ANNUAL REPORT 2015

AFPMBAI
MAAASAHAN SA ORAS NG PANGANGAILANGAN
51 years
ANNIVERSARY

HANDANG TUMUGON SA HAMON NG MAKABAGONG PANAHON

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VISION

"By 2025, a customer-centered Organization operating in accordance with global standards, preferred and trusted by its members in providing full financial security and protection."

MISSION

"To provide our members the most responsive insurance protection and investments, affordable housing/financial products, and meaningful social services."

VALUES

With the guiding faith to the Lord God Almighty, we adhere to the following:

- Customer-Centered
- Integrity
- Social Responsibility
- Prudence
- Professionalism

MESSAGE FROM THE CHAIRMAN

On behalf of the men and women of the Armed Forces of the Philippines, and our members from the other uniformed services, I wish to convey my warmest congratulations to the Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI) for our 51 years of meaningful service to our members.

September 1, 1965 has marked a new era of serving our uniformed forces when the AFPMBAI became a formal institution to better assist its members in their financial requirements. Over the years, our Association remained true to its creed "Maaasahan sa Oras ng Pangangailangan.", and its ideals of providing financial solutions to the most relevant monetary concerns of its members through excellent insurance protection, real estate products, loan facilities and other social services. If not for the trust of our members and the dedication of our management and staff, the Association would not have sustainable growth. It is not surprising that in terms of assets, our Association remains on top as the largest Mutual Benefit Association in the country.

I am pleased to extend my deepest and sincerest appreciation to our members, employees, managers, past and present trustees and all other stakeholders, for the continued success of our Association.

We shall continue to work hard to accomplish our Association's mission to provide our members the most responsive insurance protection, affordable housing and financial products, and meaningful social services. In pursuit of our vision to be a customer-centered organization operating in accordance with global standards preferred and trusted by its members, we shall aim to provide excellent service and seek to uplift the lives of our members beyond the financial products and services that we offer.

Happy 51st anniversary AFPMBAI! Mabuhay!

General Ricardo R Visaya AFP
AFP Chief of Staff & AFPMBAI Chairman of the Board

REPORT OF THE PRESIDENT

OF BEGINNINGS AND STABILITY

Five decades standing! It is indeed a great deal of achievement surpassing 51 years of existence in the industry, particularly of a life insurance business intended to serve the strong force of uniformed personnel.

My sincerest gratitude to you, my fellow members, who have shared the journey of AFPMBAI's evolution and success.

From its advocacy of "Damayan" where contributions started at a minimal amount, AFPMBAI became an institution recognized by the regulatory agencies, functioning today as the number 1 mutual benefit association in terms of assets in the country, providing quality insurance protection.

For CY 2015, the Association had accumulated total assets of P16.16 Billion, an increase of 12% from its P14.45 Billion figure from the previous year. Meanwhile, consolidated revenue for the same period was recorded at P3.078 Billion. The Association's continuous growth is attributed to its notable increase in total comprehensive consolidated income amounting to P685.5 Million from the past year's P542.90 Million. This is the result of the continuous efforts from its stakeholders, management, its employees and the unceasing guidance from the Board of Trustees.

LEAP FOR ANOTHER 50 YEARS

From where it is today, I am honored and at the same time confronted with the great responsibility of taking the first step that will prompt AFPMBAI's journey to its next golden year. A good beginning should be in place and carefully identified for us to make it through another 50 years amidst challenges and change.

For CY 2015, the Management enhanced the Company's Vision and Mission in line with its crafted three (3)-year Strategic Objectives. The conceptualized new Vision, "By 2025, a customer-centered Organization operating in accordance with global standards, preferred and trusted by its members in providing full financial security and protection" is AFPMBAI's manifestation of sustaining its operation and service to the members to be globally competitive for many years to come.

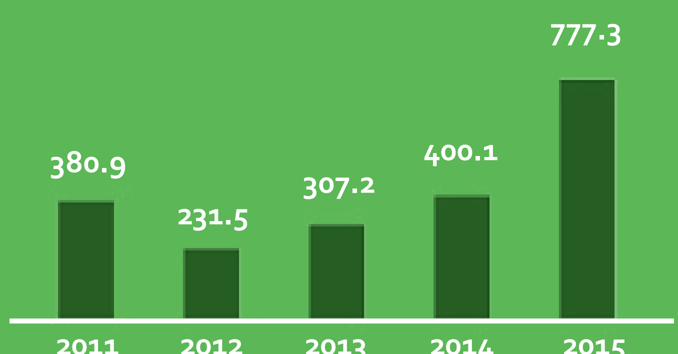
While its new Mission, "To provide our members the most responsive insurance protection and investments, affordable housing/financial products and meaningful social services" expresses a holistic approach of catering all the members' needs aside from life insurance.

On August 29, 2015, the Association also held its first Special General Membership meeting which marked the Management's effort of engaging its members in the decision making process of the Association. This meeting will be preceded by a yearly Annual General Membership meeting where majority of the members will be gathered to be informed of the Association's performance and its other significant plans and projects in the spirit of transparency.

BUSINESS PORTFOLIO

Part of AFPMBAI's constant initiative is its continuous

NET INCOME
In Million Pesos



ASSETS
In Billion Pesos

development of its products and services. The former Basic Insurance coverage of the members has been enhanced into what we now call the Upgraded Basic Insurance (UBI) and Modified Basic Insurance (MBI).

As being done annually, the Association declared total dividends based on 1.40% of policy reserves (approximately P104.188 Million to be distributed to approximately 151, 546 eligible policy holders of Additional Insurance and E-56) that will be on the policy's anniversary month starting January 2016.

For the covered period July 2015 to June 2016, the Association processed and released P940 Million living benefits to 23,449 members. Moreover, for the said period, a total death benefit claims of P162.2 Million was released to 2,249 members.

In uplifting the lives of its members, AFPMBAI had also laid its foundation for CY2015 projects by starting the development of Golden Sunrise Mutual Homes in Tanza, Cavite. Moreover, for the period July 2015 to June 2016, the Association granted a total of P196.5 Million real estate mortgage loans for 137 members and a total of P139.49 Million real estate housing loans for 429 members.

Also this year, AFPMBAI launched its Real Estate Pre-Retirement Loan which can be availed of a member who is due for compulsory retirement from the service within 5 years or less.

For the year, the Association also granted a calamity loan of P50 Million to members affected by Typhoon Lando.

AFPMBAI will continue to explore and adapt to changes in improving its products and services that will be more beneficial to its members.

MANAGEMENT ENHANCEMENT

To better serve those who serve, AFPMBAI engaged the service of an HR consultant to review the existing organizational structure of the Association and to rationalize functions and channels of authority for efficient operation and maximum productivity. Changes in the Management commenced as AFPMBAI personnel were evaluated based on their current positions and job competencies.

Another project of the Association is the implementation of HRIS (Human Resource Information System), a system designed to enhance and speed up collection and dissemination of HR data. HRIS plays a major role in the creation of accurate and timely reports pertaining to salaries, benefits and employee demographics that would help the Management in its decision making and strategic planning activities.

The Association has also installed an enhanced Performance Management and Development System (PMDS) that will aid the management to realize its strategic goals and increase employees' productivity.

The PMDS involved series of orientation and coaching sessions in the first quarter of 2016, where employees were taught how to align their individual and their respective department performance objectives with organizational targets/objectives. Metrics on their performance were discussed and agreed upon.

COMMITMENT TO SERVE

In its mission to provide its members the best services, the Association has launched a series of projects:

Enhanced AFPMBAI Members' ID Card
The enhanced AFPMBAI member's ID card which was launched in September 2015 intends to give members the convenience of having membership identification and ATM functionality in one card. It can also be used by the members for disbursement of their claims.

SM Bills Payment
AFPMBAI also engaged the services of SM as a

AFPMBAI's Special General Membership Meeting held last 29 August 2015 at the AFPMBAI Head Office, Quezon City.

Launching of AFPMBAI's latest loan facility, Expanded Salary loan last 20 June 2016 at the AFPMBAI Head Office, Quezon City.

AFPMBAI in Action. AFPMBAI with SM executives during the contract signing with SM for the SM bills payment facility (Left most photo) | Atty Lynell Sese of AFPMBAI Legal Office in an in depth discussion on laws with Bureau of Fire Protection Personnel during the AFPMBAI Free Legal Clinic (Center photo)

AFPMBAI with PAF officers and personnel during the launching of the Association's latest real estate development, Golden Sunrise Mutual Homes in Tanza, Cavite. (Rightmost photo)

collecting agent where members can pay their loans, insurance premiums and other dues to the Association at over 200 branches of SM Bills Payment counters located at SM Department Store, SM Supermarket, SM Hypermarket, and Savemore nationwide, seven (7) days a week. The said facility will make bills payment hassle-free for the members, saving them time going to and from any AFPMBAI offices for payment.

Real Estate Monitoring System (REMS)

For Real Estate transactions, the Association started an in-house development of Real Estate Monitoring System where it will make possible the generation of payment schedule or ledger, uploading of scanned Title Certificate of Transfer (TCT)s for verification purposes and creation of Deed of Absolute (DAS) record. This is a step closer to streamlining the Association's manual business processes which is beneficial to our members.

Law Lecture Series

AFPMBAI also conducted Law Lecture Series in the different camps and station offices of the different branches of service which addressed the clamour of members for basic knowledge and familiarity with the laws on Family and Marriage, Estate Succession, Commercial Contracts, Property Law and Registration, Civil Litigation, Criminal Law, Civil Contracts and Labor.

Upgrade of Butuan Extension Office into a Branch

To be felt by members nationwide, AFPMBAI extended its presence in Mindanao with the upgrade of Butuan Extension Office to a Branch. Being a Branch, members can file and claim their claims expeditiously. Likewise, the Association has again expanded in the Visayas region through the Bogo Extension Office.

Construction of LBO Building and Rehabilitation of Annex Building

The construction of Luzon Branch Office (LBO) Building in Bayani Road, Taguig City and the rehabilitation of Annex Building were initiated by Management to provide its members better facilities where they have a more comfortable place to transact at.

All these are apart from the projects and programs continuously implemented by the Association through its Corporate Social Responsibility, in keeping its commitment to serve the needs of its members and their families.

SUBSIDIARY REPORT

The AFP General Insurance Corporation, AFPMBAI's wholly owned subsidiary, recorded a net loss after tax of P17.6 Million for CY2015. Their Gross Premium Written (GPW) for year-to-date April 2016 amounted to P47.2 Million which was an increase of 56% from their production on the same period last year. Their total Assets also grew by 2% from their 2015 year-to-date figure of P592Million to P605.5 Million for the same period this year.

Despite their struggles caused by the loss of their institutional business with AFP, PNP and PCG, AFPGen remained steadfast in its continuous efforts in creating initiatives to enhance its products and services.

Company developments of AFPGen include their signed MOA with Money Max for a partnership to continue its services to its clients all over the country and received their Authority to Transact Business as Surety in Manila International Container, Ninoy Aquino International Airport, Clark, Subic, and Cagayan De Oro. AFPGen also conducts monthly sales drive in various parts of the country to strengthen their sales. AFPGen will work harder in sustaining their business to provide the non-life insurance needs of their clients 24/7.

MOVING FORWARD

With the dynamics of change in the market, AFPMBAI understands that there will be more challenges that it will face in the future. Nevertheless, the Association's Board of Trustees, Management and employees are committed to seek opportunities that will rise AFPMBAI above its competitors.

It is fervent and steadfast to embrace the changes that will make its products and services globally competitive, geared to a higher level of standard defined to be an amazing experience.

For AFPMBAI's next 50 years! Mabuhay Tayong lahat!

MGEN EDGARDO RENE C SAMONTE AFP (RET)
PRESIDENT AND CEO

CORPORATE SOCIAL RESPONSIBILITY REPORT

In line with its mission, AFPMBAI is steadfast in its pledge to remain an uplifting force in the lives of its members as it continues to address their plight by providing them with assistance to improve the quality of their lives.

AFPMBAI is resolute in its mandate in delivering meaningful social services to its members through its various projects under the Social Services Program in the areas of Education, Health, Livelihood, General Welfare and Community Development.

GIVING UTMOST SIGNIFICANCE TO EDUCATION

AFPMBAI uplifts the significance of education in one's future. This is why the Association is unceasing to seed dependents of members with the gift of education through persuaded projects which provide quality education.

The AFPMBAI has an enduring scholarship partnership program with the AFP Educational Benefit System (AFPEBS) which provides stipend benefits amounting to P 12,000.00 to grantees. Currently, the Association has a total of 65 AFPEBS scholars.

Another is the GRAnts for DEpendents (GRADE) Program. A scholarship program of the Association for dependents of members who were killed in action.

Through the said scholarship program, AFPMBAI has assisted 18 students to earn an undergraduate degree, while 28 are still continuing. For AY 2016 – 2017, four (4) students have been added to the list of scholars.

In November 2015, an extension of the GRADE scholarship Program to junior and senior high school students was launched. Scholars for the new scholarship program are dependents of KIA members or discharged due to complete disability because of combat. To date, three (3) students have been accepted for its first kickoff.

In 2014, AFPMBAI added another project on education, the Early Childhood Care and Development (ECCD) Center. The ECCD Program intends to deliver excellent educational facilities and equipment to members' dependents nationwide.

Under the ECCD Program, AFPMBAI aids in the construction of early childhood centers and classrooms, which piloted in First Scout Ranger Regiment (FSRR) in San Miguel Bulacan in 2014. The latest center being built is located in 2nd Infantry Division, Camp Capinpin, Tanay Rizal. Presently, four (4) ECCD Centers have been turned over to various military camps and the 5th center will be turned over this year.

ADVOCATING BETTER HEALTH AND WELLNESS

The costly health services and equipment prompted the Association to initiate numerous health projects and programs for members' medical services .

In CY2015, AFPMBAI had turned over 16 wards through the Adopt-A-Ward Program. The Association improved the medical facilities of member-beneficiaries through equipment donations and ward renovations. Relative to these efforts, (7) Healthy and Active Lifestyle (HEAL) packages and 13 dental chairs were likewise given to improve the physical well being of the members.

CREATING AVENUES FOR FINANCIAL STABILITY

Livelihood Education And Development (LEAD) was initiated in 2014 as the Association saw the opportunity of providing the members and their families avenues to enrich their economic well being through free seminars focused on financial management, basic principles of starting a business, and various livelihood opportunities.

This year, AFPMBAI, in ties with UCPB have also reached members in Visayas and Mindanao as three (3) seminars on Financial Management were conducted in Manila, Cebu and Davao, with a total of 456 members and civilian employees participated in the said seminar.

Inauguration and blessing of the 4th Early Childhood Care and Development (ECCD) Center which was turned over to 6th Infantry Division in Camp General Manuel T Yan Sr., Compostella Valley Province. (left most photo) | Blood letting activity in AFPMBAI Head Office in partnership with NKTI. (center photo) | Ambulance and Entertainment package donation to Southern Luzon Command (SOLCOM). (rightmost photo)

Maaasahan sa oras ng pangangailangan. Mass donation of ambulance to various branches of service in commemoration of the Association's Golden Anniversary celebration. (Photo below)

Proud to be a GRADE scholar graduate: Princess Lea Flores
BS Travel Management - UE Caloocan
Graduated March 2016

Livelihood Education And Development (LEAD) Seminar in Cebu in ties with UCPB.

PROVIDING HOLISTIC BENEFITS

To enhance general welfare and boost the morale of our members, the Association has turned over several entertainment packages to selected units of the different branches of service. Entertainment packages include microphone, speakers, amplifiers.

Furthermore, the Association employs assistance in improving members' emergency facilities hence, the donation of 16 rescue ambulances as part of the Calamity Assistance and Resistance (CARE) Project.

A rescue ambulance unit is complete with rescue tools, such as shovels, 24-inch axe, head immobilizers, 24-inch bolt cutters, chainsaws, all-risk helmets, spine boards and pneumatic chisels.

The said donations have been turned over to aid the different branches of service in mitigating pre- and post- emergency responses to natural and man-made calamities that may happen in the country.

SUSTAINING ADVOCACY FOR CHANGE

AFPMBAI's desire to be a catalyst of change in the country made the Association establish the Rebuilding. Empowering. Advocating Change (REACH) Project. The REACH Project aims to pursue community development projects that uplift the value of volunteerism among members and civilian employees. In June 2015, the Association conducted a fun run tagged as "REACH Run for the Mangroves" where over 900 runners participated in the activity. This was followed by a simultaneous mangrove planting activity in Cavite, Cagayan de Oro and Tacloban.

Helping save one's life was the mantra of the blood donation drive conducted in April, in partnership with the National Kidney Transplant Institute (NKTI) where members and AFPMBAI employees joined the event.

GOING BEYOND OUR DUTIES

Aside from being the forefront provider of financial security and protection to its members, AFPMBAI also partakes in enriching the well being of the uniformed men and women. The Association commits to a bolder change not only to the members but to the nation as well. The Association is resolute in its mandate of providing unwavering service to its members.

AFPMBAI, truly your Association, our Association, maaasahan sa oras ng pangangailangan!

GOVERNANCE REPORT

In 2015, AFPMBAI recorded significant achievements as it met the challenges of lifting the bar of the Association's standards for good corporate governance. Being the No. 1 mutual benefit Association in the Philippines in terms of assets, the Association acknowledges its role as the standard-bearer of all mutual benefit associations in the country by striving to be among the industry leaders adhering to the ASEAN Corporate Governance standard. 2015 saw AFPMBAI furthering its efforts toward achieving this standard by instituting changes in its Charter, among other reforms, in the conduct of its business.

PROTECTING MEMBERS' RIGHTS AND ENSURING EQUITABLE TREATMENT

With the success of its efforts in 2014 to obtain a consensus from two-thirds of the general membership, the Association was able to re-institute the Annual General Membership Meeting (AGMM) in its By-Laws, thereby giving the general membership the chance to participate in the decision-making process of the Association.

The proposed amendments to the Articles of Incorporation and By-Laws were approved by the Securities and Exchange Commission (SEC) on May 12, 2015, and immediately thereafter the Association prepared for the conduct of a Special General Membership Meeting (SGM). The schedule for an AGMM by that time had already passed (schedule per Amended By-Laws is every last Saturday of April) hence, the SGM was held on August 29, 2015.

During the SGM, the Association was able to update the members present in person and by proxy on the operations of the Association. The members were also informed of the stamp of approval of the Insurance Commission (IC) and SEC on the proposed amendments to the Association's Articles of Incorporation and By-Laws. Questions were entertained from the members and the resulting exchange of ideas served as inputs for the Board and Management on how to improve the operations of the Association in accordance to the members' need and preference. This marked the first step in re-instituting membership participation in the decision-making process of the Association.

Immediately following the SGM, the Board of Trustees convened the Ad-Hoc Committee on Amendments to look into other provisions in the Articles of Incorporation and By-Laws which may be improved, in preparation for the AGM of April 2016.

OVERSIGHT ON RELATED PARTY TRANSACTIONS AND INSTITUTION OF A CODE OF ETHICS

Recognizing the need to monitor related party relationships and ensure that no conflicts of interest are present in its decision-making process, the Association through its Compliance Office began looking into the creation of a related-party transaction policy to govern its transactions from the lowest level up to the level of the Board of Trustees. Corollary to this, the Human Resource Division also began conceptualizing a Code of Ethics that would encompass personnel of all ranks in the Association. This was to ensure a highly respectable and respected path to corporate success for AFPMBAI and that professionalism would reign in all of its transactions.

GREATER DISCLOSURE AND TRANSPARENCY IN AFPMBAI OPERATIONS

With the requirement for the ACGS and its reference documents to be published in the websites of all corporations, including those under the regulation of the Insurance Commission, AFPMBAI took to heart the need to inform the general membership of all its activities not only by uploading the ACGS but also by regularly updating its website and instituting an electronic newsfeed in the TV monitors on all floors of the AFPMBAI Main Building. This was to ensure that members would be given easy access to AFPMBAI information and to channels for inquiry, comments, suggestions, or complaints.

RESPONSIBILITIES OF THE BOARD

In accordance with AFPMBAI's Manual of Corporate Governance, the Board of Trustees shall have management and control over the affairs and properties of AFPMBAI. In addition to these general powers, the Board of Trustee shall have the following specific powers:

1. To determine the AFPMBAI's corporate purpose, its vision and mission and strategies to carry out its objectives;

2. To formulate and define the policies, guidelines and controls necessary to carry out its corporate purposes in accordance with existing laws, rules and regulations, its Articles of Incorporation and By-Laws, and best business practices;

3. To have overall supervision and control, including the power to hire and fire, promote and discipline, and fix the remunerations and terms of employment, of the officers and personnel of the AFPMBAI, and to delegate such powers to the management of AFPMBAI as may be proper or necessary;

4. To authorize the investment of funds in securities, properties and businesses in accordance with law;

5. To determine the organization of, and establish the governing rules and regulations for the AFPMBAI;

6. To perform such acts and exercise such powers necessary to accomplish its corporate purposes;

7. To adopt a system of internal checks and balances and to ensure that its actions comply with all laws, rules and regulations, its Articles of Incorporation and By-Laws, and the business practices;

8. To adopt an annual budget of expenditures for the operation of the Association and appropriate funds therefore;

9. To prescribe the amount and mode of distribution of surplus.

10. To meet regularly to discharge the functions of the Board;

11. To suspend business operations in time of war and/or major catastrophe; and

12. To delegate any of its powers in accordance with law.

On a yearly basis, the Board of Trustees convenes to review the Association's vision, mission, and strategic objectives to ensure that these remain aligned to the needs of the members in changing times.

BOARD OF TRUSTEES

The AFPMBAI Board of Trustees is currently composed of thirteen (13) members, representatives of the different branches of service composing its membership:

- The AFP Chief of Staff as Chairman of the Board;
- The AFPMBAI President as the only executive trustee;
- One (1) representative each from the Major Service Commands of the Armed Forces of the Philippines: Philippine Army, Philippine Navy, and Philippine Air Force;
- One member (1) from the AFP Joint Staff at General Headquarters;
- Two (2) representatives from the Philippine National Police;
- One (1) representative each from the Bureau of Fire Protection, Bureau of Jail Management and Penology, and Philippine Coast Guard;
- The AFP Sergeant Major; and
- One (1) independent trustee who is independent of management and major/substantial shareholders.

The Association defines the independent trustee as a person other than an officer or employee of the Association, its parent or subsidiaries, or any other individual not related with the Association, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Trustee. This means that he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment.

The Association's By-Laws allow for two (2) more independent trustees; however, certain limitations in the eligibility for membership have prevented AFPMBAI from seating civilians with the desired expertise for these positions. With the effort to review the Amended By-Laws and incorporate provisions for the purpose beginning September 2015, the Association hopes to open these seats to qualified civilian candidates by 2016.

All members of the AFPMBAI Board of Trustees have been evaluated by the Nomination and Remuneration Committee to possess the necessary academic education and experience related to the business operations of the Association. Their extensive experience and representation enable them to steer AFPMBAI toward its established strategic direction.

Below is the list of the members of the Association's Board of Trustees for 2015.

Board and Board Committee Meetings

The AFPMBAI Board of Trustees currently has five (5) regular committees and one (1) ad-hoc committee. These are the Governance Committee, the Audit and Enterprise Risk Management Committee, the Investment Committee, the Social Services Program Committee, and the Nomination and Remuneration Committee. Each committee has oversight over the Association's established strategic objectives. The Amendments Committee was convened to review all proposed amendments to the Association's Articles of Incorporation and Amended By-Laws.

All Board and Board Committee meetings for the current year have been scheduled in the previous year. The schedule of meetings for 2015 was approved on November 13, 2014. Majority of the Board members have attended at least 75% of all Board meetings (14 meetings) and Board Committee meetings (average of 12) held during 2015.

BOARD COMMITTEES

AFPMBAI has the following Board Committees to assist the Board of Trustees in its oversight functions and in evaluating all matters to be raised to the Board for approval or notation. These are the following:

AUDIT AND ENTERPRISE RISK MANAGEMENT COMMITTEE (AERMC)

No of meetings in 2015: 11

Member/Acting Chair:

RAdm Jose Renan C Suarez AFP

Chairman/Vice:

PDDG Leonardo A Espina PNP

President:

MGen Edgardo Rene C Samonte AFP (Ret)

Members:

RAdm Allan B Rosal AFP

RAdm Antonio A Habulan Jr AFP

DDG Danilo S Constantino PNP

CSupt Romeo S Elisan Jr BJMP

MGen Danilo M Servando AFP (Ret)

Throughout the year, the AERMC continued to fulfill its primary purpose to ensure a thorough review of the financial reporting process and system of internal control, the audit process, and the Association's process of monitoring compliance with existing laws and regulations and its own code of business conduct. It continued its efforts to establish a risk free management system to minimize and control the probability/impact of unfortunate events on the Association and to maximize the realization of opportunities. Keeping the Board informed through regular reports, the AERMC also endorsed for Board approval the result of the CY2014 Statutory Audit of the Association and the selection of the external auditor for CY2015 and CY2016.

GOVERNANCE COMMITTEE

No of meetings in 2015: 12

Chairman:

BGen Rolando M Aquino AFP (Ret)

MGen Danilo M Servando AFP (Ret)

Vice Chairman:

RAdm Cecil R Chen PCG

Members:

MGen Edgar R Fallorina AFP

MGen R Demosthenes C Santillan AFP

CSupt Cesar Hawthorne R Binag PNP

CSupt Rodrigo R Abrazaldo BFP

CSupt Ruben F Bearis BFP

For 2015, the Governance Committee was responsible for deliberating on and recommending Board approval of the proposed amendments to the Amended Articles of Incorporation and Amended By-Laws that were crafted by the Ad-Hoc Committee created for this purpose. It also spearheaded the efforts toward the institution of the Special General Membership Meeting and the actual conduct thereof, marking a significant milestone in the history of AFPMBAI, particularly on its 50th year of existence.

Through the Governance Committee's oversight, the Association was also able to implement the changes required for compliance to the ASEAN Corporate Governance Scorecard, thereby ensuring that AFPMBAI keeps up with the global standards of good corporate governance. It also reviewed the Association's Vision, Mission, and Corporate Values, as well as the Strategic Objectives of AFPMBAI for 2016 to 2018. All recommendations made by the Committee were approved by the Board of Trustees.

INVESTMENT COMMITTEE

No of meetings in 2015: 11

Chairman:

RAdm Jose Renan C Suarez AFP

President:

MGen Edgardo Rene C Samonte AFP (Ret)

Members:

DDG Danilo S Constantino PNP

DDG Leonardo A Espina PNP

MGen R Demosthenes C Santillan AFP

MGen Emeraldo C Magnaye AFP

CSupt Cesar Hawthorne R Binag PNP

BGen Rolando M Aquino AFP (Ret)

MGen Danilo M Servando AFP (Ret)

The purpose of the Investment Committee is to ascertain that an investment policy is in place and oversee the execution of investment guidelines and decisions. For 2015, the Investment Committee established an asset allocation/mix which served as a guide in the Association's investment undertakings. Investments in corporate bonds and preferred shares in prime companies in the amount of P419.54M, which will afford the Association a regular stream of income of around P15M per year, were endorsed for information/approval of the Board.

SOCIAL SERVICES PROGRAM COMMITTEE (SSPC)

No of meetings in 2015: 12

Chairman:

MGen R Demosthenes C Santillan AFP

CSupt Sonny Y David PNP

Vice Chairman:

FCMS Guillermo P Francisco AFP

President:

MGen Edgardo Rene C Samonte AFP (Ret)

Members:

*DDG Danilo S Constantino PNP

MGen Edgar R Fallorina AFP

CSupt Rodrigo R Abrazaldo BFP

CSupt Ruben F Bearis BFP

CSupt Cesar Hawthorne R Binag PNP

FCMS Romeo H Jandugan (INF) PA

RAdm Cecil R Chen PCG

* *Member/VC*

The SSPC assures that policies and programs for the implementation of social services programs are in place.

The Social Services Program Committee for CY 2015 has been involved with the plow back program of the APMBAI. Two projects namely the Calamity Resistance and Assistant Equipment (CARE) Project and the Extension to GRADE (Grants for Dependents) Program were approved for implementation by the end of the year. In the area of education, dependents of members were given stipend through the partnership with AFPEBS while 7 scholars were accepted through the GRADE Program. Three new ECCD center were created and turned over to its PA unit beneficiary. To ensure the health of its members, various medical equipment and ambulance were donated while at the same time donated blood in a blood donation drive. The SSPC also participated in the simultaneous tree planting of mangroves.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

No of meetings in 2015: 11

Chairman:

RAdm Allan B Rosal AFP

RAdm Antonio A Habulan Jr AFP

Vice Chairman:

JCSupt Romeo S Elisan Jr BJMP

President:

MGen Edgardo Rene C Samonte AFP (Ret)

President:

CSupt Sonny Y David PNP

MGen Emeraldo C Magnaye AFP

CSupt Cesar Hawthorne R Binag PNP

FCMS Romeo H Jandugan (INF) PA

FCMS Guillermo P Francisco (INF) PA

The NRC's primary purpose is to make sure that there is a Board succession plan and that the Board has a complete set of Regular and Independent Trustees based on defined competency requirements. The Committee's secondary purpose is to properly develop and implement the Board Performance Management and Remuneration Programs.

For 2015, the NRC ensured that all members of the different branches of service were represented in the Board of Trustees upon the termination of the incumbent Trustees' term. Replacement candidates were evaluated according to the standards set in the Manual of Corporate Governance and the By-Laws. The Performance Appraisal System for the Board of Trustees, the Corporate Secretary, and the President was also implemented, covering 2014 performance, and proposed enhancements to the System were recommended to cover performance for 2015 and succeeding years.

CONTINUING EDUCATION PROGRAM FOR BOARD MEMBERS

It is the thrust of the Association to keep the members of its Board of Trustees informed, updated, and empowered, particularly pertaining to matters of corporate governance as well as matters related to its core business. Yearly, a Continuing Education Program (CEP) is conducted to update the Board on new issuances from the Insurance Commission, and to increase their knowledge and expertise in governing the Association. All new Trustees are also required to attend the Corporate Governance Orientation Program (CGOP) of the Institute of Corporate Directors (ICD).

In the CEP conducted on January 30, 2015, updates from the Insurance Commission were relayed to the Board of Trustees and members of Management by the Honorable Dorothy M Calimag, Deputy Insurance Commissioner for the Management Support Services Group. Best practices in the real estate industry were also relayed by one of the top executives of Ayala Land, Inc, Mr Aniceto V Bisnar, Jr. Ms. Perlita Marcelo-Skaar, former AFPMBAI Independent Trustee and Senior Vice President of Sterling Paper Products Enterprises, Inc. also shared her expertise and experiences in analysing AFPMBAI's financial performance.

In March 2015, select members of the Board of Trustees also participated in the orientation program of the Institute of Corporate Directors (ICD) on the ASEAN Corporate Governance Scorecard (ACGS), in preparation for the Association's submission of the ACGS Response Form in June 15, 2015. After a thorough evaluation by the ICD, AFPMBAI ranked among the Top 10 mutual benefit associations in the country in terms of good corporate governance.

PERFORMANCE ASSESSMENT OF TRUSTEES AND THE PRESIDENT

The performance of all the members of the Board and the President during the financial year is evaluated through an established performance appraisal system. The performance of Board members is assessed using the following criteria: Ethics/ Professionalism, Initiative, Service Representation, Communication Effectiveness, and Meeting Participation Effectiveness. Each criteria receives a maximum rating of 100%, with the final score being the average rating. Each Board member is evaluated by the Board Chairman and the Chairman of the Governance Committee.

Part A of the performance assessment of the President and only Executive Trustee is based on the corporate score of the Association, a score which effectively rates the performance of the Association with respect to the five (5) perspectives of its Balanced Scorecard, namely: Financial, Customer, Internal Business Process, Learning and Growth, and Social Impact. This portion of the President's assessment receives a maximum of 60 points. Part B of his assessment pertains to his rating on qualitative measures such as: Implementation of Board Resolutions, Effective Relationship with the Board, and Transparency and High ethical Standards. Part B of the assessment receives a maximum of 40 points. The points are then added to come up with the final rating. The President is rated by all the members of the Board of Trustees, including the Chairman.

LIST OF BOARD MEMBERS 2015

CHAIRMAN		
Gen Hernando DCA Iriberri AFP	MMDS, CGOP ICD	Jul 10, 2015 - Apr 22, 2016
Gen Gregorio Pio P Catapang Jr AFP	Master in Defense and Strategic Studies; CGOP ICD	Jul 18, 2014 - Jul 11, 2015
VICE CHAIRMAN		
RAdm Jose Renan C Suarez AFP	Master in Business Administration, MA Public Administration; Master in Development Management, CGOP ICD	Jan 25, 2013 - Feb 16, 2016
RAdm Antonio A Habulan Jr AFP	Master in Business Management, CGOP ICD, ACGS Orientation ICD	May 2, 2014 - May 2, 2015
MEMBERS		
MGen Edgardo Rene C Samonte AFP (Ret)	Master in Development Management	Jul 5, 2014 - Present
PDDG Danilo S Constantino PNP	Master in Management	Jun 1, 2015 - Jul 2, 2016
PDDG Leonardo A Espina PNP	Master in Development Management major in Public Management; Laws and Jurisprudence, CGOP ICD	Jul 30, 2013 - Jun 1, 2015
RAdm Allan B Rosal AFP	CGOP ICD	Jun 1, 2015 - Present
MGen Emeraldo C Magnaye AFP	CGOP ICD	Sep 1, 2015 - May 21, 2016
MGen Edgar R Fallorina AFP	Master in Business Management (Major in Finance); CGOP ICD	Oct 1, 2013 - Jul 2, 2015
SSupt Cesar Hawthorne R Binag PNP	MPA; Master in Development Management; Public Policy and Management	Oct 1, 2013 - Present
CSupt Sonny Y David PNP	BS PMA; CGOP, ICD	Jan 30, 2015 - Jan 28, 2015
MGen R Demosthenes C Santillan AFP	MBA, Project Management, CGOP ICD	Nov 3, 2014 - Sep 8, 2016
RAdm Cecil R Chen PCG	MBA; MSMA; CGOP, ICD	Mar 1, 2014 - Sep 8, 2016
CSupt Rodrigo R Abrazaldo BFP	Master in Management; Master in Public Administration; CGOP ICD	Feb 28, 2015 - Aug 17, 2016
CSupt Ruben F Bearis BFP	Master in Public Administration, CGOP ICD	Feb 23, 2012 - Feb 23, 2015
CSupt Romeo S Elisan Jr BJMP	Master in Public Administration, CGOP ICD	Jun 30, 2014 - Present
BGen Rolando M Aquino AFP (Ret)	Master in Public Administration; Master in Development	Sep 1, 2015 - Sep 1, 2016
MGen Danilo M Servando AFP (Ret)	PDP ICD; ACGS Orientation ICD	Aug 1, 2014 - Aug 6, 2015
FCMS Romeo H Jandugan (INF) PA	Corporate Governance Orientation Program, ICD	Oct 29, 2015 - Present
FCMS Guillermo P Francisco (INF) PA	Corporate Governance Orientation Program, ICD	Oct 24, 2012 - Oct 24, 2015
CORPORATE SECRETARY		
Atty Renato A David, FICD	LLB, PDP ICD	Jul 3, 2013 - Present

LIST OF BOARD MEMBERS AND THEIR BOARD MEETING ATTENDANCE IN 2015

Position	Board of Trustees	Attendance (13 meetings)
Chairman	Gen Hernando DCA Iriberri AFP	83%
Chairman	Gen Gregorio Pio P Catapang Jr AFP	86%
Vice Chairman	RAdm Jose Renan C Suarez AFP	92%
Vice Chairman	RAdm Antonio A Habulan Jr AFP	80%
President	MGen Edgardo Rene C Samonte AFP (Ret)	100%
Member	DDG Danilo S Constantino PNP	57%
Member	DDG Leonardo A Espina PNP	83%
Member	RAdm Allan B Rosal AFP	100%
Member	MGen Emeraldo C Magnaye AFP	75%
Member	MGen Edgar R Fallorina AFP	71%
Member	SSupt Cesar Hawthorne R Binag PNP	75%
Member	CSupt Sonny Y David PNP	100%
Member	MGen R Demosthenes C Santillan AFP	85%
Member	RAdm Cecil R Chen PCG	77%
Member	CSupt Rodrigo R Abrazaldo BFP	100%
Member	CSupt Ruben F Bearis BFP	100%
Member	CSupt Romeo S Elisan Jr BJMP	85%
Member	BGen Rolando M Aquino AFP (Ret)	100%
Member	MGen Danilo M Servando AFP (Ret)	100%
Member	FCMS Romeo H Jandugan (INF) PA	100%
Member	FCMS Guillermo P Francisco (INF) PA	100%
Corporate Secretary	MGen Renato A David AFP (Ret)	92%

LIST OF BOARD COMMITTEE MEMBERS AND THEIR ATTENDANCE IN 2015

GOVERNANCE COMMITTEE: 13 MEETINGS

Position	Board of Trustees	Attendance (12 meetings)
Chairman	BGen Rolando M Aquino AFP (Ret)	100%
Chairman	MGen Danilo M Servando AFP (Ret)	100%
Vice Chairman	RAdm Cecil R Chen PCG	83%
President	MGen Edgardo Rene C Samonte AFP (Ret)	100%
Member	MGen Edgar R Fallorina AFP	50%
Member	MGen R Demosthenes C Santillan AFP	75%
Member	SSupt Cesar Hawthorne R Binag PNP	83%
Member	CSupt Rodrigo R Abrazaldo BFP	90%
Member	CSupt Ruben F Bearis BFP	100%

AUDIT AND ENTERPRISE RISK MANAGEMENT COMMITTEE

Position	Board of Trustees	Attendance (11 meetings)
Member/Acting Chair	RAdm Jose Renan C Suarez AFP	100%
Chairman/Vice	DDG Leonardo A Espina PNP	100%
Member	RAdm Allan B Rosal AFP	86%
Member	RAdm Antonio A Habulan Jr AFP	67%
Member	DDG Danilo S Constantino PNP	71%
Member	CSupt Romeo S Elisan Jr BJMP	82%
Member	MGen Danilo M Servando AFP (Ret)	80%

INVESTMENT COMMITTEE

Position	Board of Trustees	Attendance (11 meetings)
Chairman	RAdm Jose Renan C Suarez AFP	100%
President	MGen Edgardo Rene C Samonte AFP (Ret)	100%
Member	PDDG Danilo S Constantino PNP	100%
Member	PDDG Leonardo A Espina PNP	100%
Member	SSupt Cesar Hawthorne R Binag PNP	50%
Member	BGen Rolando M Aquino AFP (Ret)	100%
Member	MGen Emeraldo C Magnaye AFP	75%
Member	MGen Danilo M Servando AFP (Ret)	100%
Member	MGen R Demosthenes C Santillan AFP	80%

SOCIAL SERVICES PROGRAM COMMITTEE

Position	Board of Trustees	Attendance (12 meetings)
Chairman	MGen R Demosthenes C Santillan AFP	83%
Chairman	CSupt Sonny Y David PNP	100%
Vice Chairman	FCMS Guillermo P Francisco (INF) PA	100%
President	MGen Edgardo Rene C Samonte AFP (Ret)	100%
Member/VC*	DDG Danilo S Constantino PNP	83%
Member	SSupt Cesar Hawthorne R Binag PNP	100%
Member	MGen Edgar R Fallorina AFP	60%
Member	CSupt Rodrigo R Abrazaldo BFP	90%
Member	CSupt Ruben F Bearis BFP	100%
Member	FCMS Romeo H Jandugan (INF) PA	50%
Member	RAdm Cecil R Chen PCG	83%

NOMINATION AND REMUNERATION COMMITTEE

Position	Board of Trustees	Attendance (11 meetings)
Chairman	RAdm Allan B Rosal AFP	83%
Chairman	RAdm Antonio A Habulan Jr AFP	100%
Vice Chairman	CSupt Romeo S Elisan Jr BJMP	100%
President	MGen Edgardo Rene C Samonte AFP (Ret)	100%
Member	CSupt Sonny Y David PNP	100%
Member	MGen Emeraldo C Magnaye AFP	100%
Member	SSupt Cesar Hawthorne R Binag PNP	67%
Member	FCMS Romeo H Jandugan (INF) PA	100%
Member	FCMS Guillermo P Francisco (INF) PA	69%

COMMITTEE ON AMENDMENTS

Position	Board of Trustees	Attendance (3 meetings)
Chairman	Supt Rodrigo R Abrazaldo BFP	100%
Vice Chairman	Atty Renato A David, FICD	100%
Member	BGen Rolando M Aquino AFP (Ret)	100%
Member	Supt Cesar Hawthorne R Binag PNP	50%
Member	Atty Maricarr Martinez-Mirabel	100%
	Atty Elizabeth del Fonso-Hidalgo	100%

BOARD OF TRUSTEES

Gen Ricardo R. Visaya AFP
Chief of Staff, AFP

RAdm Allan B Rosal AFP
Deputy Chief of Staff for Personnel AFP

MGen Edgardo Rene C Samonte AFP (Ret)
President and CEO

DDG Danilo S Constantino PNP
Deputy Chief PNP for Operations (DCO)

MGen Emeraldo C Magnaye AFP
Vice Commander, Philippine Air Force

MGen Rodolfo Demosthenes C Santillan AFP
Vice Commander, Philippine Army

MGen Alexander F Balutan AFP
Vice Commander, Philippine Navy

RAdm Cecil R Chen PCG
Commander, Coast Guard Fleet, PCG

CSupt Romeo S Elisan Jr, BJMP
Chief of Directorial Staff, BJMP

CSupt Rodrigo R Abrazaldo BFP
OIC Bureau of Fire Protection

CSupt Hawthorne R Binag PNP
Acting Chief, Firearms and Explosives Office, PNP

BGen Rolando M Aquino AFP (Ret)
Independent Trustee

FCMS Romeo H Jandugan PA (INF) PA
AFP Sergeant Major

Atty Renato A David, FICD
Corporate Secretary

MANAGEMENT TEAM

MGEN EDGARDO RENE C SAMONTE AFP (RET)
PRESIDENT AND CEO

RADM PRIMITIVO P GOPO AFP (RET)
HEAD, CORPORATE SERVICES GROUP & CCSO/ HEAD, AUDIT ENTERPRISE AND RISK MANAGEMENT OFFICE

RADM PHILIP L CACAYAN AFP (RET)
HEAD, SALES AND OPERATIONS GROUP & COO

CARMELITA G RESQUID
HEAD, STRATEGIC MANAGEMENT OFFICE

COL WENCESLAO M ROMERO JR PAF (RET)
HEAD, SOCIAL SERVICES OFFICE

ALPHA GRACE F VENTANILLA
HEAD, UNDERWRITING AND POLICY SERVICES DEPARTMENT

GERALDSAM S AGBAY
HEAD, ACTUARIAL OFFICE

ENGR ANNALY A LAVARIAS
HEAD, METHODS AND RECORDS OFFICE

ANNIE D ARCE
HEAD, INSURANCE DIVISION & HEAD, MARKETING

LEAH Y JOYA
HEAD, INSURANCE REPRESENTATIVES AND SALES DEPARTMENT

ANGELINA S JUTIE
HEAD, DIRECT SALES DEPARTMENT

WILMA F ASTROLOGO
HEAD, AREA AND BRANCH OPERATIONS DIVISION

MARIO C SERIOSA
HEAD, NATIONAL CAPITAL REGION AREA

RUBEN G ACLETA
HEAD, SOUTHERN LUZON AREA

ANITA L BAGASALA
HEAD, VISAYAS AREA

DEONESIO B CORONG II
HEAD, MINDANAO AREA

FE E GERONA
HEAD,REAL ESTATE DIVISION

ENGR FRUDESMA B BALBUENA
HEAD, REAL ESTATE SALES DEPARTMENT

ARCH EDGAR A CLARIZ
HEAD, ENGINEERING DEPARTMENT

JEFFREY RICHARD NIXON MATTHEW L UY
OFFICE OF THE HEAD, CSG

ATTY MARICARR MARTINEZ-MIRABEL
HEAD, LEGAL OFFICE

ATTY LYNELL L SESE
HEAD, LITIGATION AND PROSECUTION DEPT

ATTY AL-MAY SAIR F PATANGAN
HEAD, DOCUMENTATION AND COMPLIANCE DEPT

TERESITA D CALARANAN
HEAD, FINANCE DIVISION

JOCELYN T MIRANDA
HEAD, ACCOUNTING DEPARTMENT

ROSALIE P DIONES
HEAD, MANAGEMENT ACCOUNTING AND BUDGET DEPARTMENT

JESUS A LAGUNA
HEAD, ACCOUNTS MANAGEMENT DEPARTMENT

ATTY ELIZABETH DEL FONSO-HIDALGO
HEAD, COMPLIANCE AND REMEDIAL ACCOUNTS OFFICE

JASMIN M DAMO
ACTING TAX MANAGEMENT AND MEDIATION OFFICER

REGINA B FAJOTINA
HEAD, CONTROLLERSHIP

ANICITAS D PEREZ
HEAD, TREASURY AND INVESTMENT DEPT

ARLENE M MAGUGAT
HEAD, BILLING AND COLLECTION DEPT

FE V AGLIPAY
HEAD, HUMAN RESOURCE DIVISION

PRODUCTS & SERVICES

MODIFIED BASIC INSURANCE FOR AFP PERSONNEL

Particulars	Modified Basic Insurance (MBI)
Type of Insurance Plan	Term Insurance with equity
Monthly Contribution	0.5% of base pay (automatic) +1.0% of base pay: additional
Total Living Benefit	Member's Equity + Interest
Equity Loan	Loans for members at only 6% interest per annum
Dismemberment / Disability Benefit	For total and permanent injuries due to accident or incurred while in the performance of duty
Death Benefit (natural)	100% Face Amount + Total Living Benefit
Death Benefit (accidental)	150% Face Amount + Total Living Benefit
Death Benefit (KIA)	150% Face Amount + P50,000 + Total Living Benefit

UPGRADED BASIC FOR BFP, BJMP, PCG & PNP PERSONNEL

Particulars	Upgraded Basic Insurance (UBI)
Type of Insurance Plan	Term Insurance with equity
Monthly Contribution	1.5% of base pay
Total Living Benefit	Member's Equity + Interest
Equity Loan	Equity Loan at 6% interest per annum
Dismemberment /Disability Benefit	For total and permanent injuries due to accident or incurred while in the performance of duty
Death Benefit (natural)	100% Face Amount + Total Living Benefit
Death Benefit (accidental)	200% Face Amount + Total Living Benefit
Death Benefit (KIA)	100% Face Amount + P50,000 + Total Living Benefit

SPECIAL GROUP TERM INSURANCE (SGTI)

- coverage of P16,000 for natural deaths and P32,000 for members killed-in-action
- P1,000 funeral benefit
- disability benefit if incurred while on performance of duty

INSURANCE PRODUCTS

ENDOWMENT AT 56
- a life insurance, savings and investment plan for regular members 55 years old and below
- 100% maturity benefit at age 56 and dividends starting on the 4th year
- with disability benefit
- double insurance benefit in case of accidental death
- with funeral benefit

ENDOWMENT PLAN (10, 15, 20 YEARS)
- payable in 10, 15 or 20 years and insured for the same period
- 100% maturity benefit
- with dividends starting on the 4th year, if plan is participating

ANTICIPATED 20-YEAR ENDOWMENT
- payable in 20 years and insured for the same period
- with 20% bonus on the 5th, 10th, 15th policy anniversary year
- 100% maturity benefit

SAVER'S PROTECTION PLUS (10-15)
- payable in 10 years and insured for 15 years
- with dividends starting on the 4th year
- 20% bonus on the 10th to 14th policy anniversary year
- 100% maturity benefit on the 15th year
- double insurance coverage from 6th year onwards in case of death

EASY PAY PLAN (10-20)
- 10 years to pay, insured for 20 years
- with dividends starting on the 4th year
- 100% maturity benefit

COLLEGE EDUCATIONAL PLAN
- an educational fund and insurance plan for dependents of members, newborn to 11 years old
- payable in 5 or 10 years and matures on the policy anniversary date after the child's 17th birthday
- with life insurance for the child and dividends starting on the 4th year
- with waiver of premium for death and total and permanent disability of payor

WHOLE LIFE
- lifetime insurance protection which guarantees biggest amount of protection at minimum cost

20-PAY LIFE
- payable in 20 years, insurance coverage until age 99
- with dividends if plan is participating, starting on the 4th year

SPECIAL WHOLE LIFE
- lifetime insurance protection for retired servicemen, available to members ages 50-69 years old

GROUP TERM INSURANCE
- insurance protection for members of CAFGU, ROTC, PMA classes, security agencies, cooperatives and other special groups

REDEMPTION INSURANCE (CREDIT, SALES, MORTGAGE)
- an assurance of payment of theoretical balance of the loan in the event of death of the borrower

INSURANCE BENEFITS

DIVIDENDS
- benefit given to members with participating additional insurance in force for at least three years.

DISABILITY BENEFIT
- benefit given to members with Basic and Modified or Upgraded Basic insurance for total and permanent loss or loss of use of the parts of the body as a result of accident or combat operations
- benefit for E-56 policyholders if loss is due to accident only
- benefit for SGTI policyholders if loss is incurred while on duty

BATTLE INJURY ASSISTANCE
- financial assistance granted to members with Modified Basic Insurance or Upgraded Basic Insurance whose injury sustained in battle is not covered under the disability program of Modified Basic Insurance (MBI) /Upgraded Basic Insurance (UBI) and Special Group Term Insurance (SGTI)
- face amount depends on injury

LOAN SERVICES

POLICY LOAN
- available after two years of premium payment for Endowment Plans and three years for other Life Insurance Plans
- payable in 6, 12, 18 or 24 months at 6% interest per annum

EQUITY LOAN
- for members with Modified or Upgraded Basic Insurance
- payable in 12, 24, or 36 months at 6% interest per annum

SALARY LOAN
- for all active members with active Additional Insurance
- maximum of P300,000 at 8% interest per annum for loan term of 36 months and below, 10% for more than 36 months
- available after paying one month of premium contribution remitted to the Association through payroll deduction
- renewable after payment of six monthly amortizations for loans with payment term of 36 months and below; and after payment of 12 monthly amortizations for loans with payment term of more than 36 months.

MEMBER'S EDUCATIONAL ASSISTANCE LOAN (MEDAL)
- for the schooling of members or their dependents regardless of school level and number of grantees
- maximum of P50,000 payable within one year
- 7% interest per annum

HOUSING LOAN
- for the acquisition of lot or house and lot unit from AFPMBAI subdivision projects
- payable up to 20 years, depending on the age of borrower
- 5.5% - 11% fixed interest rates per annum

MORTGAGE LOAN
- for the purchase of lot, house and lot or condominium (completed), house construction, purchase of lot with house construction, home improvement, refinancing of real estate/housing loan with other institutions.
- maximum of P5M loanable amount
- payable up to 20 years, depending on the age of the borrower
- 5.5% -11% fixed interest rates per annum

EXPANDED SALARY LOAN (ESL)
- for an AFP officer who is a regular member of AFPMBAI turning 55 years of age and/or who would compulsorily retire within one year or less
- Maximum loanable amount plus interest equal to his 25% lump sum pay but not exceed P1M
- monthly amortization to cover interest only
- only 8% per annum
- total loan amount will be deducted from lump sum/commutation of leaves

PRE-RETIREMENT LOAN
- for AFP members who is due for mandatory retirement from the service within five (5) years or less upon loan application
- purchase of house and lot, or condominium (completed), house construction, purchase of lot and house construction, home improvement
- payable up to 5 years
- 5%-7% interest rate per annum

CALAMITY LOAN
- special loan privilege granted to members who are victims of calamities

OTHER SERVICES

TEXT 2 ATM LOAN FACILITY
- availment of loans or loan renewal through text
- for regular and associate members who enrolled to TXT 2 ATM facility
- must have active and updated Basic Insurance or Additional Insurance plan with cash value

SM BILLS PAYMENT FACILITY
- members now have the convenience of paying their loans and insurance premiums at over 200 branches of SM Bills Payment counters nationwide.

NEW AFPMBAI MEMBERSHIP ID
- in partnership with UCPB, the new AFPMBAI ID features its membership identification and ATM functionality in one card.

BRANCH & EXTENSION OFFICES

NORTHERN LUZON AREA
OIC: MARIETA O ALEJO

Baguio Branch
Supervisor: Edna P Ramos
AFPSLAI Bldg, Camp Henry Allen
Baguio City
0999-515-3918 / 0923-7420891
0927-982-9859 / (074)443-5883

San Fernando La Union Extension Office
In-Charge: Heziel Yen G Yosoya
Unit C, National Road, Pagdalagan Norte
City of San Fernando, La Union
0909-5295572 / 0933-8720142
(072)607-8120

Dagupan Extension Office
In-Charge: Al Bryan J Senin
Room 203 2nd floor, Siapno Bldg, corner
Rivera St. and Zamora St., Dagupan City
0923-7471514/ 0930-9664762

Laoag Extension Office
In-charge: Marie Cris S Camagon
Unit 202 VL & SONS Bldg
P. Gomez St., Laoag City
0932-5127185 / 0923-7457561

Isabela Branch
Supervisor: Restituto M Duran III
CLU Bldg, National Highway
Cauayan, Isabela
0907-8227859 / 0923-7420889
(078)652-1743

Bayombong Extension Office
In-Charge: Kristine Irish R Villareal
Room D, F & V Delos Santos
Commercial Bldg. 146 National Road,
District IV, Bayombong,
Nueva Vizcaya
0923-7471473

Upi Extension Office
In-Charge: Frances V Siddayao
Camp Melchor F Dela Cruz
Upi, Gamu, Isabela
0933-3817764

Tuguegarao Branch
Supervisor: Grandee P Dumlao
Rios Bldg Cor. College Ave and Taft
St. Tuguegarao City, Cagayan
0916-1676224 / 0923-7421812
(078)844-6728

Tabuk Extension Office
In-charge: Cherie Pie G Pullis
2F Kalinga Bazaar, Bulanso
Tabuk, Kalinga
0923-743-4646 / 0935-9314911

Cabanatuan Branch
Supervisor: Engr Julito V Arucan
Unit A Abesamis Bldg., Brgy. San
Roque, Melancio St.,
Cabanatuan City
0923-7327870 / (044)464-3908

Fort Magsaysay Extension Office
In-charge: Carolyn P De Guzman
7th Infantry Division, Philippine
Army
Fort Magsaysay, Palayan City
Nueva Ecija
0923-7420870/ 0947-5287887

Clark Extension Office
In-charge: Perfecto G Libunao
600th Air Base Wing,
Clark Air Base, Pampanga
0923-7421791

Olongapo Extension Office
In-Charge: Ellen G Importado
1869 Rizal Ave., West Bajac-Bajac,
Olongapo City
0933-8754260

Tarlac Extension Office
In-charge: Catherine P Allag
2/F AJ-AS Building, Brgy. Maligaya
Tarlac City
0933-8784388

Capas Extension Office
In-charge: John Carlo L Mañalac
2R Bldg., Sta. Lucia, Capas Tarlac
0933-0471069

Camp Olivas Extension Office
In-charge: Crisostomo M Bruel
Camp Olivas, City of San Fernando,
Pampanga
0943-7087265

SOUTHERN LUZON AREA
HEAD: RUBEN G ACLETA

Fort Bonifacio Branch
Supervisor: Ma. Jocelyn Junsay
Naval Station Jose Francisco
Gate 3 Fort Bonifacio, Taguig City
(02)888-6438 / (02)888-9057
0923-7420892

Canlubang Extension Office
In-charge: Jhon Daniel L Magistrado
Camp Vicente Lim, Canlubang, Laguna
0999-9077752 / 0923-7420868

Tanay Extension Office
In-charge: Maribel M Manalo
Camp Gen Capinpin, Tanay, Rizal
0943-8700066

Cavite Branch
Supervisor: Maria Nimfa A Recaido
2/F Unit-D 685 R.Basa St.
Brgy. Labanos, San Roque, Cavite City
0949-3403639 / 0923-7421809
(046)435-8992

Palawan Extension Office
In-charge: Honeylyn Lambaja
Unit 1, 2/F, SJD Green Bldg.
132 National Highway, Brgy. San Pedro
Puerto Princesa, Palawan
0949-3364100 / 0923-7471482
(048)434-7012

Lucena Branch
Supervisor: Estrellita O Querimit
SOLCOM, Camp Nakar Lucena City
0918-3976367 / 0923-7420847
(043)373-1091

Daet Extension Office
In-charge: Resty V Pacle
No. 2 Blk 6 Lot 1 Bel-Air Subdivision
Lag-on Daet, Camarines Norte
0943-5547618 / 0927-9247343
(054)440-0680

Batangas Branch
Supervisor: Nenita H Buco
Unit 5 2/F Verde Centre
Paninsingin, Lipa City, Batangas
0923-7421794 / 0947-7253654
(043)702-4352

Calapan Extension Office
In-charge: Nollie Rose P Martinez
2/F HCP Bldg., M.H Del Pilar St., San
Vicente East, Calapan City,
Oriental Mindoro
0923-7421802/ 0947-3861320

Legaspi Branch
Acting Supervisor: Jecris C Sagragao
ANST Bldg, Washington Drive,
Legazpi City
0923-7420862 / 0916-7879077
(052)481-1573

Pili Extension Office
In-charge: Glenda O Pacis
Omega Gold Plaza Bldg, Pili, Camarines
Sur
0923-7421808 / 0935-9307236
(054)477-3406

Masbate Extension Office
In-Charge: Honeylyn Lambaja
Room 1 Shopper's Arcade
Domingo St., Masbate City
0923-7491537 / 0906-4101427

VISAYAS AREA
HEAD: ANITA BAGASALA

Iloilo Branch
Supervisor: Mila R Sison
Arthur Suite, General Luna St.
Iloilo City
0923-7421814 / (033)337-8416

Bacolod Extension Office
In-charge: Mary Joy B Locsin
Door 5 Elcourt Bldg, 1st Street,
Lacson, Bacolod City
0923-7421822 / (034) 434-6044

Jamindan Extension Office
In-charge: Genalyn D Panahilason
Sitio Agbalagon, Jaena Norte
Jamindan, Capiz
0923-2007450

Kalibo Extension Office
In-Charge: Dechel R Harvey
Door #206, 2F Waldolf Garcia Bldg.
Osmeña Ave., Kalibo, Aklan
0923-7434634

Cebu Branch
Supervisor: Vembe V Magalso
CENTCOM, AFP, Camp Lapu-Lapu
Lahug, Cebu City
0923-7259328 / 0920-5001827
(032) 234-1028

Dumaguete Extension Office
In-charge: Geoviliza Z Tayag
Door No. 4 Canlas Bldg.,
Cervantes St., Dumaguete City
0923-7455310 / 0919-6661048
(035)226-3527

Bohol Extension Office
In-charge: Sheryl A Paeste
140 J.A Clarin St. Tagbilaran City, Bohol
0923-7455318 / 0908-3271527
(038)412-7282

Bogo Extension Office
In-charge: May Anne O Astillo
Bogo City Police Station
Brgy. Taytayan, Bogo City, Cebu
0908-2577473

Tacloban Branch
Supervisor: Rebecca S Gayod
G/F Aqua Glass Bldg., corner P.
Gomez
& Real Sts. Tacloban City
0943-7079484 / 0921-4354529
(053) 325-6552

Catbalogan Extension Office
In-charge: Rommel A Romero
Camp Lukban, Maulong
Catbalogan, Samar
0923-7457575 / 0921-7605946
(055) 251-5351

Catarman Extension Office
In-charge: Novelin A. Mahinay
Catarman Police Station
JP Rizal St. Brgy. Acacia
Catarman, Northern Samar
0943-0948734 / (055)251-8555

Maasin Extension Office
In- charge: Elizabeth A Aberte
Capt. Iyano St., Brgy. Tagnipa,
Maasin City, Southern Leyte
0943-7087268 / 0915-7466962
(053)381-2914

MINDANAO AREA
HEAD: DEONESIO B CORONG II

Zamboanga Branch
Supervisor: Jocelyn B Paala
Western Mindanao Command
Camp Basilio Navarro, Lower
Calarian,
Zamboanga City
0919-4911649 / 0923-7457583
0942-7126122 / (062)991-1053

Pagadian Extension Office
In-charge: Marie Lei L Pamittan
Kuta Dao, Pagadian City
0928-7128245 / 0923-7457446
(062)215-3907

Jolo Extension Office
In-charge: Nhasramona U Jasim
Camp PSSupt, Julasim A Kasim,
Asturias, Jolo, Sulu
0977-4871945 / 0943-1331884

Dipolog Extension Office
In-charge: Katrina Marie E Saguin
Jucit Bess Bajamunde Sanico Bldg.,
Gonzales cor. Malvar St.,
Dipolog City
0923-7457456

Ipil Extension Office
In-charge: Richel C dela Cruz
Stall no. 6 Schuck Arcade
Climaco St., Poblacion Ipil
Zamboanga Sibugay Province
0923-749-1566

Cagayan De Oro Branch
Supervisor: Conchita Ma Concepcion L Salazar
Nuñez Bldg., Zone 1, Bulua
Cagayan De Oro City
0999-4697000 / 0923-7455323
(08822)735-695

Iligan Extension Office
In-charge: Jefilamae T Silao
Jariol Bldg,
Del Pilar St., Iligan City
0928-7107777 / 0923-3747472

Bukidnon Extension Office
In-charge: Riza Manguera
Rubio Bldg., Magsaysay St.,
Malaybalay, Bukidnon
0923-7491567

Butuan Branch
OIC: Krizza C Simudlan
Brgy. Bancasi, Butuan City
0928-3687565 / 0923-7457460
(085)226-6084

Surigao Extension Office
In-charge: Allvin A Yosores
2/F Arriba Bldg., Amat St.,
Surigao City
0923-7491606

Davao Branch
OIC: Maria Menchie C Makilang
4/F AFPMBAI Bldg., Maya Street,
Ecoland, Matina, Davao City
0929-8102531 / 0923-7457415
(082)297-5482

Mati Extension Office
In-charge: Paullyn Grace P Gamayon
Manongas Bldg., Limotoc St.
Mati City
0923-7471515
(082) 811-3685

General Santos Extension Office
In-charge: Janet M Jaudian
3/F SAFI Bldg. 2, Mansanitas St.
cor Magsaysay Ave., General Santos City
0948-4927464 / 0923-7457551
(083)553-1454

Cotabato Branch
Supervisor: Annaliza B Lim
2/F Herrera Bldg. 154, Quezon Ave,
Cotabato City
0949-4565168 / 0923-7457429
(064)421-9398 / 421-4004

Kidapawan Extension Office
In-Charge : Janelyn Soliza
2/F ZPOL Bldg.
Quezon Blvd., Kidapawan City
0943-1343605

Tacurong Extension Office
In-Charge: Noemi I Sumalpong
Notre Dame Centrum II, National Highway,
Tacurong City,
Sultan Kudarat
0943-7087267

AUDITED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **ARMED FORCES & POLICE MUTUAL BENEFIT ASSOCIATION, INC.**, is responsible for the preparation and fair presentation of the financial statements as at and for the years ended **December 31, 2015 and 2014**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews the financial statements before such statements are approved.

R.G. Manabat & Co. (formerly known as Manabat Sanagustin & Co., CPAs), the independent auditors appointed by the management has audited the financial statements of the ARMED FORCES & POLICE MUTUAL BENEFIT ASSOCIATION, INC. in accordance with Philippine Standards on Auditing, has expressed its opinion on the fairness of presentation upon completion of such audit.

Chairman of the Board — GEN HERNANDO DCA IRIBERRI AFP

President and CEO — MGEN EDGARDO RENE C SAMONTE AFP (RET)

Treasurer — COMMO ANTONIO M MENDOZA AFP (RET)

ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INC. AND SUBSIDIARY STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
ASSETS				
Cash and cash equivalents	**P1,745,479,919**	P1,256,420,000	**P1,715,642,348**	P1,173,506,648
Short-term investments	**-**	150,000,000	**-**	150,000,000
Financial assets at fair value through profit loss (FVPL)	**34,191,907**	34,915,424	**34,191,907**	34,915,424
Available-for-sale (AFS) securities	**2,169,977,776**	1,938,345,550	**1,847,124,892**	1,554,962,504
Held-to-maturity (HTM) investments	**1,562,074,020**	1,478,009,864	**1,493,750,000**	1,410,908,057
Long-term investments	**20,000,000**	-	**20,000,000**	-
Loan receivables - net	**7,617,593,703**	7,266,793,678	**7,617,593,703**	7,266,793,678
Premiums due to insurance receivables - net	**60,083,904**	71,047,052	**2,631,837**	1,106,874
Other receivables - net	**71,851,734**	71,174,282	**67,056,264**	63,365,239
Investment properties	**2,547,849,246**	2,127,739,561	**2,518,497,890**	2,096,918,205
Asset held-for-sale	**266,917,208**	212,439,015	**266,917,208**	212,439,015
Investments in a subsidiary and associates - net	**19,277,950**	14,426,158	**198,265,704**	198,265,704
Property equipment - net	**368,610,970**	302,223,348	**340,002,042**	271,777,533
Deferred reinsurance premiums	**3,945,399**	6,180,934	**-**	-
Deferred acquisition costs	**6,289,446**	1,526,987	**-**	-
Deferred tax assets - net	**23,401,465**	20,858,305	**-**	-
Other assets - net	**60,133,368**	23,672,916	**39,604,371**	12,372,254
	P16,577,678,015	P14,975,773,074	**P16,161,278,166**	P14,447,331,135
LIABILITIES AND MEMBERS' EQUITY				
Liabilities				
Claims and benefits payable	**P376,370,040**	P404,470,077	**P330,976,514**	P302,345,563
Accounts payable and accrued expenses	**444,730,929**	448,608,199	**405,764,569**	423,654,609
Legal policy reserves	**8,622,619,814**	7,914,721,584	**8,622,619,814**	7,914,721,584
Due to reinsurers and ceding companies	**1,880,308**	5,164,813	**-**	-
Funds held for reinsurers	**1,141,850**	25,441,850	**-**	-
Reserve for unearned premiums	**49,021,005**	28,854,699	**-**	-
Deferred reinsurance commission	**750,952**	1,559,042	**-**	-
Dividends payable	**297,810,471**	261,832,278	**297,810,471**	261,832,278
Reserve for refund of members' equity	**1,659,476,864**	1,496,624,713	**1,659,476,864**	1,496,624,713
Retirement liability	**71,491,667**	32,012,575	**65,294,368**	31,457,551
Other liabilities	**436,568,326**	424,687,104	**436,568,326**	424,687,104
Total Liabilities	**11,961,862,226**	11,043,976,934	**11,818,510,926**	10,855,323,402
Members' Equity				
Members' contribution	**96,065,213**	97,589,383	**96,065,213**	97,589,383
Reserve for fluctuation in value of AFS financial assets	**(17,273,412)**	53,257,233	**53,374,502**	58,250,156
Employee benefit reserve	**(27,662,990)**	(6,452,879)	**(17,327,188)**	1,429,909
Retained surplus	**4,564,686,978**	3,787,402,403	**4,210,654,713**	3,434,738,285
Total Members' Equity	**4,615,815,789**	3,931,796,140	**4,342,767,240**	3,592,007,733
	P16,577,678,015	P14,975,773,074	**P16,161,278,166**	P14,447,331,135

ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INC
AND SUBSIDIARY
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31

	CONSOLIDATED		SEPARATE	
	2015	**2014**	**2015**	**2014**
REVENUES				
Premiums, net of reinsurance	**P2,251,595,480**	P2,136,653,979	**P2,159,242,504**	P2,069,408,387
Interest income	**925,184,340**	876,314,462	**921,238,395**	871,449,548
Increase in fair value of investment properties	**463,064,311**	2,691,149	**463,064,311**	-
Policy income	**90,329,902**	90,607,200	**90,329,902**	90,607,200
Rental income	**47,868,225**	29,009,996	**46,572,190**	27,740,508
Gain on sale of real estate	**24,214,132**	27,938,126	**24,214,132**	27,938,126
Dividend income	**17,741,221**	4,764,153	**11,877,729**	2,269,189
Gain on sale of AFS financial assets	**8,333,447**	8,630,363	**-**	-
Commission income	**2,722,064**	6,502,827		-
Other income	**19,685,710**	8,889,016	**7,745,234**	15,061,763
	3,850,738,832	3,192,001,271	**3,724,284,397**	3,104,474,721
BENEFITS AND EXPENSES				
Death and other policy benefits	**1,230,949,913**	1,260,649,656	**1,211,051,891**	1,255,759,173
General and administrative expenses	**887,726,460**	881,845,825	**784,680,215**	799,925,437
Increase in legal policy reserves	**707,898,230**	435,636,300	**707,898,230**	435,636,300
Commission expense	**147,565,481**	125,606,924	**140,549,553**	119,001,033
Dividend on participating policies	**104,188,079**	95,438,412	**104,188,079**	95,438,412
	3,078,328,163	2,799,177,117	**2,948,367,968**	2,705,760,355
INCOME FROM OPERATIONS	**772,410,669**	392,824,154	775,916,429	398,714,366
SHARE IN NET INCOME OF AN ASSOCIATE	**4,851,792**	1,553,125	-	-
INCOME BEFORE INCOME TAX	**777,262,461**	394,377,279	775,916,429	398,714,366
INCOME TAX BENEFIT	**22,114**	5,750,368	-	-
NET INCOME FOR THE YEAR	**P777,284,575**	P400,127,647	P775,916,429	P398,714,366

ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INC
AND SUBSIDIARY
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31

	CONSOLIDATED		SEPARATE	
	2015	**2014**	**2015**	**2014**
NET INCOME	**P777,284,575**	P400,127,647	**P775,916,429**	P398,714,366
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified subsequently to profit or loss				
Remeasurements of defined benefit obligation - net of tax	**(21,210,111)**	59,805,745	**(18,757,097)**	49,908,604
Items that may be reclassified subsequently to profit or loss				
Net change in fair value of AFS financial assets	**(70,556,420)**	73,337,953	**(4,875,654)**	79,134,372
Net change in fair value of AFS financial assets reclassified to profit or loss	**25,775**	9,623,977	**-**	-
TOTAL COMPREHENSIVE INCOME	**P685,543,819**	P542,895,322	**P752,283,678**	P527,757,342

ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INC
AND SUBSIDIARY
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

CONSOLIDATED				Retained Surplus		
	Members' Contribution	**Reserve for Fluctuation in Value of AFS Securities**	**Employee Benefit Reserve**	**Appropriated**	**Unappropriated**	**Total**
Balance at December 31, 2013	P99,004,776	(P29,704,697)	(P66,258,624)	P173,698,069	**P3,213,576,687**	**P3,390,316,211**
Net income for the year	-	-	-	-	**400,127,647**	**400,127,647**
Other comprehensive income	-	82,961,930	59,805,745	-	**-**	**142,767,675**
Decrease in members' contribution	(1,415,393)	-	-	-	**-**	**(1,415,393)**
Reversal of prior year appropriated retained surplus	-	-	-	(113,698,069)	**113,698,069**	**-**
Appropriation of retained surplus	-	-	-	453,030,220	**(453,030,220)**	**-**
Balance at December 31, 2014	97,589,383	53,257,233	(6,452,879)	513,030,220	**3,274,372,183**	**3,931,796,140**
Net income for the year	-	-	-	-	**777,284,575**	**777,284,575**
Other comprehensive loss	-	(70,530,645)	(21,210,111)	-	**-**	**(91,740,756)**
Decrease in members' contribution	(1,524,170)	-	-	-	**-**	**(1,524,170)**
Reversal of prior year appropriated retained surplus	-	-	-	(159,769,220)	**159,769,220**	**-**
Appropriation of retained surplus	-	-	-	639,317,375	**(639,317,375)**	**-**
Balance at December 31, 2015	**P96,065,213**	**(P17,273,412)**	**(P27,662,990)**	**P992,578,375**	**P3,572,108,603**	**P4,615,815,789**

ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INC
AND SUBSIDIARY
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

SEPARATE						
	Members' Contribution	Reserve for Fluctuation in Value of AFS Securities	Employee Benefit Reserve	Retained Surplus		Total
				Appropriated	Unappropriated	
Balance at December 31, 2013	P99,004,776	(P20,884,216)	(P48,478,695)	P123,698,069	P2,912,325,849	P3,065,665,783
Net income for the year	-	-	-	-	398,714,366	398,714,366
Other comprehensive income	-	79,134,372	49,908,604	-	-	129,042,976
Decrease in members' contribution	(1,415,393)	-	-	-	-	(1,415,393)
Reversal of prior year appropriated retained surplus	-	-	-	(113,698,069)	113,698,069	-
Appropriation of retained surplus	-	-	-	453,030,220	(453,030,220)	-
Balance at December 31, 2014	97,589,383	58,250,156	1,429,909	463,030,220	2,971,708,064	3,592,007,732
Net income for the year	-	-	-	-	775,916,429	775,916,429
Other comprehensive loss	-	(4,875,654)	(18,757,097)	-	-	(23,632,751)
Decrease in members' contribution	(1,524,170)	-	-	-	-	(1,524,170)
Reversal of prior year appropriated retained surplus	-	-	-	(159,769,220)	159,769,220	-
Appropriation of retained surplus	-	-	-	639,317,375	(639,317,375)	-
Balance at December 31, 2015	**P96,065,213**	**P53,374,502**	**(P17,327,188)**	**P942,578,375**	**P3,268,076,338**	**P4,342,767,240**

ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INC
AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax				
Adjustments:	**P777,262,461**	P394,377,279	**P775,916,429**	P398,714,366
Dividend on participating polices	**104,188,079**	95,438,412	**104,188,079**	95,438,412
Incremental benefit reserves	**57,531,784**	140,096,367	**57,531,784**	140,096,367
Depreciation and amortization	**42,713,349**	38,365,988	**33,930,438**	31,953,774
Impairment loss on loans and insurance receivables	**39,824,753**	22,991,275	**39,824,753**	21,732,945
Retirement benefit expense	**17,217,689**	20,874,691	**15,079,720**	16,884,408
Decrease (increase) in fair value of financial assets at FVPL	**723,517**	(8,086,591)	**723,517**	(8,086,591)
Gain on sale of investment properties	**-**	(376,197)	**-**	-
Impairment loss on other receivables and other assets	**-**	566,294	**-**	566,294
Share in net income of an associate	**(4,851,792)**	(1,553,125)	**-**	-
Gain on sale of AFS financial assets	**(8,333,447)**	(8,630,363)	**-**	-
Dividend income	**(17,741,221)**	(4,764,153)	**(11,877,729)**	(2,269,189)
Gain on sale of real estates	**(24,214,132)**	(27,938,126)	**(24,214,132)**	(27,938,126)
Increase in fair value of investment properties	**(463,064,311)**	(2,691,149)	**(463,064,311)**	-
Interest income	**(925,184,340)**	(876,314,462)	**(921,238,395)**	(871,449,548)
Operating loss before working capital changes	**(403,927,611)**	(217,643,860)	**(393,199,847)**	(204,356,888)
Decrease (increase) in:				
Loans receivable	**(366,410,646)**	(663,236,535)	**(366,410,646)**	(663,236,535)
Premiums due and insurance receivables	**10,963,148**	(31,672,492)	**(1,524,963)**	1,079,476
Other receivables	**992,388**	(5,870,087)	**(975,030)**	(1,654,453)
Deferred acquisition cost	**(4,762,459)**	746,460	**-**	-
Deferred reinsurance premiums	**2,235,535**	20,903,425	**-**	-
Other assets	**(36,460,450)**	(2,788,544)	**(27,232,117)**	6,651,454
Increase (decrease) in:				
Claims and benefits payable	**(28,100,037)**	38,689,763	**28,630,951**	41,301,881
Accounts payable and accrued expenses	**(3,877,270)**	(183,306,515)	**(17,890,040)**	(189,920,886)
Legal policy reserves	**707,898,230**	435,636,300	**707,898,230**	435,636,300
Due to reinsurers and ceding companies	**(3,284,505)**	2,253,495	**-**	-
Funds held for reinsurers	**(24,300,000)**	20,697,290	**-**	-
Reserve for unearned premiums	**20,166,306**	(23,700,713)	**-**	-
Deferred reinsurance commissions	**(808,090)**	(2,325,343)	**-**	-
Other liabilities	**11,881,222**	424,687,104	**11,881,222**	424,687,104

YEARS ENDED DECEMBER 31

	CONSOLIDATED		SEPARATE	
	2015	2014	**2015**	2014
Net cash used in operations	**(P117,794,239)**	(P186,930,252)	**(P58,822,240)**	(P149,812,547)
Interest received	**923,514,499**	868,397,781	**918,522,399**	864,165,835
Income taxes paid	**(1,469,754)**	(850,248)	**-**	-
Dividends received	**17,741,221**	4,764,153	**11,877,729**	2,269,189
Dividends paid	**(68,209,886)**	(62,265,692)	**(68,209,886)**	(62,265,692)
Net cash provided by operating activities	**753,781,841**	623,115,742	**803,368,002**	654,356,785
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal (payments for acquisition) of:				
Short-term investments	**150,000,000**	(150,000,000)	**150,000,000**	(150,000,000)
Financial assets at FVPL	**-**	-	**-**	-
AFS financial assets	**(293,829,425)**	(635,453,157)	**(297,038,042)**	(440,000,000)
HTM investments	**(84,064,156)**	(242,537,411)	**(82,841,943)**	(283,370,558)
Long-term investments	**(20,000,000)**	-	**(20,000,000)**	-
Investment properties	**1,102,685**	810,110	**(367,315)**	(187,610)
Assets held-for-sale	**(12,626,252)**	118,323,190	**(12,626,252)**	118,323,190
Property and equipment	**(109,100,971)**	(42,227,064)	**(102,154,947)**	(29,296,218)
Investment in a subsidiary and associates	**-**	-	**-**	(173,140,704)
Net cash used in investing activities	**(368,518,119)**	(951,084,332)	**(365,028,499)**	(957,671,900)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in reserve for refund of member's equity	**105,320,367**	83,078,809	**105,320,367**	83,078,810
Decrease in members' contribution	**(1,524,170)**	(1,415,393)	**(1,524,170)**	(1,415,393)
Net cash provided by financing activities	**103,796,197**	81,663,416	**103,796,197**	81,663,417
NET DECREASE IN CASH AND CASH EQUIVALENTS	**489,059,919**	(246,305,174)	**542,135,700**	(221,651,698)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,256,420,000**	1,502,725,174	**1,173,506,648**	1,395,158,346
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P1,745,479,919**	P1,256,420,000	**P1,715,642,348**	P1,173,506,648

ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. Organization and Operations

Armed Forces and Police Mutual Benefit Association, Inc. (the "Association" or the "Parent Company") was incorporated on September 1, 1965 with the Philippine Securities and Exchange Commission (SEC) as a non-stock corporation with soldiers, police, fire, jail management and coast guard personnel as members. On June 29, 2011, a resolution was approved by the majority vote of the Board of Trustees (BOT) and the vote of members representing at least two-thirds (2/3) of the membership extending the life of the Parent Company for another fifty (50) years from and after January 13, 2016, and for this purpose, amending the Parent Company's Articles of Incorporation. On June 28, 2012 the SEC approved the renewal of the Parent Company's corporate life up to 2066.

The Parent Company was also granted license by the Insurance Commission (IC) of the Philippines to operate as a mutual benefit association that extends benefits and services for the welfare and financial security of its members and their families, which includes providing housing, calamity assistance, educational and salary loans to members. The IC also authorized the Parent Company to act as a life insurance arm of the Armed Forces of the Philippines (AFP), Philippine National Police (PNP), Bureau of Fire Protection (BFP), Bureau of Jail Management and Penology (BJMP) and Philippine Coast Guard (PCG).

On July 1, 2013, the Association obtained license from the IC as a mutual benefit association valid until December 31, 2015. On January 1, 2016, the IC renewed the Association's license until December 31, 2018.

As provided in Section 30(e) of the National Internal Revenue Code, as amended, the Parent Company is exempt from the payment of income tax with respect to income it receives as a non-stock, non-profit organization.

The Association holds 100% interest in AFP General Insurance Corporation ("AFPGIC" or the "Subsidiary"). AFPGIC was incorporated and registered with the Philippine SEC on March 1, 1979. AFPGIC is engaged in the business of motor car, fire, marine, fidelity and surety insurance, and on all other forms of non-life insurance authorized by law.

Certificate of Authority No. 2013/108-R was granted to the Subsidiary by the Philippine IC to transact in non-life insurance (fire, marine, casualty and surety) business until December 31, 2015. The IC renewed the Company's license with CA No. 2016/69-R-R, valid until December 31, 2018. On January 1, 2015, the Subsidiary was granted a Certificate of Accreditation and Authority to issue Compulsory Insurance Coverage for Agency-Hired Overseas Filipino Workers valid until December 31, 2015.

The consolidated and separate financial statements as at and for the years ended December 31, 2015 and 2014 comprise the financial statements of the Parent Company and its Subsidiary (collectively referred to as the "Group") and the Group's interest in associates.

The registered principal office of the Group and the Parent Company is located at Col. Bonny Serrano corner E. Delos Santos Avenue, Quezon City.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The consolidated financial statements of the Group and the separate financial statements of the Parent Company as at and for the year ended December 31, 2015 have been reviewed, approved and authorized for issue by the BOT on March 31, 2016.

Basis of Measurement
The consolidated and separate financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis at each reporting date.

Items	Measurement Bases
Financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) financial assets and investment properties	Fair value
Retirement benefit asset/liability	Present value of the defined benefit obligation (PVBO) less fair value of plan assets (FVPA)

Principles of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its Subsidiary. The financial statements of the Subsidiary are prepared using the same reporting date with the Parent Company, using consistent and similar accounting policies, except as allowed by PFRS 4, *Insurance Contracts*.

A subsidiary is an entity controlled by the Parent Company. The Parent Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls an entity. A subsidiary is fully consolidated from the date control is transferred to the Parent Company and cease to be consolidated from the date control is transferred out of the Group.

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated and separate financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group and the Parent Company have adopted the following amendments to standards and new interpretations starting January 1, 2015 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated and the Parent Company's separate financial statements.

- *Annual Improvements to PFRS: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine (9) standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRS would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, *Share-based Payment*, PAS 16, *Property, Plant and Equipment*, PAS 38, *Intangible Assets* and PAS 40, *Investment Property*. The following are some of the said improvements and amendments to PFRS, none of which has a significant effect on the consolidated and separate financial statements of the Group and the Parent Company, respectively:

  - *Scope of portfolio exception* (Amendment to PFRS 13, *Fair Value Measurement*). The scope of the PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments*.

    PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32, *Financial Instruments: Presentation* - e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

- *Definition of 'related party' (Amendment to PAS 24, Related Party Disclosures).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Group and the Parent Company have not applied the following new or amended standards in preparing these consolidated and separate financial statements, respectively. Unless otherwise stated, none of these are expected to have a significant impact on the consolidated and separate financial statements of the Group and the Parent Company, respectively.

Effective January 1, 2016

- *Equity Method in Separate Financial Statements (Amendments to PAS 27, Separate Financial Statements).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

  The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRS 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the consolidated and separate financial statements.

  - *Changes in method for disposal (Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations).* PFRS 5 is amended to clarify that:

    - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

    - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

    Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

  - *'Continuing involvement' for servicing contracts (Amendment to PFRS 7, Financial Instruments: Disclosures).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'

    The amendment to PFRS 7 is applied retrospectively, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, except that the PFRS 7 amendment relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies this amendment.

- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income (OCI) can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

- PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Group and the Parent Company are assessing the potential impact on its consolidated and separate financial statements, respectively, resulting from the application of PFRS 9.

Effective January 1, 2019

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15, *Revenue from Contracts with Customers*.

  The Group and Parent Company are currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

<u>Classification of Insurance and Investment Contracts</u>
The Group and the Parent Company issue contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Group and the Parent Company may also transfer insurance risk in insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. Such contracts may also transfer financial risk. As a general guideline, the Group and the Parent Company define as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

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

<u>Insurance Contracts</u>

Life Insurance
Underwriting Income
Premiums arising from insurance contracts are recognized as income when received and on the issue date which coincides with the effective date of the insurance policies for the first year premiums. For the renewal business, premiums are recognized as income when still in force and in the process of collection based on actuarial methods and assumptions.

Benefits and Claims
Insurance benefits and claims are recorded when incurred. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a provision is made for the estimated cost of all claims but not settled as of reporting date less reinsurance recoveries, if any. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on the Parent Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss in later years. Unpaid benefits to life policies form part of claims and benefits payable in the consolidated and separate statements of financial position.

Direct Costs and Expenses
Commissions and other expenses for the acquisition of insurance contracts are expensed as incurred.

Legal Policy Reserves
Legal policy reserves represent the accumulated total liability for policies in force at the reporting dates. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves are calculated using actuarial methods and assumptions as approved by the IC, subject to the liability adequacy test (LAT).

Dividends on Participating Policies
A number of life insurance contracts contain discretionary participating feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are contractually under the discretion of the Parent Company. The Parent Company's policy dividends are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Dividend on participating policies" account in the consolidated and separate statements of income while unpaid policyholders' dividends are included under "Dividends payable" account in the consolidated and separate statements of financial position.

LAT
At each reporting date, a LAT is performed for the insurance contract liabilities. In performing this test, the current best estimates of future expected contractual cash flows and of related cash flows such as claims handling and administration expenses, as well as investment income from the asset backing such liabilities are used. Any deficiency is immediately charged against current operations.

Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the LAT requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Reinsurance Contracts Held
Contracts entered into by the Parent Company with reinsurers which compensate the Parent Company for loss on one or more contracts issued by the Parent Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Receivables and Payables Related to Insurance Contracts
Receivables and payables are recognized when due. Premiums due and uncollected are recognized when due and measured on initial recognition at the fair value of the consideration. Premiums due and uncollected are derecognized following the derecognition criteria for financial instruments.

Non-life Insurance
Underwriting Income
Premiums from short-duration insurance contracts are recognized as revenue over the period of the insurance contracts using the 24th method. The portion of the premiums written that relates to the unexpired periods of the policies at each reporting date is accounted for as "Reserve for unearned premiums" in the liability section of the consolidated statements of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting dates accounted for as net changes in these accounts between reporting dates are credited to or charged against profit or loss.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Commission Income and Deferred Reinsurance Commission
Reinsurance commissions are deferred and are subject to the same amortization method as the related premiums ceded. Unamortized reinsurance commissions are shown in the consolidated statements of financial position as "Deferred reinsurance commission."

Claim Cost Recognition
Losses and claims consist of benefits and claims paid to policyholders. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims IBNR at each reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement. At each reporting date, prior year claim estimates are reassessed for adequacy and changes made are charged to provision. Claim provisions are not discounted for the time value of money.

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

Commission expense and Deferred Acquisition Costs (DAC)
Commissions are recognized as expense over the period of the contracts. Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract. Amortization is charged to profit or loss.

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 consolidated statements of financial position.

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

DAC is derecognized when the related contracts are settled or disposed of.

Reinsurance
The Subsidiary cedes insurance risk in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies. Amounts due from reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

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

The Subsidiary also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expense 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 ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Gains or losses on buying reinsurance, if any, are recognized in profit or loss immediately at the date of purchase and are not amortized.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Subsidiary may not receive all amount due to it under the terms of the contract and when the impact on the amounts that the Subsidiary will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

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

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

Receivables and Payables Related to Insurance Contracts
Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Subsidiary reduces the carrying amount of the insurance receivable and recognizes that impairment loss in profit or loss.

Short-term Insurance Contract Liabilities
Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, but not settled as at the reporting date together with related claims handling costs and reduction for expected salvage value and other recoveries. Significant delays can be experienced in the notification and settlement of certain type of insurance claims, particularly, in respect of liability business, therefore the ultimate cost of which cannot be known with certainty at the reporting date.

Provision for Claims Reported and IBNR Claims
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. Significant 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.

Reserve for Unearned Premiums
The portion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as reserve for unearned premiums. The change in the reserve for unearned premiums is taken to profit or loss in the 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.

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

<u>Financial Instruments</u>
Date of Recognition
Financial instruments are recognized in the consolidated and separate statements of financial position when the Group and the Parent Company, respectively, become 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.

Trade date accounting refers to: (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Initial Recognition
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Group and the Parent Company classify its financial assets into the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments and loans and receivables. The Group and the Parent Company classify its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments issued by the Group and the Parent Company are classified as equity in accordance with the substance of the contractual arrangement. Any interest, dividends, realized and unrealized gains and losses from financial instruments or component considered as a financial liability are recognized in profit or loss for the period. Distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to equity.

Financial Assets or Financial Liabilities at FVPL
This category consists of financial assets that are held for trading or financial instruments designated by management as at FVPL on initial recognition. In addition, derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets and financial liabilities at FVPL are recorded in the consolidated and separate statements of financial position at fair value, with any changes in fair value recognized in profit or loss.

Financial assets or financial liabilities that are not held for trading but are classified under the FVPL category are allowed to be designated by management on initial recognition in this category when any the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be bifurcated.

The Parent Company's financial assets at FVPL consist only of equity securities. As at December 31, 2015 and 2014, the Group and the Parent Company do not have any financial liabilities classified as FVPL.

AFS financial assets
AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss, interest accretion and foreign currency differences on AFS financial assets (which are all recognized in profit or loss), are reported as "Net change in fair value of AFS financial assets" account in OCI and presented in equity.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is recognized in profit or loss.

Interest earned on holding AFS financial assets are reported as "Interest income" in profit or loss using the effective interest method. Dividends earned on holding AFS financial assets are recognized in the profit or loss when the right to receive payment has been established. The loss arising from impairment of such securities are recognized as provision for impairment loss in profit or loss.

When an AFS financial assets are derecognized, the cumulative gain or loss previously recognized in OCI and lodged under equity is transferred to profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a weighted average basis.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI and lodged under equity is reclassified to profit or loss.

As at December 31, 2015 and 2014, the Group and the Parent Company have equity securities classified as AFS financial assets.

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less any 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 (EIR). The amortization is included as part of "Interest income" account in the consolidated and separate statements of income. Gains and losses are recognized in profit or loss when the HTM investments are derecognized. Any impairment loss is also recognized in profit or loss.

Where the Group and the Parent Company sell or reclassify other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. The Group and the Parent Company would then be unable to categorize financial instruments as HTM investments for the next two (2) years in the consolidated and separate financial statements, respectively.

As at December 31, 2015 and 2014, the Group and the Parent Company have government bonds classified as HTM investments.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading, neither designated as financial asset at FVPL nor AFS financial assets.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any 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 EIR. The amortization is included as part of "Interest income" account in the consolidated and separate statements of income. The loss arising from the impairment of such loans are recognized in profit or loss.

As at December 31, 2015 and 2014, financial assets included under this category include cash and cash equivalents, short-term investments, long-term investments, loan receivables, premiums due and insurance receivables, deposits and other receivables.

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 and are subject to an insignificant risk of change in value.

Other Financial Liabilities
Issued financial instruments or their components, which are not classified as FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group and the Parent Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group and the Parent Company's own equity instruments.

After initial measurement, these 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 EIR. The amortization is included as part of interest expense for the period.

This category includes the accounts payable and accrued expenses (excluding government payables), claims and benefits payable, due to reinsurers and ceding companies, funds held for reinsurers and dividends payable.

"Day 1" Profit
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group and the Parent Company recognize the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where data used as inputs in a valuation model are not observable, the difference between the transaction price and model value is recognized in profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group and the Parent Company determine the appropriate method of recognizing the "Day 1" profit.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and separate statements 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. This is not generally the case with master netting agreements, thus the related assets and liabilities are presented gross in the consolidated and separate statements of financial position.

<u>Determination of Fair Value</u>
When measuring the fair value of assets or liabilities, the Group and the Parent Company use market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy, when applicable, is recognized at the end of the reporting period during which the change has occurred.

<u>Impairment of Financial Assets</u>
The Group and the Parent Company assess at each reporting date whether 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 have 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, that it has become probable that the borrower 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.

AFS financial Assets Carried at Fair Value
In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss lodged under equity, measured as the difference between the acquisition cost and the current fair value, less any allowance for impairment previously recognized in OCI, is transferred to profit or loss. Impairment loss on equity securities is not reversed through profit or loss but directly to equity as part of OCI.

In the case of AFS debt securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the EIR on the reduced carrying amount of the asset and is recorded as part of interest income for the period. If, in a subsequent year, 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 profit or loss, the impairment loss is reversed through profit or loss to the extent that the resulting carrying amount of the security does not exceed its carrying amount had no impairment loss been recognized.

AFS financial Assets Carried at Cost
If there is an objective evidence of 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, 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 security.

HTM Investments
The Group and the Parent Company assess at each reporting date whether there is any objective evidence that its HTM investments are impaired. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

a. significant financial difficulty of the issuer or obligor;

b. breach of contract, such as a default or delinquency in interest or principal payments;

c. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or

d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Loans and Receivables
For loans and receivables, the Group and the Parent Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Parent Company determine that no objective evidence of impairment exists for individually assessed accounts, 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 the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, normally based on the present value of the estimated future cash flows excluding future credit losses that have not been incurred. The present value of the estimated future cash flows is discounted at the loan's original EIR. 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 EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateral-dependent loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account. Any impairment loss determined is charged to profit or loss. If, in a subsequent period, the amount of the allowance for impairment decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to profit or loss, to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized.

Where loans and receivables has been ascertained to be worthless, the related amount is written-off against the corresponding allowance for impairment loss.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Group and the Parent Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group and the Parent Company have transferred its right to receive cash flows from the asset and either have: (a) transferred substantially all the risks and rewards of the asset; or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Group and the Parent Company have transferred its right to receive cash flows from an asset and have 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 Group and 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 the original carrying amount of the asset and the maximum amount of consideration that the Group and the Parent Company could be required to pay.

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

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Investment Properties
Properties held for long-term rental yields, for capital appreciation or both are classified as investment properties.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property which is charged to profit or loss.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from the changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

For a transfer from investment properties to owner-occupied properties or assets held-for-sale, the cost of property for subsequent accounting is its lower of cost or fair value less costs of disposal. If the property occupied by the Group and the Parent Company as an owner-occupied property becomes an investment property, the Group and the Parent Company account for such property in accordance with the policy stated under property and equipment up to the date of change in use.

For transfer from assets held-for-sale to investment properties that will be carried at fair value, any difference between the fair value of the property at the date and its previous carrying amount shall be recognized in profit or loss.

Investment properties are derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of derecognition.

Rental income on investment properties are recognized over the term of the lease using the straight line method.

Expenses on investment properties are treated as ordinary operating expenses and are recognized when incurred.

Assets Held-for-sale
Assets held-for-sale include real and other properties acquired through repossession or foreclosure which the Group and the Parent Company intend to sell within one year from the date of classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held-for-sale, if the delay is caused by events or circumstances beyond the Group and the Parent Company's control and there is sufficient evidence that the Group and the Parent Company remain committed to its plan to sell the asset. These are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale, and their fair value less costs of disposal. Impairment loss is recognized for any initial or subsequent write-down of the asset to the fair value less costs of disposal. These assets are not subject to depreciation or amortization.

The profit or loss arising from the sale of the assets held for sale is included in the "Gain on sale of real estate" account in the consolidated and separate statements of income.

Investment in a Subsidiary
Subsidiary is an entity controlled by the Parent Company. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the Subsidiary is included in the consolidated financial statements from the date on which the control commences until the date on which control ceases.

The Investment in a subsidiary is carried in the separate statements of financial position at cost less any impairment in value. This includes the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition.

Investment in a subsidiary is derecognized upon sale or disposal. Any gain or loss arising from the derecognition is recognized in profit or loss. Gain or loss is computed as the difference between proceeds from the disposal and its carrying amount and is recognized in profit or loss at the time of sale or disposal.

Investments in Associates
Associates are entities in which the Parent Company has significant influence and which are neither subsidiaries nor joint ventures. The Parent Company's investments in associates are accounted in the separate financial statements using the cost method less any impairment in value.

The investments in associates are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Parent Company's share in net assets of the associates, less any impairment in value. The consolidated statements of income reflect the Parent Company's share in the results of operations of the associates. Unrealized gains arising from transactions with its associates are eliminated to the extent of the Parent Company's interest in the associates against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

When the Parent Company's accumulated share in net losses of an associate equals or exceeds the carrying amount of the investment, including advances for future conversion to equity, the Parent Company discontinues the recognition of its share in additional losses and the investment is reported at nil value. If the associate subsequently reports net income, the Parent Company will resume applying the equity method only after its share in that net income equals the share in net losses not recognized during the period the equity method was suspended.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment loss. The initial cost of property and equipment comprises its purchase price and other costs directly attributable to bringing the asset to its work condition and location for its intended use.

Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the related lease, whichever is shorter. Land is not depreciated. The estimated useful lives of the different categories of property and equipment follow:

Category	Estimated Useful Life in Years
Buildings and land improvements	3 - 25
Computer equipment	5
Furniture, fixtures and other equipment	5
Transportation equipment	5 - 7
Computer software	3

The assets' residual values, useful lives and depreciation and amortization method are reviewed periodically to ensure that the period, residual value and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Major renovations are depreciated over their respective remaining useful lives or the remaining useful lives of the related asset, whichever is shorter.

Construction in progress is stated at cost. This includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially complete and available for use.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period when the asset is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss.

The Subsidiary's intangible assets comprise of computer software which is amortized over its useful life of three (3) years.

Intangible assets with definite lives are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at reporting date. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in consolidated and separate statements of income in the year the asset is derecognized.

Impairment of Non-financial Assets

At each reporting date, the Group and the Parent Company assess whether there is any indication that non-financial assets (such as investment properties, assets held-for-sale, investments in a subsidiary and associates and property and equipment) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group and the Parent Company make a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal 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, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) 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 (or CGU).

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated.

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

Equity

Members' Contribution

Members' contribution represents amounts contributed by the members of the Parent Company in addition to payments of premiums due, net of any refund made to retired members.

Reserve for Fluctuation in Value of AFS Financial Assets

Reserve for fluctuation in value of AFS financial assets represents gains or losses arising from fair value changes of AFS financial assets. Fair value changes of AFS financial assets are recognised directly in equity, through the statements of changes in equity. The cumulative gain or loss that was recognised in equity is recognized in profit or loss when an AFS financial asset is derecognised.

Employee Benefit Reserve

Employee benefit reserve represents recognized actuarial gain or loss due to remeasurements of defined benefit obligation.

Retained Surplus

Retained surplus includes accumulated results of operations as reported in the consolidated and separate statements of comprehensive income.

Revenue Recognition

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

Interest Income

For all interest-bearing financial instruments (except for short-term and long-term investments where interest income is recognized at coupon rate), interest income is recorded at the EIR, 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 EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as interest income.

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

Policy Income

Policy income are surcharges and processing fee of the Parent Company in relation to its loan releases.

Gain on Sale of Real Estate

Income from real estate sales is accounted for using the installment method. Under this method, gain on sale of real estate housing projects is recorded as unearned income (recorded as a deduction against real estate housing loans under loans receivable) and amortized by applying the gross profit rate to the collection of real estate housing loans receivable.

Rental Income

Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

Dividend Income

Dividend income is recognized when the Group and the Parent Company's right to receive payment is established.

Gain on Sale of AFS Financial Assets

Realized gains and losses include gains and losses on the sale of AFS financial assets, which are calculated as the difference between net sales proceeds and the net carrying value. Realized gains and losses are recognized in profit or loss when the sales transaction occurred.

Increase in Fair Value of Investment Properties

Increase in fair value of investment properties pertains to any gain or loss resulting from change in the fair value and is immediately recognized in profit or loss in the year in which they arise.

Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in an asset or an increase in future economic benefits related to a decrease in asset or an increase in a liability has arisen that can be measured reliably.

Employee Benefits

Retirement Benefits

The Group and the Parent Company have a funded, non-contributory, defined benefit retirement plan covering all qualified officers and employees.

The Group and the Parent Company's net obligation in respect of the defined benefit plans is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group and the Parent Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability/asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group and the Parent Company determine the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/asset, taking into account any changes in the net defined liability/asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group and the Parent Company recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Bonus Plans
The Group and the Parent Company recognize a liability and an expense for bonuses and, in the case of the Subsidiary, profit-sharing based on a formula that takes into consideration the profit attributable to the Subsidiary's shareholders after certain adjustments. The Group and the Parent Company recognize a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group and the Parent Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other Long-term Employee Benefits
The Group and Parent Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Termination Benefits
Termination benefits are expensed at the earlier of when the Group and the Parent Company can no longer withdraw the offer of those benefits and when the Group and the Parent Company recognize costs for restructuring. If benefits are not expected to be settled wholly within twelve months from the end of the reporting period, then they are discounted.

<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 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 the 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).

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments are recognized on a straight-line basis over the lease term.

Group and the Parent Company as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as Rent expense under "General and administrative expenses" account in profit or loss on a straight-line basis over the lease term.

Group and the Parent Company as Lessor
Leases where the Group and the Parent Company do not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. 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 rent income. Contingent rent is recognized as revenue in the year in which this is earned. Operating lease payments received by the Group and the Parent Company are recognized as income under "Rental income" account in profit or loss on a straight-line basis over the lease term.

<u>Related Party Transactions and Relationships</u>
Related party relationships exist when one (1) party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel, trustees, or its members.

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

<u>Income Taxes</u>
Income tax on the profit or loss for the year of the Subsidiary comprises current, final and deferred taxes. Income tax is recognized in statements of income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted as at the reporting date.

Final Tax
Interest income from cash on hand and in banks and financial assets, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in "Income tax expense" account in profit or loss.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from minimum corporate income tax (MCIT) and unused net operating loss carry-over (NOLCO) can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred income 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets 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 as at the reporting date.

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

Current tax and deferred tax are recognized in consolidated statements of income except to the extent that it relates to a business combination or items recognized directly in equity or in OCI.

Provisions

Provisions are recognized when the Group and the Parent Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group and the Parent Company expect 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 and 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 assessment 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 in profit or loss.

Contingencies

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

Events After the Reporting Date

Any post year-end event that provides additional information about the Group and the Parent Company's consolidated and separate statements of financial position at the reporting date (adjusting event) is reflected in the consolidated and separate financial statements. Any post year-end events that are not adjusting events, if any, are disclosed in the consolidated and separate financial statements when material.

4. Use of Judgments and Estimates

The following are the critical judgments, key estimates and assumptions that have a significant risk of material adjustments to the carrying amounts of assets, liabilities, income, expenses and disclosures of contingent assets and contingent liabilities.

Judgments

In the process of applying the Group and the Parent Company's accounting policies, management made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated and separate financial statements:

(a) Determining whether an Arrangement Contains a Lease

At inception of an arrangement, the Group and Parent Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group and the Parent Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group and the Parent Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group and the Parent Company's incremental borrowing rate.

(b) Determining Lease Classification

Group and the Parent Company as Lessor(s)

The Group and the Parent Company have entered into various lease agreements on its investment properties which it considers as operating lease.

The Group and the Parent Company have determined, based on the evaluation of the terms and conditions of the lease agreements, that all the significant risks and rewards of ownership of these investment properties are retained by the Group and the Parent Company. The contracts of lease are considered as operating leases by the Group and the Parent Company since these do not transfer substantially all the risks and rewards incidental to ownership.

Group and the Parent Company as Lessees

The Group and the Parent Company lease the premises of its regional offices with various maturities that are renewable under certain terms and conditions.

The Group and the Parent Company have determined, based on the evaluation of the terms and conditions of the lease agreements, that all of the significant risks and rewards of ownership of these regional offices are retained by the Lessor(s).

The contracts of lease are considered as operating leases by the Group and the Parent Company since these do not transfer substantially all the risks and rewards incidental to ownership.

(c) Determining whether the Group and Parent Company is Acting as Principal or an Agent.

The Group and the Parent Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Group and the Parent Company has primary responsibility or providing the services;
- whether the Group and the Parent Company has discretion in establishing prices; and
- whether the Group and the Parent Company bears the credit risk.

The Group and the Parent Company has determined it is acting as principal in its revenue arrangements.

(d) Classification of Financial Instruments

The Group and the Parent Company exercise judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position. In addition, the Group and the Parent Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group and the Parent Company classify its financial assets into the following categories: financial assets at FVPL, AFS financial assets, HTM investments and loans and receivables. The Group and the Parent Company classify its financial liabilities either at FVPL or other financial liabilities.

As at December 31, 2015 and 2014, the Group and the Parent Company do not have any financial liabilities classified as FVPL.

(e) Fair Value of Financial Instruments

The fair value of financial assets and liabilities recorded in the consolidated and separate statements of financial position that cannot be derived in an active market is determined by using valuation techniques. The Group and the Parent Company use its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

The Group and the Parent Company classify non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making the judgment, the Group and the Parent Company evaluate its intention and ability to hold its investments in bonds up to maturity. If the Group and the Parent Company fail to keep these investments to maturity other than for specific circumstances, it will be required to reclassify the whole class as AFS financial assets. The investments would therefore be measured at fair value and not at amortized cost.

(f) Financial Assets Quoted in an Active Market

The Group and the Parent Company classify financial assets by evaluating, among others, whether a financial asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, whether the market from which the price quotes were obtained can be considered deep enough to qualify as an "active" market, and whether those prices represent actual and regularly occurring market transactions on an arms' length basis.

As at December 31, 2015 and 2014, the Group and Parent Company's financial assets at FVPL and AFS financial assets are quoted in an active market.

(g) Classification and Fair Value of Assets held-for-sale

The Group and the Parent Company classify its acquired properties as assets held-for-sale if the Group and the Parent Company expect that the properties will be recovered through sale rather than continuing use. At initial recognition, the Group and the Parent Company determine the fair value of acquired properties through internally and externally-generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

(h) Impairment of Financial Assets

The Group and the Parent Company treat AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group and the Parent Company treat "significant" generally as 20% or more and "prolonged" as greater than six (6) months. In addition, the Group and the Parent Company evaluate other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The Group and the Parent Company review its loans and receivable at each reporting date to assess whether an allowance for impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group and the Parent Company review 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 Group and the Parent Company made different judgments or utilized different estimates. An increase in allowance for impairment loss would increase recorded expenses and decrease net income.

As at December 31, 2015 and 2014, AFS financial assets, net of allowance for impairment loss amounted to P2,169.98 million and P1,938.35 million, and P1,847.12 million and P1,554.96 million in the consolidated and separate statements of financial position, respectively (see Note 6).

As at December 31, 2015 and 2014, the HTM investments amounted to P1,562.07 million and, P1,478.01 million, and P1,493.75 million and P1,410.91 million in the consolidated and separate statements of financial position, respectively (see Note 7).

As at December 31, 2015 and 2014, the loan receivables, net of allowance for impairment loss, amounted to P7,617.59 million and P7,266.79 million in both consolidated and separate statements of financial position, respectively (see Note 8).

As at December 31, 2015 and 2014, premiums due and insurance receivables, net of allowance for impairment loss, amounted to P60.08 million and P71.05 million, and P2.63 million and P1.11 million, in the consolidated and separate statements of financial position, respectively (see Note 9).

As at December 31, 2015 and 2014, other receivables, net of allowance for impairment loss, amounted to P71.85 million and P71.17 million, and P67.06 million and P63.37 million, in the consolidated and separate statements of financial position, respectively (see Note 10).

(i) Contingencies
The Group and the Parent Company are currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with (in-house) legal counsels handling the Group and the Parent Company's defense in the matter and is based upon an analysis of potential results.

Management and its legal counsels believe that the Group and the Parent Company have substantial legal and factual bases for its position and, is of the opinion, that losses arising from these legal actions, if any, will not have a material adverse impact on the Group and the Parent Company's financial position and results of operations.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) The Ultimate Liability Arising From Claims made under Insurance Contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Group and the Parent Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group and the Parent Company will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments. Notes 19 and 20 to the consolidated and separate financial statements show the amount of estimates as at December 31, 2015 and 2014.

(b) Estimate of Future Benefit Payments and Premiums arising from Long-term Insurance Contracts
Estimates of future benefit payments depend on the expectations of future benefit payments for contingencies covered, the major ones being death and endowment benefits. The Group and the Parent Company base these estimates on mortality and other contingency tables approved by the IC as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code.

(c) Legal Policy Reserves

(i) Process Used to Decide on Assumptions

The Group and the Parent Company determine its legal policy reserves in accordance with the requirements of the Insurance Code. Estimates are made in two stages. At inception of the contract, the Group and the Parent Company determine assumptions in relation to mortality, morbidity, persistency, investment returns, and administrative expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commission plus other incentive. Certain profit targets are also set at this stage. These assumptions are used in calculating liabilities during the life of the contracts. A margin for risk and uncertainty is added to these assumptions. In order to minimize risk, the Group and the Parent Company ensure that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4.

The following presents the comparison between statutory and PFRS assumptions which yielded into an adequate level of legal policy reserves as at reporting date:

(a) Investment Yield - This amounts to 7% per annum, which is higher than the statutory maximum of 6%. The Group and the Parent Company's actual experience for 2015 and 2014 is approximately 10% for both years.

(b) Mortality - This is based on 100% of the 1971 Philippine Intercompany Mortality Table and the 1958/1980 Commissioner Standard Ordinary Mortality Table.

(c) Lapsation - There is no lapsation assumption in statutory valuation. The Group and the Parent Company's experience in 2015 and 2014 (based on figures as at December 2015 and 2014) are as follow:

	2015	2014
First year persistency	**90%**	90%
Second year persistency	**95%**	95%
Third year persistency	**95%**	95%

The assumptions used for long-term insurance contracts are as follow:

(a) Mortality

An appropriate base table of recognized standard mortality table is chosen depending on the type of contract and subject to the approval of the IC.

(b) Persistency

In accordance with requirements of the Insurance Code, a 100% persistency rate has been assumed for all policies which are in-force and with no forfeiture option as of valuation date.

(ii) LAT, Changes in Assumptions and Sensitivity Analysis

Legal policy reserves are conservatively calculated in accordance with the requirements of the IC. The LAT was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future cash flows as at December 31, 2015 and 2014 computed under the requirements of PFRS 4, amounted to P5,159.15 million and P4,852.70 million, respectively. Accordingly, the recorded statutory reserves as at December 31, 2015 and 2014 of P8,622.62 million and P7,914.72 million, respectively, are adequate using best estimate assumptions (see Note 19). Testing under different interest rate scenarios and their impact on gross and net liabilities, equity and profit before tax are disclosed in Note 19 to the consolidated and separate financial statements.

(iii) Source of Uncertainty in the Estimation of Future Claim Payments

Although the Group and the Parent Company have taken necessary steps to mitigate the uncertainty in the estimation of future benefit payments and premium receipts, it is still subject to the unpredictability of changes in mortality levels. The Group and the Parent Company adopt the standard mortality table in assessing future benefit payments and premium receipts as approved by the IC. The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in the course of settlement as of reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

(d) Fair Values of Financial Assets at FVPL and AFS Financial Assets

The Group and the Parent Company carry certain financial assets at fair value, which require extensive use of accounting estimates and judgments. Fair value determination for financial assets is based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the 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 measurement 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 would affect profit and loss and equity.

As at December 31, 2015 and 2014, financial assets at FVPL amounted to P34.19 million and P34.92 million, respectively, in the consolidated and separate statements of financial position.

Rental Income

Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

Dividend Income

Dividend income is recognized when the Group and the Parent Company's right to receive payment is established.

Gain on Sale of AFS Financial Assets

Realized gains and losses include gains and losses on the sale of AFS financial assets, which are calculated as the difference between net sales proceeds and the net carrying value. Realized gains and losses are recognized in profit or loss when the sales transaction occurred.

Increase in Fair Value of Investment Properties

Increase in fair value of investment properties pertains to any gain or loss resulting from change in the fair value and is immediately recognized in profit or loss in the year in which they arise.

Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in an asset or an increase in future economic benefits related to a decrease in asset or an increase in a liability has arisen that can be measured reliably.

Employee Benefits

Retirement Benefits

The Group and the Parent Company have a funded, non-contributory, defined benefit retirement plan covering all qualified officers and employees.

The Group and the Parent Company's net obligation in respect of the defined benefit plans is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group and the Parent Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability/asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group and the Parent Company determine the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/asset, taking into account any changes in the net defined liability/asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group and the Parent Company recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Bonus Plans
The Group and the Parent Company recognize a liability and an expense for bonuses and, in the case of the Subsidiary, profit-sharing based on a formula that takes into consideration the profit attributable to the Subsidiary's shareholders after certain adjustments. The Group and the Parent Company recognize a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group and the Parent Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other Long-term Employee Benefits
The Group and Parent Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Termination Benefits
Termination benefits are expensed at the earlier of when the Group and the Parent Company can no longer withdraw the offer of those benefits and when the Group and the Parent Company recognize costs for restructuring. If benefits are not expected to be settled wholly within twelve months from the end of the reporting period, then they are discounted.

<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 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 the 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).

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments are recognized on a straight-line basis over the lease term.

Group and the Parent Company as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as Rent expense under "General and administrative expenses" account in profit or loss on a straight-line basis over the lease term.

Group and the Parent Company as Lessor
Leases where the Group and the Parent Company do not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. 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 rent income. Contingent rent is recognized as revenue in the year in which this is earned. Operating lease payments received by the Group and the Parent Company are recognized as income under "Rental income" account in profit or loss on a straight-line basis over the lease term.

<u>Related Party Transactions and Relationships</u>
Related party relationships exist when one (1) party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel, trustees, or its members.

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

<u>Income Taxes</u>
Income tax on the profit or loss for the year of the Subsidiary comprises current, final and deferred taxes. Income tax is recognized in statements of income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted as at the reporting date.

Final Tax
Interest income from cash on hand and in banks and financial assets, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in "Income tax expense" account in profit or loss.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from minimum corporate income tax (MCIT) and unused net operating loss carry-over (NOLCO) can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred income 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets 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 as at the reporting date.

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

Current tax and deferred tax are recognized in consolidated statements of income except to the extent that it relates to a business combination or items recognized directly in equity or in OCI.

Provisions

Provisions are recognized when the Group and the Parent Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group and the Parent Company expect 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 and 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 assessment 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 in profit or loss.

Contingencies

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

Events After the Reporting Date

Any post year-end event that provides additional information about the Group and the Parent Company's consolidated and separate statements of financial position at the reporting date (adjusting event) is reflected in the consolidated and separate financial statements. Any post year-end events that are not adjusting events, if any, are disclosed in the consolidated and separate financial statements when material.

4. Use of Judgments and Estimates

The following are the critical judgments, key estimates and assumptions that have a significant risk of material adjustments to the carrying amounts of assets, liabilities, income, expenses and disclosures of contingent assets and contingent liabilities.

Judgments

In the process of applying the Group and the Parent Company's accounting policies, management made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated and separate financial statements:

(a) Determining whether an Arrangement Contains a Lease

At inception of an arrangement, the Group and Parent Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group and the Parent Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group and the Parent Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group and the Parent Company's incremental borrowing rate.

(b) Determining Lease Classification

Group and the Parent Company as Lessor(s)

The Group and the Parent Company have entered into various lease agreements on its investment properties which it considers as operating lease.

The Group and the Parent Company have determined, based on the evaluation of the terms and conditions of the lease agreements, that all the significant risks and rewards of ownership of these investment properties are retained by the Group and the Parent Company. The contracts of lease are considered as operating leases by the Group and the Parent Company since these do not transfer substantially all the risks and rewards incidental to ownership.

Group and the Parent Company as Lessees

The Group and the Parent Company lease the premises of its regional offices with various maturities that are renewable under certain terms and conditions.

The Group and the Parent Company have determined, based on the evaluation of the terms and conditions of the lease agreements, that all of the significant risks and rewards of ownership of these regional offices are retained by the Lessor(s).

The contracts of lease are considered as operating leases by the Group and the Parent Company since these do not transfer substantially all the risks and rewards incidental to ownership.

(c) Determining whether the Group and Parent Company is Acting as Principal or an Agent.

The Group and the Parent Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Group and the Parent Company has primary responsibility or providing the services;
- whether the Group and the Parent Company has discretion in establishing prices; and
- whether the Group and the Parent Company bears the credit risk.

The Group and the Parent Company has determined it is acting as principal in its revenue arrangements.

(d) Classification of Financial Instruments

The Group and the Parent Company exercise judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position. In addition, the Group and the Parent Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group and the Parent Company classify its financial assets into the following categories: financial assets at FVPL, AFS financial assets, HTM investments and loans and receivables. The Group and the Parent Company classify its financial liabilities either at FVPL or other financial liabilities.

As at December 31, 2015 and 2014, the Group and the Parent Company do not have any financial liabilities classified as FVPL.

(e) Fair Value of Financial Instruments

The fair value of financial assets and liabilities recorded in the consolidated and separate statements of financial position that cannot be derived in an active market is determined by using valuation techniques. The Group and the Parent Company use its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

The Group and the Parent Company classify non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making the judgment, the Group and the Parent Company evaluate its intention and ability to hold its investments in bonds up to maturity. If the Group and the Parent Company fail to keep these investments to maturity other than for specific circumstances, it will be required to reclassify the whole class as AFS financial assets. The investments would therefore be measured at fair value and not at amortized cost.

(f) Financial Assets Quoted in an Active Market

The Group and the Parent Company classify financial assets by evaluating, among others, whether a financial asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, whether the market from which the price quotes were obtained can be considered deep enough to qualify as an "active" market, and whether those prices represent actual and regularly occurring market transactions on an arms' length basis.

As at December 31, 2015 and 2014, the Group and Parent Company's financial assets at FVPL and AFS financial assets are quoted in an active market.

(g) Classification and Fair Value of Assets held-for-sale

The Group and the Parent Company classify its acquired properties as assets held-for-sale if the Group and the Parent Company expect that the properties will be recovered through sale rather than continuing use. At initial recognition, the Group and the Parent Company determine the fair value of acquired properties through internally and externally-generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

(h) Impairment of Financial Assets

The Group and the Parent Company treat AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group and the Parent Company treat "significant" generally as 20% or more and "prolonged" as greater than six (6) months. In addition, the Group and the Parent Company evaluate other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The Group and the Parent Company review its loans and receivable at each reporting date to assess whether an allowance for impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group and the Parent Company review 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 Group and the Parent Company made different judgments or utilized different estimates. An increase in allowance for impairment loss would increase recorded expenses and decrease net income.

As at December 31, 2015 and 2014, AFS financial assets, net of allowance for impairment loss amounted to P2,169.98 million and P1,938.35 million, and P1,847.12 million and P1,554.96 million in the consolidated and separate statements of financial position, respectively (see Note 6).

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(i) Contingencies
The Group and the Parent Company are currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with (in-house) legal counsels handling the Group and the Parent Company's defense in the matter and is based upon an analysis of potential results.

Management and its legal counsels believe that the Group and the Parent Company have substantial legal and factual bases for its position and, is of the opinion, that losses arising from these legal actions, if any, will not have a material adverse impact on the Group and the Parent Company's financial position and results of operations.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) The Ultimate Liability Arising From Claims made under Insurance Contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Group and the Parent Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group and the Parent Company will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments. Notes 19 and 20 to the consolidated and separate financial statements show the amount of estimates as at December 31, 2015 and 2014.

(b) Estimate of Future Benefit Payments and Premiums arising from Long-term Insurance Contracts
Estimates of future benefit payments depend on the expectations of future benefit payments for contingencies covered, the major ones being death and endowment benefits. The Group and the Parent Company base these estimates on mortality and other contingency tables approved by the IC as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code.

(c) Legal Policy Reserves

(i) Process Used to Decide on Assumptions

The Group and the Parent Company determine its legal policy reserves in accordance with the requirements of the Insurance Code. Estimates are made in two stages. At inception of the contract, the Group and the Parent Company determine assumptions in relation to mortality, morbidity, persistency, investment returns, and administrative expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commission plus other incentive. Certain profit targets are also set at this stage. These assumptions are used in calculating liabilities during the life of the contracts. A margin for risk and uncertainty is added to these assumptions. In order to minimize risk, the Group and the Parent Company ensure that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4.

The following presents the comparison between statutory and PFRS assumptions which yielded into an adequate level of legal policy reserves as at reporting date:

(a) Investment Yield - This amounts to 7% per annum, which is higher than the statutory maximum of 6%. The Group and the Parent Company's actual experience for 2015 and 2014 is approximately 10% for both years.

(b) Mortality - This is based on 100% of the 1971 Philippine Intercompany Mortality Table and the 1958/1980 Commissioner Standard Ordinary Mortality Table.

(c) Lapsation - There is no lapsation assumption in statutory valuation. The Group and the Parent Company's experience in 2015 and 2014 (based on figures as at December 2015 and 2014) are as follow:

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First year persistency	**90%**	90%
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Third year persistency	**95%**	95%

The assumptions used for long-term insurance contracts are as follow:

(a) Mortality

An appropriate base table of recognized standard mortality table is chosen depending on the type of contract and subject to the approval of the IC.

(b) Persistency

In accordance with requirements of the Insurance Code, a 100% persistency rate has been assumed for all policies which are in-force and with no forfeiture option as of valuation date.

(ii) LAT, Changes in Assumptions and Sensitivity Analysis

Legal policy reserves are conservatively calculated in accordance with the requirements of the IC. The LAT was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future cash flows as at December 31, 2015 and 2014 computed under the requirements of PFRS 4, amounted to P5,159.15 million and P4,852.70 million, respectively. Accordingly, the recorded statutory reserves as at December 31, 2015 and 2014 of P8,622.62 million and P7,914.72 million, respectively, are adequate using best estimate assumptions (see Note 19). Testing under different interest rate scenarios and their impact on gross and net liabilities, equity and profit before tax are disclosed in Note 19 to the consolidated and separate financial statements.

(iii) Source of Uncertainty in the Estimation of Future Claim Payments

Although the Group and the Parent Company have taken necessary steps to mitigate the uncertainty in the estimation of future benefit payments and premium receipts, it is still subject to the unpredictability of changes in mortality levels. The Group and the Parent Company adopt the standard mortality table in assessing future benefit payments and premium receipts as approved by the IC. The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in the course of settlement as of reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

(d) Fair Values of Financial Assets at FVPL and AFS Financial Assets

The Group and the Parent Company carry certain financial assets at fair value, which require extensive use of accounting estimates and judgments. Fair value determination for financial assets is based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the 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 measurement 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 would affect profit and loss and equity.

As at December 31, 2015 and 2014, financial assets at FVPL amounted to P34.19 million and P34.92 million, respectively, in the consolidated and separate statements of financial position.

As at December 31, 2015 and 2014, AFS financial assets amounted to P2,169.98 million and P1,938.35 million, and P1,847.12 million and P1,554.96 million, in the consolidated and separate financial statements, respectively (see Note 6).

(e) Estimating Fair Value of Investment Properties

The Group and the Parent Company use the fair value model under which any gain or loss arising from change in fair value of investment properties are recognized in profit or loss for the period in which it arises. The fair value of investment properties are based on property appraisal reports determined by external appraisers on the basis of Sales Comparison Approach.

		Consolidated		**Separate**	
	Note	**2015**	2014	**2015**	2014
Fair value	*11*	**P2,547,849,246**	P2,127,739,561	**P2,518,497,890**	P2,096,918,205
Increase in fair value during the year	*11*	**463,064,311**	2,691,149	**463,064,311**	-

(f) Impairment of Non-financial Assets

The Group and the Parent Company assess impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group and the Parent Company consider 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 acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group and the Parent Company recognize an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets or holding of an investment, the Group and the Parent Company are required to make estimates and assumptions that can materially affect the consolidated and separate financial statements.

The following are the carrying amounts of the non-financial assets as at December 31:

	Note	Consolidated 2015	2014	Separate 2015	2014
Investment properties	11	**P2,547,849,246**	P2,127,739,561	**P2,518,497,890**	P2,096,918,205
Assets held-for-sale	12	**266,917,208**	212,439,015	**266,917,208**	212,439,015
Investment in a subsidiary and associates - net	13	**19,277,950**	14,426,158	**198,265,704**	198,265,704
Property and equipment - net	14	**368,610,970**	302,223,348	**340,002,042**	271,777,533
		P3,202,655,374	P2,656,828,082	**P3,323,682,844**	P2,779,400,457

(g) *Estimated Useful Lives of Property and Equipment*
The Group and the Parent Company review annually the estimated useful lives of property and equipment 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 property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As at December 31, 2015 and 2014, property and equipment amounted to P368.61 million and P302.22 million, and P340.00 million and P271.78 million, in the consolidated and separate financial statements, respectively (see Note 14).

(h) *Pension and Other Employee Benefits*
The determination of the obligation and retirement benefit expense is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

As at December 31, 2015 and 2014, the Group and the Parent Company's retirement liability - net amounted to P71.49 million and P32.01 million, and P65.29 million and P31.46 million, respectively. In 2015 and 2014, the retirement benefit expense of the Group and the Parent Company amounted to P17.22 million and P20.87 million, and P15.08 million and P16.88 million, respectively. As at December 31, 2015 and 2014, cumulative actuarial loss of the Group amounted to P27.66 million and P6.45 million, while cumulative actuarial gain and loss for the Parent Company amounted to P17.33 million and P1.43 million, respectively (see Note 28).

(i) *Realizability of Deferred Tax Assets*
Deferred tax assets are recognized by the Subsidiary for all temporary future tax benefits to the extent that it is probable that taxable profit will be available against which the losses 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 to determine the amount of deferred tax assets that can be recognized. 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 deferred tax assets will be realized.

As at December 31, 2015 and 2014, deferred tax assets - net, amounted to P23.40 million and P20.86 million, respectively (see Note 29).

5. Cash and Cash Equivalents

As at December 31, this account consists of:

	Consolidated 2015	2014	Separate 2015	2014
Cash on hand and in banks	**P219,559,853**	P332,420,000	**P189,722,282**	P249,506,648
Cash equivalents	**1,525,920,066**	924,000,000	**1,525,920,066**	924,000,000
	P1,745,479,919	P1,256,420,000	**P1,715,642,348**	P1,173,506,648

Cash in banks consist of peso and foreign currency denominated savings and current accounts and earn interest at respective bank deposit rates. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and the Parent Company and earn interest from 0.25% to 5.00% in 2015 and 2014.

Interest income in cash in banks and short-term placements earned by the Group and the Parent Company amounted to P23.68 million and P14.05 million, and P23.49 million and P13.65 million, in 2015 and 2014, respectively, (see Note 25).

6. Available-for-sale Financial Assets

As at December 31, this account consists of:

	Consolidated 2015	2014	Separate 2015	2014
Cost:				
Quoted in stock exchange	**P2,184,083,198**	P1,883,068,595	**P1,790,750,390**	P1,493,712,347
Not quoted in stock exchange	**12,431,783**	12,431,783	**3,000,000**	3,000,000
	2,196,514,981	1,895,500,378	**1,793,750,390**	1,496,712,347
Fair value movement:				
Quoted in stock exchange	**(17,273,412)**	52,108,965	**53,374,502**	58,250,157
Not quoted in stock exchange	**-**	-	**-**	-
	(17,273,412)	52,108,965	**53,374,502**	58,250,157
	2,179,241,569	1,947,609,343	**1,847,124,892**	1,554,962,504
Allowance for impairment loss	**(9,263,793)**	(9,263,793)	**-**	-
	P2,169,977,776	P1,938,345,550	**P1,847,124,892**	P1,554,962,504

The Group and the Parent Company's AFS financial statements are composed of investment management agreements, bond fund, equity fund, balanced fund, unit investment trust fund and equity securities.

Dividend income earned by the Group and the Parent Company from these investments amounted to P17.74 million and P4.76 million, and P11.88 million and P2.27 million in 2015 and 2014, respectively.

Realized gain on sale of AFS financial assets recognized by the Subsidiary in profit or loss amounted to P8.33 million and P8.63 million in 2015 and 2014.

Unrealized gain (loss) recognized by the Group and the Parent Company in OCI pertaining to the revaluation of AFS financial assets are as follow:

	Consolidated		Separate	
	2015	2014	2015	2014
Balance at beginning of year	P53,257,233	(P29,704,697)	P58,250,156	(P20,884,216)
Net change in fair value of AFS financial assets	(70,556,420)	73,337,953	(4,875,654)	79,134,372
Net change in fair value of AFS financial assets transferred to profit or loss	25,775	9,623,977	-	-
Balance at end of year	(P17,273,412)	P53,257,233	P53,374,502	P58,250,156

As at December 31, 2015 and 2014, allowance for impairment loss amounted to P9.26 million. There were no additional provisions nor write-offs in 2015 and 2014.

7. Held-to-maturity Investments

As at December 31, this account consists of:

	Consolidated		Separate	
	2015	2014	2015	2014
Government securities	P448,324,020	P633,259,864	P380,000,000	P566,158,057
Corporate bonds	1,113,750,000	844,750,000	1,113,750,000	844,750,000
	P1,562,074,020	P1,478,009,864	P1,493,750,000	P1,410,908,057

HTM investments carry interest rates ranging from 3.75% to 7.38% in 2015 and from 3.53% to 6.44% in 2014. Interest income earned by the Group and the Parent Company amounted to P77.77 million and P68.16 million, and P74.01 million and P63.70 million in 2015 and 2014, respectively (see Note 25).

Maturities of the above investments are as follow:

	Consolidated		Separate	
	2015	2014	2015	2014
Short-term (up to one year)	P200,000,000	P243,259,864	P190,000,000	P196,158,057
Medium-term (more than one year up to five years)	646,074,020	608,750,000	597,750,000	598,750,000
Long-term (beyond five years)	716,000,000	626,000,000	706,000,000	616,000,000
	P1,562,074,020	P1,478,009,864	P1,493,750,000	P1,410,908,057

As at December 31, 2015 and 2014, HTM investments include investments in government bonds amounting to P128.30 million and P127.10 million, respectively, that are designated as restricted investments and maintained with the Bureau of Treasury in compliance with the provisions of the Insurance Code as security for the benefit of the policyholders and creditors of the Group.

8. Loan Receivables - net

As at December 31, this account consists of:

	2015	2014
Salary loans	P3,230,444,784	P3,082,497,391
Optional policy loans	2,690,730,735	2,532,683,023
Calamity loans	197,435,744	162,254,745
Basic policy loans	57,391,982	57,300,740
Educational assistance loans	39,226,794	34,089,376
Motorcycle loans	137,563	425,620
Real estate mortgage loans	1,072,505,390	1,037,390,126
Real estate housing loans	492,812,285	489,209,128
Real estate contract	6,636,252	8,759,961
	7,787,321,529	7,404,610,110
Allowance for impairment loss	(169,727,826)	(137,816,432)
	P7,617,593,703	P7,266,793,678

Loan receivables bear annual interest rates ranging from 6.00% to 10.00% in 2015 and 2014, except for real estate mortgage and housing loans which bear annual rates ranging from 7.50% to 12.00%.

Interest income earned from loan receivables amounted to P822.81 million and P792.50 million in 2015 and 2014, respectively (see Note 25).

Below is a reconciliation of the changes in allowance for impairment loss in the consolidated and separate statements of financial position:

	Note	2015	2014
Balance at beginning of year		P137,816,432	P121,394,773
Provisions for the year	*26*	39,824,753	21,732,945
Recoveries for the year		-	(734,909)
Write-offs for the year		(7,913,359)	(4,576,377)
Balance at end of year		P169,727,826	P137,816,432

As at December 31, allowance for impairment loss may be analyzed as follows:

	2015	2014
Specific	P131,988,731	P111,951,971
Collective	37,739,095	25,864,461
Balance at end of year	P169,727,826	P137,816,432

The table below shows the breakdown of loan receivables as to secured and unsecured and the breakdown of secured loans as to type of security as at December 31:

	2015	%	2014	%
Secured loans				
Real estate	P1,571,953,927	20.19	P1,535,359,215	20.74
Cash surrender value	2,748,122,717	35.29	2,589,983,763	34.98
	4,320,076,644	55.48	4,125,342,978	55.71
Unsecured loans	3,467,244,885	44.52	3,279,267,132	44.29
	P7,787,321,529	100.00	P7,404,610,110	100.00

The unearned interest/deferred credits relating to the loans are as follow:

	2015	2014
Policy loans	**P250,436,519**	P239,161,804
Real estate housing loans	**181,827,368**	182,533,968
Real estate contract	**3,309,357**	1,996,250
	P435,573,244	P423,692,022

Unearned interest on policy loans pertains to the interest deducted from the proceeds granted to the members and amortized over the term of the loan.

Deferred credits relating to real estate loans pertain to the difference between the principal amount of the loans granted and its cost which is amortized over the term of the loan.

In 2015, the Parent Company reclassified deferred credits relating to the real estate loans in 2014 amounting to P184.53 million to "Other liabilities" in its consolidated and separate financial statements to conform with the presentation in 2015. Accordingly, total "Loan receivables - net" amounted to P7,266.79 million from previously reported balance of P7,082.26 million in its consolidated and separate financial statements.

9. Premiums Due and Insurance Receivables - net

As at December 31, this account consists of:

	Consolidated		Separate	
	2015	2014	2015	2014
Premiums receivable from policyholders, agents, and brokers	**P47,590,899**	P17,241,015	**P -**	P -
Reinsurance recoverable on unpaid losses	**13,659,014**	54,757,350	**-**	-
Reinsurance recoverable on paid losses	**1,063,040**	3,854,810	**-**	-
Due from ceding companies	**2,997,628**	1,945,517	**-**	-
Premiums receivable from members	**2,631,837**	1,106,874	**2,631,837**	1,106,874
	67,942,418	78,905,566	**2,631,837**	1,106,874
Allowance for impairment loss	**(7,858,514)**	(7,858,514)	**-**	-
	P60,083,904	P71,047,052	**P2,631,837**	P1,106,874

In 2015 and 2014, the Subsidiary recognized provision for impairment loss on insurance receivables amounting to nil and P1.26 million, respectively (see Note 26).

A reconciliation of changes in reinsurance recoverable on paid and unpaid losses is as follows:

	2015	2014
Balance at beginning of year	**P58,612,160**	P32,971,484
Reinsurer's share in paid losses during the year	**-**	1,899,968
Reinsurer's share in unpaid losses during the year	**-**	23,740,708
Recoveries from reinsurers during the year	**(43,890,106)**	-
Balance at end of year	**P14,722,054**	P58,612,160

10. Other receivables - net

As at December 31, this account consists of:

	Consolidated		Separate	
	2015	2014	2015	2014
Accrued interest receivable	**P39,033,890**	P37,364,049	**P37,807,196**	P35,091,200
Advances to officers and employees	**19,957,974**	22,812,456	**22,469,217**	22,453,385
Accrued rental income	**1,581,579**	1,581,579	**1,581,579**	1,581,579
Receivable from Multi-ventures Capital Management Corporation (MCC)	**1,632,427**	1,632,427	**1,632,427**	1,632,427
Advances to agents	**4,882,478**	6,070,094	**941,414**	884,065
Others	**11,814,492**	8,764,783	**6,525,182**	5,623,334
	78,902,840	78,225,388	**70,957,015**	67,265,990
Allowance for impairment loss	**(7,051,106)**	(7,051,106)	**(3,900,751)**	(3,900,751)
	P71,851,734	P71,174,282	**P67,056,264**	P63,365,239

Accrued interest receivable represents interest accrued from short and long-term investments, HTM investments and interest collectible on unpaid amortization of loan receivables.

Advances to officers and employees consists of loans granted to employees which bear annual interest ranging from 8.00% to 12.00% and collectible through salary deduction over a maximum of five (5) years.

Receivable from MCC represents matured investments which have not yet been paid to the Group and the Parent Company by the said investment house. A 100% allowance for impairment has already been provided by the Group and the Parent Company on this receivable.

Other receivables consist of non-trade receivable, fire insurance receivable and receivable from branches such as remittances of loans and premiums from different extension offices.

As at December 31, 2015 and 2014, no additional provision for impairment loss in other receivables was recognized. However, the Group and the Parent Company recognized recoveries on impairment loss amounting to nil and P0.77 million, and nil and P0.46 million, in 2015 and 2014, respectively.

The deferred credits relating to the other receivables amounted to P1.00 million as at December 31, 2015 and 2014.

In 2015, the Parent Company reclassified deferred credits relating to the other receivables in 2014 amounting to P1.00 million to "Other liabilities" in its consolidated and separate financial statements to conform with the presentation in 2015. Accordingly, total "Other receivables - net" amounted to P71.17 million and P63.37 million from previously reported balance of P70.17 million and P62.37 million in its consolidated and separate financial statements, respectively.

11. Investment Properties

As at December 31, the movements of the account are as follow:

	Note	Consolidated 2015	Consolidated 2014	Separate 2015	Separate 2014
Carrying value at beginning of the year		**P2,127,739,561**	P2,154,154,095	**P2,096,918,205**	P2,125,374,595
Additions during the year		**367,315**	187,610	**367,315**	187,610
Increase in fair value		**463,064,311**	2,691,149	**463,064,311**	-
Reclassification	*12*	**(41,851,941)**	(28,671,990)	**(41,851,941)**	(28,644,000)
Disposals during the year		**(1,470,000)**	(621,303)	**-**	-
Carrying value at end of the year		**P2,547,849,246**	P2,127,739,561	**P2,518,497,890**	P2,096,918,205

Investment properties comprise of properties held for long-term rental yields and capital appreciation.

The Group and the Parent Company obtained an independent appraiser for the valuation of the investment properties. The fair values of the investment properties have been derived using Sales Comparison Approach. In this approach, market values of real properties were arrived on the basis of recent sales of similar properties in the same areas where the investment properties are located taking into account the economic conditions prevailing at the time the valuations were made. These have been categorized as Level 2 fair value based on the inputs to the valuation technique described above.

The Parent Company and the Subsidiary's latest appraisal reports were dated December 31, 2015 and December 31, 2014, respectively.

Rental income earned from investment properties recognized in the consolidated and separate profit or loss amounted to P47.87 million and P29.01 million, and P46.57 million and P27.74 million, in 2015 and 2014, respectively (Note 34).

Direct operating expenses incurred on investment properties in the consolidated and separate financial statements amounted to P9.69 million and P10.14 million, and P9.59 million and P10.24 million, in 2015 and 2014, respectively. These expenses were included under "General and administrative" account in the consolidated and separate statements of income.

12. Assets Held-for-sale

As at December 31, this account consists of:

	2015	2014
Real estate housing project	**P237,153,321**	P174,232,745
Foreclosed properties	**29,763,887**	38,206,270
	P266,917,208	P212,439,015

In 2015 and 2014, the Group and the Parent Company reclassified its investment properties with carrying value of P41.85 million and P28.67 million, and P41.85 million and P28.64 million, respectively, to assets held-for-sale.

There is no cumulative income or expense charged in OCI relating to the assets held-for-sale. However, both the Group and the Parent Company recognized gain on sale of assets held-for-sale amounting to P24.21 million and P27.94 million in 2015 and 2014, respectively.

13. Investments in a Subsidiary and Associates - net

As at December 31, the details of the account are as follow:

Consolidated

	Percentage of Ownership (%) 2015	Percentage of Ownership (%) 2014	Acquisition Cost 2015	Acquisition Cost 2014	Accumulated Impairment and Share in Net Losses 2015	Accumulated Impairment and Share in Net Losses 2014	Carrying Amount 15	Carrying Amount 2014
Aguinaldo Theater Enterprises, Inc. (ATEI)	**28.13**	28.13	**P67,500,000**	P67,500,000	**(P67,500,000)**	(P67,500,000)	-	-
Centennial Financing Corporation (CFC)	**17.60**	17.60	**20,000,000**	20,000,000	**(722,050)**	(5,573,842)	**,277,950**	,426,158
			P87,500,000	P87,500,000	**(P68,222,050)**	(P73,073,842)	**9,277,950**	4,426,158

Separate

	Percentage of Ownership (%) 2015	Percentage of Ownership (%) 2014	Acquisition Cost 2015	Acquisition Cost 2014	Accumulated Impairment 2015	Accumulated Impairment 2014	Carrying Amount 15	Carrying Amount 2014
APPGIC	**100.00**	100.00	**P178,265,704**	P178,265,704	**P -**	P -	**P178,265,704**	78,265,704
ATEI	**28.13**	28.13	**67,500,000**	67,500,000	**(67,500,000)**	(67,500,000)	-	
CFC	**17.60**	17.60	**20,000,000**	20,000,000	-	-	**20,000,000**	,000,000
			P265,765,704	P265,765,704	**(67,500,000)**	(P67,500,000)	**P198,265,704**	98,265,704

The Parent Company made an additional investment to the Subsidiary amounting to nil and P173.14 million in 2015 and 2014, respectively, with no issuance of additional shares.

The Parent Company's book value of investment in a Subsidiary is in excess of the recorded carrying amount of the said investment by P4.09 million and P4.50 million in 2015 and 2014, respectively. The excess pertains to the unamortized gain on sale of a building by the Parent Company to the Subsidiary in 1996. This gain is being amortized over the estimated useful life of the building of 30 years. The income of the Subsidiary in 2015 and 2014 consolidated statements of income includes amortization on unrealized gain of P0.41 million for both years.

No impairment loss was recognized on the Parent Company's investments in ATEI and CFC in 2015 and 2014.

Share in net income of Associates recognized in the consolidated statements of income amounted to P4.85 million and P1.55 million, in 2015 and 2014, respectively.

The summary of the financial information regarding the Associates is as follows:

	ATEI* 2015	ATEI* 2014	CFC* 2015	CFC* 2014
Total assets	**P105,827,279**	P110,991,706	**P111,506,339**	P109,815,508
Total liabilities	**4,455,468**	4,353,144	**1,118,387**	3,367,327
Total equity	**101,371,811**	106,638,562	**110,387,952**	106,448,181
Net income	**(5,525,378)**	(5,072,279)	**525,532**	4,550,393

**Financial information is based on unaudited balances as at December 31, 2015 and 2014*

14. Property and Equipment - net

As at December 31, the roll forward analysis of the account are as follow:

Consolidated	Land, Buildings and Land Improvements	Computer Equipment	Furniture, Fixtures and Other Equipment	Transportation Equipment	Computer Software	Total
Cost						
Balance, January 1, 2015	**P272,793,153**	**P212,646,227**	**P47,742,638**	**P39,723,982**	**P3,650,000**	**P576,556,003**
Additions	**103,385,430**	**17,791,226**	**7,545,233**	**5,371,420**	**8,526,035**	**142,619,344**
Retirements/disposals	**(26,976,878)**	**(8,493,494)**	**(59,549)**	**(1,991,812)**	**-**	**(37,521,733)**
Balance, December 31, 2015	**349,201,708**	**221,943,959**	**55,228,322**	**43,103,590**	**12,176,035**	**681,653,614**
Accumulated Depreciation and Amortization						
Balance, January 1, 2015	**81,184,981**	**143,033,581**	**31,774,497**	**17,731,263**	**608,333**	**274,332,655**
Depreciation and amortization for the year	**7,329,694**	**20,548,347**	**6,185,481**	**5,205,049**	**3,444,778**	**42,713,349**
Retirements/disposals	**-**	**(2,386,788)**	**-**	**(1,616,572)**	**-**	**(4,003,360)**
Balance, December 31, 2015	**88,514,675**	**161,195,140**	**37,959,978**	**21,319,740**	**4,053,111**	**313,042,644**
Net Book Value at December 31, 2015	**P260,687,033**	**P60,748,819**	**P17,268,344**	**P21,783,850**	**P8,122,924**	**P368,610,970**

Consolidated	Land, Buildings and Land Improvements	Computer Equipment	Furniture, Fixtures and Other Equipment	Transportation Equipment	Computer Software	Total
Cost						
Balance, January 1, 2014	P271,396,413	P193,099,910	P47,982,099	P36,499,667	P -	P548,978,089
Additions	1,396,743	24,739,338	6,348,262	8,427,505	3,650,000	44,561,848
Retirements/disposals	-	(5,193,021)	(6,587,723)	(5,203,190)	-	(16,983,934)
Balance, December 31, 2014	272,793,156	212,646,227	47,742,638	39,723,982	3,650,000	576,556,003
Accumulated Depreciation and Amortization						
Balance, January 1, 2014	74,690,976	128,244,787	31,691,316	15,988,738	-	250,615,817
Depreciation and amortization for the year	6,494,005	20,229,916	6,956,271	4,077,463	608,333	38,365,988
Retirements/disposals	-	(5,441,122)	(6,873,090)	(2,334,938)	-	(14,649,150)
Balance, December 31, 2014	81,184,981	143,033,581	31,774,497	17,731,263	608,333	274,332,655
Net Book Value at December 31, 2014	P191,608,175	P69,612,646	P15,968,141	P21,992,719	P3,041,667	P302,223,348

Separate	Land, Buildings and Land Improvements	Computer Equipment	Furniture, Fixtures and Other Equipment	Transportation Equipment	Total
Cost					
Balance, January 1, 2015	**P251,214,804**	**P194,561,104**	**P49,237,317**	**P34,711,812**	**P529,725,037**
Additions	**103,385,430**	**14,474,944**	**7,429,660**	**4,317,420**	**129,607,454**
Retirements/disposals	**(26,976,878)**	**(40,839)**	**(59,549)**	**(1,550,000)**	**(28,627,266)**
Balance, December 31, 2015	**327,623,356**	**208,995,209**	**56,607,428**	**37,479,232**	**630,705,225**
Accumulated Depreciation and Amortization					
Balance, January 1, 2015	**74,977,727**	**136,496,864**	**32,768,835**	**13,704,078**	**257,947,504**
Depreciation and amortization for the year	**5,159,439**	**18,162,022**	**6,141,607**	**4,467,370**	**33,930,438**
Retirements/disposals	**-**	**-**	**-**	**(1,174,759)**	**(1,174,759)**
Balance, December 31, 2015	**80,137,166**	**154,658,886**	**38,910,442**	**16,996,689**	**290,703,183**
Net Book Value at December 31, 2015	**P247,486,190**	**P54,336,323**	**P17,696,986**	**P20,482,543**	**P340,002,042**

Separate	Land, Buildings and Land Improvements	Computer Equipment	Furniture, Fixtures and Other Equipment	Transportation Equipment	Total
Cost					
Balance, January 1, 2014	P250,996,443	P178,416,158	P48,711,723	P31,487,497	P509,611,821
Additions	218,361	16,956,415	6,028,720	8,427,505	31,631,001
Retirements/disposals	-	(811,469)	(5,503,126)	(5,203,190)	(11,517,785)
Balance, December 31, 2014	251,214,804	194,561,104	49,237,317	34,711,812	529,725,037
Accumulated Depreciation and Amortization					
Balance, January 1, 2014	69,798,686	120,029,022	32,649,793	12,699,231	235,176,732
Depreciation and amortization for the year	5,179,041	17,527,413	5,907,535	3,339,785	31,953,774
Retirements/disposals	-	(1,059,571)	(5,788,493)	(2,334,938)	(9,183,002)
Balance, December 31, 2014	74,977,727	136,496,864	32,768,835	13,704,078	257,947,504
Net Book Value at December 31, 2014	P176,237,077	P58,064,240	P16,468,482	P21,007,734	P271,777,533

15. Reserve for Unearned Premiums and Deferred Reinsurance Premiums

As at December 31, the movements of the Subsidiary's reserve for unearned premiums and deferred reinsurance premiums are as follow:

	2015			2014		
	Direct Business	**Ceded**	**Net**	Direct Business	Ceded	Net
Balance at beginning of the year	**P28,854,699**	**P6,180,934**	**P22,673,765**	P52,555,412	P27,084,359	P25,471,053
Policies written during the year	**123,227,331**	**8,472,513**	**114,754,818**	81,865,030	17,416,727	64,448,303
Premiums earned during the year	**(103,061,025)**	**(10,708,048)**	**(92,352,977)**	(105,565,743)	(38,320,152)	(67,245,591)
Balance at end of year	**P49,021,005**	**P3,945,399**	**P45,075,606**	P28,854,699	P6,180,934	P22,673,765

16. Deferred Acquisition Costs and Deferred Reinsurance Commission

As at December 31, the movements of the Subsidiary's deferred acquisition costs and deferred reinsurance commission are as follow:

Deferred acquisition costs:

	2015	2014
Balance at beginning of year	**P1,526,987**	P2,273,447
Cost deferred during the year	**11,778,387**	5,859,432
Amortization for the year	**(7,015,928)**	(6,605,892)
Balance at end of year	**P6,289,446**	P1,526,987

Deferred reinsurance commission:

	2015	2014
Balance at beginning of year	**P1,559,042**	P3,884,385
Reinsurance commission for the year	**1,913,974**	4,177,484
Reinsurance commission earned for the year	**(2,722,064)**	(6,502,827)
Balance at end of year	**P750,952**	P1,559,042

17. Other Assets - net

As at December 31, this account consists of:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Cash placements with closed local banks	**P44,667,067**	P44,667,067	**P44,667,067**	P44,667,067
Prepaid expenses	**8,133,426**	9,136,637	**5,573,683**	5,613,958
Input tax	**27,465,649**	677,291	**27,465,649**	677,291
Deposit for the acquisition of real estate property	**14,320,373**	14,320,373	**14,320,373**	14,320,373
Unused supplies	**2,311,000**	1,543,390	**2,310,978**	1,543,390
Others	**22,789,587**	12,881,892	**4,820,355**	5,103,909
	119,687,102	83,226,650	**99,158,105**	71,925,988
Allowance for impairment loss	**(59,553,734)**	(59,553,734)	**(59,553,734)**	(59,553,734)
	P60,133,368	P23,672,916	**P39,604,371**	P12,372,254

The cash placements with closed local banks represent various deposits and money market placements which cannot be withdrawn due to banks' closure. The amount is fully provided with allowance for impairment loss as at December 31, 2015 and 2014.

Prepaid expenses consist of prepayments on insurance and subscriptions.

Others include utility deposits and creditable withholding taxes.

In 2015, the Subsidiary reclassified output value-added tax (VAT) payable in 2014 amounting to P2.02 million to "Accounts payable and accrued expenses" to conform with the presentation in 2015. Accordingly, total "Other assets - net" amounted to P23.67 million from previously reported balance of P21.65 million in its consolidated financial statements.

The following is a reconciliation of the changes in allowance for impairment loss in the consolidated and separate statements of financial position:

	2015	2014
Balance at beginning of year	**P59,553,734**	P58,987,440
Provision for the year	-	566,294
Balance at end of year	**P59,553,734**	P59,553,734

18. Accounts payable and accrued expenses

As at December 31, this account consists of:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Accounts payable - refund	**P243,133,110**	P269,835,934	**P243,133,110**	P269,835,934
Accounts payable	**98,145,534**	92,965,699	**70,986,071**	74,233,656
Customers' deposits	**42,845,550**	42,640,254	**42,845,550**	42,640,254
Commissions payable	**18,728,012**	1,354,881	**15,617,439**	888,762
Accrued expenses	**15,438,282**	21,043,816	**15,356,788**	20,192,124
Experience refund	**7,675,837**	1,526,424	**7,675,837**	1,526,424
Taxes payable	**12,969,751**	13,121,344	**5,080,677**	8,894,215
Replenishment in transit	**2,374,230**	2,404,790	**2,374,230**	2,404,790
Loans payable	**164,068**	454,733	**164,068**	454,733
Trust deposit	**636,557**	636,557	-	-
Others	**2,619,998**	2,623,767	**2,530,799**	2,583,717
	P444,730,929	P448,608,199	**P405,764,569**	P423,654,609

Accounts payable - refund refers to the over remittances from finance centers.

Accounts payable consists of unreleased checks, fire insurance payable, motorcycle payable, due to the Parent Company's retirement fund, due to finance center and others.

Customers' deposits pertain to the amount of money the Parent Company holds on behalf of the tenant for protection in case of any unpaid rent or damage to the investment properties.

In 2015, the Parent Company reclassified unearned interest in 2014 amounting to P239.16 million to "Other liabilities" in its consolidated and separate financial statements to conform with the presentation in 2015. Accordingly, total "Accounts payable and accrued expenses" amounted to P448.61 million and P423.65 million from previously reported balance of P685.74 million and P662.81 million in its consolidated and separate financial statements, respectively.

19. Legal Policy Reserves

As at December 31, 2015 and 2014, the legal policy reserves amounted to P8,622.62 million and P7,914.72 million, respectively.

As at December 31, 2015 and 2014, for policies with incomplete information, reserves of P4.26 million and P1.09 million, respectively, were calculated by approximate method using the reserve factors derived from the portfolio with complete information.

As at December 31, 2015 and 2014, increase in legal policy reserves recognized in profit or loss amounted to P707.90 million and P435.64 million, respectively.

The legal policy reserves were certified by the Parent Company's consulting actuary who is accredited by the IC and who also issued an unqualified opinion on the account.

Sensitivities

The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on the consolidated and separate statement of income, statement of comprehensive income and statement of changes in members' equity. 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, assumption changes had to be done on an individual basis.

The assumptions that have the greatest effect on the 2015 consolidated and separate statements of financial position and income are listed below:

	Change in Assumptions	Increase/ (Decrease) in Gross Liabilities	Increase/ (Decrease) in Net Liabilities	Increase/ (Decrease) in Profit before Tax	Increase/ (Decrease) in Equity
Mortality/morbidity	+10%	P9,030,396	P9,030,396	(P9,030,396)	(P9,030,396)
	-10%	(10,604,228)	(10,604,228)	10,604,228	10,604,228
Discount rate	+1%	(280,551,797)	(280,551,797)	280,551,797	280,551,797
	-1%	323,933,454	323,933,454	(323,933,454)	(323,933,454)

20. Insurance Contract Liabilities

As at December 31, this account consists of:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Claims and benefits payable	**P376,370,040**	P404,470,077	**P330,976,514**	P302,345,563
Due to reinsurers and ceding companies	**1,880,308**	5,164,813	**-**	-
Funds held for reinsurers	**1,141,850**	25,441,850	**-**	-
	P379,392,198	P435,076,740	**P330,976,514**	P302,345,563

The movement in claims and benefits payable is as follows:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Balance at beginning of year	**P404,470,077**	P365,780,314	**P302,345,563**	P261,043,682
Claims and benefits incurred	**1,230,949,913**	1,260,649,656	**1,211,051,891**	1,255,759,173
Claims and benefits paid	**(1,259,049,950)**	(1,221,959,893)	**(1,182,420,940)**	(1,214,457,292)
Balance at end of year	**P376,370,040**	P404,470,077	**P330,976,514**	P302,345,563

21. Dividends Payable

At the option of the BOT of the Parent Company, dividends are provided to members with participating option policies which have been in-force for at least three (3) years.

Dividends declared and approved by the BOT amounted to P104.19 million and P95.44 million in 2015 and 2014, respectively.

The movements of the Parent Company's dividends payable are as follow:

	2015	2014
Balance at beginning of year	**P261,832,278**	P228,659,558
Dividends declared during the year	**104,188,079**	95,438,412
Dividends paid during the year	**(68,209,886)**	(62,265,692)
Balance at end of year	**P297,810,471**	P261,832,278

22. Reserve for Refund of Members' Equity

In 1998, the BOT approved the refund, upon retirement of members, of membership dues for the period from 1986 onwards equivalent to 50% of membership dues collected on basic policies which have been in-force for at least three (3) years, plus 4.50% interest per annum.

The basic premiums of the BJMP and BFP were upgraded effective January 2009 and February 2009, respectively, whereby part of the premium paid is recorded as deposit contribution subject to payment to the members upon retirement or separation. It will earn interest in accordance with the implementing rules and guidelines of the Parent Company. The basic premiums of the AFP and PCG were upgraded and modified, respectively, effective January 2010 and August 2010, respectively, whereby part of the premium paid is recorded as deposit contribution subject to payment to the members upon retirement or separation. It will earn interest in accordance with the implementing rules and guidelines.

As at December 31, 2015 and 2014, reserve for refund of members' equity amounted to P1,659.48 million and P1,496.62 million, respectively.

23. Members' Contribution

Members' contribution represents amounts contributed by the members of the Parent Company in addition to payments of premiums due, net of any refund made to retired members.

As at December 31, 2015 and 2014, members' contribution amounted to P96.07 million and P97.59 million, respectively.

24. Retained Surplus

Retained surplus pertains to the Group and the Parent Company's accumulated earnings.

In 2015 and 2014, the BOT of the Parent Company approved the appropriation of retained surplus amounting to P639.32 million and P453.03 million, respectively, to appropriate earnings for revaluation of real estate properties and allocation of building improvement, transportation, office equipment, furniture and fixtures, computer equipment and IT projects in 2015 and social services program, finance the land development of its Punta, Tanza property and other real estate projects, rehabilitation of its Annex Building and the construction of a 7 & 3-Storey Luzon Branch Operations building in Fort Bonifacio, Taguig City in 2014.

In 2015 and 2014, the Group and the Parent Company reversed appropriated retained surplus amounting to P159.77 million and P113.70 million, upon turn-over of donations and completion of land and housing developments.

Retained surplus, excluding the amount of unrealized gains on fair value of investment properties and employee benefit reserves has not exceeded the maximum limit specified in Section 408 of the Insurance Code As Amended, which states that "A mutual benefit association shall only maintain free and unassigned surplus of not more than 20% of its total liabilities as verified by the commissioner."

As at December 31, 2015 and 2014, the Group and the Parent Company have complied with the above requirement based on their internal computation.

25. Interest Income

For the years ended December 31, this account consists of:

		Consolidated		Separate	
	Note	**2015**	2014	**2015**	2014
Cash and cash equivalents	*5*	**P23,676,072**	P14,046,986	**P23,494,426**	P13,646,044
Short-term investments		**460,000**	1,137,500	**460,000**	1,137,500
HTM investments	*7*	**77,773,645**	68,162,002	**74,009,346**	63,698,030
Loan receivables	*8*	**822,809,623**	792,502,974	**822,809,623**	792,502,974
Others		**465,000**	465,000	**465,000**	465,000
		P925,184,340	P876,314,462	**P921,238,395**	P871,449,548

26. General and Administrative Expenses

For the years ended December 31, this account consists of:

		Consolidated		Separate	
	Note	**2015**	2014	**2015**	2014
Salaries and employee benefits	*27*	**P411,231,151**	P402,955,026	**P366,250,109**	P357,049,418
Donations and contributions		**68,230,117**	62,925,275	**68,187,509**	62,659,625
Depreciation and amortization	*14*	**42,713,349**	38,365,988	**33,930,438**	31,953,774
Transportation and travel		**41,331,680**	20,416,852	**37,085,689**	16,341,822
Provisions for impairment loss on loan receivables	*8*	**39,824,753**	21,732,945	**39,824,753**	21,732,945
Collection incentive fee		**39,518,438**	35,321,977	**39,518,438**	35,321,977
Representation and entertainment		**31,930,693**	22,013,891	**27,255,467**	19,075,622
Taxes and licenses		**31,662,389**	6,651,687	**29,810,449**	5,201,994
Promotional and business development		**19,927,578**	6,264,058	**16,877,312**	4,658,474
Professional fees		**19,412,059**	11,482,951	**16,041,120**	8,428,115
Manpower service fees		**18,177,577**	15,281,331	**17,547,250**	15,281,331
Repairs and maintenance		**16,977,360**	13,164,069	**14,186,528**	11,950,607
Supplies		**15,633,483**	13,607,013	**13,781,299**	12,450,290
Communication		**15,355,258**	14,159,620	**12,678,030**	11,807,189
Other underwriting expense		**14,618,302**	-	-	-
Utilities		**12,173,371**	13,595,647	**10,836,709**	12,104,391
Experience refund		**6,866,632**	5,866,240	**6,866,632**	5,866,240
Meetings and conferences		**5,465,951**	2,368,102	**5,075,567**	1,810,785
Rent	*34*	**5,100,881**	8,338,044	**4,709,625**	7,993,997
Interest		**4,389,330**	140,096,367	**4,389,330**	140,096,367
Seminar and training		**2,267,845**	2,580,554	**2,267,845**	2,580,554
Litigation		**484,819**	1,716,731	**484,819**	1,716,731
Brokers' fee		**322,409**	447,439	**322,409**	447,439
Sales incentives		**173,322**	1,306,696	-	-
Provisions for impairment loss on premiums due and insurance receivables and other assets	*9, 17*	-	1,824,624	-	566,294
Others		**23,937,713**	19,362,698	**16,752,888**	12,829,456
		P887,726,460	P881,845,825	**P784,680,215**	P799,925,437

Interest expense pertaining to reserve for refund was reclassified to incremental benefit under "death and other policy benefits" account in alignment with the IC's chart of accounts.

27. Salaries and Employee Benefits

For the years ended December 31, this account consists of:

		Consolidated		Separate	
	Note	**2015**	2014	**2015**	2014
Salaries and allowances		**P255,304,726**	P233,759,813	**P218,862,109**	P205,883,555
Employee benefits		**134,849,913**	134,169,366	**132,308,280**	124,001,580
Retirement benefit expense	*28*	**17,217,689**	20,874,691	**15,079,720**	16,884,408
Directors' and trustees' fees		**3,858,823**	14,151,156	-	10,279,875
		P411,231,151	P402,955,026	**P366,250,109**	P357,049,418

28. Retirement Liability

The Parent Company has a funded, non-contributory defined benefit plan covering all qualified officers and employees. Under this plan, the normal retirement age is 60. Normal retirement benefit consists of a lump sum benefit equivalent to 150% of basic monthly salary at the time of retirement for each year of service provided that the employee has rendered at least five (5) years of service.

For early retirement, the benefit is equivalent to 50% of the employee's monthly basic salary for every year of service with the rate progressing to a maximum of 150% of basic monthly salary. Death and disability benefit on the other hand, shall be determined on the same basis as in normal retirement.

The Subsidiary maintains a separate tax-qualified, funded, non-contributory defined benefit plan covering all regular full-time employees that is being administered by a Committee.

The plan entitles any employee on the day of his attainment of age 60 or completing 30 years of service, whichever is earlier, be retired and be entitled to full normal benefits. Full normal benefits of an employee who has reached the age of 60 and has rendered 20 years or more of service, or an employee who has rendered 30 years of service, regardless of age, shall be equivalent to 150% of one month's pay per year of service. On the other hand, an employee who has reached age 60 and has rendered less than 20 years of service shall be entitled to a normal retirement benefit equivalent to 125% of one month's pay per year of service. The basis of a month's pay is the employee's basic salary at the time of retirement.

The Group and the Parent Company's latest actuarial valuation date is as at December 31, 2015. The following tables show reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

Consolidated

	PVBO		FVPA		Net Retirement Plan Liability	
	2015	2014	**2015**	2014	**2015**	2014
Balance at beg of year	**(P274,373,431)**	(P302,577,181)	**P242,360,856**	P227,391,920	**(P32,012,575)**	(P75,185,261)
Included in Profit or Loss						
Current service cost	**(15,820,676)**	(17,487,490)	-	-	**(15,820,676)**	(17,487,490)
Interest income (expense)	**(11,894,072)**	(13,390,164)	**10,497,059**	10,002,963	**(1,397,013)**	(3,387,201)
	(27,714,748)	(30,877,654)	**10,497,059**	10,002,963	**(17,217,689)**	(20,874,691)
Included in OCI						
Actuarial gain (loss) arising from:						
Financial assumptions	**9,110,565**	10,555,687	-	-	**9,110,565**	10,555,687
Experience adjustment	**(32,314,837)**	46,587,379	-	-	**(32,314,837)**	46,587,379
Gain on plan assets	-	-	**942,869**	6,904,311	**942,869**	6,904,311
	(23,204,272)	57,143,066	**942,869**	6,904,311	**(22,261,403)**	64,047,377
Others						
Benefits paid	**10,695,850**	1,938,338	**(10,695,850)**	(1,938,338)	-	-
Balance at end of year	**(P314,596,601)**	(P274,373,431)	**P243,104,934**	P242,360,856	**(P71,491,667)**	(P32,012,575)

Separate

	PVBO		FVPA		Net Retirement Plan Liability	
	2015	2014	**2015**	2014	**2015**	2014
Balance at January 1	**(P259,683,668)**	(P277,696,009)	**P228,226,117**	P213,214,262	**(P31,457,551)**	(P64,481,747)
Included in Profit or Loss						
Current service cost	**(13,709,349)**	(14,085,900)	-	-	**(13,709,349)**	(14,085,900)
Interest income (expense)	**(11,188,963)**	(12,021,700)	**9,818,592**	9,223,192	**(1,370,371)**	(2,798,508)
	(24,898,312)	(26,107,600)	**9,818,592**	9,223,192	**(15,079,720)**	(16,884,408)
Included in OCI						
Actuarial gain (loss) arising from:						
Financial assumptions	**8,617,800**	323,625	-	-	**8,617,800**	323,625
Experience adjustment	**(29,442,480)**	41,857,978	-	-	**(29,442,480)**	41,857,978
Gain on plan assets	-	-	**2,067,583**	7,727,001	**2,067,583**	7,727,001
	(20,824,680)	42,181,603	**2,067,583**	7,727,001	**(18,757,097)**	49,908,604
Others						
Benefits paid	**10,663,779**	1,938,338	**(10,663,779)**	(1,938,338)	-	-
Balance at December 31	**(P294,742,881)**	(P259,683,668)	**P229,448,513**	P228,226,117	**(P65,294,368)**	(P31,457,551)

The retirement benefit expense under "Salaries and employee benefits" account recognized in profit or loss is as follows:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Current service cost	**P15,820,676**	P17,487,490	**P13,709,349**	P14,085,900
Interest expense	**1,397,013**	3,387,201	**1,370,371**	2,798,508
	P17,217,689	P20,874,691	**P15,079,720**	P16,884,408

The remeasurements of defined benefit obligation recognized in OCI are as follow:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Actuarial gain (loss) due to decrease in defined benefit obligation	**(P23,204,272)**	P57,143,066	**(P20,824,680)**	P42,181,603
Remeasurement gain on plan asset	**942,869**	6,904,311	**2,067,583**	7,727,001
Tax effect	**1,051,292**	(4,241,632)	**-**	-
	(P21,210,111)	P59,805,745	**(P18,757,097)**	P49,908,604

The Group and Parent Company's roll forward for the employee benefit reserve is as follows:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Balance at beginning of year	**(P6,452,879)**	(P66,258,624)	**P1,429,909**	(P48,478,695)
Actuarial gain (loss) on PVBO	**(23,204,272)**	57,143,066	**(20,824,680)**	42,181,603
Actuarial gain (loss) on FVPA	**942,869**	6,904,311	**2,067,583**	7,727,001
Tax effect	**1,051,292**	(4,241,632)	**-**	-
Balance at end of year	**(P27,662,990)**	(P6,452,879)	**(P17,327,188)**	P1,429,909

The Group and the Parent Company's plan assets consist of the following:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Cash and cash equivalents	**P64,014,275**	P70,634,154	**P61,034,444**	P67,342,173
AFS financial assets	**80,138,738**	81,479,582	**80,138,738**	81,479,582
Loan receivables - net	**95,422,476**	86,793,455	**95,422,476**	86,793,455
Accounts receivable	**2,579,494**	2,263,849	**2,579,494**	2,263,849
Accrued interest	**256,435**	330,132	**256,435**	330,132
Fixed income	**10,676,590**	10,842,758	**-**	-
Accounts payable and accrued expenses	**(9,983,074)**	(9,983,074)	**(9,983,074)**	(9,983,074)
	P243,104,934	P242,360,856	**P229,448,513**	P228,226,117

There is no expected contribution to the defined benefit retirement plan of the Parent Company and the Subsidiary in 2016.

The following were the principal actuarial assumptions at the reporting date:

	Parent Company		Subsidiary	
	2015	2014	**2015**	2014
Discount rate	**4.77%**	4.36%	**5.00%**	4.80%
Future salary growth	**5.00%**	5.00%	**5.00%**	5.00%

Assumptions regarding future mortality and disability used by the Parent Company have been based on the adjusted 1994 Group Annuity Table and 1952 Disability Study, period 2, Benefit 5, respectively. For the Subsidiary, assumptions regarding future mortality have been based on the adjusted 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from January 1, 1977 to December 31, 1981.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Parent Company

	Defined Benefit Obligation	
	Increase	**Decrease**
Discount rate (1% movement)	[illegible]%	**7.35%**
Salary increase rate (1% movement)	**7.26%**	[illegible]%

Subsidiary

	Defined Benefit Obligation	
	Increase	**Decrease**
Discount rate (0.50% movement)	**5.30%**	**4.30%**
Salary increase rate (0.50% movement)	**5.00%**	**5.00%**

Although the analysis does not take account the full distribution of cash flows expected under the retirement plans of the Parent Company and the Subsidiary, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Group and the Parent Company to actuarial risks, longevity risk, interest rate risk and market (investment) risk.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Parent Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitor how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

However, the Subsidiary does not perform any ALM Study. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in compliance with the Bangko Sentral ng Pilipinas requirements. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan.

Maturity analysis of the benefit payments:

	Consolidated 2015				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
Defined benefit obligation	**P314,596,601**	**P962,221,588**	**P21,586,659**	**P117,031,351**	**P823,603,578**

	Separate 2015				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
Defined benefit obligation	**P294,742,881**	**P831,272,542**	**P21,586,659**	**P113,460,982**	**P696,224,901**

	Consolidated 2014				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P274,373,431	P877,975,275	P10,122,600	P97,172,233	P770,680,442

	Separate 2014				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P259,683,668	P774,595,703	P10,122,600	P93,515,747	P670,957,356

As at December 31, 2015 and 2014, the weighted average duration of the defined benefit obligation of the Parent Company and the Subsidiary is 16 years and 13 years, and 12 years and 13 years, respectively.

29. Income taxes

The income tax benefit of the Subsidiary for the years ended December 31 is as follows:

	2015	2014
Final tax	**P873,397**	P1,398,255
Current tax	**596,358**	600,260
Deferred tax	**(1,491,869)**	(7,748,883)
	(P22,114)	(P5,750,368)

The reconciliation of income tax benefit computed at the statutory income tax rate to the income tax expense is as follows:

	2015	2014
Loss before income tax	**(P3,914,452)**	(P6,298,897)
Income tax computed at statutory tax rate	**(P1,174,336)**	(P1,889,669)
Tax effects of:		
Income subject to capital gains tax	**(4,283,573)**	(3,835,798)
Income subjected to final tax	**(1,183,786)**	(1,459,474)
Final tax	**873,397**	1,398,254
Non-deductible expenses	**1,621,086**	784,809
Dividend income	**(1,759,047)**	(748,490)
Reversal of deferred tax liability on excess of reserve for unexpired risk	**(3,718,727)**	-
Unrecognized deferred tax assets		
NOLCO	**9,006,514**	-
MCIT	**596,358**	-
	(P22,114)	(P5,750,368)

The deferred tax assets - net as at December 31 relate to the following:

	2015	2014
Recognized in Profit and Loss		
Allowance for impairment loss:		
AFS financial assets	**P2,779,138**	P2,779,138
Insurance and other receivable	**3,302,679**	3,302,679
Deferred acquisition costs - net	**(1,661,548)**	9,617
Excess of reserved for unexpired risk	-	(3,718,727)
Retirement liability	**641,392**	1,197,085
Unrealized gain on investment properties due to change in fair value	**(807,345)**	(807,345)
MCIT	**1,292,602**	1,292,602
NOLCO	**13,424,918**	13,424,918
Amount Charged to Profit and Loss	**18,971,836**	17,479,967
Recognized in OCI		
Employee benefit reserve	**4,429,629**	3,378,338
Amount Charged to OCI	**4,429,629**	3,378,338
	P23,401,465	P20,858,305

The details of the Subsidiary's NOLCO which can be claimed as a credit against future taxable income are as follow:

Year Incurred	Year of Expiry	Additions	Expiry/Used	NOLCO
2015	2018	P30,021,714	P -	P74,771,441
2014	2017	9,954,518	-	44,749,727
2013	2016	34,795,209	-	34,795,209

The details of the Subsidiary's MCIT which can be claimed as a credit against future tax payable are as follow:

Year Incurred	Year of Expiry	Additions	Expiry/Used	Excess MCIT
2015	2018	P596,358	P -	P1,888,960
2014	2017	600,260	-	1,292,602
2013	2016	692,342	-	692,342

The Subsidiary believes that certain future deductible items may not be realizable as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Subsidiary did not recognize deferred tax assets pertaining to tax benefits from NOLCO and MCIT amounting to P9.01 million and P0.60 million, respectively, incurred in 2015. This will mature on December 31, 2018.

The Subsidiary opted to use the itemized method of deduction for its income tax returns in 2015 and 2014.

30. Related Party Transactions

The following transactions are carried out with related parties in the separate financial statements:

Category/ Transaction	Year	*Note*	Amount of the Transaction	Outstanding Balance Due to Related Parties	Terms	Conditions
Subsidiary						
AFPGIC						
▪ Insurance expense	**2015**	*a*	**P1,665,239**	**P -**	**On demand; non-interest bearing**	**Unsecured**
	2014	*a*	1,507,750	-	On demand; non-interest bearing	Unsecured
▪ Rental income	**2015**	*b*	**(122,513)**	-	**On demand; non-interest bearing**	**Unsecured**
	2014		-	-		
Total	**2015**			**P -**		
Total	2014			P -		

Notes:

a.) The Parent Company has an insurance agreement with its Subsidiary covering certain mortgage loans. Insurance expense included in the separate financial statements amounted to P1.67 million and P1.51 million in 2015 and 2014, respectively.

b.) In 2015, the Subsidiary entered into lease agreement with Parent Company for its extension office. Rental income included in the separate financial statements amounted to P0.12 million.

Compensation of Key Management Personnel

Salaries and employee benefits includes compensation of KMP for the years ended December 31 which consist of the following:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Short-term employee benefits	**P14,166,939**	P14,658,501	**P9,010,078**	P5,459,024
Post-employee benefits	**1,549,816**	5,078,232	**1,549,816**	5,078,232
	P15,716,755	P19,736,733	**P10,559,894**	P10,537,256

The remuneration of the Trustees of the Parent Company amounted to P10.21 million in 2015 and P10.28 million in 2014 while the remuneration of Directors of the Subsidiary amounted to P3.86 million in 2015 and P3.87 million in 2014.

31. Contingencies

As at December 31, 2015, the Subsidiary is contingently liable to the following lawsuits and claims:

- The Subsidiary has various legal proceedings on insurance claims-related and resigned employee claims, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Subsidiary.

- On April 22, 2010, the Subsidiary filed a petition in the Court of Tax Appeal in Quezon City for the cancellation of tax assessment for the year 2006 based on the Formal Letter of Demand received from BIR on April 6, 2010. As at December 31, 2015 and 2014, the Subsidiary recognized a liability for certain portion of the tax deficiencies to which the Management believes they are liable as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

- On December 11, 2013, the Subsidiary received a copy of the Notice of Disallowance (ND) issued by the Commission on Audit (CoA) to AFP informing the latter that the amount of P5.75 million representing premiums paid by the AFP to the Subsidiary for the insurance of AFP's properties was disallowed in audit because the insurance of the properties of AFP with the Subsidiary is not in accordance with Republic Act No. 656 dated June 16, 1951. Such transaction pertains to the Fire Insurance of General Headquarters Unified Commands/AFP-Wide Support and Separate Unit's buildings for 2013. On March 12, 2014, the Subsidiary submitted an appeal memorandum to CoA for the petition of ND to clarify the validity of insurance contract with AFP.

  On September 16, 2014, the Subsidiary received a notification dated August 27, 2014 from the Director of Defense and Security National Government Sector (DSNGS) informing that the case has been elevated to the Commission Proper of CoA for automatic review, pursuant to Section 18.5, Chapter IV of the Rules and Regulations on the Settlement of Accounts and Section 7, Rule V of the Revised Rules of Procedure of the CoA. This means that the decision of the Director of DSNGS is favorable to the Subsidiary and AFP.

  The CoA Commission Proper referred the case to the CoA Legal Services Sector (LSS) to review the case. As per follow up at the LSS, the Director III of the LSS had drafted a resolution and forwarded it to the Director IV of LSS. After the review of the Director IV of LSS, the case will be forwarded to the CoA Legal Counsel, then the CoA Legal Counsel will bring the case back to the Commission Proper for deliberation and issuance of the final resolution.

  As at December 31, 2015, the Subsidiary is still awaiting CoA's resolution on the petition for ND. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Subsidiary.

32. Insurance and Financial Risk Management Objectives and Policies

Life Insurance Risk

Nature of 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 long-term claims. Therefore, the objective of the Parent Company is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored by an in-house actuary on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and Controlling

The Parent Company regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability.

Frequency and Severity of Claims

The frequency and severity of claims is dependent on the type of contracts as follows:

a. For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected.

b. For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

c. For contracts with discretionary participating feature, the participating nature of these insurance contracts results in a portion of the insurance risk being shared with the insured party.

The Parent Company manages these risks through its underwriting strategy and reinsurance program. However, the risk is also dependent on the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely.

The following represents the Parent Company's concentration of insurance risk as at December 31:

	2015		2014	
	Exposure, Net of Reinsurance	**Concentration**	Exposure, Net of Reinsurance	Concentration
Individual	**P23,999,760,440**	**98.00%**	P22,785,263,471	98.00%
Group	**533,150,000**	**2.00%**	524,300,000	2.00%
	P24,532,910,440	**100.00%**	P23,309,563,471	100.00%

Classification by Attained Age (Based on 2015 Data of In-force Policies)
The tables below present the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets less than 20 and from 25-29 to 40-44. For group insurance, exposure is concentrated on age brackets 25-29, 30-34 and for 40-44 to 55-59.

	Individual			
Attained	**Gross of Reinsurance**		**Net Reinsurance**	
Age	**Exposure**	**Concentration (%)**	**Exposure**	**Concentration (%)**
<20	**P2,909,116,478**	**12.21%**	**P2,909,116,478**	**12.21%**
20 - 24	**1,848,587,045**	**7.70%**	**1,848,587,045**	**7.70%**
25 - 29	**4,916,225,649**	**20.48%**	**4,916,225,649**	**20.48%**
30 - 34	**4,150,335,204**	**17.29%**	**4,150,335,204**	**17.29%**
35 - 39	**3,822,640,212**	**15.93%**	**3,822,640,212**	**15.93%**
40 - 44	**2,686,216,670**	**11.19%**	**2,686,216,670**	**11.19%**
45 - 49	**1,988,388,378**	**8.29%**	**1,988,388,378**	**8.29%**
50 - 54	**1,312,629,159**	**5.47%**	**1,312,629,159**	**5.47%**
55 - 59	**255,679,110**	**1.07%**	**255,679,110**	**1.07%**
60 - 64	**61,854,232**	**0.26%**	**61,854,232**	**0.26%**
65 - 69	**25,265,415**	**0.11%**	**25,265,415**	**0.11%**
70 - 74	**10,471,404**	**0.04%**	**10,471,404**	**0.04%**
75 - 79	**5,408,258**	**0.02%**	**5,408,258**	**0.02%**
80+	**6,943,226**	**0.03%**	**6,943,226**	**0.03%**
Total	**P23,999,760,440**	**100.00%**	**P23,999,760,440**	**100.00%**

	Group			
Attained	**Gross of Reinsurance**		**Net Reinsurance**	
Age	**Exposure**	**Concentration (%)**	**Exposure**	**Concentration (%)**
<20	**P -**	**0.00%**	**P -**	**0.00%**
20 - 24	**20,250,000**	**3.80%**	**20,250,000**	**3.80%**
25 - 29	**66,700,000**	**12.51%**	**66,700,000**	**12.51%**
30 - 34	**54,750,000**	**10.27%**	**54,750,000**	**10.27%**
35 - 39	**52,550,000**	**9.86%**	**52,550,000**	**9.86%**
40 - 44	**53,450,000**	**10.02%**	**53,450,000**	**10.02%**
45 - 49	**103,100,000**	**19.34%**	**103,100,000**	**19.34%**
50 - 54	**113,500,000**	**21.29%**	**113,500,000**	**21.29%**
55 - 59	**68,850,000**	**12.91%**	**68,850,000**	**12.91%**
60 - 64	**-**	**0.00%**	**-**	**0.00%**
65 - 99	**-**	**0.00%**	**-**	**0.00%**
70 - 74	**-**	**0.00%**	**-**	**0.00%**
75 - 79	**-**	**0.00%**	**-**	**0.00%**
80+	**-**	**0.00%**	**-**	**0.00%**
Total	**P533,150,000**	**100.00%**	**P533,150,000**	**100.00%**

Classification by Attained Age (Based on 2014 Data of In-force Policies)
The tables below present the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets less than 20 and from 25-29 to 40-44. For group insurance, exposure is concentrated on age brackets 25-29, 30-34 and for 40-44 to 55-59.

	Individual			
Attained	Gross of Reinsurance		Net Reinsurance	
Age	Exposure	Concentration (%)	Exposure	Concentration (%)
<20	P2,567,394,575	11.27%	P2,567,394,575	11.27%
20 - 24	1,661,103,005	7.29%	1,661,103,005	7.29%
25 - 29	4,517,918,188	19.83%	4,517,918,188	19.83%
30 - 34	4,234,994,587	18.59%	4,234,994,587	18.59%
35 - 39	3,578,351,311	15.70%	3,578,351,311	15.70%
40 - 44	2,539,937,723	11.15%	2,539,937,723	11.15%
45 - 49	1,923,604,206	8.44%	1,923,604,206	8.44%
50 - 54	1,380,469,690	6.06%	1,380,469,690	6.06%
55 - 59	273,619,333	1.20%	273,619,333	1.20%
60 - 64	63,505,330	0.28%	63,505,330	0.28%
65 - 69	22,848,184	0.10%	22,848,184	0.10%
70 - 74	9,568,476	0.04%	9,568,476	0.04%
75 - 79	5,207,036	0.02%	5,207,036	0.02%
80+	6,741,827	0.03%	6,741,827	0.03%
Total	P22,785,263,471	100.00%	P22,785,263,471	100.00%

	Group			
Attained	Gross of Reinsurance		Net Reinsurance	
Age	Exposure	Concentration (%)	Exposure	Concentration (%)
<20	P -	0.00%	P -	0.00%
20 - 24	13,950,000	2.66%	13,950,000	2.66%
25 - 29	55,450,000	10.58%	55,450,000	10.58%
30 - 34	47,550,000	9.07%	47,550,000	9.07%
35 - 39	48,100,000	9.17%	48,100,000	9.17%
40 - 44	67,300,000	12.84%	67,300,000	12.84%
45 - 49	104,300,000	19.89%	104,300,000	19.89%
50 - 54	116,500,000	22.22%	116,500,000	22.22%
55 - 59	63,000,000	12.02%	63,000,000	12.02%
60 - 64	8,150,000	1.55%	8,150,000	1.55%
65 - 99	-	0.00%	-	0.00%
70 - 74	-	0.00%	-	0.00%
75 - 79	-	0.00%	-	0.00%
80+	-	0.00%	-	0.00%
Total	P524,300,000	100.00%	P524,300,000	100.00%

Source of Uncertainty in the Estimation of Future Claim Payment
Estimation of future claim payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Parent Company adopts standard industry data in assessing future benefit payments and premium receipts as approved by the IC. Adjustments are made, if necessary, according to the experience of the Parent Company.

For individual life insurance, no adjustment is made by the Parent Company to the standard mortality table. For group life, accident and health insurance, the mortality table is adjusted to reflect the Parent Company's actual and projected experience which are given weights or credibility depending on the amount and length of exposure under consideration. The Parent Company currently monitors its actual experience on individual business on a per policy basis and on an aggregate basis, and reporting the same to management.

The liability for these contracts comprises the IBNR provision, a provision for reported claims not yet paid and a provision for unexpired risk at reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Non-life Insurance Risk

The major classes of general insurance written by the Subsidiary include fire, motor car, marine, and bonds. Risks under these policies usually cover 12-month duration. The risks under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The primary risk the Subsidiary faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. By the very nature of insurance contracts, this risk is random and therefore, unpredictable.

The Subsidiary manages insurance risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The Subsidiary has developed its non-life insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate non-life insurance risk include lack of diversification in terms of type and amount of risk, geographical location and type of industry covered. The Subsidiary's major strategy is geared towards a wide premium base from both commercial and personal lines so that there is a sufficient spread of risks in its book to cushion the adverse effects of catastrophic losses.

The Subsidiary's premiums per line of risk for the years ended December 31 are shown below:

	2015			
Line of Risk	**Direct Premiums Written**	**Premiums Assumed**	**Premiums Ceded**	**Retention**
Motor car	**P30,179,276**	**P13,855,663**	**P347,327**	**P43,687,612**
Fire	**12,910,441**	**19,306,097**	**6,020,869**	**26,195,669**
Bonds	**16,726,842**	**1,094,134**	**1,099,737**	**16,721,239**
Marine cargo	**108,159**	**76,985**	**-**	**185,144**
Miscellaneous	**26,109,552**	**2,860,181**	**1,004,580**	**27,965,153**
	P86,034,270	**P37,193,060**	**P8,472,513**	**P114,754,817**

	2014			
Line of Risk	Direct Premiums Written	Premiums Assumed	Premiums Ceded	Retention
Motor car	P27,813,708	P10,406,646	P88,878	P38,131,476
Fire	16,463,617	5,465,745	7,656,626	14,272,736
Bonds	6,516,362	1,246,828	803,967	6,959,223
Marine cargo	9,988,304	176,999	7,256,746	2,908,557
Miscellaneous	3,416,532	370,289	1,610,510	2,176,311
	P64,198,523	P17,666,507	P17,416,727	P64,448,303

Exposure to loss within non-life insurance operations is also limited through participation in reinsurance arrangements. This does not, however, discharge the Subsidiary from its liability as primary insurer. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented as part of "Premiums due and insurance receivables - net" account in the consolidated and separate statements of financial position. If a reinsurer fails to pay a claim for any reason, the Subsidiary remains liable for the payment to the policyholder. The creditworthiness of reinsurers is evaluated on an annual basis by reviewing their financial strength prior to finalization of any contract.

The reinsurance business being accepted by the Subsidiary is properly evaluated by a committee, composed of the underwriter, the reinsurance head and the operations head. The business being written by the Subsidiary, on the other hand, is adequately reinsured to licensed and financially stable reinsurers.

The following tables set out the concentration of the claims liabilities by type of contract:

	2015		
	Gross Claims Liabilities*	**Reinsurers' Share of Claims Liabilities**	**Net Claims Liabilities**
Fire	**P14,780,664**	**P10,754,938**	**P4,025,726**
Bonds	**19,665,353**	**2,804,800**	**16,860,553**
Marine cargo/aviation	**407,500**	**41,155**	**366,345**
Motor car	**6,097,147**	**51,434**	**6,045,713**
Miscellaneous	**4,442,862**	**6,687**	**4,436,175**
	P45,393,526	**P13,659,014**	**P31,734,512**

**Excluding IBNR*

	2014		
	Gross Claims Liabilities*	Reinsurers' Share of Claims Liabilities	Net Claims Liabilities
Fire	P48,583,475	P26,152,550	P22,430,925
Bonds	19,865,721	2,804,800	17,060,921
Marine cargo/aviation	27,067,400	24,300,000	2,767,400
Motor car	20,766	-	20,766
Miscellaneous	3,583,547	1,500,000	2,083,547
	P99,120,909	P54,757,350	P44,363,559

**Excluding IBNR*

Terms and Conditions

The major classes of general insurance written by the Subsidiary include motor, fire and marine insurance. Risks under these policies usually cover a twelve-month duration.

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

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

The measurement process primarily includes projection of future claim costs through a statistical projection technique. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by class of business. In addition, larger claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Key Assumptions
The principal assumptions underlying the estimates made by the Subsidiary depend on the past claim experience and industry levels. These include assumptions in respect to average claims costs, inflation factor, claim number for each accident year and handling cost. Judgment is used to assess the extent to which external factors such as judicial decision and government legislation affect the estimates.

Sensitivity Analysis
The General Insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, among others is not possible to quantify.

Claims Development Table
The Subsidiary aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Amounts of estimate at the accident year were based from adjusters' report who handles major accounts of the Subsidiary, usually for fire and marine claims. Other estimates are based on reasonable approximation after doing thorough evaluation of reported claims. Adjustments to actual claims versus the loss reserves are made in the year the ultimate cost of claim becomes more certain. Reserves are either released or increased depending on the amount. In accordance with the claims development methodology described earlier, the Subsidiary has come out with the following claims development table:

	Gross Insurance Contract Liabilities for 2015					
Accident Year	**2011 and Prior Years**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate claims costs at the end of accident year	**P44,080,929**	**P47,438,166**	**P90,376,380**	**P129,689,249**	**P87,318,862**	**P87,318,862**
One year later	**28,369,366**	**23,574,042**	**116,086,415**	**10,333,727**	-	**10,333,727**
Two years later	**20,504,642**	**21,404,167**	**33,989,546**	-	-	**33,989,546**
Three years later	**19,704,950**	**674,010**	-	-	-	**674,010**
Four years later	**19,509,047**	-	-	-	-	**19,509,047**
Current estimate of cumulative claims	**19,509,047**	**674,010**	**33,989,546**	**10,333,727**	**87,318,862**	**151,825,192**
Cumulative payments to date	**49,107**	**174,010**	**20,512,146**	**9,263,786**	**76,432,617**	**106,431,666**
Liability recognized in the statements of financial position	**P19,459,940**	**P500,000**	**P13,477,400**	**P1,069,941**	**P10,886,245**	**P45,393,526**

	Gross Insurance Contract Liabilities for 2014					
Accident Year	2010 and Prior Years	2011	2012	2013	2014	Total
Estimate of ultimate claims costs at the end of accident year	P47,102,773	P15,790,726	P19,068,800	P66,802,339	P16,606,439	P16,606,439
One year later	28,290,203	7,527,425	3,069,400	94,682,248	-	94,682,248
Two years later	20,841,941	15,261	1,699,216	-	-	1,699,216
Three years later	20,489,380	44,643	-	-	-	44,643
Four years later	19,660,308	-	-	-	-	19,660,308
Current estimate of cumulative claims	19,660,308	44,643	1,699,216	94,682,248	16,606,439	132,692,854
Cumulative payments to date	-	44,643	199,216	20,373,210	9,951,271	30,568,340
Liability recognized in the statements of financial position	P19,660,308	P -	P1,500,000	P74,309,038	P6,655,168	P102,124,514

Claims and benefits payable of P45.39 million and P102.12 million as at December 31, 2015 and 2014, respectively, includes an estimated IBNR of P3.00 million and P2.50 million in 2015 and 2014, respectively. Recoveries from reinsurers amounted to P13.66 million and P54.76 million for 2015 and 2014, respectively. Hence, net claims and benefits payable as at December 31, 2015 and 2014 amounted to P31.73 million and P47.37 million, respectively (see Note 20).

Details of the net loss presented in the following table reflect the cumulative incurred claims, including both claims notified and claims IBNR, for each successive accident year at each reporting date, together with the cumulative payments to date.

	Net Insurance Contract Liabilities for 2015					
Accident Year	**2011 and Prior Years**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate claims costs at the end of accident year	**P10,463,305**	**P7,994,205**	**P31,016,369**	**P60,825,990**	**P468,838**	**P468,838**
One year later	**3,194,205**	**4,867,451**	**60,769,293**	**20,614,738**	-	**20,614,738**
Two years later	**3,367,451**	**8,410,308**	**9,885,376**	-	-	**9,885,376**
Three years later	**6,910,308**	**1,500,000**	-	-	-	**1,500,000**
Four years later	**6,910,305**	-	-	-	-	**6,910,305**
Current estimate of cumulative claims	**6,910,305**	**1,500,000**	**9,885,376**	**20,614,738**	**468,838**	**39,379,257**
Cumulative payments to date	**4,105,505**	**1,000,000**	-	**2,539,240**	-	**7,644,745**
Liability recognized in the statements of financial position	**P2,804,800**	**P500,000**	**P9,885,376**	**P18,075,498**	**P468,838**	**P31,734,512**

	Net Insurance Contract Liabilities for 2014					
Accident Year	2010 and Prior Years	2011	2012	2013	2014	Total
Estimate of ultimate claims costs at the end of accident year	P5,386,246	P6,593,218	P4,800,000	P26,148,918	P -	P -
One year later	3,870,087	-	1,500,000	40,925,533	-	40,925,533
Two years later	3,194,205	125	1,500,000	-	-	1,500,000
Three years later	3,367,326	-	-	-	-	-
Four years later	6,910,307	-	-	-	-	6,910,307
Current estimate of cumulative claims	6,910,307	-	1,500,000	40,925,533	-	49,335,840
Cumulative payments to date	-	-	-	1,909,208	56,696	1,965,904
Liability recognized in the statements of financial position	P6,910,307	P -	P1,500,000	P39,016,325	(P56,696)	P47,369,936

Financial Risk Management

The Group and the Parent Company's risk management program is a continuing, proactive and systematic process that focuses on the identification and assessment of risks. To enable management to make strategic and informed decisions, the Group and the Parent Company recognize the importance of an effective financial risk management program.

The BOT adopted a number of policies to address these financial risks and their effects on financial performance. Risk management is carried out by the Finance Department and significant exposures are discussed in the BOT meetings.

Financial Instruments

Fair Values and Carrying Amount

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and cash equivalents, loan receivables, premiums due and insurance receivables, other receivables and other financial liabilities - carrying amount approximate fair values at reporting dates due to the relative short-term maturities of these financial assets and liabilities.
- Financial assets at FVPL and AFS financial assets - fair values are based on quoted market prices.
- HTM investments and loans receivables - the fair values are determined by computing the present value of the expected future cash flows of the loans using the predetermined market rate for similar instrument as discount rate.

Fair Value Hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method as at December 31, 2015 and 2014. The different levels have been defined as follows:

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

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL				
2015	**P34,191,907**	**P -**	**P -**	**P34,191,907**
2014	34,915,424	-	-	34,915,424
AFS financial assets				
2015	**2,166,809,786**	**-**	**3,167,990**	**2,169,977,776**
2014	1,935,177,560	-	3,167,990	1,938,345,550

	Separate			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL				
2015	**P34,191,907**	**P -**	**P -**	**P34,191,907**
2014	34,915,424	-	-	34,915,424
AFS financial assets				
2015	**1,844,124,892**	**-**	**3,000,000**	**1,847,124,892**
2014	1,551,962,504	-	3,000,000	1,554,962,504

There has been no transfer between levels in 2015 and 2014.

AFS Financial Assets

Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. The market price reference in determining the market values is derived from Philippine Dealings and Exchange Corporation as at December 29, 2015.

Financial Risk

The Group and the Parent Company are 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 to the Group and the Parent Company's members and policyholders. The most important components of these financial risk are credit risk, liquidity risk and market risk.

Credit Risk

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

The Group and the Parent Company manage the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group and the Parent Company; setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring compliance with credit policy; and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, the Group and the Parent Company secure satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer.

The Group and the Parent Company set the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of member balances, incurred on nonpayment of fees, will only persist during the grace period specified in the agreement.

The Group and the Parent Company strictly monitor the status of the financial assets and regularly evaluates the financial condition of the counterparties, provides the necessary allowance to the extent of the amount deemed unrecoverable.

The table below summarizes the Group and the Parent Company's maximum exposure to credit risk for each class of financial assets as at December 31:

Consolidated

	2015	2014
Cash and cash equivalents*	**P1,737,603,583**	P1,248,634,664
Short-term investments	-	150,000,000
HTM investments	**1,562,074,020**	1,478,009,864
Long-term investments	**20,000,000**	-
Loans and receivables:		
Loan receivables	**7,787,321,529**	7,404,610,110
Premiums due and insurance receivables**	**54,283,404**	24,148,216
Other receivables	**78,902,841**	78,225,388
Total	**P11,240,185,377**	P10,383,628,242

**Excluding cash on hand*
***Excluding reinsurance recoverable on unpaid losses*

Separate

	2015	2014
Cash and cash equivalents*	**P1,708,040,012**	P1,165,925,312
Short-term investments	-	150,000,000
HTM investments	**1,493,750,000**	1,410,908,057
Long-term investments	**20,000,000**	-
Loans and receivables:		
Loan receivables	**7,787,321,529**	7,404,610,110
Premiums due and insurance receivables	**2,631,837**	1,106,874
Other receivables	**70,957,015**	67,265,990
Total	**P11,082,700,393**	P10,199,816,343

**Excluding cash on hand*

The table below provides information regarding the credit quality of the Group and the Parent Company by classifying assets according to the Group and the Parent Company's credit ratings of counterparties:

Consolidated

	December 31, 2015			
	Neither Past Due nor Impaired			
	Satisfactory	**Unsatisfactory**	**Past Due**	**Total**
Cash and cash equivalents*	**P1,737,603,583**	**P -**	**P -**	**P1,737,603,583**
HTM investments	**1,562,074,020**	**-**	**-**	**1,562,074,020**
Long-term investments	**20,000,000**	**-**	**-**	**20,000,000**
Loans and receivables:				
Loan receivables	**6,928,886,479**	**-**	**858,435,050**	**7,787,321,529**
Premiums due and insurance receivables**	**3,009,956**	**-**	**51,273,448**	**54,283,404**
Other receivables	**58,494,655**	**4,795,470**	**15,612,715**	**78,902,840**
Total	**P10,310,068,693**	**P4,795,470**	**P925,321,213**	**P11,240,185,376**

**Excluding cash on hand*
***Excluding reinsurance recoverable on unpaid losses*

	December 31, 2014			
	Neither Past Due nor Impaired			
	Satisfactory	Unsatisfactory	Past Due	Total
Cash and cash equivalents*	P1,248,634,664	P -	P -	P1,248,634,664
Short-term investments	150,000,000	-	-	150,000,000
HTM investments	1,478,009,864	-	-	1,478,009,864
Loans and receivables:				
Loan receivables	6,836,724,003	-	567,886,107	7,404,610,110
Premiums due and insurance receivables **	16,289,702	-	7,858,514	24,148,216
Other receivables	54,856,789	-	23,368,599	78,225,388
Total	P9,784,515,022	P -	P599,113,220	P10,383,628,242

**Excluding cash on hand*
***Excluding reinsurance recoverable on unpaid losses*

Separate

	December 31, 2015			
	Neither Past Due nor Impaired			
	Satisfactory	**Unsatisfactory**	**Past Due**	**Total**
Cash and cash equivalents*	**P1,708,040,012**	**P -**	**P -**	**P1,708,040,012**
HTM investments	**1,493,750,000**	**-**	**-**	**1,493,750,000**
Long-term investments	**20,000,000**	**-**	**-**	**20,000,000**
Loans and receivables:				
Loan receivables	**6,928,886,479**	**-**	**858,435,050**	**7,787,321,529**
Premiums due and insurance receivables	**2,631,837**	**-**	**-**	**2,631,837**
Other receivables	**58,494,655**	**-**	**12,462,360**	**70,957,015**
Total	**P10,211,802,983**	**P -**	**P870,897,410**	**P11,082,700,393**

**Excluding cash on hand*

	December 31, 2014			
	Neither Past Due nor Impaired			
	Satisfactory	Unsatisfactory	Past Due	Total
Cash and cash equivalents*	P1,165,925,312	P -	P -	P1,165,925,312
Short-term investments	150,000,000	-	-	150,000,000
HTM investments	1,410,908,057	-	-	1,410,908,057
Loans and receivables:				
Loan receivables	6,836,724,003	-	567,886,107	7,404,610,110
Premiums due and insurance receivables	1,106,874	-	-	1,106,874
Other receivables	47,047,746	-	20,218,244	67,265,990
Total	P9,611,711,992	P -	P588,104,351	P10,199,816,343

Excluding cash on hand

The Group and the Parent Company use a credit rating concept based on the borrowers and counterparties' overall creditworthiness. A satisfactory rating is given to borrowers and counterparties who possess strong to very strong capacity to meet their obligations in accordance with the agreed terms and conditions and unsatisfactory rating to borrowers and counterparties who possess average capacity.

In accordance with the foregoing credit rating framework, the Group and the Parent Company have arrived at the following analysis of financial assets that are past-due:

Consolidated

	December 31, 2015						
	Age Analysis of Financial Assets Past Due but not Impaired				Total Past Due but not	Past Due and	
	7 to12 Mos	13 to 24 Mos	25 to 36 Mos	>36 Mos	Impaired	Impaired	Total
Financial assets:							
Loan receivables	P178,419,874	P197,477,444	P113,222,476	P199,587,430	P688,707,224	P169,727,826	P858,435,050
Premiums due and insurance receivables	42,540,990	364,766	-	509,178	43,414,934	7,858,514	51,273,448
Other receivables	13,056	50,340	-	8,498,213	8,561,609	7,051,106	15,612,715
Total	**P220,973,920**	**P197,892,550**	**P113,222,476**	**P208,594,821**	**P740,683,767**	**P184,637,446**	**P925,321,213**

	December 31, 2014						
	Age Analysis of Financial Assets Past Due but not Impaired				Total Past Due but not	Past Due and	
	7 to12 Mos	13 to 24 Mos	25 to 36 Mos	>36 Mos	Impaired	Impaired	Total
Financial assets:							
Loan receivables	P109,218,643	P134,112,564	P60,984,316	P125,754,152	P430,069,675	P137,816,432	P567,886,107
Premiums due and insurance receivables	-	-	-	-	-	7,858,514	7,858,514
Other receivables	2,173,167	4,507,334	9,636,992	-	16,317,493	7,051,106	23,368,599
Total	P111,391,810	P138,619,898	P70,621,308	P125,754,152	P446,387,168	P152,726,052	P599,113,220

Separate

	December 31, 2015						
	Age Analysis of Financial Assets Past Due but not Impaired				Total Past Due but not	Past Due and	
	7 to12 Mos	13 to 24 Mos	25 to 36 Mos	>36 Mos	Impaired	Impaired	Total
Financial assets:							
Loan receivables	P178,419,874	P197,477,444	P113,222,476	P199,587,430	P688,707,224	P169,727,826	P858,435,050
Other receivables	13,056	50,340	-	8,498,213	8,561,609	3,900,751	12,462,360
Total	**P178,432,930**	**P197,527,784**	**P113,222,476**	**P208,085,643**	**P697,268,833**	**P173,628,577**	**P870,897,410**

	December 31, 2014						
	Age Analysis of Financial Assets Past Due but not Impaired				Total Past Due but not	Past Due and	
	7 to12 Mos	13 to 24 Mos	25 to 36 Mos	>36 Mos	Impaired	Impaired	Total
Financial assets:							
Loan receivables	P109,218,643	P134,112,564	P60,984,316	P125,754,152	P430,069,675	P137,816,432	P567,886,107
Other receivables	2,173,167	4,507,334	9,636,992	-	16,317,493	3,900,751	20,218,244
Total	P111,391,810	P138,619,898	P70,621,308	P125,754,152	P446,387,168	P141,717,183	P588,104,351

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparties failing on repayment of contractual obligations; or liabilities failing due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group and the Parent Company is the daily calls on its available cash resources in respect of claims from members and policyholders.

The Group and the Parent Company manage liquidity risks through specifying a minimum proportion of funds to meet operational requirements; specifying the sources of funding; concentration of funding sources; reporting of liquidity risk exposures; monitoring compliance with liquidity risk policy; and reviewing the liquidity risk policy for pertinence and changing environment.

The Subsidiary also manages its liquidity by carefully monitoring schedules of debt servicing payments of long-term financial liabilities as well as cash outflows due on a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Subsidiary maintains cash to meet its liquidity requirements for up to 60 days. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The table below analyzes the financial assets and liabilities of the Group and the Parent Company into their relevant maturity groups using contractual undiscounted amounts based on the remaining period at the reporting dates to their contractual maturities or based on the estimated timing of the net cash outflows:

Consolidated

		December 31, 2015			
	Note	Up to a Year*	1-5 Years	Over 5 Years	Total
Cash and cash equivalents	*5*	**P1,745,479,919**	**P -**	**P -**	**P1,745,479,919**
Financial assets at FVPL		**34,191,907**	**-**	**-**	**34,191,907**
AFS financial assets	*6*	**2,169,977,776**	**-**	**-**	**2,169,977,776**
HTM investments	*7*	**200,000,000**	**646,074,020**	**716,000,000**	**1,562,074,020**
Long-term investments		**20,000,000**	**-**	**-**	**20,000,000**
Loan receivables - net	*8*	**6,866,536,806**	**581,329,071**	**169,727,826**	**7,617,593,703**
Premiums due and insurance receivables - net*	*9*	**41,094,572**	**9,146,351**	**4,042,481**	**54,283,404**
Other receivables - net	*10*	**56,252,075**	**15,599,659**	**-**	**71,851,734**
Total Financial Assets		**11,133,533,055**	**1,252,149,101**	**889,770,307**	**13,275,452,463**
Claims and benefits payable	*20*	**358,247,133**	**18,122,907**	**-**	**376,370,040**
Accounts payable and accrued expenses**	*18*	**420,474,754**	**1,184,590**	**-**	**421,659,344**
Due to reinsurers and ceding companies	*20*	**1,412,932**	**467,376**	**-**	**1,880,308**
Funds held for reinsurers	*20*	**1,141,850**	**-**	**-**	**1,141,850**
Dividends payable	*21*	**297,810,471**	**-**	**-**	**297,810,471**
Reserve for refund of members' equity	*22*	**1,659,476,864**	**-**	**-**	**1,659,476,864**
Total Financial Liabilities		**2,738,564,004**	**19,774,873**	**-**	**2,758,338,877**
Net Liquidity		**P8,394,969,051**	**P1,232,374,228**	**P889,770,307**	**P10,517,113,586**

** Excluding reinsurance recoverable on unpaid losses*
*** Excluding government payables*

	Note	December 31, 2014 Up to a Year*	1-5 Years	Over 5 Years	Total
Cash and cash equivalents	5	P1,173,506,648	P -	P -	P1,173,506,648
Short-term investments		150,000,000	-	-	150,000,000
Financial assets at FVPL		34,915,424	-	-	34,915,424
AFS financial assets	6	1,554,962,504	-	-	1,554,962,504
HTM investments	7	196,158,057	598,750,000	616,000,000	1,410,908,057
Loan receivables - net	8	4,457,565,054	2,786,033,790	23,194,834	7,266,793,678
Premiums due and insurance receivables - net	9	1,106,874	-	-	1,106,874
Other receivables - net	10	63,365,239	-	-	63,365,239
Total Financial Assets		7,631,579,800	3,384,783,790	639,194,834	11,655,558,424
Claims and benefits payable	20	302,345,563	-	-	302,345,563
Accounts payable and accrued expenses*	18	412,379,496	-	-	412,379,496
Dividends payable	21	261,832,278	-	-	261,832,278
Reserve for refund of members' equity	22	1,496,624,713	-	-	1,496,624,713
Total Financial Liabilities		2,473,182,050	-	-	2,473,182,050
Net Liquidity		P5,158,397,750	P3,384,783,790	P639,194,834	P9,182,376,374

** Excluding government payables*

Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and price risk.

Market risks arise from open positions in interest rate, currency and equity prices, all of which are exposed to general and specific market movements. The risk that the Group and the Parent Company primarily face due to the nature of its investments and liabilities is price risk and interest rate risk, respectively.

The following policies and procedures are in place to mitigate the Group and the Parent Company's exposure to market risk:

- Market risk policy which sets out the assessment and determination of what constitutes market risk for the Group and the Parent Company. Compliance with the policy is monitored and exposures and breaches are reported to the management committee. The policy is reviewed regularly for pertinence and changes in the risk environment.

- Asset allocation and portfolio limit structures are established to ensure that assets back specific liabilities.

- Diversification benchmarks by type of instrument are established.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Parent Company are not significantly exposed to currency risk having no material transaction in foreign currency and financial assets or liabilities denominated in foreign currency.

Interest Rate Risk

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

Consolidated

		December 31, 2015		
		Due in		
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years
Financial Assets				
Cash and cash equivalents*	0.25% to 5.00%	P1,737,603,583	P -	P -
HTM investments	3.75% to 7.38%	200,000,000	646,074,020	716,000,000
Long-term investments	5.00%	20,000,000	-	-
Loan receivables - net				
Salary and other loans	6.00% to 10.00%	5,697,927,240	233,798,882	141,820,740
Real estate loans	7.50% to 12.00%	1,168,609,566	347,530,189	27,907,086
Other receivables - net**	8.00% to 12.00%	19,957,974	-	-

**Excluding cash on hand*
***Including advances to officers and employees*

		December 31, 2014		
		Due in		
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years
Financial Assets				
Cash and cash equivalents*	0.25% to 5.00%	P1,248,634,664	P -	P -
HTM investments	3.53% to 6.44%	243,259,864	608,750,000	626,000,000
Loan receivables - net				
Salary and other loans	6.00% to 10.00%	2,924,571,726	2,630,029,237	-
Real estate loans	7.50% to 12.00%	1,532,993,328	156,004,553	23,194,834
Other receivables - net**	8.00% to 12.00%	22,812,456	-	-

**Excluding cash on hand*
***Including advances to officers and employees*

Separate

		December 31, 2015		
		Due in		
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years
Financial Assets				
Cash and cash equivalents*	0.25% to 5.00%	P1,708,040,012	P -	P -
HTM investments	3.75% to 7.38%	190,000,000	597,750,000	706,000,000
Long-term investments	5.00%	20,000,000	-	-
Loan receivables - net				
Salary and other loans	6.00% to 10.00%	5,697,927,240	233,798,882	141,820,740
Real estate loans	7.50% to 12.00%	1,168,609,566	347,530,189	27,907,086
Other receivables - net**	8.00% to 12.00%	22,469,217	-	-

**Excluding cash on hand*
***Including advances to officers and employees*

		December 31, 2014		
		Due in		
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years
Financial Assets				
Cash and cash equivalents*	0.25% to 5.00%	P1,165,925,312	P -	P -
HTM investments	3.53% to 6.44%	196,158,057	598,750,000	616,000,000
Loan receivables - net				
Salary and other loans	6.00% to 10.00%	2,924,571,726	2,630,029,237	-
Real estate loans	7.50% to 12.00%	1,532,993,328	156,004,553	23,194,834
Other receivables - net**	8.00% to 12.00%	22,453,385	-	-

**Excluding cash on hand*
***Including advances to officers and employees*

The Group and the Parent Company are not significantly affected by changes in interest rates because of its immaterial exposure on the revaluation of financial assets subject to interest rate risk.

Price Risk
The Group and the Parent Company's price risk exposure at year-end relate to financial assets whose values will fluctuate as a result of changes in market prices, principally, listed equity securities classified as FVPL and AFS financial assets.

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

The Group and the Parent Company's market risk policy require it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each sector and market.

A 5% increase in stock prices would have increased carrying values of the investments of the Group and the Parent Company by P27.42 million and P28.96 million, and P11.32 million and P9.76 million as at December 31, 2015 and 2014, respectively. An equal change in the opposite direction would have decreased the carrying values of these investments by an equal but opposite amount.

In 2015 and 2014, the Group determined the reasonably possible change in Philippine Stock Exchange Index based on the historical fluctuation of equity securities the Group holds as at the reporting date.

33. Capital Management Objectives, Policies and Procedures

Management closely monitors the Group and the Parent Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The Group and the Parent Company's capital management objectives are:

- to ensure the Group and the Parent Company's ability to continue as a going concern; and
- to provide an adequate return to members and stakeholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Group and the Parent Company's operational strategy to its corporate goals.

The Group and the Parent Company consider its entire equity as its capital. As at December 31, 2015, there is no change in the capital management policy of the Group and the Parent Company. The capital requirements and limitation are as follow:

Risk-Based Capital Requirements
Parent Company
As per Insurance Commission Memorandum Circular (IMC) No. 11-2006, every mutual benefit entity is annually required to maintain a minimum Risk Based Capital (RBC) ratio of 100% and not to fail the trend test. RBC ratio is computed using the formula prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

Subsidiary
IMC No. 7-2006 provides for the risk-based capital framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investments and insurance risks. Every non-life insurance company is required annually to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the subsidiary's paid-up capital, capital in excess of par, contributed and contingency surplus and retained earnings. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

RBC requirement is calculated based on a formula contained in IMC 7-2006. Specific instructions are provided for the computation of data that will be incorporated in the RBC requirements. The RBC requirements classified instruments and insurance risks into: R1 - Fixed Income Securities, R2 - Equity Securities, R3 - Credit Risk, R4 - Loss Reserves and R5 - Net Written Premiums.

As at December 31, 2015 and 2014, the Parent Company and the Subsidiary have complied with the RBC ratio requirement based on their internal computation.

The following table shows how the RBC ratio as calculated by the Parent Company and the Subsidiary:

	Parent Company		**Subsidiary**	
	2015	2014	**2015**	2014
Equity	**P3,412,476,146**	P3,114,144,479	**P452,688,136**	P510,269,179
RBC requirement	**1,675,597,520**	1,521,288,298	**63,727,517**	52,476,296
RBC ratio	**204%**	205%	**710%**	972%

The final amount of the RBC ratio can be determined only after the accounts have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same code.

Limitation on Dividend Declaration
Section 201 of the Insurance Code provides that no domestic insurance corporation shall declare or distribute dividends on its outstanding stock unless it has met the minimum paid-up capital and net worth requirements and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes.

The Group and the Parent Company complied with the above limitation on dividend declaration.

Net Worth Requirements
Under the Insurance Code, every insurance company doing business in the Philippines is required to comply with the following net worth requirements:

Net Worth	Compliance Date
P550,000,000	On or before December 31, 2016
900,000,000	On or before December 31, 2019
1,300,000,000	On or before December 31, 2022

As at December 31, 2015 and 2014, the Subsidiary complied with the Net Worth requirement of the IC.

Being a mutual benefit association, the above requirement is not applicable to the Parent Company.

34. Lease Commitments

a. Operating Leases - Group and the Parent Company as Lessor

The Group and the Parent Company have entered into various lease agreements on its investment properties which it considers as operating lease. These have remaining terms ranging from one (1) to twenty-one years. The lease may be renewed under mutually acceptable terms and conditions.

Future minimum rental income as at December 31, 2015 and 2014 are as follow:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Not later than one year	**P49,781,588**	P7,761,674	**P48,512,553**	P6,492,187
Later than one year and not later than five years	**149,279,932**	153,084,773	**149,279,932**	151,475,773
More than five years	**2,055,873,797**	-	**2,055,873,797**	-
Total	**P2,254,935,317**	P160,846,447	**P2,253,666,282**	P157,967,960

Total rental income in 2015 and 2014 amounted to P47.87 million and P29.01 million, respectively, in the consolidated financial statements and P46.57 million and P27.74 million, respectively, in the separate financial statements.

b. Operating Leases - Group and the Parent Company as Lessee

The Group and Parent Company lease the premises of its regional offices with various maturities that are renewable under certain terms and conditions. Rental expense amounted to P5.10 million and P8.34 million in 2015 and 2014, respectively, in the consolidated financial statements and P4.71 million and P7.99 million, respectively, in the separate financial statements and is shown as part of the "General and administrative expenses" account in the consolidated and separate profit and loss (see Note 26).

The basic lease period ranges from one (1) to five (5) years. Most of the lease agreements contain renewal options which provide for the right to extend the lease for varying periods at terms agreeable with the lessors.

The future minimum lease payments under non-cancellable operating leases are as follow:

	Consolidated		Separate	
	2015	2014	**2015**	2014
Not later than one year	**P2,005,936**	P2,073,799	**P2,005,936**	P2,073,799
Later than one year and not later than five years	**681,842**	262,308	**681,842**	262,308
Total	**P2,687,778**	P2,336,107	**P2,687,778**	P2,336,107

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

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following are the Parent Company's tax information required for the taxable year ended December 31, 2015:

A. VAT

	2015
1. Output VAT	**P6,266,919**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P52,224,323**
Exempt sales	-
Zero rated sales	-
	P52,224,323
2. Input VAT	
Beginning of the year	**P677,291**
Current year's domestic purchases:	
a. Services lodged under cost of goods sold	**32,674,639**
Claims for tax credit/refund and other adjustments	**(5,886,281)**
Balance at the end of the year	**P27,465,649**

B. Withholding Taxes

	2015
Tax on compensation and benefits	P52,093,540
Expanded withholding taxes	23,575,108
Final withholding taxes	52,269
	P75,720,917

C. All Other Taxes (Local and National)

	2015
Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
Real estate taxes	P4,420,840
License and permit fees	421,734
Others	24,967,875
	P29,810,449

D. Documentary Stamp Tax

	2015
On loan instruments	P710
On shares of stocks	-
On others	48,175
	P48,885

E. Tax Cases and Tax Assessments

The Parent Company has no pending litigation or tax cases.

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