FVOCI and amortized cost. The Company recognizes a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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.

Credit impaired financial assets

Financial assets are assessed for credit impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, ECL is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

When a financial asset is credit impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less related allowance for impairment. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Impairment of other financial assets

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets.

To measure the ECL, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables and the corresponding historical credit losses experienced by the Company. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

Write-off

Financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 120 days past due.

21.1 Critical judgments

Classification of investments (Notes 3 and 4)

The Company classifies financial assets at initial recognition, whether it must be subsequently measured at FVOCI, at amortized cost or at FVTPL. The Company determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Company determines whether the contractual cash flows associated with the financial assets are solely payments of principal and interest (the "SPPI"). If instrument fail the SPPI test, it will be measured at FVTPL.

Realization of deferred income tax assets (Note 16)

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

At December 31, 2025, the Company has unrecognized deferred income tax assets of P99.1 million (2024 - P174.9 million), which was not recognized in view of the Company's limited capacity to generate sufficient future taxable income.

22.3 Financial liabilities

The Company classifies its financial liabilities at amortized cost.

Financial liabilities measured at amortized cost include due to related parties (Note 18) and accrued expenses and other liabilities (excluding retirement benefit obligation, tax-related payables and social security contributions) (Note 8).

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are recognized initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or has expired.

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

22.4 Fair value measurement

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Company uses valuation techniques for non-financial assets that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

22.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation on furniture and equipment is calculated using the straight-line method to allocate the cost or residual value over the estimated useful life of 3 - 5 years. Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years).

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 from derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

22.6 Pre-need reserves

Pre-need reserves which represent the accrued net liabilities of the Company to its planholders are actuarially computed based on standards and guidelines originally set forth by the SEC and subsequently revised by the IC. The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of income.

22.7 Premium reserves

Premium reserves, which represent the amount that must be set aside by the Company to pay for premiums for plan coverage of fully paid planholders, are actuarially computed based on standards and guidelines originally set forth by the SEC and adopted by the IC (Note 22.1). The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of income.

22.8 Income taxes

The tax expense for the period comprises current and deferred income tax.

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

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

22.9 Employee benefits

Retirement benefits

The Company has an unfunded defined benefit plan covering all officers and employees.

The liability recognized in the statement of financial position in respect of defined benefit retirement plans is the PVDBO at the end of the reporting period less the FVPA. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The PVDBO is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation.

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

Past service costs are recognized immediately in profit or loss.

22.10 Trust fund income

Trust Fund income which represents net income of the Company's Trust Fund is recognized in the statement of income when earned. This income is automatically restricted to payments enumerated in Note 3 of the financial statements.

22.11 Dividend income

Dividend income is recognized when the right to receive payment is established.

22.12 Policy income

Policy income, which includes loading and handling fees, surcharges on lapsed plans, income on cancelled plans, reinstatement and amendment fees, and other miscellaneous policy fees, are recognized when earned.

22.13 Subsequent events

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

22.14 Contingencies

Certain conditions may exist as of the date that the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur.

The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

22.15 Comparatives

A reclassification was made in the statements of cash flows of the Company to conform to the current year's presentation. The reclassification did not have an impact on the net change in cash flows, and to the statements of financial position, total comprehensive income, and changes in equity.

23 Supplementary information required by the BIR

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) Output VAT

Output VAT declared for the year ended December 31, 2025 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Policy income	2,768	332
Others	88,445	10,613
		10,945

Policy income is based on actual collections and contributions, while revenues in the statement of income are based on the policies described in Note 22.10 to Note 22.12.

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2025 follow:

	Amount
Beginning balance (net of output tax)	2,901,176
Add: Current year's domestic purchases/payments for:	
Services lodged under other accounts	166,040
Applied input VAT	(10,946)
	3,056,270

Input VAT is netted against output VAT payable. Unutilized portion of input VAT is presented as part of the other assets in the statement of financial position.

(iii) Documentary stamp tax

In 2025, the Company paid documentary stamp tax amounting to P255,206. Balance in the eDST System in the same year amounts to P45,092.

(iv) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2025 consist of:

	Amount
Pre-need license	50,500
Mayor's permit	14,080
Community tax	500
	65,080

The above local and national taxes are included in Other expenses under general and administrative expenses in the statement of income.

(v) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2025 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	1,925,800	168,640	2,094,440
Expanded withholding tax	782,268	72,933	855,201
Fringe benefit tax	119,121	25,264	144,385
	2,827,189	266,837	3,094,026

Withholding taxes accrued is presented as a part of accrued expenses and other liabilities in the statement of financial position.

(vi) Tax assessments

The Company has not received any preliminary or final assessment notice on open tax years.

(vii) Tax cases

The Company has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at and for the year December 31, 2025.