Malayan Insurance Co., Inc.

Parent Company Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report

Building a better
working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Malayan Insurance Co., Inc.

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Malayan Insurance Co., Inc., which comprise the parent company statements of financial position as at December 31, 2015 and 2014, and the parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

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

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Malayan Insurance Co., Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

The supplementary information required under Revenue Regulations No. 15-2010 for the purpose of filing with the Bureau of Internal Revenue is presented by the management of Malayan Insurance Co., Inc. in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by Securities Regulation Code Rule 68, as Amended (2011). Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321688, January 4, 2016, Makati City

March 30, 2016

MALAYAN INSURANCE CO., INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Cash and cash equivalents (Notes 4, 27, 28 and 29)	**₱2,624,792,422**	₱566,480,529
Short-term investments (Notes 5, 27, 28 and 29)	**51,767,146**	25,091,083
Insurance receivables - net (Notes 6, 27, 28, 29 and 30)	**4,258,728,091**	5,242,658,240
Financial assets (Notes 7, 27, 28 and 29)		
Available-for-sale financial assets	**6,220,386,073**	7,493,693,268
Loans and receivables - net	**1,197,749,023**	1,487,577,691
Accrued income (Notes 8, 27, 28 and 29)	**41,344,786**	54,858,319
Deferred acquisition Costs (Notes 9, 27 and 30)	**285,394,885**	326,992,196
Reinsurance assets (Notes 10, 15, 27 and 30)	**7,914,519,305**	10,684,666,339
Investments in subsidiaries (Notes 11 and 27)	**38,374,247**	38,374,247
Investment properties - net (Notes 12 and 27)	**27,099,092**	27,167,690
Property and equipment - net (Notes 13, 27 and 30)	**274,219,025**	269,834,311
Deferred tax assets - net (Notes 25 and 27)	**131,372,870**	105,419,079
Other assets - net (Notes 14, 27 and 30)	**401,828,856**	412,653,743
	₱23,467,575,821	₱26,735,466,735

LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 15, 27 and 28)	**₱11,179,097,252**	₱13,516,369,862
Insurance payables (Notes 16, 27, 28 and 29)	**2,800,176,132**	2,805,103,438
Accounts payable, accrued expenses and other liabilities (Notes 17, 27, 28 and 29)	**2,152,513,390**	1,964,450,303
Deferred reinsurance commissions (Notes 9 and 27)	**143,023,750**	182,614,111
Pension liability (Notes 18 and 27)	**226,242,095**	180,569,569
	16,501,052,619	18,649,107,283
Equity		
Capital stock - ₱100 par value		
Preferred shares		
Authorized and unissued - 5,000 shares		
Common shares		
Authorized - 10,000,000 shares		
Issued and outstanding - 8,452,925 shares	**845,292,500**	845,292,500
Capital in excess of par value	**780,882,008**	780,882,008
Contributed surplus	**50,000**	50,000
Contingency surplus	**4,485,618**	4,485,618
Revaluation reserve on available-for-sale financial assets (Note 7)	**2,151,428,963**	3,425,183,139
Other revaluation reserve (Note 19)	**23,466,647**	23,466,647
Remeasurement loss on pension obligation	**(148,647,467)**	(129,033,977)
Retained earnings (Note 19)	**3,309,564,933**	3,136,033,517
	6,966,523,202	8,086,359,452
	₱23,467,575,821	₱26,735,466,735

See accompanying Notes to Parent Company Financial Statements.

MALAYAN INSURANCE CO., INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2015	2014
INCOME		
Gross premiums earned	**₱8,645,208,260**	₱7,388,223,881
Reinsurers' share of gross premiums earned	**5,591,087,480**	4,797,124,898
Net premiums earned (Notes 15, 20 and 29)	**3,054,120,780**	2,591,098,983
Investment and other income (Note 21)	**561,339,951**	662,775,521
Commission income (Note 9)	**468,453,890**	389,633,244
Other income	**1,029,793,841**	1,052,408,765
Total income	**4,083,914,621**	3,643,507,748
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance contract benefits and claims paid (Notes 15 and 22)	**3,392,800,855**	3,848,130,454
Reinsurers' share of gross insurance contract benefits and claims paid (Note 15 and 22)	**(2,012,349,686)**	(2,392,905,084)
Gross change in insurance contract liabilities (Note 22)	**(2,052,806,499)**	1,940,119,867
Reinsurers' share of gross change in insurance contract liabilities (Note 22)	**2,117,067,433**	(2,129,980,464)
Net insurance contract benefits and claims	**1,444,712,103**	1,265,364,773
Commission expense (Note 9)	**1,234,621,939**	1,010,842,359
Other underwriting expense	**162,632,120**	107,170,635
General and administrative expenses (Note 23)	**955,658,283**	897,535,029
Investment and other expense (Notes 7 and 21)	**73,677,930**	24,721,278
Interest expense on funds held for reinsurers	**5,907,637**	6,443,360
Other expenses	**2,432,497,909**	2,046,712,661
Total benefits, claims and other expenses	**3,877,210,012**	3,312,077,434
INCOME BEFORE INCOME TAX	**206,704,609**	331,430,314
PROVISION FOR INCOME TAX (Note 25)	**33,173,193**	41,389,892
NET INCOME (Note 26)	**₱173,531,416**	₱290,040,422

See accompanying Notes to Parent Company Financial Statements.

MALAYAN INSURANCE CO., INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
NET INCOME	**₱173,531,416**	₱290,040,422
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will be reclassified to profit and loss in subsequent periods:		
Change in fair value of available-for-sale financial assets - net of tax effect (Note 7)	**(1,273,754,176)**	401,373,738
Item that will not be reclassified to profit and loss in subsequent periods:		
Remeasurement loss on pension obligation - net of tax effect (Note 18)	**(19,613,490)**	(6,025,305)
TOTAL COMPREHENSIVE (LOSS) INCOME	**(₱1,119,836,250)**	₱515,602,621

See accompanying Notes to Parent Company Financial Statements.

MALAYAN INSURANCE CO., INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Capital in Excess of Par Value	Contributed Surplus	Contingency Surplus	Revaluation Reserve on Available-for-Sale Financial Assets (Note 7)	Other Revaluation Reserve (Note 19)	Remeasurement loss on pension obligation (Note 18)	Retained Earnings (Note 19)	Total
	For the Year Ended December 31, 2015								
Balance at beginning of year	**₱845,292,500**	**₱780,882,008**	**₱50,000**	**₱4,485,618**	**₱3,425,183,139**	**₱23,466,647**	**(₱129,033,977)**	**₱3,136,033,517**	**₱8,086,359,452**
Net income	–	–	–	–	–	–	–	**173,531,416**	**173,531,416**
Other comprehensive (loss)	–	–	–	–	**(1,273,754,176)**	–	**(19,613,490)**	–	**(1,293,367,666)**
Total comprehensive income (loss)	–	–	–	–	**(1,273,754,176)**	–	**(19,613,490)**	**173,531,416**	**(1,119,836,250)**
Dividends declared	–	–	–	–	–	–	–	–	–
Balance at end of year	**₱845,292,500**	**₱780,882,008**	**₱50,000**	**₱4,485,618**	**₱2,151,428,963**	**₱23,466,647**	**(₱148,647,467)**	**₱3,309,564,933**	**₱6,966,523,202**
	For the Year Ended December 31, 2014								
Balance at beginning of year	₱845,292,500	₱780,882,008	₱50,000	₱4,485,618	₱3,193,595,635	₱23,466,647	(₱123,008,672)	₱2,972,786,970	₱7,697,550,706
Net income	–	–	–	–	–	–	–	290,040,422	290,040,422
Other comprehensive loss	–	–	–	–	231,587,504	–	(6,025,305)	–	225,562,199
Total comprehensive income (loss)	–	–	–	–	231,587,504	–	(6,025,305)	290,040,422	515,602,621
Dividends declared	–	–	–	–	–	–	–	(126,793,875)	(126,793,875)
Balance at end of year	₱845,292,500	₱780,882,008	₱50,000	₱4,485,618	₱3,425,183,139	₱23,466,647	(₱129,033,977)	₱3,136,033,517	₱8,086,359,452

See accompanying Notes to Parent Company Financial Statements.

MALAYAN INSURANCE CO., INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱206,704,609**	₱331,430,314
Adjustments for:		
Dividend income (Note 21)	**(170,093,274)**	(226,425,290)
Interest income (Note 21)	**(182,083,146)**	(207,520,430)
Gain on sale of (Note 21):		
Available-for-sale financial assets	**(57,208,739)**	(169,786,234)
Real estate properties for sale	**(434,556)**	(11,420,817)
Property and equipment	**(191,308)**	(627,221)
Investment property	**–**	(246,074)
Depreciation and amortization (Note 23)	**64,279,941**	61,736,081
Unrealized foreign exchange losses - net	**(147,164,846)**	35,498,193
Interest expense on reinsurance funds held	**5,907,637**	6,443,360
Impairment loss on AFS (Notes 7 and 21)	**60,357,969**	–
Operating loss before working capital changes	**(219,925,713)**	(180,918,118)
Decrease (increase) in:		
Insurance receivables	**1,013,933,245**	(3,125,315)
Loans and receivables	**223,536,520**	(35,070,548)
Accrued rent income	**(1,216,625)**	2,618,849
Reinsurance assets	**2,770,147,034**	(1,961,412,059)
Deferred acquisition costs	**41,597,311**	70,213,515
Other assets	**2,887,565**	(53,188,349)
Increase (decrease) in:		
Insurance contract liabilities	**(2,337,272,610)**	1,847,820,937
Insurance payables	**(4,927,306)**	(906,804,485)
Deferred reinsurance commissions	**(39,590,361)**	(13,346,145)
Accounts payable, accrued expenses and other liabilities	**188,063,087**	353,651,915
Pension liability	**17,653,254**	(15,166,739)
Net cash generated from (used in) operations	**1,654,885,401**	(894,726,542)
Income tax paid (Note 25)	**(35,302,683)**	(38,228,137)
Interest paid on reinsurance funds held	**(5,907,637)**	(6,443,360)
Net cash generated from (used in) operating activities	**1,613,675,081**	(939,398,040)

(Forward)

	Years Ended December 31	
	2015	**2014**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals or maturities of:		
Available-for-sale financial assets (Note 7)	**₱1,225,770,738**	₱1,099,822,006
Long-term commercial papers	**172,076,464**	52,300,000
Short-term investments (Note 5)	**25,091,083**	7,541,999
Investment properties (Note 12)	**–**	1,242,824
Property and equipment (Note 13)	**191,313**	2,718,462
Real estate properties for sale (Note 14)	**8,371,878**	13,500,817
Acquisitions of:		
Available-for-sale financial assets (Note 7)	**(1,158,169,422)**	(650,036,809)
Long-term commercial papers	**(106,404,204)**	(103,127,645)
Short-term investments (Note 5)	**(51,767,146)**	(25,091,083)
Property and equipment (Note 13)	**(68,596,062)**	(68,537,617)
Decrease in non-trade notes receivables (Note 7)	**–**	100,000,000
Dividends received	**183,471,481**	212,269,363
Interest received	**191,250,535**	219,938,494
Net cash provided by investing activities	**421,286,658**	862,540,811
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of dividends (Note 19)	**–**	(126,793,875)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**23,350,154**	(1,231,941)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,058,311,893**	(204,883,045)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**566,480,529**	771,363,574
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,624,792,422**	₱566,480,529

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information**

Malayan Insurance Co., Inc. (the Parent Company) is a domestic corporation, which was registered with the Philippine Securities and Exchange Commission (SEC) on February 16, 1949. The Parent Company is engaged in the business of nonlife insurance business dealing with all kinds of insurance such as fire, marine, bond, motor car, personal accident, miscellaneous casualty, and engineering, except life insurance.

On October 22, 2001, the SEC approved the Amended Articles of Incorporation extending the Parent Company's existence to another 50 years from February 16, 1999.

The registered office address of the Parent Company is 5th Floor, Yuchengco Building, 500 Quintin Paredes Street, Binondo, Manila.

The Parent Company's parent is MICO Equities, Inc. (MEI). The Parent Company's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC) with registered office address at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

The accompanying parent company financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 30, 2016.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The financial statements are measured in Philippine Peso (₱), which is also the Parent Company's functional and presentation currency. All values are rounded off to the nearest peso values, unless otherwise indicated.

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The Parent Company also prepares consolidated financial statements to include the financial statements of its wholly owned subsidiary Bankers Assurance Corporation (BAC) and 54.70% majority owned subsidiary The First Nationwide Assurance Corporation (FNAC) (see Note 11). The Parent Company financial statements must be read in conjunction with the consolidated financial statements.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following amended PFRS and Philippine Accounting Standards (PAS) interpretations which became effective beginning January 1, 2015. Except as otherwise stated, the adoption of these amended standards and Philippine Interpretations did not have any impact on the financial statements.

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be

attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.
Annual Improvements to PFRSs (2010-2012 cycle)

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment was not applicable to the Parent Company as it has no share-based payments.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. This amendment did not significantly impact the financial statements of the Parent Company.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments affected disclosures only and had no impact on the Parent Company's financial position or performance.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendments had no impact on the Parent Company's financial position or performance.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affected disclosures only and had no impact on the Parent Company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amendment had no impact on the Parent Company's financial position or performance.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment had no significant impact on the Parent Company's financial position or performance.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is a purchase of an asset or a business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment had no significant impact on the Parent Company's financial position or performance.

Future Changes in Accounting Policies

Deferred
Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standard Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Parent Company.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB deferred indefinitely the effective

date of these amendments pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

Effective 2016
PFRS 10, *Consolidated Financial Statements,* and PAS 28*, Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. The Parent Company will adopt equity method beginning January 1, 2016.

PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Parent Company's financial statements.

PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests (Amendments)
The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company.

PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated

- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Parent Company is currently assessing the impact of these amendments on its financial statements.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Parent Company is an existing PFRS preparer, this standard would not apply.

PAS 16, *Property, Plant and Equipment*, and PAS 41*, Agriculture* - Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*,will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not impact the Parent Company financial statements.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have an impact to the Parent Company given that the Parent Company has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Parent Company. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance on continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (i.e., in the management commentary or risk report).

Effective 2018
PFRS 9, *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous

versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The Parent Company did not early adopt PFRS 9. The adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities.

The following new standards have been issued by the IASB but have not yet been adopted locally.

International Financial Reporting Standard (IFRS) 15*, Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 by the International Accounting Standards Board (IASB) and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Parent Company is currently assessing the impact of the standard.

IFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases,* which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019.

Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Parent Company is currently assessing the impact of the standard.

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

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

Use of Estimates, Assumptions and Judgments
The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities at the end of the reporting period as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments, refer to Note 3.

Fair Value Measurement
The Parent Company measures financial instrument at fair value at each reporting period.

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

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

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

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

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

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

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

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

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

Insurance Receivables
Premium receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in statement of income.

Financial Instruments
Date of recognition
The Parent Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments
All financial assets and liabilities are recognized initially at fair value. Except for financial assets and liabilities measured at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Parent Company classifies its financial assets in the following categories: Available-for-sale (AFS) financial assets and loans and receivables. The Parent Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions on the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction

price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' profit amount.

AFS financial assets
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, Held-to-Maturity (HTM) or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. Interest earned on holding AFS investments are reported as interest income using the effective interest rate.

Dividends earned on holding AFS investments are recognized in the profit or loss when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as 'Revaluation reserve on available-for-sale financial assets' in the equity section of the statement of financial position. The losses arising from impairment of such investments are recognized in the statement of income. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as realized gains or losses in the statement of income. Where the Parent Company holds more than one investment in the same security, the cost is determined using the weighted average method.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or FVPL. This accounting policy relates to the statement of financial position captions: (a) "Cash and Cash Equivalents", (b) "Insurance Receivables", (c) "Loans and receivables" and (d) "Accrued Income".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the investment and other income account in the statement of income. The losses arising from impairment of such loans and receivables are recognized in the statement of income.

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

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

This accounting policy applies primarily to insurance payables, accounts payable and accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit liability and income tax payable).

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Impairment of Financial Assets

The Parent Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at amortized cost

For financial assets carried at amortized cost (e.g., loans and receivables, HTM investments), the Parent Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against profit or loss. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as past-due status and term.

AFS financial assets carried at fair value
In case of equity investments, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in equity.

In case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss and is recorded as part of interest income in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or where applicable a part of financial asset or a part of a group of financial asset) is derecognized when:

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

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

Financial liability

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

Reinsurance

The Parent Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Parent Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of Insurance receivables.

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Parent Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Parent Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

When the Parent Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Parent Company initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as Insurance payables in the liabilities section of the parent company statement of financial position will be withheld and recognized as Funds held for reinsurers and included as part of the Insurance payables in the liabilities section of the Parent Company statement of financial position. The amount withheld is generally released after a year. Funds held by ceding companies are accounted for in the same manner.

Deferred Acquisition Costs (DAC)
Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract except for the marine cargo where commissions for the last two months of the year are recognized as expense the following year. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown as Deferred acquisition costs in the Assets section of the parent company statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss. DAC is also considered in the liability adequacy test for each end of the reporting period.

Investments in Subsidiaries
A subsidiary is an entity in which the Parent Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or exercises control over the operation and management of the company.

The investments in subsidiaries are carried in the parent company statement of financial position at cost, less any impairment in value. In accordance with PFRS 10, consolidated financial statements are prepared separately, reflecting the consolidated financial position and operating results of the Parent Company and its investees.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

Investment Properties
Properties held for rental yields or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business is classified as investment property.

Investment properties are measured initially at cost, including transaction costs.
Investment properties consist of land, buildings and construction in-progress. The land is carried at cost. The building is carried at cost, less accumulated depreciation and amortization and any accumulated impairment losses.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of 40 years. The estimated useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment property.

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

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

Property and Equipment
Property and equipment, except for land, are stated at cost, net of accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment losses.
The initial cost of property and equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the statement of income during the financial period in which these are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Building and improvements	40
Building equipment	5
Office furniture, fixtures and equipment	5
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of 5 years, whichever is shorter.

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

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

Creditable Withholding Taxes (CWTs)
Creditable withholding taxes pertain to the indirect tax paid by the Parent Company that is withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under “Other assets” account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Parent Company. If these CWTs are claimed as a refund, these are recorded as a receivable under “Loans and receivables” account.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Computer Software
Costs associated with the acquisition of computer software are capitalized only if the asset can be reliably measured, will generate future economic benefits, and there is an ability to use or sell the asset.

Computer software is carried at cost less accumulated amortization. Computer software cost is amortized over the expected useful life of the asset, but not to exceed five (5) years. All computer software components are amortized over five (5) years. Amortization commences when the asset is available for use or when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Parent Company.

Impairment of Nonfinancial Assets
The Parent Company assesses at each end of the reporting period whether there is an indication that investments in subsidiaries, computer software, investment properties and property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Value-added Tax (VAT)
The input value added tax pertains to the 12% indirect tax paid by the Parent Company in the course of the Parent Company's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the sale of insurance policies and other goods or services by the Parent Company.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payable and accrued expenses" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other assets" account.

Real Estate Properties for Sale
Real estate properties for sale are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs to sell. The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property.

Insurance Contract Liabilities
Provision for Unearned Premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the parent company statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims Provision and Incurred But Not Reported (IBNR) Losses
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of

money and includes provision for IBNR losses. The liability is derecognized when the contract is discharged, cancelled or has expired.

Liability Adequacy Test
At each end of the reporting period, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related deferred acquisition costs assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the parent company statement of comprehensive income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Insurance Payables
Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

Equity

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Capital in excess of par value includes any premiums received in excess of par value on the issuance of capital stock.

Contributed surplus represents the original contribution of the stockholders of the Parent Company, in addition to the paid-in capital stock, in order to comply with the pre-licensing requirements as provided under the Insurance Code.

Other revaluation reserve pertains to the appraisal increment on building relating to the Parent Company's previously held interest in Tokio Marine Malayan Insurance Co., Inc. (TMMIC) at the time of the business combination. The balance of the other revaluation reserve will be transferred to retained earnings when the building is disposed or derecognized.

Retained earnings include all the accumulated earnings of the Parent Company, net of dividends declared.

Revenue Recognition

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

Premiums Revenue

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the parent company statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as Deferred reinsurance premiums and shown as part of reinsurance assets in the parent company statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

Reinsurance Commissions
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as deferred reinsurance commissions and presented in the Liabilities section of the parent company statement of financial position.

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

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

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

Rental income
Rental income from investment properties are recognized on a straight-line basis over the term of the lease.

Management fees
Management fees are recognized as income when services are rendered.

Other income
Income from other sources is recognized when earned.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants.

Benefits and Claims
Benefits and claims consists of benefits and claims paid to policyholders, which includes changes in the valuation of Insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

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

Other underwriting expense
Other underwriting expense pertains to the costs incurred by the Parent Company prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews and other work that is deemed necessary to determine whether or not to accept the risks to be written. These costs are recognized as expense as they are incurred.

Expenses
General and administrative expense, investments and other expense, except for lease agreements, are recognized as expense as they are incurred.

<u>Interest expense</u>
Interest expense is charged against operations as they are incurred.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset;or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario (b).

Parent Company as a lessor
Leases where the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the parent company statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

Parent Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the parent company statement of income on a straight-line basis.

Foreign Exchange Transactions
The functional and presentation currency of the Parent Company is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

Provisions and Contingencies
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the parent company statement of other comprehensive income.

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

Events after End of the Reporting Period
Any post year-end events that provide additional information about the Parent Company's position at the end of the reporting period (adjusting event) are reflected in the parent company financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying Company financial statements in conformity with PFRS requires Management to make estimates and assumptions that affect the amounts reported in the Parent Company financial statements and accompanying notes. The estimates and assumptions used in the Parent Company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the Parent Company financial statements. Actual results could differ from such estimates.

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

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

Going concern
The Parent Company's management has made an assessment of the Parent Company's ability to continue as a going concern and is satisfied that the Parent Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Parent Company's ability to continue as a going concern. Therefore, the Parent Company financial statements continue to be prepared on a going concern basis.

Contingencies
The Parent Company is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Parent Company currently does not believe that these proceedings, if any, will have a material effect on the Parent Company's financial position.

Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Parent Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

The Parent Company has determined that the insurance policies it issues have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the revenue and costs of the Parent Company's operations.

Operating lease commitments - Parent Company as lessor
The Parent Company entered into commercial property leases on its investment properties. The Parent Company determined that it retains all the significant risks and rewards of ownership of the property, thus accounts for them as operating lease.

Operating lease commitments - Parent Company as lessee
The Parent Company entered into various property leases with various lessors. The Parent Company determined that the lessors retain all the significant risks and rewards of ownership of the leased properties thus accounts for them as operating leases.

Distinction between investment properties and owner-occupied properties
The Parent Company determines whether a property qualifies as investment property. In making this judgment, the Parent Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

When properties comprise a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purpose, and these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Parent Company considers each property separately in making this judgment.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair values of financial assets
The Parent Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect the statement of other comprehensive income.

The carrying value of AFS financial assets is ₱6,220.39 million and ₱7,493.69 million as of December 31, 2015 and 2014, respectively (Note 7).

Valuation of insurance contract liabilities
Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of IBNR claims at the end of reporting period. It can take a significant period of time before the ultimate claims cost can be established with certainty.

The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claims settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities are not discounted for the time value of money.

As of December 31, 2015 and 2014, the carrying values of provision for claims reported and IBNR amounted to ₱7,970.98 million and ₱10,023.78 million, respectively (Note 15).

Estimation of allowance for impairment losses
The Parent Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, and legal opinion on recoverability in case of legal disputes. The Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease the related asset accounts.

The carrying value of insurance receivables, net of impairment losses amounted to ₱4,258.73 million and ₱5,242.66 million as of December 31, 2015 and 2014, respectively. The related allowance for impairment losses amounted to ₱176.52 million and ₱143.81 million as of December 31, 2015 and 2014, respectively (Note 6).

As of December 31, 2015 and 2014, the carrying value of loans and receivables, net of impairment losses amounted to ₱1,197.75 million and ₱1,487.58 million, respectively. As of December 31, 2015 and 2014, the related allowance for impairment losses amounted to ₱3.15 million (Note 7).

Impairment of AFS equity financial assets
The Parent Company determines that AFS equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. The Parent Company treats 'significant' generally as 20% or more and 'prolonged' as continuous decline for a period of six (6) months or more. In making this judgment, the Parent Company evaluates among other factors, the normal volatility in share price for quoted securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment loss recognized on Parent Company's AFS equity financial assets amounted to ₱60.36 million and nil in 2015 and 2014, respectively (Note 7).

Estimation of useful lives of investment properties, property and equipment and computer software
The Parent Company reviews annually the estimated useful lives of investment properties, property and equipment and computer software, based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of computer software, investment properties and property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2015 and 2014, the carrying value of the investment properties amounted to ₱27.10 million and ₱27.17 million, respectively (Note 12).

As of December 31, 2015 and 2014, the carrying value of the property and equipment amounted to ₱274.22 million and ₱269.83 million, respectively (Note 13).

Evaluation of net realizable value of real estate properties for sale
Real estate properties for sale are valued at the lower of cost and NRV. This requires the Parent Company to make an estimate of the real estate properties for sale's estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Parent Company adjusts the cost of its real estate properties for sale to net realizable value based on its assessment of the recoverability of the its real estate properties for sale. In determining the recoverability of its real estate properties for sale, management considers whether its real estate properties for sale are damaged or if their selling prices have declined.

Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 14 for the related balances.

Impairment of nonfinancial assets
The Parent Company assesses the impairment of its nonfinancial assets (i.e., computer software, investment properties and property and equipment) whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

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

The Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2015 and 2014, the Parent Company has not recognized any impairment losses on its nonfinancial assets. See Notes 12, 13 and 14 for related balances.

Impairment on investment in subsidiaries
The Parent Company assesses impairment on its investments in subsidiaries whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes which have taken place during the period, or will take place in the near future, affecting the technological, market, economic, or legal environment which have an adverse effect on the subsidiaries.

The carrying value of investments in subsidiaries amounted to ₱38.37 million as of December 31, 2015 and 2014 (Note 11).

The Parent Company has no impairment loss on investments in subsidiaries in 2015 and 2014.

Recognition of deferred tax assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. See Note 25 for the related balances.

Estimation of pension obligation and other retirement benefits
The determination of pension obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. In accordance with PAS 19, actual results that differ from the Parent Company's assumptions are recognized immediately in other comprehensive income in the period in which they arise. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

As of December 31, 2015 and 2014, the carrying value of pension liability amounted to ₱226.24 million and ₱180.57 million, respectively (Note 18).

Contingencies
The Parent Company is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon analysis of potential results. The Parent Company does not believe that these proceedings will have a material adverse effect on the Parent Company's financial position.

4. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand:		
Petty cash fund	**₱533,088**	₱855,625
Special funds	**28,000**	28,000
Cash in banks:		
Commercial banks and trust company (Note 29)	**1,471,397,843**	322,342,111
Thrift banks and rural banks	**4,191,339**	5,304,095
Short-term deposits (Note 29)	**1,148,642,152**	237,950,698
	₱2,624,792,422	₱566,480,529

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits pertain to deposits that are placed for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company.

The range of interest rates of the short-term deposits follows:

	2015	2014
Philippine Peso	**0.25% to 2.13%**	0.25% to 7.50%
US Dollar	**0.02% to 0.88%**	0.02% to 1.13%

5. Short-term Investments

This account consists of time deposits with maturities of more than three months but less than one year from dates of placement and earns annual interest with rates ranging from 0.625% to 2.00% in 2015 and from 0.50% to 4.25% in 2014.

6. Insurance Receivables - net

This account consists of:

	2015	2014
Due from policyholders, agents and brokers	**₱3,843,824,873**	₱3,661,186,646
Due from ceding companies:		
Treaty	**229,858,929**	1,309,627,396
Facultative	**102,696,332**	141,004,182
Funds held by ceding companies - treaty	**133,813,334**	139,298,388
Reinsurance recoverable on paid losses - Facultative	**125,058,839**	135,347,778
	4,435,252,307	5,386,464,390
Less allowance for impairment losses	**176,524,216**	143,806,150
	₱4,258,728,091	₱5,242,658,240

The reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Parent Company.

The following table shows aging information of insurance receivables:

December 31, 2015

	< 30 days	**30 > 60 days**	**60 > 90 days**	**90 > 120 days**	**> 120 days**	**Total**
Due from policyholders, agents and brokers	**₱587,503,639**	**₱359,029,942**	**₱344,803,294**	**₱374,655,677**	**₱2,177,832,321**	**₱3,843,824,873**
Due from ceding companies:						
Treaty	**336,301**	**247,563**	**9,566,540**	**3,677,613**	**216,030,912**	**229,858,929**
Facultative	**48,301,543**	**4,114,327**	**1,742,183**	**7,463,792**	**41,074,487**	**102,696,332**
Funds held by ceding companies – treaty	**84,093**	**626,453**	**19,801,290**	**3,559,185**	**109,742,313**	**133,813,334**
Reinsurance recoverable on paid losses – facultative	**5,333,765**	**3,524,990**	**25,310,107**	**1,137,680**	**89,752,296**	**125,058,839**
	₱641,559,341	**₱367,543,275**	**₱401,223,414**	**₱390,493,947**	**₱2,634,432,329**	**₱4,435,252,307**

December 31, 2014

	< 30 days	30 > 60 days	60 > 90 days	90 > 120 days	> 120 days	Total
Due from policyholders, agents and brokers	₱469,567,614	₱308,912,467	₱438,118,974	₱338,796,089	₱2,105,791,502	₱3,661,186,646
Due from ceding companies:						
Treaty	381,225,217	67,108	182,151	5,722,029	922,430,891	1,309,627,396
Facultative	93,216,921	17,415,799	4,851,937	5,618,939	19,900,586	141,004,182
Funds held by ceding companies – treaty	5,634,417	292,846	23,168,141	76,206	110,126,778	139,298,388
Reinsurance recoverable on paid losses – facultative	22,954,394	12,912,780	6,432,726	3,687,695	89,360,183	135,347,778
	₱972,598,563	₱339,601,000	₱472,753,929	₱353,900,958	₱3,247,609,940	₱5,386,464,390

The allowance for impairment losses on insurance receivables had been determined as follows:

	2015				
	Due from Policyholders, Agents and Brokers	**Due from Ceding Companies - Treaty**	**Due from Ceding Companies - Facultative**	**Reinsurance Recoverable on Paid Losses - Facultative**	**Total**
Balance at beginning of year	**₱123,218,798**	**₱3,020,424**	**₱8,755,855**	**₱8,811,073**	**₱143,806,150**
Impairment loss (Note 23)	**45,000,000**	**–**	**–**	**–**	**45,000,000**
Movement of impairment loss (Note 23)	**(3,020,424)**	**–**	**5,801,329**	**(2,780,905)**	**–**
Written-off	**(9,261,510)**	**(3,020,424)**	**–**	**–**	**(12,281,934)**
Balance at end of year	**₱155,936,864**	**₱–**	**₱14,557,184**	**₱6,030,168**	**₱176,524,216**
Individually impaired	**₱–**	**₱–**	**₱14,557,184**	**₱–**	**₱14,557,184**
Collectively impaired	**155,936,864**	**–**	**–**	**6,030,168**	**161,967,032**
Total	**₱155,936,864**	**₱–**	**₱14,557,184**	**₱6,030,168**	**₱176,524,216**

	2014				
	Due from Policyholders, Agents and Brokers	Due from Ceding Companies - Treaty	Due from Ceding Companies - Facultative	Reinsurance Recoverable on Paid Losses – Facultative	Total
Balance at beginning of year	₱130,565,335	₱1,812,061	₱12,202,631	₱8,026,496	₱152,606,523
Impairment loss (Note 23)	49,807,481	1,208,363	–	784,577	51,800,421
Reversal of impairment loss (Note 23)	(3,915,699)	–	(3,446,776)	–	(7,362,475)
Written-off	(53,238,319)	–	–	–	(53,238,319)
Balance at end of year	₱123,218,798	₱3,020,424	₱8,755,855	₱8,811,073	₱143,806,150
Individually impaired	₱1,737,778	₱3,020,424	₱7,219,431	₱–	₱11,977,633
Collectively impaired	121,481,020	–	1,536,424	8,811,073	131,828,517
Total	₱123,218,798	₱3,020,424	₱8,755,855	₱8,811,073	₱143,806,150

7. Financial Assets

The Parent Company’s financial assets are summarized by measurement categories as follows:

	2015	2014
AFS financial assets	**₱6,220,386,073**	₱7,493,693,268
Loans and receivables - net	**1,197,749,023**	1,487,577,691
	₱7,418,135,096	₱8,981,270,959

The assets included in each of the categories above are detailed below:

a) *AFS financial assets*

This account is detailed as follows:

	2015	2014
Quoted securities - at fair value		
Listed equity securities (Note 29):		
Common shares	**₱3,893,430,345**	₱5,259,837,296
Preferred shares	**₱36,222,933**	₱21,492,440
Government debt securities:		
Local currency	**492,157,094**	478,646,646
Foreign currency	**11,004,349**	34,528,400
Private debt securities (Note 29)	**1,491,524,290**	1,355,998,516
Funds	**196,163,501**	249,179,147
	6,120,502,512	7,399,682,445
Non-quoted securities - at cost		
Unlisted equity securities:		
Common shares	**99,866,021**	93,993,283
Preferred shares	**17,540**	17,540
	99,883,561	94,010,823
Total AFS financial assets	**₱6,220,386,073**	₱7,493,693,268

In accordance with the provisions of the Insurance Code (the Code), government securities amounting to ₱105.01 million are deposited with the Insurance Commission (IC) as security for the benefit of policyholders and creditors of the Parent Company as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the Parent Company has certain investments in debt securities with embedded call option feature which allows the issuers to redeem, on specified dates, the securities at face amount. Based on the Parent Company's assessment, the embedded call options identified are clearly and closely related to the host contracts and therefore do not require bifurcation.

As of December 31, 2015 and 2014, the impairment loss recognized on AFS investments amounted to ₱60.36 million and nil, respectively.

The carrying values of AFS financial assets have been determined as follows:

	2015	2014
Balance at beginning of year	**₱7,493,693,268**	₱7,540,260,715
Acquisitions	**1,158,169,422**	650,036,809
Unrealized foreign currency exchange gain (loss) - net	**93,811,596**	(432,252)
Fair value changes (loss) gain	**(1,292,321,925)**	411,366,815
Disposals and maturities	**(1,225,770,738)**	(1,099,822,006)
Amortization of premium	**(7,195,550)**	(7,716,813)
Balance at end of year	**₱6,220,386,073**	₱7,493,693,268

As of December 31, 2015 and 2014, the revaluation reserve on AFS financial assets amounted to ₱2.15 billion and ₱3.43 billion, respectively.

The rollforward analysis of the revaluation reserve on AFS financial assets follow:

	2015	2014
Balance at beginning of year	**₱3,425,183,139**	₱3,193,595,635
Fair value gains (losses) credited to (charged against) equity	**(1,292,321,925)**	411,366,815
Realized gains transferred to profit or loss (Note 21)	**(57,208,739)**	(169,786,234)
Impairment loss transferred to profit or loss (Note 21)	**60,357,969**	–
Tax effect of net fair value loss (gain) (Note 25)	**15,418,519**	(9,993,077)
Balance at end of year	**₱2,151,428,963**	₱3,425,183,139

b) *Loans and receivables - net*

This account consists of:

	2015	2014
Long-term commercial papers (Note 29)	**₱996,468,505**	₱1,062,760,653
Creditable withholding tax	**144,152,400**	62,677,478
Accounts receivable	**39,825,684**	66,834,060
Notes receivable (Note 29)	**12,966,599**	293,218,935
Claims recoverable	**6,408,374**	811,250
Cash advances	**766,578**	768,996
Security fund	**263,905**	263,905
Due from related parties (Note 29)	**45,465**	3,390,901
	1,200,897,510	1,490,726,178
Less allowance for impairment losses	**3,148,487**	3,148,487
	₱1,197,749,023	₱1,487,577,691

Long-term commercial papers pertain to Parent Company's investments in unquoted private debt securities and corporate notes with terms of 2 to 15 years and earn annual interest rates ranging from 3.25% to 9.33% in 2015 and from 3.25% to 8.66% in 2014.

Creditable withholding taxes lodged in loans and receivables pertain to the CWTs claimed as refund from the Bureau of Internal Revenue (BIR).

Notes receivables pertains to provided car plan for its managers and officers as part of their benefits. The employee's share is recorded as notes receivable which is collected through salary deductions. The notes receivable is payable within five (5) years with annual interest rate of 8.00%.

Accounts receivables pertain to advances on utilities, commission and for the employees' hospitalization.

The Parent Company also granted advances to its related parties, MEI and Rizal Leasing and Finance Corporation (RLFC), by way of receipt of promissory notes from these related parties (see Note 29).

The allowance for impairment losses on loans and receivable had been determined as follows:

	2015		
	Accounts Receivable	**Notes Receivable**	**Total**
Balance at beginning and end of the year	**₱2,050,610**	**₱1,097,877**	**₱3,148,487**
Individually impaired	**₱2,050,610**	**₱1,097,877**	**₱3,148,487**

	2014		
	Accounts Receivable	Notes Receivable	Total
Balance at beginning of the year	₱2,005,675	₱1,097,877	₱3,103,552
Additions	44,935	–	44,935
Balance at end of the year	₱2,050,610	₱1,097,877	₱3,148,487
Individually impaired	₱2,050,610	₱1,097,877	₱3,148,487

As of December 31, 2015 and 2014, accounts receivable and notes receivable with an aggregate carrying value of ₱3.15 million was specifically determined as impaired and was fully provided with allowance. No additional impairment loss was recognized in 2015. In 2014, the impairment loss recognized amounted to ₱0.05 million.

8. Accrued Income

This account consists of

	2015	2014
Accrued interest income on (Note 29):		
AFS financial assets	**₱28,076,409**	₱28,419,581
Long-term commercial papers	**6,858,307**	7,687,653
Cash and cash equivalents	**414,781**	521,783
Security fund	**159,753**	126,342
Funds held by ceding companies - treaty	**42,759**	90,485
Notes receivables	–	58,116
Accrued rent income (Note 29)	**2,602,752**	1,386,127
Accrued dividend income	**3,190,025**	16,568,232
	₱41,344,786	₱54,858,319

9. **Deferred Acquisition Costs** - net

The details of deferred acquisition costs net of deferred reinsurance commissions follow:

	2015	2014
Deferred acquisition costs		
Balance at beginning of year	**₱326,992,196**	₱397,205,711
Cost deferred during the year (Note 29)	**1,193,024,628**	940,628,844
Amortized during the year	**(1,234,621,939)**	(1,010,842,359)
Balance at end of year	**285,394,885**	326,992,196
Deferred reinsurance commissions		
Balance at beginning of year	**182,614,111**	195,960,256
Income deferred during the year (Note 29)	**428,863,529**	376,287,099
Amortized during the year	**(468,453,890)**	(389,633,244)
Balance at end of year	**143,023,750**	182,614,111
	₱142,371,135	₱144,378,085

10. **Reinsurance Assets**

This account consists of:

	2015	2014
Reinsurance recoverable on unpaid losses (Note 15)	**₱6,397,825,771**	₱8,514,893,204
Deferred reinsurance premiums (Note 15)	**1,516,693,534**	2,169,773,135
	₱7,914,519,305	₱10,684,666,339

11. **Investments in Subsidiaries**

The Parent Company's percentage of ownership in the shares of stock of its subsidiaries follows:

Subsidiaries	**2015**	2014
Bankers Assurance Corporation (BAC)	**100.00%**	100.00%
The First Nationwide Assurance Corporation (FNAC)	**54.70%**	54.70%

The details of the investments in subsidiaries follow:

	2015	2014
FNAC	**₱36,273,113**	₱36,273,113
BAC	**2,101,134**	2,101,134
	₱38,374,247	₱38,374,247

Financial information of FNAC and BAC as of December 31 follows:

FNAC

	December 31	
	2015	2014
Total assets	**₱1,158,809,736**	₱1,268,791,438
Total liabilities	**560,874,631**	545,129,994
Equity	**597,935,105**	723,661,444
Net income	**14,915,298**	14,183,970

BAC

	December 31	
	2015	2014
Total assets	**₱926,314,928**	₱1,084,668,599
Total liabilities	**294,532,695**	296,934,269
Equity	**631,782,233**	787,734,330
Net loss	**23,647,240**	(3,798,692)

BAC
Bankers Assurance Corporation (the Company), is a wholly owned subsidiary engaged in nonlife insurance business dealing with all kinds of insurance such as fire, marine, motorcar, personal accident, miscellaneous casualty, engineering, bonds and aviation, except life insurance.

FNAC
The First Nationwide Assurance Corporation (the Company) is 54.7% owned subsidiary engaged in nonlife insurance business dealing with all kinds of insurance such as fire, marine, motor car, personal accident, miscellaneous casualty and bonds, except life insurance, and to act as agent of other insurance or surety companies in any of the branches of insurance, including life insurance.

12. **Investment Properties** - net

The rollforward analysis of this account follows:

	2015		
	Land	**Buildings**	**Total**
Cost			
At beginning and end of the year	**₱25,700,011**	**₱2,812,241**	**₱28,512,252**
Accumulated Depreciation and Amortization			
At beginning of year	–	**1,344,562**	**1,344,562**
Depreciation and amortization (Note 23)		**68,598**	**68,598**
At end of year	–	**1,413,160**	**1,413,160**
Net Book Value	**₱25,700,011**	**₱1,399,081**	**₱27,099,092**

	2014		
	Land	Buildings	Total
Cost			
At beginning of year	₱26,696,761	₱2,812,241	₱29,509,002
Disposals	(996,750)	–	(996,750)
At end of year	25,700,011	2,812,241	28,512,252
Accumulated Depreciation and Amortization			
At beginning of year	–	1,274,256	1,274,256
Depreciation and amortization (Note 23)	–	70,306	70,306
At end of year		₱1,344,562	₱1,344,562
Net Book Value	₱25,700,011	₱1,467,679	₱27,167,690

Rental income from investment properties recognized in the Parent Company statement of income amounted ₱23.81 million and ₱20.74 million in 2015 and 2014, respectively (Note 21). Direct operating expenses arising from investment properties amounted to ₱0.07 million in 2015 and 2014, respectively (see Note 23).

Buildings with book value of ₱1.40 million and ₱1.47 million have fair values of ₱5.14 and ₱3.36 million as of December 31, 2015 and 2014, respectively. Parcels of land with book value of ₱25.70 million have fair value amounting to ₱79.50 million as of December 31, 2015 and 2014, respectively. The fair values of the investment properties were determined by independent professionally qualified appraisers.

The fair value of the land and buildings were arrived using the *Market Data Approach*. In this approach, the value of the land and buildings are based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The Parent Company's highest and best use is consistent with its current use.

Depreciation and amortization expense pertaining to investment properties amounted to ₱0.07 million in 2015 and 2014 (Note 23).

13. **Property and Equipment** - net

The rollforward analysis of this account as of December 31, 2015 and 2014 follows:

	2015					
	Land	Building, Building Equipment and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
At beginning of year	₱1,013,187	₱191,307,977	₱460,608,843	₱92,032,454	₱67,769,323	₱812,731,784
Additions	–	10,119,718	40,902,294	13,898,782	3,675,268	68,596,062
Disposals	–	–	(301,669)	(3,136,162)	–	(3,437,831)
At end of year	1,013,187	201,427,695	501,209,468	102,795,074	71,444,591	877,890,015
Accumulated Depreciation and Amortization						
At beginning of year	–	74,496,169	370,749,825	53,966,903	43,684,576	542,897,473
Depreciation and amortization (Note 23)	–	8,146,479	36,670,367	12,404,166	6,990,331	64,211,343
Disposals	–	–	(301,664)	(3,136,162)	–	(3,437,826)
At end of year	–	82,642,648	407,118,528	63,234,907	50,674,907	603,670,990
Net Book Value	₱1,013,187	₱118,785,048	₱94,090,940	₱39,560,167	₱20,769,684	₱274,219,025

	2014					
	Land	Building, Building Equipment and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
At beginning of year	₱1,013,187	₱188,084,347	₱439,164,907	₱78,828,665	₱59,460,984	₱766,552,090
Additions	–	6,469,564	21,454,619	19,708,525	20,904,909	68,537,617
Disposals	–	(3,245,934)	(10,683)	(6,504,736)	(12,596,570)	(22,357,923)
At end of year	1,013,187	191,307,977	460,608,843	92,032,454	67,769,323	812,731,784
Accumulated Depreciation and Amortization						
At beginning of year	–	70,421,167	338,359,630	47,282,399	45,435,184	501,498,380
Depreciation and amortization (Note 23)	–	7,320,934	32,395,892	11,102,987	10,845,962	61,665,775
Disposals	–	(3,245,932)	(5,697)	(4,418,483)	(12,596,570)	(20,266,682)
At end of year	–	74,496,169	370,749,825	53,966,903	43,684,576	542,897,473
Net Book Value	₱1,013,187	₱116,811,808	₱89,859,018	₱38,065,551	₱24,084,747	₱269,834,311

Depreciation and amortization expense charged against operations amounted to ₱64.21 million and ₱61.67 million in 2015 and 2014, respectively (Note 23).

There are no property and equipment items that are pledged as securities to the obligations of the Parent Company.

14. **Other Assets** - net

This account consists of:

	2015	2014
Creditable withholding tax	**₱263,607,028**	₱282,150,133
Real estate properties for sale - at cost	**80,631,978**	88,569,300
Refundable deposits	**13,807,332**	8,586,915
Prepayments	**14,851,375**	6,544,523
Forms and supplies inventory	**8,519,561**	6,122,364
Miscellaneous assets	**20,411,582**	20,680,508
	₱401,828,856	₱412,653,743

Creditable withholding tax pertains to the Parent Company's tax withheld at source by its customers.

Real estate properties for sale consist of investments in Malayan Plaza condominium units and memorial lots. As of December 31, 2015 and 2014, amounts of the real estate properties for sale follows:

	2015	2014
Malayan Plaza condominium units	**₱75,921,978**	₱83,294,300
Memorial lots	**4,710,000**	5,275,000
	₱80,631,978	₱88,569,300

Costs of real estate properties disposed in 2015 and 2014 amounted to ₱7.94 million and ₱2.08 million, respectively.

15. Insurance Contract Liabilities

Short-term nonlife insurance contract liabilities and reinsurers' share of liabilities may be analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 10)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Provision for claims reported and loss adjustment	**₱7,849,076,431**	**₱6,397,825,771**	**₱1,451,250,660**	₱9,901,882,930	₱8,514,893,204	₱1,386,989,726
Provision for IBNR losses	**121,900,091**	**–**	**121,900,091**	121,900,091	–	121,900,091
Total claims reported and IBNR	**7,970,976,522**	**6,397,825,771**	**1,573,150,751**	10,023,783,021	8,514,893,204	1,508,889,817
Provision for unearned premiums	**3,208,120,730**	**1,516,693,534**	**1,691,427,196**	3,492,586,841	2,169,773,135	1,322,813,706
Total insurance contract liabilities	**₱11,179,097,252**	**₱7,914,519,305**	**₱3,264,577,947**	₱13,516,369,862	₱10,684,666,339	₱2,831,703,523

Provisions for claims reported by policyholders and claims IBNR may be analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Balance at beginning of year	**₱10,023,783,021**	**₱8,514,893,204**	**₱1,508,889,817**	₱8,083,663,154	₱6,384,912,740	₱1,698,750,414
Claims incurred during the year	**1,339,994,356**	**(104,717,747)**	**1,444,712,103**	5,759,250,321	4,522,885,548	1,236,364,773
Increase in IBNR (Note 22)	**–**	**–**	**–**	29,000,000	–	29,000,000
Total claims reported and claims IBNR	**11,363,777,377**	**8,410,175,457**	**2,953,601,920**	13,871,913,475	10,907,798,288	2,964,115,187
Claims paid during the year (Note 22)	**(3,392,800,855)**	**(2,012,349,686)**	**(1,380,451,169)**	(3,848,130,454)	(2,392,905,084)	(1,455,225,370)
Balance at end of year	**₱7,970,976,522**	**₱6,397,825,771**	**₱1,573,150,751**	₱10,023,783,021	₱8,514,893,204	₱1,508,889,817

Provision for unearned premiums may be analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 10)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Balance at beginning of year	**₱3,492,586,841**	**₱2,169,773,135**	**₱1,322,813,706**	₱3,584,885,771	₱2,338,341,540	₱1,246,544,231
New policies written during the year (Note 20)	**8,360,742,149**	**4,938,007,879**	**3,422,734,270**	7,295,924,951	4,628,556,493	2,667,368,458
Premiums earned during the year (Note 20)	**(8,645,208,260)**	**(5,591,087,480)**	**(3,054,120,780)**	(7,388,223,881)	(4,797,124,898)	(2,591,098,983)
Balance at end of year	**₱3,208,120,730**	**₱1,516,693,534**	**₱1,691,427,196**	₱3,492,586,841	₱2,169,773,135	₱1,322,813,706

16. Insurance Payables

This account consists of:

	2015	2014
Due to reinsurers (Note 29)	**₱2,267,332,818**	₱2,216,023,298
Funds held for reinsurers (Note 29)	**532,843,314**	589,080,140
	₱2,800,176,132	₱2,805,103,438

The rollforward analysis of insurance payables follows:

	Due to reinsurers	Funds held for reinsurers	Total
At January 1, 2014	₱2,337,191,082	₱1,374,716,841	₱3,711,907,923
Arising during the year	3,366,606,145	361,520,925	3,728,127,070
Utilized	(3,487,773,929)	(1,147,157,626)	(4,634,931,555)
At December 31, 2014	2,216,023,298	589,080,140	2,805,103,438
Arising during the year	**697,787,904**	**218,041,704**	**915,829,608**
Utilized	**(646,478,384)**	**(274,278,530)**	**(920,756,914)**
At December 31, 2015	**₱2,267,332,818**	**₱532,843,314**	**₱2,800,176,132**

17. **Accounts Payable, Accrued Expenses and Other Liabilities**

This account consists of:

	2015	2014
Accounts payable	**₱788,524,318**	₱855,687,354
Commissions payable	**468,308,571**	460,988,939
Deferred output value-added tax (VAT)	**323,530,058**	277,507,474
Accrued expenses	**165,531,708**	134,844,742
Accrued taxes	**134,885,188**	125,593,498
Surety deposits	**96,748,100**	48,403,790
Documentary stamp taxes payable	**82,764,600**	21,076,223
Output VAT	**50,181,098**	14,628,173
Deposits payable	**4,237,534**	7,132,247
Others	**37,802,215**	18,587,863
	₱2,152,513,390	₱1,964,450,303

All accounts payable and accrued expenses are due within one year.

Accounts payable pertain to unpaid purchases of goods and services from suppliers.

Commissions payable are unpaid commissions on the Parent Company's direct business, payable to agents and brokers which are due upon collection of the related premiums receivables.

Accrued expenses pertain to accrual of monthly expenditures of the Parent Company. This includes expenses for utilities, fringe benefit tax, allocated common expenses for the use of Y Tower I and II and other expenses that are necessary to carry out the operations of the Parent Company.

Others consists mainly of unpaid leave conversion of employees, survey and service fees.

18. **Pension Liability**

The Parent Company has a defined benefit plan, covering substantially all of its employees, which requires contribution to be made to administered funds. The plan is administered by a local bank as trustee. The Parent Company's trustee bank is RCBC. The transactions of the fund are being approved by the President of the Parent Company.

The following tables summarize the components of net pension benefit expense recognized in the Parent Company statements of income and the funded status and amounts recognized in the Parent Company statements of financial position for the retirement plan.

The net pension benefit expense included in employee benefits under the general and administrative expenses account in the Parent Company statements of income follows:

	2015	2014
Current service cost	**₱39,260,663**	₱37,763,500
Net interest cost	**8,504,827**	7,965,884
Net benefit expense	**₱47,765,490**	₱45,729,384
Actual return on plan assets	**(₱25,828,936)**	₱15,282,075

The remeasurement effects recognized in the Parent Company statements of comprehensive income follows:

	2015	2014
Actuarial gain on obligation		
Due to change in financial assumption	**(₱11,252,485)**	(₱10,494,880)
Due to demographical assumption	**1,344,614**	–
Due to experience	**2,494,006**	24,910,167
	(7,413,865)	14,415,287
Return on assets (excluding amount included in net interest cost)	**35,433,137**	(5,807,708)
Tax effect	**(8,405,782)**	(2,582,274)
Total amount recognized in OCI	**₱19,613,490**	₱6,025,305

The pension obligation recognized in the parent company statements of financial position follows:

	2015	2014
Present value of pension benefit obligation	**₱408,384,784**	₱384,480,416
Fair value of plan assets	**(182,142,689)**	(203,910,847)
	₱226,242,095	₱180,569,569

The reconciliation of the present value of the pension benefit obligation follows:

	2015	2014
Balance at beginning of year	**₱384,480,416**	₱403,584,640
Current service cost	**39,260,663**	37,763,500
Interest cost	**18,109,028**	17,440,251
Actuarial (gain) loss recognized in OCI	**(7,413,865)**	14,415,287
Present value of obligation of transferred employees from related parties (Note 29)	**–**	3,804,999
Present value of obligation of transferred employee to related parties (Note 29)	**–**	(438,001)
Benefits paid	**(26,051,458)**	(92,090,260)
Balance at end of year	**₱408,384,784**	₱384,480,416

The reconciliation of the fair value of the plan assets follow:

	2015	2014
Balance at beginning of year	**₱203,910,847**	₱219,822,909
Contributions by employer	**30,112,236**	60,896,123
Interest income	**9,604,201**	9,474,367
Benefits paid	**(26,051,458)**	(92,090,260)
Actuarial gain (loss)	**(35,433,137)**	5,807,708
Balance at end of year	**₱182,142,689**	₱203,910,847

The Parent Company expects to contribute ₱61.00 million to the retirement fund in 2016.

The distribution of the plan assets as of December 31, 2015 and 2014 follows:

	2015	2014
Cash	**₱36,303,557**	₱27,878,784
Receivables	**5,469,668**	5,649,736
Investments in:		
Government securities	**7,504,983**	7,227,335
Equity securities	**67,914,470**	96,176,858
Other securities and debt instruments	**65,246,248**	67,901,719
	182,438,926	204,834,432
Less accrued trust fees and other payables	**296,237**	923,585
	₱182,142,689	₱203,910,847

The following presents the transactions of the Parent Company's retirement fund with related parties:

Category	**2015 Balance**	2014 Balance	Terms	Conditions
Other related parties				
Savings deposits – RCBC	**₱10,976**	₱11,904	Non-interest bearing; on demand	Unsecured; no impairment
Time deposits – RCBC	**–**	2,115,455	–	Unsecured; no impairment
Common stocks – RCBC	**8,689,626**	12,639,456	–	Unsecured: no impairment
Common stocks – HI	**2,165,706**	2,417,258	–	Unsecured: no impairment
Corporate bonds – RCBC	**2,547,990**	2,547,990	Interest rates at 0% to 3.25%: terms of 3.5 to 5.5 years	Unsecured; no impairment

The principal actuarial assumptions used in determining pension obligation are as follow:

	2015	2014
Salary increase rate	**5.00%**	5.00%
Discount rate	**5.20%**	4.71%

Sensitivities
The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2015

	Change in variables	**Impact on present value of defined benefit obligation Increase (Decrease)**	**Percentage change**
Discount rate	**+0.5%**	**(₱398,547,717)**	**(2.63%)**
	–0.5%	**419,888,456**	**2.89%**

	Change in variables	**Impact on present value of defined benefit obligation Increase (Decrease)**	**Percentage change**
Salary increase rate	**+1.0%**	**₱432,863,667**	**5.93%**
	–1.0%	**(390,487,563)**	**(4.89%)**

2014

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Percentage change
Discount rate	+0.5%	(₱374,062,190)	(2.71%)
	–0.5%	397,861,257	3.48%
Salary increase rate	+1.0%	₱412,623,690	7.32%
	–1.0%	(365,709,253)	(4.88%)

The average duration of the defined benefit obligation is 20 years.

The maturity analysis of the undiscounted benefit payments as of December 31, 2015 based on normal retirements (retirement age of 60 only) is as follows:

Year of Retirement	**No. of Retirees**	**Total Benefit**
1 year and less	4	₱18,461,977
More than 1 year to 5 years	22	62,555,642
More than 5 year to 10 years	49	243,135,677
More than 10 year to 15 years	91	385,808,912
More than 15 year to 20 years	59	411,154,403
More than 20 year	431	2,552,580,719

19. **Cash Dividends and Other Revaluation Reserve**

Cash Dividends
The Parent Company has no declaration of dividends in 2015.

On August 1, 2014, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱126.8 million or ₱15 per share out of the unappropriated retained earnings of the Parent Company as of December 31, 2014 in favor of the stockholders of record as of August 1, 2014. Dividends were paid on December 29, 2014.

Other Revaluation Reserve
On April 10, 2008, the Parent Company's BOD and stockholders approved the articles of merger and plan of merger between Tokio Marine Malayan Insurance Company, Inc. (TMMIC) and the Parent Company. TMMIC is a 50-50 joint venture company owned by the Parent Company and Tokio Marine Asia Pte., Ltd. (Tokio Marine). On July 2, 2008, the SEC approved the articles and plan of merger. The effects of the merger were reckoned from January 1, 2008. The merger was accounted for as a business combination in accordance with PFRS 3. TMMIC and the Parent Company became a single corporation, with the Parent Company as the surviving corporation. TMMIC ceased to exist and its legal personality was terminated. As at the date of acquisition, the identifiable assets and liabilities of TMMIC have been measured at fair value resulting in a difference of ₱46,933,294 against its carrying values. The difference between the carrying value and fair value pertains mainly to the increase in the appraised value of the building. The Parent Company recorded the appraisal increase amounting to ₱23,466,647 pertaining to its previously held interest as "Other revaluation reserve" in the equity section of the Parent Company statement of financial position.

20. **Net Premiums Earned**

Gross premiums earned and reinsurers' share of gross premiums earned consists of the following:

	2015	2014
Gross premiums written:		
Direct insurance	**₱6,613,232,527**	₱5,827,152,437
Assumed reinsurance (Note 29)	**1,747,509,622**	1,468,772,514
Total gross premiums on insurance contracts (Note 15)	**8,360,742,149**	7,295,924,951
Gross change in provision for unearned premiums (Note 15)	**284,466,111**	92,298,930
Gross premiums earned (Note 15)	**8,645,208,260**	7,388,223,881
Reinsurers' share of gross premiums written:		
Direct insurance	**3,871,147,272**	3,713,028,591
Assumed reinsurance	**1,066,860,607**	915,527,902
Total reinsurers' share of gross premiums on insurance contracts (Note 15)	**4,938,007,879**	4,628,556,493
Reinsurers' share of change in provision for unearned premiums (Note 15)	**653,079,601**	168,568,405
Reinsurers' share of gross premiums earned on insurance contracts (Note 15)	**5,591,087,480**	4,797,124,898
Net premiums earned	**₱3,054,120,780**	₱2,591,098,983

21. Investment and Other Income and Investment and Other Expense

Investment and other income

This account consists of:

	2015	2014
Dividend income (Note 29)	**₱170,093,274**	₱226,425,290
Interest income (Note 29):		
AFS financial assets	**108,563,785**	128,018,049
Long-term commercial papers	**55,317,837**	56,828,397
Cash and cash equivalents	**15,327,393**	14,290,731
Notes receivables	**2,237,308**	6,660,713
Funds held by ceding companies - treaty	**441,712**	516,576
Others	**195,111**	1,205,964
Foreign currency exchange gains - net	**121,964,459**	21,382,706
Gain on sale of:		
AFS financial assets (Note 7)	**57,208,739**	169,786,234
Real estate properties for sale (Note 14)	**434,556**	11,420,817
Property and equipment (Note 13)	**191,308**	627,221
Investment property (Note 12)	**–**	246,074
Rental Income (Note 12)	**23,806,916**	20,744,261
Others (Note 29)	**5,557,553**	4,622,488
	₱561,339,951	₱662,775,521

Investment and other expense

This account consists of the following:

	2015	2014
Investment expense	**₱13,293,611**	₱22,727,324
Broker's fee	**26,350**	1,993,954
Impairment loss on financial assets (Note 7)	**60,357,969**	–
	₱73,677,930	₱24,721,278

As of December 31, 2015 and 2014, the foreign exchange gain from non-deliverable foreign exchange forward contracts entered into by the Parent Company to hedge its exposure on foreign currency risk amounted to ₱31.9 million and ₱16.5 million, respectively. In 2015 and 2014, the weighted average rate of exchange rate of these forward currency contracts are ₱44.53 and ₱44.48, respectively.

As of December 31, 2015, the Parent Company's unrealized foreign exchange gain amounted to ₱147.16 million and the unrealized foreign exchange loss amounted to ₱35.50 million in 2014.

22. Insurance Contract Benefits and Claims Paid

Gross insurance contract benefits and claims paid consist of:

	2015	2014
Gross insurance contract benefits and claims paid:		
Direct insurance	**₱2,669,964,759**	₱3,229,000,924
Assumed reinsurance	**722,836,096**	619,129,530
Total gross insurance contract benefits and claims paid (Note 15)	**₱3,392,800,855**	₱3,848,130,454

Reinsurers' share of gross insurance contract benefits and claims paid consist of:

	2015	2014
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	**₱1,747,743,198**	₱2,236,745,201
Assumed reinsurance	**264,606,488**	156,159,883
Total reinsurers' share of gross insurance contract benefits and claims paid (Note 15)	**₱2,012,349,686**	₱2,392,905,084

Gross change in insurance contract liabilities consist of:

	2015	2014
Change in provision for claims reported		
Direct insurance	**(₱486,500,741)**	(₱444,952,130)
Assumed reinsurance	**(1,566,305,758)**	2,366,071,997
Change in provision for IBNR	–	19,000,000
Total gross change in insurance contract liabilities (Note 15)	**(₱2,052,806,499)**	₱1,940,119,867

Reinsurers' share of gross change in insurance contract liabilities consists of:

	2015	2014
Reinsurers' share of gross change in insurance contract liabilities:		
Direct insurance	**(₱614,935,828)**	(₱297,910,820)
Assumed reinsurance	**(1,502,131,605)**	2,427,891,284
Total reinsurers' share of gross change in insurance contract liabilities (Note 15)	**(₱2,117,067,433)**	₱2,129,980,464

23. General and Administrative Expenses

This account consists of:

	2015	2014
Salaries, wages and allowances (Note 29)	**₱377,720,591**	₱346,031,918
Employee benefits (Note 18)	**96,084,325**	92,352,376
Depreciation and amortization (Notes 12, and 13)	**64,279,941**	61,736,081
Rent, light and water (Notes 24 and 29)	**60,279,519**	58,137,486
Professional fees	**56,458,839**	54,267,878
Provision for impairment losses - net of reversals (Note 7)	**45,000,000**	44,482,881
Postage, telephone and cable	**39,095,583**	39,785,311
Advertising and promotions	**48,930,231**	38,797,849
Entertainment, amusement and recreation	**30,323,127**	32,346,490
Printing and office supplies	**28,795,694**	30,602,644
Transportation and travel	**38,740,905**	41,433,320
Repairs and maintenance	**16,380,475**	13,085,258
Business development	**7,667,432**	9,505,070
Management fees (Note 29)	**7,500,000**	7,500,000
Donation and contributions	**6,937,158**	1,329,573
Bank charges	**5,680,252**	5,660,530
Taxes, licenses and fees	**4,381,948**	2,633,370
Insurance	**1,504,910**	1,208,161
Membership and association dues	**3,173,224**	3,222,983
Others	**16,724,129**	13,415,850
	₱955,658,283	₱897,535,029

24. Leases

Operating leases - Parent Company as lessor
The Parent Company entered into various lease agreements for its office spaces. These leases generally have terms of one year, renewable every year.

Operating leases - Parent Company as lessee
The Parent Company entered into various property leases with various lessors for office space of its head office and local and provincial branches. These leases generally have terms of one year, renewable every year.

25. Income Tax

The provision for income tax consists of:

	2015	2014
Final	**₱24,457,771**	₱28,233,773
Current	**10,844,912**	9,994,364
Deferred	**(2,129,490)**	3,161,755
	₱33,173,193	₱41,389,892

The current provision for income tax represents MCIT.

The Parent Company's net deferred tax assets consist of:

	2015	2014
Deferred tax assets on:		
Excess of provision for unearned premiums per books over tax basis	**₱–**	₱203,015,501
Deferred reinsurance premiums	**106,591,006**	–
Deferred reinsurance commissions	**42,907,125**	54,784,233
Allowance for doubtful accounts	**44,086,391**	44,086,391
Provision for IBNR	**33,570,027**	33,570,027
Unamortized past service cost	**17,379,675**	22,142,294
Pension obligation	**4,603,199**	4,603,199
Accrual of short-term benefits	**4,192,766**	4,192,766
	253,330,189	366,394,411
Deferred tax liabilities on:		
Excess of provision for unearned premiums per tax over books basis	**(₱28,004,680)**	₱–
Deferred reinsurance premiums	**–**	(113,485,147)
Deferred acquisition costs	**(85,618,466)**	(98,097,677)
Unrealized foreign exchange gain – net	**(43,308,387)**	(60,542,421)
	(156,931,533)	(272,125,245)
Deferred tax asset through equity:		
Remeasurement loss on defined benefit obligation	**63,706,058**	55,300,276
Deferred tax liability through equity:		
Net unrealized gain on AFS financial assets	**(28,731,844)**	(44,150,363)
	₱131,372,870	₱105,419,079

Movements in net deferred tax assets comprise of:

	2015	2014
At beginning of the year	**₱105,419,079**	₱115,991,636
Amounts credited to (charged against) statements of income	**2,129,490**	(3,161,755)
Amount credited to (charged against) statements of comprehensive income	**23,824,301**	(7,410,802)
At end of the year	**₱131,372,870**	₱105,419,079

As of December 31, 2015 and 2014, the Parent Company did not recognize deferred tax assets on the following deductible temporary differences, carryforward of unused tax credits from excess of MCIT over RCIT, and unused NOLCO:

	2015	2014
NOLCO	**₱604,738,899**	₱810,936,120
Accrued expenses	**110,433,463**	112,011,134
Unrealized foreign exchange gain - net	**–**	35,498,064
MCIT	**27,936,971**	23,380,801
Pension obligation	**30,718,306**	13,065,052
Allowance for doubtful accounts	**32,718,066**	–

The related tax benefits will be recognized only as reassessment demonstrates that they are realizable. Realization is entirely dependent upon future taxable income.

As of December 31, 2015, details of the NOLCO and MCIT, which is available for offset against future taxable income and future income tax liability, respectively, follows:

Inception Year	NOLCO	Tax Effect of NOLCO	MCIT	Expiration Year
2015	₱24,618,592	₱7,385,578	₱10,844,912	2018
2014	240,411,371	72,123,411	9,994,364	2017
2013	339,708,936	101,912,681	7,097,695	2016
	₱604,738,899	₱181,421,670	₱27,936,971	

The following are the movements in NOLCO:

	2015	2014
Balance at beginning of year	**₱810,936,120**	₱785,220,615
Addition	**24,618,592**	240,411,371
Expiration	**(230,815,813)**	(214,695,866)
Balance at end of year	**₱604,738,899**	₱810,936,120

The following are the movements in MCIT:

	2015	2014
Balance at beginning of year	**23,380,801**	₱21,581,690
Addition	**10,844,912**	9,994,364
Expiration	**(6,288,742)**	(8,195,253)
Balance at end of year	**₱27,936,971**	₱23,380,801

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the Parent Company statements of income follows:

	2015	2014
At statutory income tax rate	**₱62,011,383**	₱99,429,094
Adjustments for:		
Change in unrecognized deferred tax assets	**32,868,584**	75,857,636
Dividend income	**(46,980,359)**	(63,880,420)
Interest income exempt or already subjected to final tax	**(22,722,408)**	(28,531,007)
Gain on sale of AFS financial assets	**(14,107,386)**	(47,640,063)
Nondeductible expense	**22,103,379**	6,154,652
	₱33,173,193	₱41,389,892

26. Reconciliation of Net Income under PFRS to Statutory Net Income

The reconciliation of net income under PFRS to statutory net income follows:

	2015	2014
Net income under PFRS	**₱173,531,416**	₱290,040,422
Adjustments:		
Difference in change in provision for unearned premiums - net	**45,902,500**	(83,564,992)
Deferred acquisition cost - net	**2,006,949**	56,867,309
Tax effects of adjustments	**(14,372,835)**	3,161,755
	₱207,068,030	₱268,783,437

27. Management of Capital, Insurance and Financial Risks

Governance Framework
The primary objective of the Parent Company's risk and financial management framework is to protect the Parent Company from events that hinder the sustainable achievement of the Parent Company's performance objectives, including failure to exploit opportunities. The Parent Company recognizes the importance of having efficient and effective risk management systems in place.

Regulatory Frameworkx
Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Parent Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Parent Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

Capital Management and Regulatory Requirements
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Model.

The Insurance Commission's (IC) capital requirements are fixed capitalization requirements, RBC requirements, and unimpaired capital requirement.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements and RBC requirements).

No changes were made to its capital base, objectives, policies and processes from the previous year.

Fixed Capitalization Requirements
On August 15, 2013, the President of the Philippines approved Republic Act No. 10607 known as the "New Insurance Code" which provides for the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

The following presents the amount of required net worth and the schedule of compliance per New Insurance Code:

Networth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31 ,2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued Circular Letter (CL) No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of the New Insurance Code. The said circular supersedes the Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008.

As of December 31, 2015 and 2014, the Parent Company's estimated statutory net worth amounted to ₱5,546,130,147 and ₱6,640,086,717, respectively.

Unimpaired capital requirement
IC CL No. 2015-02-A says that all domestic life and non-life insurance companies duly licensed by the Insurance Commission must have a networth of at least Two hundred and fifty million pesos (250,000,000) by December 31, 2013 and the minimum networth of these companies shall remain unimpaired at all times.

As of December 31, 2015 and 2014, the Parent Company has complied with the unimpaired capital requirement.

Financial Reporting Framework
On June 10, 2015, IC issued Circular No. 2015-29 that clarifies the rules and regulations concerning Titles III and IV of Chapter III of the New Insurance Code and all the other accounts not discussed in the New Insurance Code but are used in accounting of insurance and reinsurance companies. This circular enumerated the list of admitted and non-admitted assets and investments. It includes the manual of accounts which enumerates certain admitted assets not specifically listed in Section 202 which discusses the nature, types and recognition and measurement of each account in the financial statements. This circular will be fully implemented starting June 30, 2016, with a transition cut-off date of January 1, 2016.

Valuation Standards for Policy Reserves
Under sections 219 and 220 of the Insurance Code, as amended, these sections require every insurance company other than life to maintain a reserve for unearned premiums and other special reserves, IC issued Circular No. 2015-32 which provides the new set of Valuation standards for Non-Life Insurance Policy Reserves. The Circular sets out the valuation method to be used by Insurance Companies in determining the level of reserves that they should maintain. Premium reserve will be aligned with the current practice under PFRS. Claims reserve specifically on IBNR will now be actuarially computed and an actuarial report must be submitted to IC following the report format provided in the said Circular. The actuarial report must include the certification of the Actuary and Chief Executive Officer (CEO) or responsible officer and must be duly notarized.

Insurance Risk
The principal risk the Parent Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims. Therefore, the objective of the Parent Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Parent Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both proportional and non-proportional basis with retention limits varying by product line and territory. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Parent Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Parent Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Parent Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Parent Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Parent Company substantially dependent upon any single reinsurance contract.

The Parent Company principally issues the following types of general insurance contracts: fire, motorcar, personal accident, marine, engineering, bonds and miscellaneous casualty. The most significant risks arise from climate changes and natural disasters. These risks do not vary significantly in relation to the location of the risk insured by the Parent Company, type of risk insured and by industry.

To further reduce the risk exposure, the Parent Company requires strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims.

The Parent Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Parent Company.

The Parent Company also has limited its exposure level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Parent Company's risk appetite as decided by management.

The tables below set out the concentration of the claims liabilities by type of contract (see Note 15).

	2015		
	Gross	**Reinsurers' Share**	**Net**
Fire	**₱5,958,726,547**	**₱5,360,499,716**	**₱598,226,831**
Miscellaneous casualty	**203,602,319**	**143,624,359**	**59,977,960**
Engineering	**677,742,537**	**506,205,591**	**171,536,946**
Marine	**412,201,010**	**364,063,813**	**48,137,197**
Motor	**482,414,100**	**7,744,978**	**474,669,122**
Surety	**180,177,715**	**15,503,132**	**164,674,583**
Personal accident	**56,112,294**	**184,182**	**55,928,112**
	₱7,970,976,522	**₱6,397,825,771**	**₱1,573,150,751**

	2014		
	Gross	Reinsurers' Share	Net
Fire	₱7,801,323,164	₱7,137,413,635	₱663,909,529
Miscellaneous casualty	197,207,027	63,604,162	133,602,865
Engineering	933,390,611	879,490,154	53,900,457
Marine	515,590,650	432,628,644	82,962,006
Motor	343,359,823	1,748,139	341,611,684
Surety	181,043,284	–	181,043,284
Personal accident	51,868,462	8,470	51,859,992
	₱10,023,783,021	₱8,514,893,204	₱1,508,889,817

The tables below set out the geographical concentration of the Parent Company's claims liabilities based on the countries where the insurance business is written.

	2015		
	Gross	**Reinsurers' Share**	**Net**
Philippines	**₱7,889,101,843**	**₱6,397,825,771**	**₱1,491,276,072**
Greece	**81,874,679**	–	**81,874,679**
	₱7,970,976,522	**₱6,397,825,771**	**₱1,573,150,751**

	2014		
	Gross	Reinsurers' Share	Net
Philippines	₱9,950,960,105	₱8,514,893,204	₱1,436,066,901
Greece	72,822,916	–	72,822,916
	₱10,023,783,021	₱8,514,893,204	₱1,508,889,817

Key Assumptions
The principal assumption underlying the liability estimates is the Parent Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.

Sensitivities
The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting dates.

The table below shows the impact of changes in certain important assumptions in general insurance business while other assumptions remain unchanged. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	2015			
	Change in Assumptions %	**Impact on Gross Insurance Contract Liabilities Increase (Decrease)**	**Impact on Net Insurance Contract Liabilities Increase (Decrease)**	**Impact on Income Before Income Tax Increase (Decrease)**
Average claim costs	**+5%**	**₱93,836,713**	**₱60,285,847**	**(₱60,285,847)**
Average number of claims	**+5%**	**87,512,782**	**56,223,008**	**(56,223,008)**

	2014			
	Change in Assumptions %	Impact on Gross Insurance Contract Liabilities Increase (Decrease)	Impact on Net Insurance Contract Liabilities Increase (Decrease)	Impact on Income Before Income Tax Increase (Decrease)
Average claim costs	+5%	₱136,963,524	₱44,069,474	(₱44,069,474)
Average number of claims	+5%	125,176,625	40,276,913	(40,276,913)

Claims Development Table
The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Parent Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Parent Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The risks vary significantly in relation to the location of the risk insured by the Parent Company, type of risks insured and in respect of commercial and business interruption insurance by industry.

	Gross insurance contract liabilities in 2015											
Accident year	2005 and prior years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Accident year	₱6,915,335,863	₱4,850,742,984	₱2,153,852,352	₱3,453,359,337	₱4,491,071,961	₱2,452,981,057	₱2,054,523,560	₱3,516,913,623	₱5,287,666,525	₱3,773,841,140	₱2,177,461,966	₱2,177,461,966
One year later	7,095,947,561	6,805,161,484	2,702,712,031	3,080,509,506	3,996,154,804	2,357,295,438	2,353,360,451	3,775,847,014	7,755,316,252	3,762,098,407	–	3,762,098,407
Two years later	7,157,529,685	6,141,188,414	3,309,131,763	3,043,204,072	4,079,728,468	2,311,330,526	2,293,732,276	3,427,413,958	7,152,194,855	–	–	7,152,194,855
Three years later	7,172,236,241	6,211,647,630	3,238,063,734	3,051,737,409	3,958,859,267	2,446,491,587	2,289,358,135	3,315,636,838	–	–	–	3,315,636,838
Four years later	7,213,439,899	6,109,121,979	3,218,068,581	3,047,675,343	3,957,788,943	2,451,308,860	2,221,173,159	–	–	–	–	2,221,173,159
Five years later	7,096,508,907	6,119,521,387	3,236,540,286	3,035,327,193	3,768,538,475	2,486,350,381	–	–	–	–	–	2,486,350,381
Six years later	7,087,375,647	6,115,587,095	3,238,811,676	3,050,477,246	3,904,106,568	–	–	–	–	–	–	3,904,106,568
Seven years later	7,044,464,781	6,115,165,011	3,254,252,233	3,050,957,774	–	–	–	–	–	–	–	3,050,957,774
Eight years later	7,031,654,064	6,133,784,509	2,990,206,499	–	–	–	–	–	–	–	–	2,990,206,499
Nine years later	7,026,241,571	6,181,689,904	–	–	–	–	–	–	–	–	–	6,181,689,904
Ten years later	7,028,650,384	–	–	–	–	–	–	–	–	–	–	7,028,650,385
Current estimate cumulative claims	7,028,650,384	6,181,689,904	2,990,206,499	3,050,957,774	3,904,106,568	2,486,350,381	2,221,173,159	3,315,636,838	7,152,194,855	3,762,098,407	2,177,461,966	44,270,526,735
Cumulative payments to date	6,643,099,274	6,122,318,663	2,970,538,078	2,736,413,479	3,360,377,964	2,400,077,623	2,128,740,561	3,081,196,992	3,602,442,081	2,399,522,258	854,823,240	36,299,550,213
Liability recognized	₱385,551,110	₱59,371,241	19,668,421	₱314,544,295	₱543,728,604	₱86,272,758	92,432,598	₱234,439,846	₱3,549,752,774	₱1,362,576,149	₱1,322,638,726	₱7,970,976,522

	Net insurance contract liabilities in 2015											
Accident year	2005 and prior years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Accident year	₱3,070,932,177	₱1,242,204,230	₱1,431,123,375	₱1,950,738,629	₱1,108,507,686	₱1,476,003,009	₱1,479,368,589	₱1,343,307,200	₱1,167,861,650	₱1,785,123,844	₱1,787,296,751	₱1,787,296,751
One year later	3,211,744,914	1,566,871,374	1,424,406,973	1,919,220,777	1,129,398,406	1,543,873,124	1,790,484,836	1,334,241,484	892,155,927	1,242,690,210	–	1,242,690,210
Two years later	3,239,509,942	1,616,690,261	1,941,013,073	1,975,181,138	1,192,820,539	1,527,375,143	1,764,069,864	1,156,422,332	1,033,075,903	–	–	1,033,075,903
Three years later	3,264,970,820	1,626,118,867	1,902,262,008	1,943,030,345	1,179,758,587	1,658,298,908	1,762,074,454	1,145,719,433	–	–	–	1,145,719,433
Four years later	3,259,387,187	1,622,614,389	1,882,711,218	1,944,850,521	1,313,572,435	1,661,266,668	1,701,940,718	–	–	–	–	1,701,940,718
Five years later	3,030,655,757	1,636,646,088	1,878,299,355	1,930,483,322	201,532,981	1,694,781,730	–	–	–	–	–	1,694,781,730
Six years later	2,742,642,176	1,635,593,874	1,880,491,768	1,929,902,001	253,141,711			–	–	–	–	253,141,711
Seven years later	2,717,252,630	1,635,593,765	1,895,656,523	1,954,801,699	–	–	–	–	–	–	–	1,954,801,699
Eight years later	2,701,568,807	1,654,013,493	1,889,902,971	–	–	–	–	–	–	–	–	1,889,902,971
Nine years later	2,694,310,770	1,677,541,803	–	–	–	–	–	–	–	–	–	1,677,541,803
Ten years later	2,696,278,167	–	–	–	–	–	–	–	–	–	–	2,696,278,167
Current estimate cumulative claims	2,696,278,167	1,677,541,803	1,889,902,971	1,954,801,699	253,141,711	1,694,781,730	1,701,940,718	1,145,719,433	1,033,075,903	1,242,690,210	1,787,296,751	17,077,171,096
Cumulative payments to date	2,530,251,441	1,653,485,567	1,882,226,617	1,885,624,190	223,054,224	1,648,631,285	1,661,591,360	1,119,555,024	878,702,844	859,416,543	1,161,481,250	15,504,020,345
Net liability recognized	₱166,026,726	₱24,056,236	7,676,354	₱69,177,509	₱30,087,487	₱46,150,445	40,349,358	₱26,164,409	₱154,373,059	₱383,273,667	₱625,815,501	₱1,573,150,751

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

Credit Risk
Credit risk is a risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Prior to extending credit, the Parent Company manages its credit risk by assessing credit quality of its counterparty.

The Parent Company has a credit policy group that reviews all information about the counterparty which may include its statement of financial position, statement of income and other market information. The nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

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

The table below shows the maximum exposure to credit risk for the components of the Parent Company statement of financial position, net of impairment losses.

	2015	2014
AFS financial assets		
Quoted securities:		
Listed equity securities:		
Common shares	**₱3,893,430,345**	₱5,259,837,296
Preferred shares	**36,222,933**	21,492,440
Government debt securities:		
Local currency	**492,157,094**	478,646,646
Foreign currency	**11,004,349**	34,528,400
Private debt securities	**1,491,524,290**	1,355,998,516
Funds	**196,163,501**	249,179,147
Non-quoted securities:		
Unlisted equity securities		
Common shares	**99,866,021**	93,993,283
Preferred shares	**17,540**	17,540
Cash and cash equivalents	**2,624,231,334**	565,596,904
Short-term investments	**51,767,146**	25,091,083
Insurance receivables:		
Due from policyholders, agents and brokers	**3,687,888,009**	3,537,967,848
Due from ceding companies:		
Treaty	**229,858,929**	1,306,606,972
Facultative	**88,139,148**	132,248,327
Funds held by ceding companies - treaty	**133,813,334**	139,298,388

(Forward)

	2015	2014
Reinsurance recoverable on paid losses – Facultative	**₱119,028,671**	₱126,536,705
Loans and receivables:		
Long-term commercial papers	**996,468,505**	1,062,760,653
Notes receivable	**11,868,722**	292,121,058
Accounts receivable	**37,775,074**	64,783,450
Creditable withholding tax	**144,152,400**	62,677,478
Due from related parties	**45,465**	3,390,901
Claims recoverable	**6,408,374**	811,250
Cash advances	**766,578**	768,996
Security fund	**263,905**	263,905
Accrued income:		
Accrued interest:		
AFS financial assets	**28,076,409**	28,419,581
Long-term commercial papers	**6,858,307**	7,687,653
Cash and cash equivalents	**414,781**	521,783
Security fund	**159,753**	126,342
Funds held by ceding companies - treaty	**42,759**	90,845
Notes receivables	–	58,116
Accrued rent income	**2,602,752**	1,386,127
Accrued dividend income	**3,190,025**	16,567,872
	₱14,394,206,453	₱14,869,475,505

The following table provides information regarding the credit risk exposure of the Parent Company by classifying financial assets according to credit ratings of the counterparties:

	2015				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
AFS financial assets					
Quoted securities:					
Listed equity securities:					
Common shares	**₱3,725,195,190**	**₱–**	**₱–**	**₱228,642,050**	**₱3,953,837,240**
Preferred shares	**36,222,933**	**–**	**–**	**–**	**36,222,933**
Government debt securities:					
Local currency	**492,157,094**	**–**	**–**	**–**	**492,157,094**
Foreign currency	**11,004,349**	**–**	**–**	**–**	**11,004,349**
Private debt securities	**412,146,656**	**1,079,377,634**	**–**	**–**	**1,491,524,290**
Funds	**191,246,812**	**4,916,689**	**–**	**–**	**196,163,501**
Non-quoted securities					
Unlisted equity securities					
Common shares	**99,866,021**	**–**	**–**	**–**	**99,866,021**
Preferred shares	**17,540**	**–**	**–**	**–**	**17,540**
Cash and cash equivalents	**2,624,231,334**	**–**	**–**	**–**	**2,624,231,334**
Short-term investments	**51,767,146**	**–**	**–**	**–**	**51,767,146**
Insurance receivables:					
Due from policyholders, agents and brokers	**703,833,236**	**587,503,639**	**2,396,551,134**	**155,936,864**	**3,843,824,873**
Due from ceding companies:					
Treaty	**10,150,404**	**–**	**219,708,525**	**–**	**229,858,929**
Facultative	**35,519,921**	**18,638,133**	**33,981,094**	**14,557,184**	**102,696,332**
Funds held by ceding companies – treaty	**20,443,712**	**68,125**	**113,301,497**	**–**	**133,813,334**
Reinsurance recoverable on paid losses – facultative	**761,424**	**33,407,439**	**84,859,808**	**6,030,168**	**125,058,839**
Accrued income:					
Accrued interest:					
AFS financial assets	**28,076,409**	**–**	**–**	**–**	**28,076,409**
Long-term commercial papers	**6,858,307**	**–**	**–**	**–**	**6,858,308**
Cash and cash equivalents	**414,781**	**–**	**–**	**–**	**414,781**

(Forward)

	2015				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
Security fund	**₱159,753**	₱–	₱–	₱–	**₱159,753**
Funds held by ceding companies - treaty	**42,759**	–	–	–	**42,759**
Notes receivable		–	–	–	
Accrued rent income	**2,602,752**	–	–	–	**2,602,752**
Accrued dividend income	**3,190,025**	–	–	–	**3,190,025**
Loans and receivables					
Long-term commercial papers	**98,214,893**	**898,253,612**	–	–	**996,468,505**
Notes receivable	**11,868,722**	–	–	**1,097,877**	**12,966,599**
Accounts receivable	**37,775,074**	–	–	**2,050,610**	**39,825,684**
Creditable withholding tax	**144,152,400**	–	–	–	**144,152,400**
Due from related parties	**45,465**	–	–	–	**45,465**
Claims recoverable	**6,408,374**	–	–	–	**6,408,374**
Cash advances	**766,578**	–	–	–	**766,578**
Security fund	**263,905**	–	–	–	**263,905**
	₱8,755,403,969	**₱2,622,165,271**	**₱2,848,402,058**	**₱408,314,753**	**₱14,634,286,052**

	2014				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
AFS financial assets					
Quoted securities:					
Listed equity securities:					
Common shares	₱5,259,837,296	₱–	₱–	₱–	₱5,259,837,296
Preferred shares	21,492,440	–	–	–	21,492,440
Government debt securities:					
Local currency	478,646,646	–	–	–	478,646,646
Foreign currency	34,528,400	–	–	–	34,528,400
Private debt securities	398,919,192	957,079,324	–	–	1,355,998,516
Funds	244,517,756	4,661,391	–	–	249,179,147
Non-quoted securities					
Unlisted equity securities					
Common shares	–	93,993,283	–	–	93,993,283
Preferred shares	–	17,543	–	–	17,543
Cash and cash equivalents	566,480,529	–	–	–	566,480,529
Short-term investments	25,091,083	–	–	–	25,091,083
Insurance receivables:					
Due from policyholders, agents and brokers	794,544,118	545,273,737	2,319,631,012	1,737,779	3,661,186,646
Due from ceding companies:					
Treaty	378,295,499	3,178,977	925,132,496	3,020,424	1,309,627,396
Facultative	104,825,659	10,658,998	18,300,094	7,219,431	141,004,182
Funds held by ceding companies – treaty	108,917,633	30,380,755	–	–	139,298,388
Reinsurance recoverable on paid losses – facultative	64,766,862	70,580,916	–	–	135,347,778
Accrued income:					
Accrued interest:					
AFS financial assets	28,419,581	–	–	–	28,419,581
Long-term commercial papers	7,687,653	–	–	–	7,687,653
Cash and cash equivalents	521,783	–	–	–	521,783
Security fund	126,342	–	–	–	126,342
Funds held by ceding companies - treaty	74,750	16,095	–	–	90,845
Notes receivable	58,116	–	–	–	58,116
Accrued rent income	1,386,127	–	–	–	1,386,127
Accrued dividend income	16,567,872	–	–	–	16,567,872
Loans and receivables					
Long-term commercial papers	1,062,760,653		–	–	1,062,760,653
Notes receivable	293,218,935	–	–	–	293,218,935
Accounts receivable	66,834,060	–	–	–	66,834,060
Creditable withholding tax	62,677,478	–	–	–	62,677,478
Due from related parties	3,390,901	–	–	–	3,390,901
Claims recoverable	811,250	–	–	–	811,250
Cash advances	768,996	–	–	–	768,996
Security fund	263,905	–	–	–	263,905
	₱10,026,431,525	₱1,715,841,016	₱3,263,063,602	₱11,977,634	₱15,017,313,777

The credit rating is based on the following:

a) *Cash and cash equivalents, short-term investments and related accrued income*
High grade pertains to those deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability, while medium grade pertains to those deposited, placed or invested in thrift banks and rural banks in the Philippines.

b) *Insurance receivables, loans and receivables and accrued rent income and management fee*
For insurance receivables, loans and receivables and accrued rent income and management fee except Due from ceding companies, Funds held by ceding companies and Long-term commercial papers, the Parent Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. High grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. Medium grade is given to borrowers and counterparties who possess above average capacity to meet its obligations. These counterparties are somewhat susceptible to adverse changes in business and economic conditions.

   For Due from ceding companies and Funds held by ceding companies from local sources, the Parent Company uses a credit rating concept based on the debt-to-equity ratios of the borrowers and counterparties. High grade is given to borrowers and counterparties with debt-to-equity ratio of less than or equal to 2:1, while medium grade is given to borrowers and counterparties with debt-to-equity ratio of more than 2:1.

   For Due from ceding companies and Funds held by ceding companies from foreign sources, the Parent Company uses Standard & Poor's (S&P) and A.M. Best's credit rating of insurance companies. High grade pertains to insurance companies rated by S&P and A.M. Best as higher than BB+, which means that the insurance company has good to strong financial security characteristics, but may be affected by adverse business conditions. Medium grade pertains to insurance companies that are ungraded and rated by S&P and A.M. Best as lower than BB+, which means that the insurance company has marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

c) *Equity securities and related accrued income*
Listed equity securities are classified as high grade. Unlisted equity securities are classified as medium grade.

d) *Debt securities, long-term commercial papers and related accrued income*
These are based on the credit ratings by the international rating agency, S&P, and by Philippine Ratings Services Corporation (Philratings), the only domestic credit rating services in the Philippines accredited by Bangko Sentral ng Pilipinas (BSP) and SEC, in cases where an S&P rating is not available. High grade pertains to investments rated by S&P as BBB- and higher, which means that the counterparties have extremely strong to adequate capacity of paying interest and repaying principal, as well as investments in securities issued by the Philippine Government. Medium grade pertains to investments rated as Baa and higher by Philratings, as well as investments rated by S&P as BB+ to B- (except Philippine Government Securities). The Parent Company's holdings under this category are rated either BB- by S&P (due to sovereign credit rating ceiling) or Aaa by Philratings which is defined by Philratings to mean that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

e) *Notes receivables*
Receivables from related entities are considered as high grade.

The following shows the aging analysis of financial assets:

	2015		
	Past Due but not Impaired		**Total Past Due but**
	< 30 days	**> 30 days**	**not Impaired**
Due from policyholders, agents and brokers	**₱374,655,677**	**₱2,021,895,457**	**₱2,396,551,134**
Due from ceding companies:			
Treaty	**3,677,614**	**216,030,911**	**219,708,525**
Facultative	**7,463,792**	**26,517,302**	**33,981,094**
	₱385,797,083	**₱2,264,443,670**	**₱2,650,240,753**

	2014		
	Past Due but not Impaired		Total Past Due but
	< 30 days	> 30 days	not Impaired
Due from policyholders, agents and brokers	₱338,796,089	₱2,105,791,502	₱2,444,587,591
Due from ceding companies:			
Treaty	5,722,029	922,430,891	928,152,920
Facultative	5,618,939	19,900,586	25,519,525
	₱350,137,057	₱3,048,122,979	₱3,398,260,036

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

An institution may suffer from a liquidity problem when its credit rating falls. The Parent Company is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity. The major liquidity risk faced by the Parent Company is the potential daily calls on its available cash resources in respect of claims from insurance contracts.

The Parent Company manages liquidity through a management team which determines liquidity risk for the Parent Company by identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance of liquidity risk policy.

The tables below analyze financial assets and financial liabilities of the Parent Company into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

	2015				
	Up to a year*	**1-3 years**	**More than 3 years**	**No term**	**Total**
Cash and cash equivalents	**₱2,624,792,422**	**₱–**	**₱–**	**₱–**	**₱2,624,792,422**
Short-term cash investments	**51,767,146**	–	–	–	**51,767,146**
Insurance receivables	**4,435,252,307**	–	–	–	**4,435,252,307**
AFS financial assets	**4,390,895,102**	**488,779,527**	**1,325,736,151**	**14,975,293**	**6,220,386,073**
Loans and receivables	**1,200,897,510**	–	–	–	**1,200,897,510**
Accrued income	**41,344,786**	–	–	–	**41,344,786**
Reinsurance recoverable on unpaid losses	**6,397,825,771**	–	–	–	**6,397,825,771**
Total financial assets	**₱19,142,775,044**	**₱488,779,527**	**₱1,325,736,151**	**₱14,975,293**	**₱20,972,266,015**

	2015				
	Up to a year*	**1-3 years**	**More than 3 years**	**No term**	**Total**
Insurance contract liabilities	**7,970,976,524**	–	–	–	**₱7,970,976,524**
Insurance payables	**2,800,176,132**	–	–	–	**2,800,176,132**
Accounts payable, accrued expenses and other liabilities	**1,556,914,912**	–	–	–	**1,556,914,912**
Total financial liabilities	**₱12,328,067,568**	**₱–**	**₱–**	**₱–**	**₱12,328,067,568**

**Up to a year are all commitments which are either due within one year or are payable on demand.*

	2014				
	Up to a year*	1-3 years	More than 3 years	No term	Total
Cash and cash equivalents	566,480,529	₱–	₱–	₱–	₱566,480,529
Short-term cash investments	25,091,083	–	–	–	25,091,083
Insurance receivables	5,386,464,390	–	–	–	5,386,464,390
AFS financial assets	8,489,178	48,945,749	1,811,738,636	5,624,519,705	7,493,693,268
Loans and receivables	1,490,726,178	–	–	–	1,490,726,178
Accrued income	54,858,319	–	–	–	54,858,319
Reinsurance recoverable on unpaid losses	8,514,893,204	–	–	–	8,514,893,204
Total financial assets	₱16,047,002,881	₱48,945,749	₱1,811,738,636	₱5,624,519,705	₱23,532,206,971
Insurance contract liabilities	₱10,023,783,021	₱–	₱–	₱–	₱10,023,783,021
Insurance payables	2,805,103,438	–	–	–	2,805,103,438
Accounts payable, accrued expenses and other liabilities	1,518,512,688	–	–	–	1,518,512,688
Total financial liabilities	₱14,347,399,147	₱–	₱–	₱–	₱14,347,399,147

**Up to a year are all commitments which are either due within one year or are payable on demand.*

The table below analyzes nonfinancial assets and liabilities of the Parent Company into amounts expected to be recovered/settled within 12 months (current) and beyond 12 months (noncurrent).

	2015		2014	
	Current	**Noncurrent**	Current	Noncurrent
Deferred acquisition costs	**₱285,394,885**	**₱–**	₱326,992,196	₱–
Deferred reinsurance premiums	**1,516,693,534**	–	2,169,773,135	–
Investments in subsidiaries	–	**38,374,247**	–	38,374,247
Investment properties	–	**27,099,092**	–	27,167,690
Property and equipment	–	**274,219,025**	–	269,834,311
Deferred tax assets	–	**131,372,870**	–	105,419,079
Other assets	**66,632,128**	**335,196,728**	41,934,308	370,719,435
Total nonfinancial assets	**₱1,868,720,547**	**₱806,261,962**	₱2,538,699,639	₱811,514,762
Provision for unearned premiums	**₱3,208,120,730**	**₱–**	₱3,492,586,841	₱–
Deferred reinsurance commissions	**143,023,750**	–	182,614,111	–
Pension liability	–	**226,242,095**	–	180,569,569
Other liabilities	**595,598,478**	–	445,937,615	–
Total nonfinancial liabilities	**₱3,946,742,958**	**₱226,242,095**	₱4,121,138,567	₱180,569,569

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

Market Risk

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

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

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

The Parent Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Parent Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Parent Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

a) *Currency Risk*
The Parent Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to US Dollar and Euro. In addition, the Parent Company enters into non-deliverable forward contracts to hedge its exposure on foreign currency exchange risks.

The tables below summarize the Parent Company's exposure to foreign currency exchange rate risks by categorizing financial assets and liabilities by major currencies.

	2015				
	Philippine Peso	**US Dollar**	**Euro**	**Others**	**Total**
AFS Financial Assets					
Quoted securities:					
Listed equity securities:					
Common shares	**₱3,493,498,546**	**₱268,039,012**	**₱64,818,927**	**₱67,073,860**	**₱3,893,430,345**
Preferred shares	**34,392,440**	**1,830,493**	–	–	**36,222,933**
Government debt securities:					
Local currency	**492,157,094**	–	–	–	**492,157,094**
Foreign currency		**11,004,349**	–	–	**11,004,349**
Private debt securities		**1,491,524,290**	–	–	**1,491,524,290**
Funds	**26,243,070**	**158,172,191**	–	**11,748,239**	**196,163,500**
Non-quoted securities:					
Unlisted equity securities					
Common shares	**99,866,021**	–	–	–	**99,866,021**
Preferred shares	**17,540**	–	–	–	**17,540**
Cash and cash equivalents	**2,352,019,167**	**236,352,896**	**27,063,358**	**9,357,001**	**2,624,792,422**
Short-term investments	**38,920,189**	**12,846,957**	–	–	**51,767,146**
Insurance receivables - net	**3,087,803,433**	**1,117,296,658**	–	**53,628,000**	**4,258,728,091**
Loans and receivables - net:					
Long-term commercial papers	**996,468,505**	–	–	–	**996,468,505**
Notes receivable	**11,868,722**	–	–	–	**11,868,722**
Creditable withholding tax	**144,152,400**	–	–	–	**144,152,400**
Accounts receivable	**37,775,074**	–	–	–	**39,825,683**
Claims recoverable	**6,408,374**	–	–	–	**6,408,374**
Cash advances	**766,578**	–	–	–	**766,578**
Security fund	**263,905**	–	–	–	**263,905**
Due from related parties	**45,465**	–	–	–	**45,465**
Accrued income:					
Accrued interest:					
AFS financial assets	**6,601,654**	**21,474,755**	–	–	**28,076,409**
Long-term commercial papers	**6,858,308**	–	–	–	**6,858,308**

	2015				
	Philippine Peso	**US Dollar**	**Euro**	**Others**	**Total**
Security fund	**159,753**	–	–	–	**159,753**
Funds held by ceding companies – treaty	–	**42,759**	–	–	**42,759**
Cash and cash equivalents	**350,220**	**19,151**	**45,410**	–	**414,781**
Accrued rent income	**2,602,752**	–	–	–	**2,602,752**
Accrued dividend income	**3,190,025**	–	–	–	**3,190,025**
Total Financial Assets	**₱10,842,429,235**	**₱3,318,603,511**	**₱91,927,695**	**₱141,807,100**	**₱14,396,818,150**
Other Financial Liabilities					
Insurance payables:					
Due to reinsurers and ceding companies	**₱2,189,031,489**	**₱75,868,519**	**₱–**	**₱2,432,810**	**₱2,267,332,818**
Funds held for reinsurers	**502,464,646**	**27,911,012**	–	**2,467,656**	**532,843,314**
Accounts payable, accrued expenses and other liabilities:					
Accounts payable	**788,524,318**	–	–	–	**788,524,318**
Commissions payable	**468,308,571**	–	–	–	**468,308,571**
Accrued expenses	**165,531,708**	–	–	–	**165,531,708**
Surety deposits	**96,748,100**	–	–	–	**96,748,100**
Others	**37,802,215**	–	–	–	**37,802,215**
Total Financial Liabilities	**₱4,248,411,047**	**₱103,779,531**	**₱–**	**₱4,900,466**	**₱4,357,091,044**

	2014				
	Philippine Peso	US Dollar	Euro	Others	Total
AFS Financial Assets					
Quoted securities:					
Listed equity securities:					
Common shares	₱4,768,663,335	₱316,606,706	₱101,550,667	₱73,016,588	₱5,259,837,296
Preferred shares	21,492,440	–	–	–	21,492,440
Government debt securities:					
Local currency	478,646,646	–	–	–	478,646,646
Foreign currency		34,528,400			34,528,400
Private debt securities		1,341,650,247		14,348,269	1,355,998,516
Funds	18,165,540	220,712,297		10,301,310	249,179,147
Non-quoted securities:					
Unlisted equity securities					
Common shares	93,993,283	–	–	–	93,993,283
Preferred shares	17,540	–	–	–	17,540
Cash and cash equivalents	373,385,246	188,405,212	403,999	4,286,072	566,480,529
Short-term investments	12,971,228	12,119,855	–	–	25,091,083
Insurance receivables - net	4,153,084,685	1,038,610,724	3,609,620	47,353,211	5,242,658,240
Loans and receivables - net:					
Long-term commercial papers	1,062,760,653	–	–	–	1,062,760,653
Notes receivable	293,218,935	–	–	–	293,218,935
Creditable withholding tax	62,677,478	–	–	–	62,677,478
Accounts receivable	66,834,060	–	–	–	66,834,060
Claims recoverable	811,250	–	–	–	811,250
Miscellaneous receivable		–	–	–	
Cash advances	768,996	–	–	–	768,996
Security fund	263,905	–	–	–	263,905
Due from related parties	3,390,901	–	–	–	3,390,901
Accrued income:					
Accrued interest:					
AFS financial assets	6,898,665	21,464,028	–	56,888	28,419,581
Long-term commercial papers	7,687,653	–	–	–	7,687,653
Security fund	126,342	–	–	–	126,342
Funds held by ceding companies - treaty	16,900	23,359	–	50,586	90,845
Notes Receivable	58,116				58,116
Cash and cash equivalents	492,786	28,997	–	–	521,783
Accrued rent income	1,386,127	–	–	–	1,386,127
Accrued dividend income	16,567,872	–	–	–	16,567,872
Total Financial Assets	₱11,444,380,582	₱3,174,149,825	₱105,564,286	₱149,412,924	₱14,873,507,617

	2014				
	Philippine Peso	US Dollar	Euro	Others	Total
Other Financial Liabilities					
Insurance payables:					
Due to reinsurers and ceding companies	₱1,979,886,421	₱220,249,527	₱950,206	₱14,937,144	₱2,216,023,298
Funds held for reinsurers	560,256,164	28,632,806	191,170	–	589,080,140
Accounts payable, accrued expenses and other liabilities:					
Accounts payable	855,687,354	–	–	–	855,687,354
Commission payable	460,988,939	–	–	–	460,988,939
Accrued expenses	134,844,742	–	–	–	134,844,742
Surety deposits	48,403,790	–	–	–	48,403,790
Others	18,587,863	–	–	–	18,587,863
Total Financial Liabilities	₱4,058,655,273	₱248,882,333	₱1,141,376	₱14,937,144	₱4,323,616,126

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, euro and other currency exchange rates, with all other variables held constant, of the Parent Company's profit before tax (due to changes in the foreign exchange rate).

		Impact on income before tax Increase (decrease)	
Currency	**Change in rate**	**2015**	2014
US Dollar	**+5%**	**₱129,024,314**	₱117,411,262
	-5%	**(129,024,314)**	(117,411,262)
Euro	**+5%**	**1,960,666**	2,566,841
	-5%	**(1,960,666)**	(2,566,841)
Others	**+5%**	**289,536**	565,985
	-5%	**(289,536)**	(565,985)

b) *Interest Rate Risk*

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company's fixed rate investments in particular are exposed to such risk.

The Parent Company's market risk policy requires it to manage interest rate risk by maintaining fixed instruments. The policy also requires it to manage the maturities of interest bearing financial assets.

The following table sets out the Parent Company's financial instruments exposed to interest rate risk by maturity:

		2015			
	Interest Rate	**Within one year**	**1-3 years**	**More than 3 years**	**Total**
Cash and cash equivalents	**0.25% to 7.50%**	**₱2,624,792,422**	**₱–**	**₱–**	**₱2,624,792,422**
Short-term investments	**0.625% to 6.25%**	**51,767,146**	**–**	**–**	**51,767,146**
AFS debt financial assets	**1.25% to 12.375%**	**4,390,895,102**	**488,779,527**	**1,340,711,444**	**6,220,386,073**
Long-term commercial papers	**2.75% to 9.33%**	**996,468,505**	**–**	**–**	**996,468,505**
Notes receivable	**1.00% to 8.00%**	**12,966,599**	**–**	**–**	**12,966,599**
Security fund	**4.76%**	**263,905**	**–**	**–**	**263,905**
Total interest-bearing financial assets		**₱8,077,153,679**	**₱488,779,527**	**₱1,340,711,444**	**₱9,906,644,650**

		2014			
	Interest Rate	Within one year	1-3 years	More than 3 years	Total
Cash and cash equivalents	0.25% - 1.13%	₱565,596,904	₱–	₱–	₱565,596,904
Short-term investments	0.625% - 7.50%	25,091,083	–	–	25,091,083
AFS debt financial assets	1.25% - 12.375%	19,810,647	48,945,749	1,800,417,166	1,869,173,562
Long-term commercial papers	1.125% - 8.66%	67,252,628	23,315,513	972,192,512	1,062,760,653
Notes receivable	1.00% - 8.00%	293,218,935	–	–	293,218,935
Security fund	4.76%	263,905	–	–	263,905
Total interest-bearing financial assets		₱971,234,102	₱72,261,262	₱2,772,609,678	₱3,816,105,042

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the AFS debt securities, with all other variables held constant, of the Parent Company's equity:

		Impact on equity Increase (decrease)	
Currency	**Change in basis points**	**2015**	2014
Philippine Peso	**+100**	**₱58,822,386**	₱58,089,152
US Dollar	**+100**	**899,632**	1,148,964
Philippine Peso	**-100**	**(62,787,904)**	(62,147,246)
US Dollar	**-100**	**(46,428,867)**	(57,326,820)

c) *Equity Price Risk*

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

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 Parent 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 country, sector and market; and careful and planned use of derivative instruments. The price risk on investments securities is also actively managed through the use of derivative financial instruments to mitigate the risk of adverse market movements.

The following table shows the equity impact of reasonably possible change of Philippine Stock Exchange index (PSEi) and Dow Jones STOXX (DJ STOXX) Euro and SCX5E Index:

		Impact on equity Increase (decrease)	
	Change in equity prices	PSEi	DJ STOXX
2015	+15%	**₱372,668,017**	**₱20,276,023**
	-15%	**(372,668,017)**	**(20,276,023)**
2014	+15%	693,222,698	18,765,019
	-15%	(693,222,698)	(18,765,019)

28. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Parent Company's financial instruments as of December 31, 2015 and 2014.

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
AFS Financial Assets				
Quoted securities:				
Listed equity securities:				
Common shares	**₱3,893,430,345**	**₱3,893,430,345**	₱5,259,837,296	₱5,259,837,296
Preferred shares	**36,222,933**	**36,222,933**	21,492,440	21,492,440
Government debt securities:				
Local currency	**492,157,094**	**492,157,094**	478,646,646	478,646,646
Foreign currency	**11,004,349**	**11,004,349**	34,528,400	34,528,400
Private debt securities	**1,491,524,290**	**1,491,524,290**	1,355,998,516	1,355,998,516
Funds	**196,163,501**	**196,163,501**	249,179,147	249,179,147
Non-quoted securities:				
Unlisted equity securities				
Common shares	**99,866,021**	**99,866,021**	93,993,283	93,993,283
Preferred shares	**17,540**	**17,540**	17,540	17,540
Cash and cash equivalents	**2,624,792,422**	**2,624,792,422**	566,480,529	566,480,529
Short-term investments	**51,767,146**	**51,767,146**	25,091,083	25,091,083
Insurance receivables:				
Due from policyholders, agents and brokers	**3,687,888,008**	**3,687,888,008**	3,537,967,848	3,537,967,848
Due from ceding companies:				
Treaty	**229,858,929**	**229,858,929**	1,306,606,972	1,306,606,972
Facultative	**88,139,148**	**88,139,148**	132,248,327	132,248,327
Funds held by ceding companies - treaty	**133,813,334**	**133,813,334**	139,298,388	139,298,388
Reinsurance recoverable on paid losses - facultative	**119,028,671**	**119,028,671**	126,536,705	126,536,705
Loans and receivables:				
Long-term commercial papers	**996,468,505**	**996,468,505**	1,062,760,653	1,102,127,388
Notes receivable	**11,868,722**	**11,868,722**	292,121,058	291,562,437
Creditable withholding tax	**144,152,400**	**144,152,400**	62,677,478	62,677,478
Accounts receivable	**37,775,074**	**37,775,074**	64,783,450	64,784,450
Claims recoverable	**6,408,374**	**6,408,374**	811,250	811,250
Cash advances	**766,578**	**766,578**	768,996	768,996
Security fund	**263,905**	**263,905**	263,905	263,905
Due from related parties	**45,465**	**45,465**	3,390,901	3,390,901
Accrued income:				
Accrued interest:				
AFS financial assets	**28,076,409**	**28,076,409**	28,419,581	28,419,581
Long-term commercial papers	**6,858,307**	**6,858,307**	7,687,653	7,687,653
Notes receivable	**-**	**-**	58,116	58,116
Security fund	**159,753**	**159,753**	126,342	126,342
Funds held by ceding companies - treaty	**42,759**	**42,759**	90,845	90,845
Cash and cash equivalents	**414,781**	**414,781**	521,783	521,783
Accrued rent income	**2,602,752**	**2,602,752**	1,386,127	1,386,127
Accrued dividend income	**3,190,025**	**3,190,025**	16,567,872	16,567,872
Total Financial Assets	**₱14,394,767,540**	**₱14,394,767,540**	₱14,870,359,130	₱14,909,168,244

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other Financial Liabilities				
Insurance payables:				
Due to reinsurers and ceding companies	**₱2,267,332,818**	**₱2,267,332,818**	₱2,216,023,298	₱2,216,023,298
Funds held for reinsurers	**532,843,314**	**532,843,314**	589,080,140	589,080,140
Accounts payable, accrued expenses and other liabilities:				
Accounts payable	**788,524,318**	**788,524,318**	855,687,354	855,687,354
Commissions payable	**468,308,571**	**468,308,571**	460,988,939	460,988,939
Accrued expenses	**165,531,708**	**165,531,708**	134,844,742	134,844,742
Surety deposits	**96,748,100**	**96,748,100**	48,403,790	48,403,790
Others	**37,802,215**	**37,802,215**	18,587,863	18,587,863
Total Financial Liabilities	**₱4,357,091,044**	**₱4,357,091,044**	₱4,323,616,126	₱4,323,616,126

Fair values of financial assets and liabilities are estimated as follows:

Cash and cash equivalents, short-term investments
The fair value approximates the carrying amounts due to the short-term nature of the transactions.

Debt securities
The fair values are based on quoted market prices.

Quoted equity securities
The fair values are generally based on quoted market prices.

Unquoted equity securities
These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is no active market for the equity securities. The entity intends to dispose the securities through selling to a willing buyer in an arm's length transactions.

Insurance receivables, accrued income, short-term loans and receivables (including notes receivable, long-term investments and security fund), insurance payables, accounts payable and accrued expenses
The fair values approximate the carrying amounts due to the short-term nature of the transactions.

Long-term loans and receivables
The fair value long-term loans and receivables is estimated using discounted cash flow technique that makes use of PDEX rates in 2015 and 2014.

Fair Value Hierarchy

The Parent Company classifies its financial assets at fair value as follows:

December 31, 2015

	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value:				
AFS financial assets				
Listed equity securities:				
Common shares	**₱3,893,430,345**	**₱–**	**₱–**	**₱3,893,430,345**
Preferred shares	**36,222,933**	–	–	**36,222,933**
Government debt securities:				
Local currency	**492,157,094**	–	–	**492,157,094**
Foreign currency	**11,004,349**	–	–	**11,004,349**
Private debt securities	**1,491,524,290**	–	–	**1,491,524,290**
Funds	**196,163,500**	–	–	**196,163,500**
	6,120,502,511	–	–	**6,120,502,511**
Assets for which fair values are disclosed:				
Loans and receivables – net	–			
Notes Receivables	–	**12,966,599**	–	**12,966,599**
Long-term commercial papers	–	**996,468,505**	–	**966,468,505**
Investment properties	–	–	**27,099,092**	**27,099,092**
	₱6,120,502,511	**₱1,009,435,104**	**₱27,099,092**	**₱7,127,036,707**

December 31, 2014

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
AFS financial assets				
Listed equity securities:				
Common shares	₱5,259,837,296	₱–	₱–	₱5,259,837,296
Preferred shares	21,492,440	–	–	21,492,440
Government debt securities:				
Local currency	₱478,646,646	–	–	₱478,646,646
Foreign currency	34,528,400	–	–	34,528,400
Private debt securities	1,355,988,516	–	–	1,355,988,516
Funds	249,179,147	–	–	249,179,147
	7,399,672,445	–	–	7,399,672,445
Assets for which fair values are disclosed:				
Loans and receivables – net				
Notes Receivables	–	291,562,437	–	291,562,437
Long-term commercial papers	–	1,102,127,388	–	1,102,127,388
Investment properties	–	–	27,167,690	27,167,690
	–	1,393,689,825	27,167,690	1,420,857,515
	₱7,399,672,445	₱1,393,689,825	₱27,167,690	₱8,820,529,960

The Parent Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2015 and 2014, the Parent Company classified AFS financial assets under Level 1 of the fair value hierarchy. During the reporting period ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. Related Party Transactions

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

In its regular conduct of business, the Parent Company has entered into transactions with subsidiaries principally consisting of advances and reimbursement of expenses.

Outstanding balances as of year-end are unsecured and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2014 and 2013, the Parent Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
Significant transactions with related parties include:

	2015		2014			
Category	**Amount / Volume**	**Outstanding Receivable (Payable)**	Amount / Volume	Outstanding Receivable (Payable)	Terms	Conditions
FNAC						
Premiums assumed	**18,581,315**	**7,331,793**	16,226,327	7,545,132	Non-interest bearing; on demand	Unsecured; no impairment
Commission expense	**3,572,291**	**(1,466,357)**	3,245,552	1,474,551	Non-interest bearing; on demand	Unsecured; no impairment
Dividend income	–	–	10,940,000	10,940,000	–	–

(Forward)

Category	2015 Amount / Volume	2015 Outstanding Receivable (Payable)	2014 Amount / Volume	2014 Outstanding Receivable (Payable)	Terms	Conditions
Shared expenses	**₱37,265**	**₱37,265**	₱3,937,228	(₱4,463,899)	Non-interest bearing; on demand	Unsecured; no impairment
Pension Obligation	**563,937**	**563,937**	–	–	Non-interest bearing; on demand	Unsecured; no impairment
Reinsurance share on losses	**120,000,000**	**120,000,000**	–	–	Non-interest bearing; on demand	Unsecured; no impairment
BAC						
Shared expenses	**353,835**	**185,579**	–	–	Non-interest bearing; on demand	Unsecured; no impairment
MEI						
Management expense	**7,500,000**	**–**	7,500,000	–	Non-interest bearing; on demand	–
Notes receivables	**–**	**–**	100,000,000	–	Interest at 6% p.a.; due within one year	Unsecured; no impairment
Dividends declared	**–**	**–**	112,500,000	–	–	–
Interest income	**–**	**–**	5,945,833	–	Interest at 6% p.a.	Unsecured; no impairment
Accounts payable	**7,466,358**	**(7,466,358)**	–	–	Non-interest bearing;	Unsecured
MIIC & Sub.						
Reinsurers share on gross premiums	**₱284,044,554**	**(₱1,003,051,166)**	₱503,692,600	(₱1,146,530,355)	Non-interest bearing; on demand	Unsecured
Commission income	**11,857,476**	**6,860,410**	5,275,084	(1,904,544)	Non-interest bearing; on demand	Unsecured
Other receivable	**45,465**	**45,465**	–	–	Non-interest bearing; on demand	–
Y Realty Corporation						
Rent expense	**16,454,632**	**15,617,530**	8,689,131	8,689,131	Non-interest bearing; on demand	Unsecured; no impairment
RCBC Bankard						
Credit card premium collection facility	**7,373,215**	**7,373,215**	1,175,370	1,175,370	Non-interest bearing; on demand	Unsecured; no impairment
HI						
Investment in AFS (Stocks)	**99,292,343**	**99,292,343**	–	–	–	Unsecured; no impairment
RLFC						
Notes receivable	**–**	**–**	280,000,000	280,000,000	Due within one year; interest at 4.25% to 5.00% p.a.	Unsecured; no impairment
Interest income	**–**	**–**	11,956,458	11,956,458	Interest at 4.25% to 5% p.a.	Unsecured; no impairment

(Forward)

Category	2015 Amount / Volume	2015 Outstanding Receivable (Payable)	2014 Amount / Volume	2014 Outstanding Receivable (Payable)	Terms	Conditions
RCBC						
Cash in bank	**₱1,163,194,342**	**₱1,163,194,342**	₱373,168,462	₱–	Non-interest bearing	Unsecured; no impairment
Short-term deposits	**20,700,921**	**20,700,921**	–	–	6 to 30-day term; interest at.25% - 3.00% p.a.	Unsecured; no impairment
Investment in AFS:						
Debt securities	**340,716,471**	**340,716,471**	479,424,543	479,424,543	Maturing in 2016, interest rate at 5.25% to 9.88%	Unsecured; no impairment
Stocks	**1,222,463,154**	**1,222,463,154**	499,347,477	499,347,477	–	Unsecured; no impairment
Funds	**15,136,951**	**15,136,951**	–	–	Non-interest bearing	Unsecured; no impairment
Long-term commercial papers	**130,000,000**	**130,000,000**	130,000,000	130,000,000	Maturing in 2027, interest at 3.25% - 7.00% p.a.	Unsecured; no impairment
Interest and dividend income						
Cash in bank	**194,014**	**2,865**	2,414,382	2,414,382	Interest at 0.25% - 4.25% p.a.	Unsecured; no impairment
Short-term deposits	**6,943**	**6,943**	–	–	Interest at 0.25% - 3.00% p.a.	Unsecured; no impairment
Investment in AFS:						
Debt securities	**25,173,922**	**5,660,779**	33,678,417	33,678,417	Interest at 5.25% - 9.88% p.a.	Unsecured; no impairment
Stocks	**22,226,603**	**22,226,603**	40,444,339	40,444,339	–	–
Long-term commercial papers	**6,406,250**	**6,406,250**	3,719,306	3,719,306	Interest at 3.25% - 7.00% p.a.	Unsecured; no impairment

The outstanding receivables and payables are to be settled in cash.

The Parent Company and MIIC are subsidiaries of MICO Equities, Inc. (MEI). MEI, RCBC, HI, RLFC and iPeople are subsidiaries of PMMIC, the holding company of the Yuchengco Group of Companies.

Terms and Conditions of transactions with related parties
Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Parent Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2015 and 2014. This assessment is undertaken each financial year through review of the financial position of the related party and the market in which the related party operates.

Key management personnel of the Parent Company include senior management. The total short-term employee benefit of the Parent Company's key management personnel amounted to ₱9.63 million and ₱8.40 million in 2015 and 2014, respectively. As of December 31, 2015 and 2014, the total long-term employee benefits of the Parent Company's key management personnel amounted to ₱46.50 million and ₱47.94 million, respectively.

30. **Contingencies**

The Parent Company operates in the insurance industry and has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Parent Company's financial position and results of operations.

31. **Note to Statements of Cash Flows**

The noncash activities of the Parent Company include the following:

a. Changes in fair value of available-for-sale financial assets, gross of tax effect, amounted to ₱1,292,321,925.
b. In pension liability, the remeasurement effects recognized in the Parent Company OCI, gross of tax effect amounting ₱28,019,273.
c. Movement in deferred tax asset amounting ₱25,953,791