Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value risk.

The following table shows the information relating to the Company's financial instruments that are exposed to interest rate risk presented by maturity profile.

| | | | 2024 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Maturity | | | | |
| | *Note* | Interest Rates | Within a Year | 1 - 3 Years | 4 - 5 Years | Over 5 Years | Total |
| HTM financial assets | *6, 28, 31* | 2.100%-5.000% | **P188,418,051** | **P139,934,043** | P - | P - | **P328,352,094** |
| Insurance payables | *13, 28, 31* | 5% | **7,769,518** | - | - | - | **7,769,518** |

| | | | 2023 | | | | |
|---|---|---|---|---|---|---|---|
| | | | Maturity | | | | |
| | *Note* | Interest Rates | Within a Year | 1 - 3 Years | 4 - 5 Years | Over 5 Years | Total |
| HTM financial assets | *6, 28, 31* | 2.375%-6.25% | P292,054,633 | P27,311,867 | P3,551,037 | P - | P322,917,537 |
| Insurance payables | *13, 28, 31* | 5% | 14,799,554 | - | - | - | 14,799,554 |

Price Risk

The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally AFS equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, limits on investment in each sector and market, and careful and planned use of derivative instruments.

The analysis below is performed for reasonably possible movements in Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on other comprehensive income (that reflects adjustments on changes in fair value of listed AFS equity financial assets).

| | **2024** | |
|---|---|---|
| **Market Indices** | **Change in Variable** | **Impact on Equity Increase (Decrease)** |
| PSEi | **+5.00%** | **P4,455** |
| | **-5.00%** | **(4,455)** |

| | 2023 | |
|---|---|---|
| Market Indices | Change in Variable | Impact on Equity Increase (Decrease) |
| PSEi | +5.00% | P807,388 |
| | -5.00% | (807,388) |

*Deferral of PFRS 9*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 (effective January 1, 2018): Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Amendments to PFRS allows insurance entities whose predominant activities at its annual reporting date that immediately precedes April 1, 2016 are to issue contracts within the scope of PFRS 4 an optional temporary exemption from applying PFRS 9 (deferral approach). The Company is qualified for and elected to take the deferral approach as its activities are predominantly connected with insurance since as at December 31, 2015, the Company's total carrying amount of liabilities connected with insurance represents more than 90% of its total liabilities. The Company did not subsequently reassess its eligibility for the temporary exemption from PFRS 9 as there was no change in the Company's activities for the year ended December 31, 2020. Consequently, the Company will continue to apply PAS 39, the existing financial instrument standard until the effectivity date of PFRS 17.

The separate financial statements have been prepared on a going concern basis using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These separate financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

The following table provides an overview of the fair values as at December 31, 2024 and 2023, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the solely payments of principal and interest (SPPI) criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

| | | 2024 | | | |
|---|---|---|---|---|---|
| | | Financial Assets that Meet the SPPI Criteria* | | All Other Financial Assets | |
| | *Note* | Fair Value | Fair Value Change During the Reporting Period | Fair Value | Fair Value Change During the Reporting Period |
| **Asset** | | | | | |
| Cash and cash equivalents** | *4, 31* | **P872,364,786** | **P -** | **P -** | **P -** |
| Insurance receivables - net | *5, 28* | **50,020,239** | **-** | **-** | **-** |
| Financial assets: | | | | | |
| Available-for-sale financial assets | *6, 28, 31* | **-** | **-** | **214,456** | **(43,993)** |
| Held-to-maturity investments | *6, 28, 31* | **328,352,094** | **-** | **-** | **-** |
| Loans and receivables | *6, 28, 31* | **4,157,453** | **-** | **-** | **-** |
| Investment at FVPL | *6, 28, 31* | **-** | **-** | **115,195** | **6,898,704** |
| Advances to a subsidiary | *6, 28, 31* | **200,000,000** | **-** | **-** | **-** |
| Investment in a subsidiary | | **-** | **-** | **81,821,881** | **-** |
| | | **P1,454,894,572** | **P -** | **P82,151,532** | **P6,854,711** |

** Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*
*** Excluding cash on hand.*

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | Financial Assets that Meet the SPPI Criteria* | | All Other Financial Assets | |
| | *Note* | Fair Value | Fair Value Change During the Reporting Period | Fair Value | Fair Value Change During the Reporting Period |
| Asset | | | | | |
| Cash and cash equivalents** | *4, 31* | P1,065,153,305 | P - | P - | P - |
| Insurance receivables - net | *5, 28* | 58,029,721 | - | - | - |
| Financial assets: | | | | | |
| Available-for-sale financial assets | *6, 28, 31* | - | - | 16,273,113 | 2,233,844 |
| Held-to-maturity investments | *6, 28, 31* | 322,917,537 | - | - | - |
| Loans and receivables | *6, 28, 31* | 1,696,062 | - | - | - |
| Investment at FVPL | *6, 28, 31* | - | - | 109,670 | 6,332 |
| Advances to a subsidiary | *6, 28, 31* | 4,000,000 | | | |
| Investment in a subsidiary | | - | - | 81,821,881 | - |
| | | P1,451,796,625 | P - | P98,204,664 | P2,240,176 |

** Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*
*** Excluding cash on hand.*

The information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion at December 31, 2024 and 2023 is consistent with the credit risk disclosure above under PAS 39.

## 31. Fair Value Measurements

The table below sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at December 31, 2024 and 2023.

| | | **2024** | | 2023 | |
|---|---|---|---|---|---|
| | ***Note*** | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | | |
| Cash and cash equivalents* | *4, 30* | **P872,364,786** | **P872,364,786** | P1,065,153,305 | P1,065,153,305 |
| Insurance receivables: | *5* | | | | |
| Premiums receivable | | **50,676,813** | **50,676,813** | 49,856,168 | 49,856,168 |
| Reinsurance recoverable on paid losses | | **22,536,270** | **22,536,270** | 12,147,242 | 12,147,242 |
| Due from ceding companies | | **8,940,656** | **8,940,656** | 14,815,045 | 14,815,045 |
| Funds held by ceding companies | | **12,372,039** | **12,372,039** | 12,372,039 | 12,372,039 |
| AFS financial assets | *6, 28, 30* | **214,456** | **214,456** | 16,273,113 | 16,273,113 |
| HTM investments | *6, 28, 30* | **328,352,094** | **328,352,094** | 322,917,537 | 322,917,537 |
| Loans and other receivables | *6, 28, 30* | **4,157,453** | **4,157,453** | 1,696,062 | 1,696,062 |
| Advances to a subsidiary | *6, 28, 30* | **200,000,000** | **200,000,000** | 4,000,000 | 4,000,000 |
| Investment in a subsidiary | | **81,821,881** | **81,821,881** | 81,821,881 | 81,821,881 |
| Investment at FVPL | *28, 30* | **115,195** | **115,195** | 109,670 | 109,670 |
| **Total Financial Assets** | | **P1,581,551,643** | **P1,581,551,643** | P1,581,162,062 | P1,581,162,062 |
| **Other Financial Liabilities** | | | | | |
| Insurance contract liabilities** | *12, 30* | **P52,218,550** | **P52,218,550** | P64,400,805 | P64,400,805 |
| Insurance payables | *13, 28, 30* | **7,769,518** | **7,769,518** | 14,799,554 | 14,799,554 |
| Commission payable | *28, 30* | **11,942,435** | **11,942,435** | 12,723,210 | 12,723,210 |
| Other payables*** | *14, 30* | **6,113,967** | **6,113,967** | 6,671,155 | 6,671,155 |
| **Total Other Financial Liabilities** | | **P78,044,470** | **P78,044,470** | P98,594,724 | P98,594,724 |

**excluding cash on hand.*
***excluding IBNR and UPR.*
****excluding Taxes Payable*

The carrying amount of financial assets and liabilities of the Company for the years 2024 and 2023 approximate the fair value.

Due to the short-term nature of cash and cash equivalents, insurance receivables, loans and other receivables, advances to a subsidiary, investment in a subsidiary, insurance contract liabilities (excluding IBNR and UPR), insurance payables, commission payables and other payables (excluding taxes payable), their carrying values reasonably approximate their fair values at reporting date.

The carrying amount of HTM investments and security and deposit fund (presented under the "Other assets" account) approximates fair value at year-end. The management believes that the effect of discounting and future cash flows of this instrument using the prevailing market rate is not significant.

The fair values of financial instruments under AFS that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date. For unquoted equity instruments that are not carried at fair value because fair value cannot be reliably determined, these are carried at cost.

Fair Value Hierarchy

The following table provides the fair value hierarchy of the Company's assets as at December 31, 2024 and 2023:

| | **2024** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets measured at fair value | | | | |
| AFS financial assets: | | | | |
| Common shares | **P89,101** | **P -** | **P -** | **P89,101** |
| Golf and club shares | **-** | **-** | **-** | **-** |
| Investment at FVPL | **115,195** | **-** | **-** | **115,195** |
| | **P204,296** | **P -** | **P -** | **P204,296** |

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| AFS financial assets: | | | | |
| Common shares | P147,758 | P - | P - | P147,758 |
| Golf and club shares | - | 16,000,000 | - | 16,000,000 |
| Investment at FVPL | 109,670 | - | - | 109,670 |
| | P257,428 | P16,000,000 | P - | P16,257,428 |

*Nonfinancial Assets*

As at December 31, 2024 and 2023, the fair value of the Company's property and equipment amounted to P15.85 million and P15.31 million, respectively, using level 2 inputs. The recurring fair value of nonfinancial assets under level 2 are determined using market data approach (see Note 10).

In 2024 and 2023, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement of the Company's financial and nonfinancial assets.

## 32. Supplementary Information Required Under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosure mandated under PFRS Accounting Standards, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS Accounting Standards. Following are the tax information/disclosures required for the taxable year ended December 31, 2024:

### A. VAT

| | Amount |
|---|---|
| 1. Output VAT | |
| Basis of the Output VAT: | |
| Vatable receipts | **P56,165,719** |
| Exempt receipts | - |
| Zero rated receipts | - |
| Total vatable receipts | **P56,165,719** |
| 2. Input VAT | |
| Beginning of the year | **P3,238,471** |
| Current year's domestic purchases: | |
| a. Goods for resale/manufacture or further processing | - |
| b. Goods other than for resale or manufacture | **3,996,211** |
| c. Services lodged under other accounts | **16,970,456** |
| d. Importation of goods other than capital goods | - |
| Input tax deferred on capital goods exceeding P1 million | - |
| Claims for tax credit/refund and other adjustments | - |
| Input VAT on services lodged under other accounts | - |
| Total Input VAT claimed during the year | **(24,205,138)** |
| Balance at the end of the year | **P -** |

### B. Withholding Taxes

| | Amount |
|---|---|
| Expanded withholding taxes | **P1,514,621** |
| Withholding taxes on compensation | **875,542** |
| Final withholding tax | **55,294** |
| | **P2,445,457** |

### C. All Other Taxes (Local and National)

| | Amount |
|---|---|
| ***Other taxes paid during the year recognized as "Taxes and licenses" account under Operating Expenses*** | |
| Business tax | **P642,246** |
| Documentary stamp tax | **4,000,000** |
| Deficiency tax | **2,052,272** |
| Others | **1,728,272** |
| | **P8,422,790** |

## D. Tax Assessments and Tax Cases

The Company received the Formal Letter of Demand (FLD) on December 9, 2021 for deficiency income tax, VAT, EWT, documentary stamp tax, and compromise penalty for the taxable year 2018 in the total amount of P7.42 million. Management responded to the said FLD on January 6, 2022, the resolution of which remains pending as at December 31, 2024.

Further, Letter of Authority for the taxable years 2021 and 2022 were received on November 28, 2022 and January 11, 2024, respectively. The Company already settled the taxable year 2022 assessment amounting to P2.49 million.

Information on amounts of custom duties, tariff fees, excise taxes and documentary stamp taxes is not applicable since there are no transactions that the Company would be subjected to these taxes in 2024.

***Based on RR No. 34-2020***

In relation to Section 4 of BIR RR No. 34-2020, the Company is not covered by the prescribed requirements and procedures for the submission of BIR form No. 1709 Information Return on Related Party Transactions, transfer pricing documentation and other supporting documents.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Metropolitan Insurance Company, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2024 and 2023**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

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

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

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

R.G. Manabat & Co., the independent auditor appointed by the Board of Directors, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

张梦圆

Signature: Mhengyuan Zhang
Vice Chairman

吴戈

Signature: Wu Ge
President

FOR

Signature: Andie G. Valencia
Finance Manager / Treasurer

Signed this __ day of __ 2025