SGV
Building a better working world

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
AsianLife and General Assurance Corporation
3rd Floor, Morning Star Center
Sen. Gil J. Puyat Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of AsianLife and General Assurance Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AsianLife and General Assurance Corporation as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of AsianLife and General Assurance Corporation in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule No. 68, As Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

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

January 28, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date 14 APR 2016 SDS
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ASIANLIFE AND GENERAL ASSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Cash and cash equivalents (Notes 6 and 25)	**₱757,640,908**	₱389,923,675
Premiums due and uncollected (Notes 7 and 25)	**45,054,116**	45,361,897
Accrued interest receivable (Note 25)	**7,356,976**	5,074,373
Financial assets (Notes 8 and 25)		
At fair value through profit or loss (FVPL)	**586,254,411**	925,390,009
Loans and receivables - net	**224,415,607**	221,349,113
Available-for-sale (AFS)	**153,713,367**	157,968,140
Due from related parties (Notes 24 and 25)	**100,893,631**	75,526
Property and equipment (Note 9)	**12,365,610**	14,751,610
Deferred tax assets (Note 23)	**22,768,543**	19,895,312
Other assets (Notes 10 and 25)	**31,571,948**	36,568,141
	₱1,942,035,117	₱1,816,357,796
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and other liabilities (Notes 12 and 25)	**₱269,446,679**	₱266,380,772
Insurance contract liabilities (Notes 11 and 25)	**603,866,819**	605,628,290
Due to related parties (Notes 24 and 25)	**13,037,892**	6,604,703
Premium deposit fund (Notes 13 and 25)	**1,248,167**	1,479,782
Income tax liability	**–**	9,447,167
Net pension liability (Note 21)	**17,471,979**	9,395,349
Total Liabilities	**905,071,536**	898,936,063
Equity (Note 14)		
Capital stock - issued and outstanding		
Common stock	**494,994,040**	494,994,040
Preferred stock	**5,005,960**	5,005,960
Contributed surplus	**39,784,362**	39,784,362
Other comprehensive income (loss)		
Unrealized (losses) gains on AFS financial assets (Note 8)	**(5,938,577)**	2,368,843
Actuarial losses on net pension liability (Note 21)	**(6,642,443)**	(601,346)
Retained earnings	**509,760,239**	375,869,874
Total Equity	**1,036,963,581**	917,421,733
	₱1,942,035,117	₱1,816,357,796

See accompanying Notes to Financial Statements.

ASIANLIFE AND GENERAL ASSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
INCOME		
Gross premiums on insurance contracts	**₱1,973,938,462**	₱1,858,503,161
Reinsurers' share of gross premiums on insurance contracts	**(11,746,601)**	(10,251,697)
Net insurance premiums (Note 15)	**1,962,191,861**	1,848,251,464
Interest (Note 16)	**51,625,021**	58,219,822
Unrealized gains (losses) on financial assets at FVPL (Notes 8 and 23)	**3,006,016**	(1,062,676)
Others (Note 16)	**46,681,883**	82,030,465
	101,312,920	139,187,611
	2,063,504,781	1,987,439,075
EXPENSES		
Underwriting Expenses		
Net benefits and claims incurred on insurance contracts (Note 17)	**1,329,781,449**	1,279,724,848
Expenses for the acquisition of insurance contracts (Note 18)	**336,816,402**	310,156,516
Net change in legal policy reserves (Note 11)	**(24,070,771)**	(28,083,966)
	1,642,527,080	1,561,797,398
Other Expenses		
General and administrative (Note 19)	**226,973,450**	201,310,365
Interest	**697,134**	964,984
	227,670,584	202,275,349
	1,870,197,664	1,764,072,747
INCOME BEFORE INCOME TAX	**193,307,117**	223,366,328
PROVISION FOR INCOME TAX (Note 23)	**59,416,752**	66,201,753
NET INCOME	**133,890,365**	157,164,575
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of AFS financial assets during the year - net of income tax effect	**(8,307,420)**	(1,804,180)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial (loss) gains on pension liability - net of income tax effect (Note 21)	**(6,041,097)**	2,838,087
	(14,348,517)	1,033,907
TOTAL COMPREHENSIVE INCOME	**₱119,541,848**	₱158,198,482

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
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ASIANLIFE AND GENERAL ASSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock - Issued and Outstanding (Note 14)		Contributed Surplus (Note 14)	Other Comprehensive Income (Loss)		Retained Earnings (Notes 3 and 14)	Total
	Common Stock	Preferred Stock		Unrealized Gains on AFS Financial Assets (Note 8)	Actuarial Losses on Net Pension Liability (Notes 3 and 21)		
Balances at January 1, 2015	**₱494,994,040**	**₱5,005,960**	**₱39,784,362**	**₱2,368,843**	**(₱601,346)**	**₱375,869,874**	**₱917,421,733**
Net income	–	–	–	–	–	**133,890,365**	**133,890,365**
Other comprehensive income	–	–	–	**(8,307,420)**	**(6,041,097)**	–	**(14,348,517)**
Total comprehensive income	–	–	–	**(8,307,420)**	**(6,041,097)**	**133,890,365**	**119,541,848**
Balances at December 31, 2015	**₱494,994,040**	**₱5,005,960**	**₱39,784,362**	**(₱5,938,577)**	**(₱6,642,443)**	**₱509,760,239**	**₱1,036,963,581**
Balances at January 1, 2014	₱362,500,090	₱5,005,954	₱172,278,302	₱4,173,023	(₱3,439,433)	₱218,705,299	₱759,223,235
Subscription/Reclassification	132,493,950	6	(132,493,940)	–	–	–	16
	494,994,040	5,005,960	39,784,362	4,173,023	(3,439,433)	218,705,300	759,223,251
Net income	–	–	–	–	–	157,164,574	157,164,575
Other comprehensive income	–	–	–	(1,804,180)	2,838,087	–	1,033,907
Total comprehensive income	–	–	–	(1,804,180)	2,838,087	157,164,574	158,198,482
Balances at December 31, 2014	₱494,994,040	₱5,005,960	₱39,784,362	₱2,368,843	(₱601,346)	₱375,869,874	₱917,421,733

See accompanying Notes to Financial Statements.

ASIANLIFE AND GENERAL ASSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱193,307,117**	₱223,366,328
Adjustments for:		
Loss on sale of financial assets at FVPL (Note 16)	**19,778,977**	4,078,176
Depreciation and amortization (Notes 9 and 22)	**6,741,625**	6,661,731
Interest expense	**697,134**	964,984
Gain on sale of AFS financial assets (Notes 8 and 16)	**–**	(1,941,814)
Provision for impairment of loans, net of recovery	**(448,002)**	–
Gain on sale of fixed assets	**(490,000)**	–
Unrealized (gain) on financial assets at FVPL (Note 8)	**(3,006,016)**	1,062,676
Decrease in legal policy reserves (Note 11)	**(24,070,771)**	(28,083,966)
Interest income (Note 16)	**(51,625,021)**	(58,219,822)
Operating income before working capital changes	**140,885,043**	147,888,293
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**9,731,305**	37,784,184
Other assets	**6,250,179**	4,558,281
Premiums due and uncollected	**307,781**	(6,042,292)
Increase (decrease) in:		
Insurance contract liabilities (Note 11)	**22,309,299**	53,126,510
Accounts payable and other liabilities	**46,781,738**	33,736,822
Premium deposit fund	**(231,615)**	(77,149)
Net pension liability	**8,946,491**	9,579,455
Net cash generated from operations	**234,980,221**	280,554,104
Interest received	**50,643,993**	63,080,816
Interest paid	**(673,352)**	(940,185)
Income taxes paid	**(70,402,096)**	(48,023,839)
Net cash provided by operating activities	**214,548,766**	294,670,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Disposal of fixed assets	**490,000**	–
Disposal of financial assets at FVPL (Note 8)	**4,669,246,789**	6,771,033,573
Disposal and maturities of AFS financial assets (Note 8)	**66,915,420**	25,956,064
Acquisitions of:		
Property and equipment (Note 9)	**(4,355,625)**	(1,841,003)
Financial assets at FVPL (Note 8)	**(4,346,884,153)**	(6,845,757,124)
AFS financial assets (Note 8)	**(72,269,640)**	(25,956,064)
Decrease in salary loans	**(56,089,408)**	(14,307,193)
Contribution to retirement fund (Note 21)	**(9,500,000)**	–
Net cash provided by (used in) investing activities	**247,553,383**	(90,871,747)

(Forward)

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amounts in due to related parties	**₱6,433,189**	₱1,163,771
Increase in amounts in due from related parties	**(100,818,105)**	(48,292)
Proceeds from issuance of stocks (Note 14)	**–**	16
Net cash provided by (used in) financing activities	**(94,384,916)**	1,115,495
NET INCREASE IN CASH AND CASH EQUIVALENTS	**367,717,233**	204,914,644
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**389,923,675**	185,009,031
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱757,640,908**	₱389,923,675

See accompanying Notes to Financial Statements.

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1. Corporate Information

AsianLife and General Assurance Corporation (ALGA or the "Company") was incorporated on October 4, 2010 as successor-in-interest of a corporate entity which also bears the same name as the Company, ALGA, with SEC No. 14341 (the "Old ALGA"), the corporate term of which expired on August 22, 2008.

The Company's primary purpose is to carry on the business of insurance upon lives of individuals and on business of non-life insurance; to grant contract of insurance and reinsurance providing for all risks, hazards, guarantees and contingencies to which life, accidents or health insurance is applicable and to grant or effect assurance of all kinds of payment of money by way of single payment or by several payments, or by any person of immediate or referred annuities upon the death of or upon reaching a given age by any person or persons subject or not such death or age requirement or happening of any contingency or event dependent upon human life or upon a fixed or given date.

On September 25, 2013, Maybank ATR KimEng Financial Corporation (formerly ATR KimEng Financial Corporation) which owns 95.24% of the outstanding common stock and is deemed the parent company of ALGA sold all its 95.24% ownership interest over ALGA shares to its affiliate, Maybank ATR KimEng Capital Partners, Inc. (MATRKECP). MATRKECP, an investment house with trust license, is a domestic corporation owned by MaybankKimEng Holdings Limited (MAKEHL) and ATR Holdings, Inc. (ATRH). ATRH is a domestic corporation, while MAKEHL is a conglomerate whose shares are listed in the Singapore Stock Exchange. The Insurance Commission approved the sale on October 17, 2013.

On December 1, 2014, ATRH sold the Company's preferred shares representing 50.30% voting interest of the latter to Etiqa International Holdings (Etiqa), a subsidiary of Maybank in Malaysia. MATRKECP owns 95.20% of the Company's common shares, which represents 47.30% voting interest; the remaining 2.40% is held by a minority shareholder.

On the same date, MATRKECP and Etiqa executed a Joint Voting Agreement (JVA), which provides that Etiqa shall vote all of its shares in the Company on any and all matters requiring the resolution of the shareholders of the Company in such manner as MATRKECP. The JVA shall be effective unless terminated by mutual agreement by MATRKECP and Etiqa. The Insurance Commission approved the transfer of shares on April 10, 2015 (Note 14).

The ultimate parent company of ALGA is Malayan Banking Berhad of Malaysia.

The Company has an existing Memorandum of Agreement (MOA) on Automatic Payroll Deduction System with the Department of Education (DepEd) that allows it to engage in lending operations with DepEd teachers and personnel as borrowers. The Company's accreditation for lending has been renewed on June 26, 2012 which shall be effective for a period of five (5) years. The DepEd, however, may anytime revoke this MOA for cause.

The Company's registered office address, which is also its principal place of business, is at 3rd Floor, Morning Star Center, Sen. Gil J. Puyat Avenue, Makati City.

2. Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets, which are both carried at fair value.

The financial statements are presented in Philippine Peso (₱) which is the Company's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance
The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended PFRS and Philippine Interpretations which became effective beginning January 1, 2015. Except as otherwise indicated, the adoption of amended PFRS and Philippine Interpretations did not have any effect on the financial statements of the Company.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments will have no impact on the Company's financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company.

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

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

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition

date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). The Company shall consider this amendment for future business combinations.

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

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

  The amendment will have no impact on the Company's financial position or performance.

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

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

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company.

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

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

  The amendment will have no impact on the Company's financial position or performance.

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

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

There are new and PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Company's financial statements.

Deferred
Philippine Interpretation *IFRIC 15, Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

Effective January 1, 2016

PFRS 10, *Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since none of the entities within the Company is an investment entity nor does the Company have investment entity associates or joint venture.

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

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

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

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

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial

statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

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

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

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

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

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

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

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

Effective January 1, 2018

PFRS 9, *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9. The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses. The Company is currently assessing the impact of adopting this standard.

International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 by the International Accounting Standards Board (IASB) and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.
The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is

permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

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

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

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

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

4. Summary of Significant Accounting Policies

Revenue Recognition
The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all direct business arrangements and as an agent in all its ceded out businesses. The following specific recognition criteria must also be met before revenue is recognized:

Premium income
Premiums arising from insurance contracts are generally 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. Renewal premiums from life insurance contracts are recognized as revenue payable by the policyholder. Receivables are recorded at the date when payments are due.
Premiums are shown before deduction of commissions and reinsurers' share on gross premiums.

Interest income
For all interest-bearing financial assets measured at amortized cost, interest income is recognized using the effective interest method. The effective interest rate (EIR) exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. The change in carrying amount is recorded as interest income for the period.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

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

Service and network fees
Service and network fees are recognized when earned normally upon performance of the service or use of the network in accordance with the terms of the contract.

Third party administration fee
Revenue is recognized when earned upon the performance of administration based on the contract agreement.

Benefits, Claims and Expenses Recognition
Benefits and claims
Benefits and claims consist of benefits and claims paid to policyholders as well as changes in the valuation of insurance contract liabilities and reserve for policyholders' dividends. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a liability is recognized for the estimated cost of all claims made but not settled as of reporting date less reinsurance recoveries. Provision is also made for the cost of claims incurred as of reporting date but not reported (IBNR) until after the reporting date based on the 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 the statement of comprehensive income of subsequent years. Unpaid benefits to life policies form part of policy and contract claims payable included in "Insurance Contract Liabilities" in the statement of financial position.

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

General and administrative expenses
General and administrative expenses constitute costs of administering the business. These are recognized when incurred.

Interest expense
Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized in profit or loss in the statement of comprehensive income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of change in value.

Premiums Due and Uncollected
Premiums due and uncollected are recognized when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums due and

uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss in the statements of comprehensive income.

Premiums due and uncollected are derecognized following the derecognition criteria for financial instruments.

Financial Instruments

Date of recognition

Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

Financial instruments are recognized initially at the 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 Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Company classifies 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 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 a component considered as a financial liability are recognized in profit or loss in the statements of comprehensive income for the year. Distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to equity.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in statements of comprehensive income, 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 only recognized in statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit.

FVPL Financial Assets
This category consists of financial instruments that are held for trading or financial instruments designated by management as at FVPL on initial recognition. 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 statements of financial position at fair value, with any changes in fair value recognized in profit or loss under the caption "Unrealized losses on financial assets at FVPL" in the statements of comprehensive income.

Financial assets or financial liabilities are allowed to be designated by management on initial recognition in this category when 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.

As of December 31, 2015 and 2014, the Company recognized all of its investment securities under Investment Management Agreement (IMA) account as FVPL financial assets.

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.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included as part of interest income in the statements of comprehensive income, losses arising from the impairment of such loans and receivables are charged to current operations.

Financial assets included under this category include cash and cash equivalents, premiums due and uncollected, loans and receivables, accrued interest receivable as well as "performance bond, reserve fund, security fund and deposits" (included under "Other assets" account in the statements of financial position) and due from related parties.

AFS Financial Assets
AFS financial assets are those investments which are designated as such or do not qualify to be classified as designated as at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. Interest earned on holding AFS financial assets are reported as interest income using the effective interest method. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized gain on AFS financial assets" (net of tax, where applicable) in other comprehensive income in the equity section of the statements of financial position. When the security is disposed of, the cumulative gains or losses previously recognized in equity is recognized in profit or loss in the statements of comprehensive income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. Dividends earned on holding AFS financial assets are recognized in profit or loss in the statements of comprehensive income when the right of payment has been established.

As of December 31, 2015 and 2014, the Company recognized all of its non-IMA securities as AFS financial assets.

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 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 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 Company's accounts payable and other liabilities (except government and statutory liabilities) due to related parties, premium deposit fund, as well as "claims payable and policyholders' dividends" (included under "Insurance Contract Liabilities" account in the statements of financial position).

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the 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 on a gross basis in the statements of financial position.

Reinsurance
Contracts entered into by the Company with reinsurers which compensate the Company for losses on one or more contracts insured by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Income from reinsurance contracts are classified within "Reinsurers' share of gross premiums on insurance contracts" in the statements of comprehensive income. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable by the Company under its reinsurance contracts are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within "Loans and receivables" account in the statements of financial position. Due to reinsurers for reinsurance contracts are recognized as an expense upon recognition of premiums on the related insurance contract, classified within "Accounts payable and other liabilities" account. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for financial assets.

Receivables and payables related to insurance contracts
Receivables and payables related to insurance contracts sold are recognized when due. Premiums due and uncollected are recognized when due and measured on initial recognition at the fair value

of the consideration to be received. The carrying value of premiums due and uncollected is reviewed, for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss in the statement of comprehensive income. Premiums due and uncollected are derecognized following the derecognition criteria for financial instruments.

Impairment of Financial Assets
The Company assesses 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.

Loans and receivables
For loans and receivables, the Company first assesses 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 Company determines 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, financial assets 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 the loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows therefrom. 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 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 in the statement of comprehensive income. 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 value of the asset does not exceed its carrying value had no impairment loss been recognized.

AFS financial assets carried at fair value
In case of equity securities classified as AFS, 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 impairment loss previously recognized in other comprehensive income, is transferred to profit or loss. Impairment losses on equity securities are not reversed through statement of comprehensive income but directly to equity as part of other comprehensive income.

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 original EIR on the reduced carrying amount of the asset and is recorded as part of interest income in profit or loss for the period. If, in a subsequent period, 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 in the statement of comprehensive income to the extent that the resulting carrying value of the security does not exceed its carrying value 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, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the current market rate of return for a similar security.

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

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the 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 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.

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 working condition and location for its intended use.

Depreciation and amortization is computed using the straight-line method over the estimated useful life (EUL) of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the related lease, whichever is shorter. The EUL of the different categories of property and equipment are as follows:

	Years
Office furniture, fixtures and equipment	3 - 5
Leasehold improvements	5
Transportation equipment	5

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

The asset's residual values, useful lives, and depreciation and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset.

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

Impairment of Nonfinancial Assets
The Company assesses whether there is any indication that its nonfinancial assets such as its investment in a subsidiary 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 Company estimates the recoverable amount of the impaired asset. The recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, consistent within the function of impaired assets.

For nonfinancial assets, an assessment is made at every reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization 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.

Insurance Contract Liabilities

Legal policy reserves represent the accumulated total liability for policies in-force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in-force as of reporting date. The reserves are calculated using actuarial methods and assumptions as approved by the Insurance Commission, subject to the liability adequacy test.

A number of life insurance contracts issued by the Company include discretionary participation feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are under the discretion of the Company. The Company's policy dividends are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Net benefits and claims incurred on insurance contracts" account in the statements of comprehensive income with the corresponding liability recognized under the "Insurance contract liabilities" account in the statement of financial position.

Liability adequacy test

At each reporting date, a liability adequacy test is performed for the insurance contract liabilities. In performing this test, current best estimates of future cash flows and claims handling and administration expenses, as well as investment income from the asset backing such liabilities, are used. Any deficiency is immediately charged against profit or loss (Note 11).

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

Product Classification

The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Company may also transfer insurance risk on 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 Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is 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.

Insurance contracts may contain a premium and capital fund rider that entitles the policyholder to receive additional benefits based on the Company's investment performance. These contracts are recorded as financial liabilities under "Premium deposit fund" account in the statements of financial position. Local statutory regulation sets out a limitation on the accumulation of fund deposits and contributions.

Pension Cost

Defined benefit plan

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

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

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Bonus plans

The Company recognizes a liability and an expense for 13th month and mid-year bonus based on a formula that takes into consideration the employee's current monthly salary. The Company recognizes a provision when contractually obligated.

Vacation and sick leave benefits

The employees earn fifteen (15) days each of vacation and sick leave after one (1) year of service with the Company which can be computed upon separation. Computation is based on the employee's monthly basic salary at the time of separation.

In subsequent years, the employees are compensated with fifteen (15) days each of vacation leave and sick leave annually. At each calendar year, unused vacation leave credits are forfeited and unused sick leave credits are computed. The Company recognizes a liability as a result of the unused entitlement of leave credits as at the reporting date.

Operating Leases

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 in profit or loss on a straight-line basis over the lease term.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the 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.

Deferred tax

Deferred tax is provided, using the balance sheet 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 carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at 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.

Equity

Capital stock consists of common and preferred shares classified as equity. When the Company issues shares in excess of par, the excess is recognized as contributed surplus. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Retained earnings represent accumulated earnings of the Company less dividends declared.

Foreign Currency Transactions and Translation
The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Company's profit or loss.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement.

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and liabilities, if any, within the next financial year. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

Product classification
The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such.

Classification of financial instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position.

In addition, the Company classifies financial assets by evaluating, among other, 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 of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Operating leases - Company as the lessee
The Company has entered into contracts of lease for its head office and the office spaces of its branches, which it considers as operating lease.

The Company has determined that all the significant risks and rewards of ownership of these properties are retained by the lessor. The contracts of lease are considered as operating leases by the Company since these do not transfer substantially all the risks and rewards incidental to ownership (Note 22).

Estimates and Assumptions
The ultimate liability arising from claims made under insurance contracts
The ultimate liability arising from claims made under insurance contracts is the 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 Company will ultimately pay for such claims. The primary sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Estimation of claims takes into account several factors such as industry average mortality experience, with adjustments to reflect Company's historical experience.

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 Company based these estimates on mortality and other contingency tables approved by the Insurance Commission as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code of the Philippines (Insurance Code). These are also subject to liability adequacy test.

Legal policy reserves
(i) Process used to decide on assumptions

The Company determines 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 Company determines assumptions in relation to mortality, morbidity, persistency, investment returns, and administration expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commission plus other incentives. 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 Company ensures 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, *Insurance Contracts.*

Legal policy reserves for group policies are computed as net unearned premium as of the valuation date.

Legal policy reserves on individual policies are computed per thousand of sum insured and depend on issue age and policy duration.

The following presents the comparison between assumptions made by the Company in accordance with regulatory requirements and the assumptions that would have been used in accordance with PFRS as of reporting date:

(a) Investment Yield - This would range from 5.00% to 5.50% per annum, which is within the statutory maximum of 6.00%. The Company's actual experience for 2015 and 2014 are approximately 2.82% and 5.03%, respectively.

(b) Mortality - This is based on 100% of the 1971 Philippine Intercompany Mortality Table and the 1980 Commissioner Standard Ordinary Mortality Table. Actual experience for 2015 and 2014 for individual insurance business were 7.24% and 40.29% while for group business were 31.18% and 33.36% of the pricing mortality, respectively. The average actual experience for individual insurance business and group business were 24.25% and 26.74%, respectively, for the 5-year period 2010-2014.

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

	2015	2014
First year persistency	**53.55%**	65.15%
Second year persistency	**69.42**	72.24
Third year persistency	**80.66**	78.99

Despite the foregoing differences in assumptions, the legal policy reserves recognized by the Company as of December 31, 2015 and 2014 are deemed adequate.

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

(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 Insurance Commission.

(b) Persistency
In accordance with requirements of the Insurance Code, a 100% persistency rate has been assumed for all policies which are inforce and with no forfeiture option as of valuation date.

(c) Investment Returns
The interest rate ranges from 5.00% to 5.50% per annum and does not exceed the 6.00% maximum specified by the Insurance Code.

(ii) Liability adequacy test, changes in assumptions and sensitivity analysis

Legal policy reserves are conservatively calculated in accordance with the requirements of the Insurance Code. The liability adequacy test was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future cash flows as of December 31, 2015 and 2014 computed under the requirements of PFRS 4, amounted to ₱264.5 million and ₱281.4 million, respectively. Accordingly, the recorded statutory reserves as of December 31, 2015 and 2014 of ₱340.2 million and ₱364.3 million, respectively, are adequate using best estimate assumptions. Testing under different interest rate scenarios and their impact on gross and net liabilities, equity and profit before tax are disclosed in Note 11 to the financial statements.

(iii) Source of uncertainty in the estimation of future claim payments

Although the Company has 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 Company adopts the standard mortality table in assessing future benefit payments and premium receipts as approved by the Insurance Commission. The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in course of settlement as of reporting date. The IBNR provision is based on historical experience and is subject to a high degree of uncertainty.

Reinsurance - assumptions and methods
The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under loans and receivables. Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent on any reinsurance contract.

Impairment of financial assets
(i) *AFS debt and equity securities*
The Company determines that AFS debt and equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Company treats 'significant' generally as 20.00% or more of the original cost of investment, and 'prolonged', greater than six (6) months. In making this judgment, the Company evaluates among other factors, the normal volatility in share price of similar equity securities.

In addition, in the case of unquoted equity securities, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

The carrying values of AFS financial assets amounted to ₱153.7 million and ₱158.0 million as of December 31, 2015 and 2014, respectively (Note 8).

(ii) *Loans and receivables*
The Company reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Company determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

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

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

Loans and receivables, net of allowance for impairment losses, amounted to ₱224.4 million and ₱221.3 million as of December 31, 2015 and 2014, respectively (Note 8). The allowance for impairment on loans and receivables amounted to ₱6.4 million and ₱7.4 million as of December 31, 2015 and 2014, respectively (Note 8).

EUL of property and equipment
The Company reviews annually the EUL of property and equipment based on the period over which the asset is expected to be available for use. It is possible that future results of operations could be materially affected by the changes in the estimates. A reduction in the EUL of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The related balances follow (Note 9):

	2015	2014
Property and equipment - cost	**₱56,274,005**	₱53,249,354
Accumulated depreciation	**43,908,395**	38,497,744
Depreciation and amortization	**6,741,625**	6,661,731

Impairment of nonfinancial asset
The Company assesses impairment on non-financial asset which pertain to property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the required assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The recoverable amount is estimated for individual assets or, if it is not possible, for the cash generating unit to which the asset belongs.

As of December 31, 2015 and 2014, the carrying value of non-financial asset amounted to ₱12.4 million and ₱14.8 million, respectively (Note 9).

Recognition of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available against which all or part of the tax benefits can be utilized. However, there is no absolute assurance that sufficient taxable income will be generated in the near foreseeable future to allow all or part of the recognized deferred tax assets to be utilized.

As of December 31, 2015 and 2014, deferred tax assets amounted to ₱22.8 million and ₱19.9 million, respectively (Note 23).

Pension and other retirement benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of December 31, 2015 and 2014, net pension liability amounted to ₱17.5 million and ₱9.4 million, respectively (Note 21).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 21.

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

6. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**₱129,000**	₱126,000
Cash in banks	**112,509,303**	203,950,420
Cash equivalents	**645,002,605**	185,847,255
	₱757,640,908	₱389,923,675

Cash in banks earn annual interest ranging from 0.25% to 1.25% and 0.25% to 1.15% in 2015 and 2014, respectively. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term and deposit rates.

Interest income from cash in banks and cash equivalents amounted to ₱6.3 million and ₱3.1 million in 2015 and 2014, respectively (Note 16).

7. Premiums Due and Uncollected

This account consists of due and uncollected premiums amounting ₱45.1 million and ₱45.4 million as of December 31, 2015 and 2014, respectively. These are collectible on demand.

8. Financial Assets

The Company's financial assets are summarized as follows:

	2015	2014
Financial assets at FVPL	**₱586,254,411**	₱925,390,009
Loans and receivables - net	**224,415,607**	221,349,113
AFS financial assets	**153,713,367**	157,968,140
	₱964,383,385	₱1,304,707,262

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

(a) *As of December 31 the financial assets at FVPL follow:*

	2015	2014
Mutual funds	**₱151,118,280**	₱513,354,541
Debt Securities:		
Government	**435,136,131**	305,193,461
Private	**–**	61,797,007
Equity securities	**–**	45,045,000
	₱586,254,411	₱925,390,009

The Company recognized its investment securities under the IMA account as financial assets at FVPL.

The unrealized gains (losses) on mark-to-market valuation amounting ₱3.0 million and (₱1.1 million) in 2015 and 2014, respectively, are shown under "Unrealized gains (losses) on financial assets at FVPL" account in the statements of comprehensive income.

The trading losses on sale of financial assets at FVPL amounted to ₱19.8 million and ₱4.1 million for the years ended December 31, 2015 and 2014, respectively (Note 16).

The movements in financial assets at FVPL for the year ended December 31 follows:

	2015	2014
At January 1	**₱925,390,009**	₱855,807,310
Additions	**4,346,884,153**	6,845,757,124
Disposals	**(4,689,025,767)**	(6,775,111,749)
Unrealized gains (losses)	**3,006,016**	(1,062,676)
	₱586,254,411	₱925,390,009

Interest income earned from financial assets at FVPL amounted to ₱15.5 million and ₱22.4 million in 2015 and 2014, respectively (Note 16).

(b) Loans and receivables as of December 31 follow:

	2015	2014
Salary loans	**₱98,158,204**	₱154,247,610
Due from reinsurer	**48,978,853**	1,133,468
Receivable from third party administration	**22,923,633**	20,775,049
Accounts receivable	**21,273,981**	12,946,423
Due from policyholders	**13,686,358**	12,289,199
Mortgage loans	**7,951,916**	8,951,376
Other receivables	**3,204,136**	3,643,058
	216,177,081	213,986,183
Less allowance for impairment on loans	**6,417,716**	7,397,558
	209,759,365	206,588,625
Policy loans	**14,656,242**	14,760,488
	₱224,415,607	₱221,349,113

Salary loans represent loans to DepEd teachers and private institution employees with annual interest rates of 5.70% to 15.00% in 2015 and 2014. These loans have terms ranging from six (6) to thirty-six (36) months and are collected by DepEd through salary deduction and subsequently remitted to the Company. Interest income earned from salary loans amounted to ₱19.5 million and ₱23.9 million in 2015 and 2014, respectively.

Due from reinsurer pertains to the amount of claims in excess of the retention limit that should only be covered by the Company. Retention limit is only ₱2.0 million. Any excess of this will be collectible from the reinsurer. This also includes reinsurance claims recoverable and experience refund recoverable from reinsurers.

Receivable from third party administration represents amounts due from policyholders which were initially paid by the Company for billings made by medical providers. This is normally due within fifteen (15) days from date billed to policyholders.

Accounts receivable account consists of receivable from employees, brokers, SSS and others.

Due from policyholders pertains to the excess of the amount paid by the Company over the benefits of the claimant. The Company pays the entire amount incurred by the claimant during hospitalization and bills the claimant for the excess.

The loans and receivables are generally short term. The noncurrent portion of the salary loans amounted to ₱67.0 million and ₱133.4 million as of December 31, 2015 and 2014, respectively.

The changes in allowance for impairment on loans and receivables are as follows:

	Salary loans	Accounts Receivable	Total
At January 1, 2014	₱6,860,529	₱634,192	₱7,494,721
Provision (Recovery) (Note 19)	(1,282,425)	1,282,425	–
Write-off	(97,163)	–	(97,163)
At December 31, 2014	**₱5,480,941**	**₱1,916,617**	**₱7,397,558**
Provision (Recovery) (Note 19)	**834,423**	**(1,282,425)**	**(448,002)**
Write-off	**(531,840)**	**–**	**(531,840)**
At December 31, 2015	**₱5,783,524**	**₱634,192**	**₱6,417,716**

(c) *As of December 31 the AFS financial assets follow:*

	2015	2014
At fair value:		
Government securities	**₱128,514,492**	₱130,253,309
Mutual funds	**24,463,672**	26,900,197
Listed equity securities	**285,203**	364,634
At cost:		
Proprietary shares	**450,000**	450,000
	₱153,713,367	₱157,968,140

As of December 31, 2015 and 2014, AFS financial assets have an aggregate cost of ₱159.7 million and ₱155.6 million, respectively. The excess of the fair value AFS financial assets over the aggregate cost (net of tax) amounted to (₱5.9 million) and ₱2.4 million as of December 31, 2015 and 2014, respectively, and are shown under the "Net unrealized gains (losses) on AFS financial assets" account in the equity section in the statements of financial position while the movements thereof are shown as part of "Other comprehensive income" in the statements of comprehensive income.

As of December 31, 2015 and 2014, government debt securities amounting ₱128.5 million and ₱130.3 million, respectively, were designated as restricted investments and maintained with the Bureau of Treasury in accordance with the provisions of the Insurance Commission as security for the benefit of the Company's policyholders and creditors.

The rollforward analysis of unrealized (losses) gains on AFS financial assets follows:

	2015	2014
As of January 1	**₱2,368,843**	₱4,173,023
Other comprehensive income:		
Changes in fair value of AFS financial assets during the year	**(8,307,419)**	137,634
Transfer to statements of comprehensive income:		
Realized gain on sale of AFS financial assets during the year (Note 16)	–	(1,941,814)
	(8,307,419)	(1,804,180)
As of December 31	**(₱5,938,576)**	₱2,368,843

The movements in AFS financial assets for the years ended December 31 follow:

	2015	2014
At January 1	**₱157,968,140**	₱159,122,415
Additions	**72,269,640**	25,956,064
Disposals/maturities/redemption	**(68,216,994)**	(25,306,159)
Change in fair value during the year	**(8,307,419)**	(1,804,180)
	₱153,713,367	₱157,968,140

Interest income earned from AFS financial assets amounted to ₱6.9 million and ₱5.8 million in 2015 and 2014, respectively (Note 16).

Mortgage loans as of December 31 consist of:

	2015	2014
Chattel mortgage (car loans)		
Director, officers and employees	**₱7,297,950**	₱8,297,410
Real estate mortgage (housing loans)		
Third party individuals	**653,966**	653,966
	₱7,951,916	₱8,951,376

Housing and car loans to officers and employees are collectible over a period of five (5) to fifteen (15) years through salary deduction. These loans bear an annual interest of 10.00%. The noncurrent portion of the mortgage loans amounted to ₱5.3 million and ₱6.3 million as of December 31, 2015 and 2014, respectively.

Other receivables consist of advances to officers, employees and agents and miscellaneous advances.

Policy loans pertain to loans issued to insurance policyholders. These loans are collateralized with the cash surrender value of the policyholders' insurance policy. The annual interest rate on policy loans in 2015 and 2014 is fixed at 10.00%. The policyholders may repay the policy loans any time during the effectivity of the policy and if unpaid upon surrender or maturity, the policy loan will be deducted from the surrender or maturity benefits.

9. Property and Equipment

This account consists of:

2015

	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱39,092,515	₱10,810,483	₱3,346,356	₱53,249,354
Additions	2,764,151	–	1,591,474	4,355,625
Disposals	–	–	(1,330,974)	(1,330,974)
Balance at end of year	41,856,666	10,810,483	3,606,856	56,274,005
Accumulated Depreciation				
Balance at beginning of year	26,721,371	9,832,460	1,943,913	38,497,744
Depreciation/Amortization (Note 22)	5,144,991	644,077	952,557	6,741,625
Disposals	–	–	(1,330,974)	(1,330,974)
Balance at end of year	31,866,362	10,476,537	1,565,496	43,908,395
Net Book Value	₱9,990,304	₱333,946	₱2,041,360	₱12,365,610

2014

	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱37,251,512	₱10,810,483	₱3,346,356	₱51,408,351
Additions	1,841,003	–	–	1,841,003
Balance at end of year	39,092,515	10,810,483	3,346,356	53,249,354
Accumulated Depreciation				
Balance at beginning of year	21,417,949	9,022,223	1,395,841	31,836,013
Depreciation/Amortization (Note 22)	5,303,422	810,237	548,072	6,661,731
Balance at end of year	26,721,371	9,832,460	1,943,913	38,497,744
Net Book Value	₱12,371,144	₱978,023	₱1,402,443	₱14,751,610

Fully depreciated assets still in use amounted to ₱18.9 million and ₱16.6 million as of December 31, 2015 and 2014 respectively. There are no temporary idle property and equipment items.

The Company has pledged a portion of its transportation equipment under property and equipment with carrying value of ₱0.1 million and ₱0.3 million as of December 31, 2015 and 2014, respectively, as collateral to secure the bank loans of the Company with various financial institutions (Note 12).

10. Other Assets

This account consists of:

	2015	2014
Performance bond	**₱14,739,918**	₱13,704,155
Reserve fund	**7,536,011**	13,155,346
Prepayments	**486,493**	923,600
Security fund	**221,082**	221,082
Miscellaneous	**8,588,444**	8,563,958
	₱31,571,948	₱36,568,141

Performance bond consists of amounts paid by the Company to hospital network providers in compliance with certain group insurance policy contracts. These bonds will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Reserve fund consists of contingency funds which are maintained to defray claims of the insurance pools business of the Company.

Prepayments include advance payments made by the Company relative to documentary stamps.

Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the Insurance Commission and its purpose is to pay valid claims against insolvent insurance companies.

Miscellaneous mainly includes creditable withholding tax, rental deposits and other deposits.

11. Insurance Contract Liabilities

This account consists of:

	2015	2014
Legal policy reserves	**₱340,203,895**	₱364,274,666
Claims payable	**259,866,443**	237,587,796
Policyholders' dividends	**3,796,481**	3,765,828
	₱603,866,819	₱605,628,290

Legal policy reserves at December 31, 2015 and 2014 may be analyzed as follows:

2015	**Gross**	**Reinsurance**	**Net**
Reserves for ordinary life insurance	**₱64,398,582**	**₱130,558**	**₱64,268,024**
Reserves for group life policies	**29,236,649**	**–**	**29,236,649**
Reserves for accident and health policies-group	**246,699,222**	**–**	**246,699,222**
At December 31	**₱340,334,453**	**₱130,558**	**₱340,203,895**

2014	Gross	Reinsurance	Net
Reserves for ordinary life insurance	₱61,637,698	₱108,892	₱61,528,806
Reserves for group life policies	26,095,147	–	26,095,147
Reserves for accident and health policies-group	276,650,713	–	276,650,713
At December 31	₱364,383,558	₱108,892	₱364,274,666

The movements in legal policy reserves in 2015 and 2014 are as follow:

2015	**Gross**	**Reinsurance**	**Net**
At January 1	**₱364,383,558**	**₱108,892**	**₱364,274,666**
Net change in legal policy reserves:			
New business, reinstatement and change in policy year	**1,587,009,339**	**–**	**1,587,009,339**
Released by death and other terminations and supplementary contracts	**(1,611,058,445)**	**21,665**	**(1,611,080,110)**
	(24,049,106)	**21,665**	**(24,070,771)**
At December 31	**₱340,334,452**	**₱130,557**	**₱340,203,895**

2014	Gross	Reinsurance	Net
At January 1	₱392,476,273	₱117,641	₱392,358,632
Net change in legal policy reserves:			
New business, reinstatement and change in policy year	1,490,731,701	–	1,490,731,701
Released by death and other terminations and supplementary contracts	(1,518,824,416)	(8,749)	(1,518,815,667)
	(28,092,715)	(8,749)	(28,083,966)
At December 31	₱364,383,558	₱108,892	₱364,274,666

The movements in claims payable and IBNR in 2015 and 2014 are as follow:

	2015	2014
At January 1	**₱237,587,796**	₱184,479,489
Payments during the year	**(1,152,060,969)**	(1,188,848,129)
Provisions during the year	**1,174,339,616**	1,241,956,436
At December 31	**₱259,866,443**	₱237,587,796

The movements in policyholders' dividends in 2015 and 2014 are as follow:

	2015	2014
At January 1	**₱3,765,828**	₱3,747,625
Payments during the year	**(1,133,662)**	(1,055,534)
Policyholders' dividends and interest on policyholders' dividends	**1,164,315**	1,073,737
At December 31	**₱3,796,481**	₱3,765,828

Sensitivities

The analysis below is performed for a reasonable possible movement in key assumptions, related to mortality and discount rate, with all other assumptions held constant, on the statement of comprehensive income and statement of changes in 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 and 2014 statements of financial position, statements of comprehensive income and statements of changes in equity are listed below:

2015	**Change in Assumptions**	**Increase/ (Decrease) in Net Liabilities**	**Increase/ (Decrease) in Profit Before Tax**	**Increase/ (Decrease) in Equity**
Mortality	**+10.00%**	**₱391,819**	**(₱391,819)**	**(₱274,273)**
	-10.00%	**(427,830)**	**427,830**	**299,481**
Discount rate	**-1.00%**	**8,377,085**	**(8,377,085)**	**(5,863,960)**

2014	Change in Assumptions	Increase/ (Decrease) in Net Liabilities	Increase/ (Decrease) in Profit Before Tax	Increase/ (Decrease) in Equity
Mortality	+10.00%	₱207,271	(₱207,271)	(₱145,090)
	-10.00%	(222,517)	222,517	155,762
Discount rate	-1.00%	5,534,491	(5,534,491)	(3,874,144)

12. Accounts Payable and Other Liabilities

This account consists of:

	2015	2014
Accounts payable (Note 21)	**₱127,537,525**	₱161,581,806
Due to reinsurer	**54,508,697**	3,707,247
Accrued expenses	**34,811,825**	43,186,003
Due to policyholders	**23,721,187**	15,849,749
Taxes payable	**9,688,188**	8,957,633
Life insurance deposit	**8,256,062**	19,566,510
Bank loans payable	**5,079,853**	7,483,811
Miscellaneous	**5,843,342**	6,048,013
	₱269,446,679	₱266,380,772

Accounts payable represents billings for medical fees, dental fee, annual physical examination, third party administration and others. These are payable on demand.

Due to reinsurer pertains to portion of the reinsurance premiums of the Company to another insurer to protect them against the risk of loss that is unpaid as of cutoff period

Accrued expenses pertain to accruals for employee benefits, commission, professional and legal fees and utilities.

Due to policyholders represent clients' deposits and health/medical claims for the medical protect plan products.

Taxes payable includes withholding tax and premium tax payable.

Life insurance deposit represents deposits paid by policyholder in advance which may be applied to pay premiums or other policyholder obligations.

Bank loans payable pertains to bank auto loans relative to car plan benefits given by the Company to entitled employees. The bank loans are secured by the autos and interest bearing at annual rates of 9.66% to 11.00%. Interest expense incurred for bank loans amounted to ₱0.1 million in 2015 and 2014.

Miscellaneous includes commission payable and unearned interest.

13. Premium Deposit Fund

This account pertains to funds held for policyholders with annual interest ranging from 3.00% to 5.00%. Interest expense charged against income amounted to ₱0.1 million and ₱0.2 million in 2015 and 2014, respectively.

14. **Equity**

Authorized Capital stock

The authorized capital stock as at December 31, 2015 and 2014 consists of:

2015

	Common Stock			Preferred Stock		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
At January 1	**49,499,404**	**₱10.00**	**₱494,994,040**	**50,059,600**	**₱0.10**	**₱5,005,960**
Reclassification	–	–	–	–	–	–
At December 31	**49,499,404**	**₱10.00**	**₱494,994,040**	**50,059,600**	**₱0.10**	**₱5,005,960**

2014

	Common Stock			Preferred Stock		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
At January 1	49,200,000	₱10.00	₱492,000,000	80,000,000	₱0.10	₱8,000,000
Reclassification	299,404	10.00	2,994,040	(29,940,400)	0.10	(2,994,040)
At December 31	49,499,404	₱10.00	₱494,994,040	50,059,600	₱0.10	₱5,005,960

On September 3, 2014, the Insurance Commission (IC) endorsed to the Philippine Securities and Exchange Commission (SEC) the Company's reclassification of unissued preferred shares to common shares. The reclassification involves 29,940,400 unissued preferred shares with par value of ₱0.10 per share amounting ₱2,994,040 into 299,404 common shares with par value of ₱10.00 per share amounting ₱2,994,040. The reclassification of unissued preferred shares to common shares and amendment of the Company's Articles of Incorporation were approved by the Philippine SEC on October 2, 2014.

The resulting authorized capital stock following the reclassification of unissued preferred shares into common shares is ₱500,000,000, divided into 49,499,404 common shares with par value of ₱10.00 per share and 50,059,600 preferred shares with par value of ₱0.10 per share.

The reclassification of the unissued preferred shares into common shares did not result in an increase in the Company's authorized capital stock.

Issued and outstanding capital stock

The movement in the number of shares and amount of capital stock issued and outstanding for the years ended December 31, 2015 and 2014 are as follow:

2015

	Common stock	Par Value	Amount	Preferred stock	Par Value	Amount
At January 1	**49,499,404**	**₱10.00**	**₱494,994,040**	**50,059,600**	**₱0.10**	**₱5,005,960**
Issuance	–	–	–	–	–	–
At December 31	**49,499,404**	**₱10.00**	**₱494,994,040**	**50,059,600**	**₱0.10**	**₱5,005,960**

2014

	Common stock	Par Value	Amount	Preferred stock	Par Value	Amount
At January 1	36,250,009	₱10.00	₱362,500,090	50,059,537	₱0.10	₱5,005,954
Issuance	13,249,395	10.00	132,493,950	63	0.10	6
At December 31	49,499,404	₱10.00	₱494,994,040	50,059,600	₱0.10	₱5,005,960

In 2014, the Company converted a portion of its contributed surplus amounting to ₱132.5 million into common stock. The conversion was approved by the BOD on June 19, 2014 and by the IC on July 21, 2014. After the conversion, the Company issued an aggregate of 49,499,404 common shares with a par value of ₱10 amounting to ₱495.0 million.

The movement in the contributed surplus as of December 31, 2015 and 2014 are as follow:

	2015	2014
At January 1	**₱39,784,362**	₱172,278,302
Reclassification to common stock	–	(132,493,940)
At December 31	**₱39,784,362**	₱39,784,362

On December 1, 2014, ATRH sold the Company's preferred shares representing 50.30% voting interest of the latter to Etiqa International Holdings (Etiqa), a subsidiary of Maybank in Malaysia. MATRKECP owns 95.20% of the Company's common shares, which represents 47.30% voting interest; the remaining 2.40% is held by a minority shareholder.

On the same date, MATRKECP and Etiqa executed a Joint Voting Agreement (JVA), which provides that Etiqa shall vote all of its shares in the Company on any and all matters requiring the resolution of the shareholders of the Company in such manner as MATRKECP. The JVA shall be effective unless terminated by mutual agreement by MATRKECP and Etiqa (Note 1).

The preferred shares have the following features:

a) Entitled to receive cash dividends at six percent (6.00%) per annum;
b) Voting rights;
c) Convertible at any time into common shares at the sole option of the Company;
d) Redeemable at any time at the sole option of the Company;
e) Priority to receive the guaranteed dividends, including dividends in arrears, over the common stockholders;
f) Not entitled to any participation or share in the retained earnings remaining after all cumulative dividends thereon have been paid; and
g) In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company, holders of preferred shares shall enjoy preferences in the payment, in full or pro-rata basis as the assets of the Corporation will permit, of the value of their shares plus all unpaid cumulative dividends, before any assets of the Company shall be paid or distributed to holders of common shares.

On December 22, 2014, the Philippine SEC approved the Amendment of Articles of Incorporation removing the nationality restriction on preferred shares which was approved by the Board of Directors and Stockholders on October 23, 2014.

Contributed Surplus
The contributed surplus of ₱39.8 million as of December 31, 2015 and 2014 represents additional capital contribution from the Company's stockholders.

15. Net Insurance Premiums

This account consists of:

	2015	2014
Life insurance contracts premiums:		
Group health insurance	**₱1,842,854,797**	₱1,672,839,552
Group life insurance	**119,849,686**	120,747,829
Ordinary life insurance	**37,747,043**	82,935,982
	2,000,451,526	1,876,523,363
Reinsurers' share of life insurance contracts premiums revenue:		
Group life insurance	**(11,632,916)**	(10,038,349)
Ordinary life insurance	**(113,685)**	(213,348)
	(11,746,601)	(10,251,697)
Experience refund	**(26,513,064)**	(18,020,202)
	₱1,962,191,861	₱1,848,251,464

16. Interest Income and Other Income

This account consists of interest arising from:

	2015	2014
Loans and receivables (Note 8)	**₱22,983,017**	₱26,906,335
Financial assets at FVPL (Note 8)	**15,515,777**	22,404,437
AFS financial assets (Note 8)	**6,856,451**	5,776,011
Cash and cash equivalents (Note 6)	**6,269,776**	3,133,039
	₱51,625,021	₱58,219,822

Other income consists of:

	2015	2014
Service and network fees	**₱43,604,374**	₱49,854,806
Third party administration	**13,712,577**	14,850,688
Gain on sale of AFS financial assets (Note 8)	**–**	1,941,814
Trading losses on sale of financial assets at FVPL	**(19,778,977)**	(4,078,176)
Miscellaneous	**9,143,909**	19,461,333
	₱46,681,883	₱82,030,465

Service and network fees are membership fees paid by the policyholders for the use of accredited hospitals, clinics and doctors' network for a no cash-out arrangement in case of in-patient and out-patient availments. These membership fees cover the insured members with health cards issued by the Company.

Third party administration pertains to fees paid by the third party to the Company for handling medical and health expenses of the said third party.

Miscellaneous income pertains to the processing and handling fees with regard to the processing of loans of DepEd, gain/loss on foreign currency transactions and gain on sale of property and equipment.

17. Net Benefits and Claims Incurred on Insurance Contracts

This account consists of:

	2015	2014
Claims	**₱1,308,192,477**	₱1,238,504,632
Surrenders	**19,260,727**	37,837,027
Maturities	**1,315,137**	2,054,671
Policyholders' dividends and interest thereon	**1,013,108**	1,328,518
	₱1,329,781,449	₱1,279,724,848

18. Expenses for the Acquisition of Insurance Contracts

This account consists of:

	2015	2014
Commissions	**₱162,358,145**	₱148,238,124
Salaries, wages and employees' benefits (Notes 20 and 24)	**94,354,942**	84,516,274
Insurance taxes	**39,434,509**	37,677,478
Service fees	**36,407,362**	35,982,714
Others	**4,261,444**	3,741,926
	₱336,816,402	₱310,156,516

Commissions represent amounts that are given to agents and brokers. This account includes overriding expenses that are in excess of 10.00% of commission.

Insurance taxes include documentary stamp tax and premium tax.

Service fees represent amounts paid to intermediaries of group policyholders for collecting the premiums from the assured.

Others include underwriting expenses, medical fees, inspection fees and other direct cost.

19. General and Administrative Expenses

This account consists of:

	2015	2014
Salaries, wages and employees' benefits (Notes 20 and 24)	**₱60,388,958**	₱54,728,157
Management and professional fees (Note 24)	**44,925,602**	45,030,068
Indirect expenses	**36,691,815**	32,944,458
Occupancy (Note 22)	**30,135,549**	30,808,463
Taxes and licenses	**29,833,270**	10,025,845
Postage and communication	**7,266,401**	6,895,463
Office supplies	**5,190,104**	7,896,187
Transportation and travel	**4,413,372**	4,190,443
Representation and entertainment	**2,782,685**	2,136,911
Recovery from impairment of loans and receivables (Note 8)	**(448,002)**	–
Insurance	**617,669**	2,677,400
Others	**5,176,027**	3,976,970
	₱226,973,450	₱201,310,365

Management and professional fees pertain to expenses incurred for management and other professional services received by the Company such as consulting fee, IMA fees, audit fees, director's fee, legal fees, temporary staff expenses and miscellaneous services

Indirect expenses refer to country cost assessment for internal audit, compliance, risk and management office.

Taxes and licenses consist of fringe benefit tax, VAT and fines and penalties.

Others consist mainly of membership dues, prizes and awards, trainings and seminars and bank charges.

20. Salaries, Wages and Employees' Benefits

This account consists of:

	2015	2014
Salaries and wages and other benefits (Notes 18 and 19)	**₱142,015,802**	₱126,154,453
Pension expense (Note 21)	**8,946,491**	9,579,455
SSS, Medicare and Pag-ibig contributions	**3,781,607**	3,510,523
	₱154,743,900	₱139,244,431

Salaries, wages and employees' benefits are charged as follows:

	2015	2014
Underwriting expenses (Note 18)	**₱94,354,942**	₱84,516,274
General and administrative expenses (Note 19)	**60,388,958**	54,728,157
	₱154,743,900	₱139,244,431

21. Pension Plan

The Company has a funded, non-contributory defined benefit plan (the Plan) providing death, disability and retirement benefits for all of its employees. Under the Plan, the normal retirement age is sixty (60) and the employee should have completed at least ten (10) years of service. Normal retirement benefit consists of a lump-sum benefit equivalent to 100.00% of the employee's final monthly pay for every year of service.

The most recent actuarial valuation was carried out for the retirement plan of the Company as of December 31, 2015.

Based on the actuarial valuation as of December 31, 2015 and 2014 computed using the PUC method, the Company's pension liabilities and expenses are summarized as follows:

	2015	2014
Net pension liability	**₱17,471,979**	₱9,395,349
Pension expense	**8,946,491**	9,579,455

The amounts recognized in the statements of comprehensive income are as follow:

	2015	2014
Current service cost	**₱8,504,909**	₱9,401,458
Net interest cost	**441,582**	177,997
Pension expense	**₱8,946,491**	₱9,579,455

The amounts recognized in the statements of financial position are as follows:

	2015	2014
Present value of defined benefit obligation	**₱122,921,910**	₱107,831,972
Fair value of plan assets	**(105,449,931)**	(98,436,623)
Net pension liability	**₱17,471,979**	₱9,395,349

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
At January 1	**₱107,831,972**	₱115,550,945
Current service cost	**8,504,909**	9,401,458
Interest cost on benefit obligation	**5,068,103**	4,003,465
Benefits paid from retirement fund	**(1,041,339)**	(198,575)
Benefits paid directly by the Company	–	(18,829,471)
Actuarial losses		
Experience adjustments	**4,814,522**	1,671,909
Changes in demographic assumptions	**192,645**	–
Changes in financial assumptions	**(2,448,902)**	(3,767,759)
At December 31	**₱122,921,910**	₱107,831,972

Changes in fair value of the plan assets are as follow:

	2015	2014
At January 1	₱98,436,623	₱92,851,170
Contributions	9,500,000	–
Expected return on plan assets	4,626,521	3,825,468
Benefits paid	(1,041,339)	(198,575)
Remeasurement gains (losses)	(6,071,874)	1,958,560
At December 31	₱105,449,931	₱98,436,623

The movements in the net pension liability recognized in the statements of financial position are as follows:

	2015	2014
At January 1	₱9,395,349	₱22,699,775
Pension expense	8,946,491	9,579,455
Contributions	(9,500,000)	–
Amount to be recognized in OCI	8,630,139	(4,054,410)
Benefits paid directly by the Company	–	(18,829,471)
At December 31	₱17,471,979	₱9,395,349

Remeasurement losses (gains) recognized in OCI:

	2015	2014
Remeasurement on plan assets	₱6,071,874	(₱1,958,560)
Actuarial losses (gains) from benefit obligation	2,558,265	(2,095,850)
	8,630,139	(4,054,410)
Deferred taxes on remeasurement on plan assets	(2,589,042)	1,216,323
	₱6,041,097	(₱2,838,087)

Movement of cumulative remeasurement effect recognized in OCI:

	2015	2014
At January 1	₱859,066	₱4,913,476
Remeasurement on plan assets	6,071,874	(1,958,560)
Actuarial losses (gains) from benefit obligation	2,558,265	(2,095,850)
At December 31	₱9,489,205	₱859,066

Plan assets consist of:

	2015		2014	
	Amount	%	Amount	%
Cash and cash equivalents	₱18,559,205	17.60%	₱55,887	0.1%
Government securities	80,741,092	76.70	91,217,061	92.7
Loans and receivables	6,860,237	6.50	6,932,310	7.0
Other assets	–	0.00	1,454,728	1.5
Accounts payable	(710,603)	(0.80)	(1,223,363)	(1.3)
	₱105,449,931	100.00%	₱98,436,623	100.0%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as of reporting dates.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

Net unrealized gains on investments in government securities amounted to ₱0.3 million and ₱1.3 million in 2015 and 2014, respectively.

Actual return on plan assets amounted to ₱1.4 million and ₱5.8 million in 2015 and 2014, respectively.

The Company expects to contribute ₱8.8 million to the Plan in 2016.

Amounts for the current and previous periods are as follows:

	2015	2014	2013	2012	2011
Benefit obligation	**₱122,921,910**	₱107,831,972	₱115,550,945	₱125,040,111	₱77,834,513
Plan assets	**(105,449,931)**	(98,436,623)	(92,851,170)	(69,315,212)	(56,900,376)
Deficit	**₱17,471,979**	₱9,395,349	₱22,699,775	₱55,724,899	₱20,934,137
Experience gains (losses) adjustments on:					
Plan liabilities	**₱6,071,874**	(₱2,095,850)	₱29,787,465	(₱35,707,755)	₱23,896,079
Plan assets	**2,558,265**	(1,958,560)	4,772,142	1,751,198	(540,837)
	₱8,630,139	(₱4,054,410)	₱34,559,607	(₱33,956,557)	₱23,355,242

The principal actuarial assumptions used are as follows:

	2015	2014
Discount rate	**5.16%**	4.70%
Expected return on plan assets	**6.00**	6.00
Salary increase rate	**7.00**	7.00
Average remaining working lives	**20 years**	20 years

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of reporting period, assuming all other assumptions were held constant.

		PVO
Discount rate	+0.50%	(₱2,066,652)
	-0.50	2,710,894
Salary increase rate	+0.50	2,586,502
	-0.50	(2,011,379)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Company's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

22. **Occupancy Expenses**

This account consists of:

	2015	2014
Rent	**₱13,026,877**	₱12,726,314
Light and water	**6,868,699**	8,161,993
Depreciation and amortization (Note 9)	**6,741,625**	6,661,731
Repairs and maintenance	**3,417,708**	3,185,849
Others	**80,640**	72,576
	₱30,135,549	₱30,808,463

The Company leases its office space and branch offices for varying periods and rental rates.

In October 2015, the Company renewed the October 2012 cancellable lease contract for its branch office located in Pampanga which will expire in September 2016.

In March 2015, the Company entered into a cancellable lease contract for its branch office located in Mindoro. The contract will expire in February 2017.

In March 2015, the Company entered into a cancellable lease contract for its branch office located in Iloilo City. The contract will expire in February 2017.

In November 2014, the Company entered into a cancellable lease contract for its branch office located in Lipa City, Batangas which will expire in June 2016.

In May 2014, the Company renewed the May 2011 non - cancellable lease contract for its branch office located in Cebu which will expire in April 2017.

In December 2012, the Company entered into a cancellable lease contract for its branch office located in La Union. The contract of lease will expire in November 2016.

The lease contract on a portion of the head office will expire in June 2016 and is renewable for another five (5) years subject to the agreement of both parties. The rental rate and maintenance charges are subject to an annual increase of 7.50% beginning on the 3rd year of the five (5)-year lease contract.

Another portion of the leased head office space will expire in May 2016 and is renewable for another three (3) years subject to the agreement of both parties.

Rental deposits amounting ₱2.9 million as of December 31, 2015 and 2014 is included under the "Other assets" account in the statement of financial position (Note 10).

The future minimum rental payments under these operating lease contracts are as follow:

	2015	2014
Within one (1) year	**₱9,200,105**	₱13,355,263
More than one (1) year up to three (3) years	**2,155,880**	11,003,059
	₱11,355,985	₱24,358,322

23. Income Taxes

Provision for income tax consists of:

	2015	2014
Current	**₱53,683,445**	₱51,014,822
Deferred	**(284,190)**	8,730,745
Final	**6,017,497**	6,456,186
	₱59,416,752	₱66,201,753

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of the Company's net deferred tax assets as at December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets		
Accrued expenses	**₱10,579,797**	₱11,800,766
Unamortized contribution of past service cost	**3,240,264**	3,767,327
Pension liability	**5,241,594**	2,818,605
Allowance for impairment losses	**1,925,315**	2,219,267
Net unrealized gains on AFS financial assets	**1,781,573**	–
	22,768,543	20,605,965
Deferred tax liability		
Net unrealized gains on AFS financial assets	–	(710,653)
	₱22,768,543	₱19,895,312

The movements of the Company's net deferred tax assets are as follow:

	2015	2014
At January 1	**₱19,895,312**	29,842,382
Benefit from (Provision for)	**284,190**	(8,730,747)
Tax effect of actuarial losses on pension liability	**2,589,041**	(1,216,323)
At December 31	**₱22,768,543**	₱19,895,312

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax as shown in the statements of comprehensive income follows:

	2015	2014
At statutory tax rate	**₱57,992,135**	₱67,009,898
Additions to (reduction in) income tax resulting from:		
Nondeductible expenses	**1,610,953**	1,747,799
Tax-exempt income/non-taxable income	**₱5,782,799**	₱558,134
Unrealized losses on financial assets at FVPL	**(901,805)**	318,803
Reserves for fluctuation in value of stocks	**2,492,226**	(495,020)
Income subjected to final tax	**(7,559,557)**	(2,937,861)
At effective tax rate	**₱59,416,752**	₱66,201,753

24. Related Party Transactions

Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, 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 reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely legal form.

The following are the Company's outstanding related party transactions:

a. The Company has an IMA with ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. In 2015 and 2014, IMA fees amounted to ₱4.5 million and ₱4.7 million, respectively (Note 19).

b. Loans to officers consist of housing and car loans (Note 8). The loans have interest at 10.00% per annum. Total loans outstanding amounted to ₱0.8 million and ₱1.5 million as of December 31, 2015 and 2014, respectively. The related interest income on the salary loans amounted to ₱0.3 million and ₱0.4 million for the years ended December 31, 2015 and 2014, respectively.

c. In 2015 and 2014, directors' remuneration included in management and professional fees under "General and administrative expenses" amounted to ₱0.5 million and ₱0.8 million, respectively (Note 19).

d. Details of key management compensation follows:

	2015	2014
Salaries and other short-term benefits	**₱37,720,219**	₱35,292,037
Post-employment benefits	**4,560,374**	4,266,807
Fringe benefit	**2,764,277**	3,328,524
Social security cost	**129,219**	167,635
	₱45,174,089	₱43,055,003

Key management includes officers with positions of Vice President and up.

e. Outstanding balances with related parties as of December 31 are as follow:

2015

	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
ATRKE AMI	Entity under common control	Common expenses		₱27,234	Interest free, collectible on demand	Unsecured, unimpaired
Maybank ATR KE Securities	Entity under common control	Common expenses / Premium refund	(1,048,580)	(3,536,656)	Interest free, payable on demand	Unsecured
Maybank ATR KE Capital	Parent company	Common expenses	(40,152,408)	(9,415,660)	Interest free, payable on demand	Unsecured
Maybank ATR KE Capital	Parent company	Short term loan	100,000,000	100,780,822	3 mo. 5.00% annual interest	Secured
			₱58,826,246	₱87,855,740		

2014

	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
ATRKE AMI	Entity under common control	Common expenses	₱27,234	₱27,234	Interest free, collectible on demand	Unsecured, unimpaired
Maybank ATR KE Securities	Entity under common control	Common expenses / Premium refund	(1,177,920)	(1,986,338)	Interest free, payable on demand	Unsecured
Maybank ATR KE Capital	Parent company	Common expenses	(14,764,159)	(4,570,073)	Interest free, payable on demand	Unsecured
			(₱15,914,845)	(₱6,529,177)		

Due from ATRKE AMI pertains to non-interest bearing advances which are due and payable on demand.

Due to Maybank ATR KE Securities represents premium refund for resigned employees covered by the group hospitalization plan and charges for common expenses. These are settled within one year.

Due to Maybank ATR KE Capital represents operational advances and common expenses which are due and payable on demand. These are settled within one year.

The due from Maybank ATRKE Capital represents a 5.00% per annum ₱100 million short term loan issued on November 4, 2015 with maturity date on February 2, 2016. This is collateralized by ATR KE Capital's receivable from Rockwell Primaries Development Corporation and ATR Holdings, Inc. arising from the sale of ATR KimEng Land. Interest income earned in 2015 amounted to ₱0.8 million.

f. The Company has bank deposits with Maybank Philippines Inc. as of December 31, 2015 and 2014 amounting ₱34.6 million and ₱38.6 million, respectively. Interest income earned in 2015 and 2014 amounted to ₱3.4 million and ₱1.3 million, respectively (Note 16).

g. The Company maintains its retirement fund with Maybank ATR KE Capital as of December 31, 2015 and 2014 amounting ₱105.5 million and ₱98.4 million, respectively (Note 21).

Terms and conditions of transactions with related parties
The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2015 and 2014. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

25. Management of Capital, Insurance Risk and Financial Risk

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established a risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

The risk management policies define the Company's identification of risk and its interpretation, limit structure ensuring the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals, and specify reporting requirements.

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

The operations of the Company are subject to the regulatory requirements of the Insurance Commission. The Insurance Commission does not only prescribe approval and monitoring of activities but also imposes certain restrictive provisions [e.g., margin of solvency (MOS), fixed capitalization requirements and risk-based capital (RBC) requirements]. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Capital Management
The Company's capital includes the common and preferred stock and contributed surplus.

The Company has established the following capital management objectives in managing the risks that affect its capital position:

- To maintain the required level of capitalization thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of credit facilities;

- To align the profile of assets and liabilities taking account into the risks inherent in the business;
- To maintain healthy capital and liquidity ratios in order to support its business objectives and maximize shareholders value;

The Company manages its capital through its compliance with the statutory requirements on MOS, minimum paid-up capital and minimum net worth. The Company is also complying with the statutory regulations on RBC to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The Company's policy to address the situations where the capital level maintained is lower than minimum is to require the shareholders to add more capital. The Company currently holds capital and net worth in excess of the minimum regulatory requirement.

To ensure compliance with these externally-imposed capital requirements, it is the Company's policy to monitor the MOS, paid-up capital, networth and related requirements on a quarterly basis as part of Company's internal financial reporting process.

MOS

Under the Insurance Code, a life insurance company doing business in the Philippines shall maintain at all times a MOS equal to ₱0.5 million or ₱2 for every thousands of the total amount of its insurance inforce for traditional plans as of the preceding calendar year on all policies, except term insurance, whichever is higher.

The MOS shall be the excess of the value of its admitted assets (as defined under the Insurance Code), exclusive of paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. As of December 31, 2015 and 2014, the Company's MOS based on its internal calculation amounted to ₱0.5 million, therefore, the Company has an excess MOS of ₱488.8 million and ₱417.0 million, respectively. The final amount of the MOS can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code.

If an insurance company failed to meet the minimum required MOS, the IC is authorized to suspend or revoke the certificate of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its certificate of authority is restored by the Insurance Commission. Also dividend declaration is not allowed.

The estimated amounts of non-admitted assets as defined under the Insurance Code that are still subject to examination by the IC, which are included in the accompanying statement of financial position at December 31, 2015 and 2014, are as follow:

	2015	2014
Property and equipment	**₱3,126,458**	₱3,324,692
Other assets	**486,493**	925,084
	₱3,612,951	₱4,249,776

As of December 31, 2015 and 2014, the Company is compliant with the MOS requirement based on its internal computation.

Fixed capitalization requirements
On August 15, 2013, a new Insurance Code of the Philippines was issued. One of the more important provisions, pertain to the new capitalization requirement of insurance Companies operating in the Philippines. Under the new Insurance Code, the required net worth which is defined as the sum of paid-up capital, retained earnings, unimpaired surplus, and revalued assets is set as follow:

Required Net Worth	Compliance Date
₱250.0 million	June 30, 2013
550.0 million	December 31, 2016
900.0 million	December 31, 2019
1.3 billion	December 31, 2022

As of December 31, 2015 and 2014, the Company is compliant with the required minimum statutory net worth and minimum paid-up capital requirements.

RBC requirements
Insurance Memorandum Circular (IMC) No. 6-2006 (Circular) provides for the RBC framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain an RBC ratio of at least 100.00% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include an insurance company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the Insurance Commission. RBC requirement on the other hand is computed based on the formula as defined in the IMC and includes asset default risk, insurance pricing risk, interest rate risk and general business risk.

The following table shows how the RBC ratio at December 31, 2015 and 2014 was determined by the Company based on its internal calculations:

	2015	2014
Net worth	**₱980,040,414**	₱913,173,443
RBC requirement	**606,145,396**	521,741,516
RBC ratio	**162.00%**	175.00%

The final amount of the RBC ratio can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code.

Unimpaired capital requirement
IMC 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or stockholders' equity is at least equal to the actual paid-up capital.

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

Insurance Risk

Nature of risk

The principal risk the 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 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 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.

The main underwriting strategy of the Company in managing insurance risk is the use of reinsurance. The Company maintains surplus-type reinsurance treaties for both individual and group life business. The retention limit of the Company for its individual business is ₱2.0 million for the basic life and ₱2.0 million for riders or supplementary covers. For group business, the retention limit is ₱2.0 million per life. In addition, the Company may arrange facultative reinsurance for risks beyond the scope of its automatic treaties.

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; and
d. For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

The 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 Company's concentration of insurance risk as of December 31, 2015 and 2014:

	2015		2014	
	Exposure, Net of Reinsurance '000	**Concentration (%)**	Exposure, Net of Reinsurance '000	Concentration (%)
Group	**₱58,856,630**	**99.59%**	₱55,573,675	99.56%
Ordinary life	**241,823**	**0.41%**	245,879	0.44%
	₱59,098,453	**100.00%**	₱55,819,554	100.00%

Summary of claims analysis

	2015	2014
Mortality Ratio		
Aggregate individual	**7.24%**	40.29%
Aggregate group	**31.18%**	33.36%

Classification by attained age (Based on 2015 Data of Inforce Policies)

The table below presents the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets 45-49 to 50-54. For group insurance, exposure is concentrated on age brackets 30-34 to 35-39.

	Individual			
	Gross Reinsurance		**Net of reinsurance**	
Attained Age	**Exposure '000**	**Concentration (%)**	**Exposure '000**	**Concentration (%)**
<20	**₱3,700**	**1.35%**	**₱3,700**	**1.53%**
20 – 24	**4,867**	**1.78**	**4,867**	**2.01**
25 – 29	**4,047**	**1.48**	**4,047**	**1.67**
30 – 34	**2,556**	**0.93**	**2,556**	**1.06**
35 – 39	**9,155**	**3.34**	**9,155**	**3.79**
40 – 44	**21,822**	**7.97**	**21,822**	**9.02**
45 – 49	**52,680**	**19.24**	**38,680**	**16.00**
50 – 54	**58,603**	**21.40**	**50,603**	**20.93**
55 – 59	**44,617**	**16.29**	**44,617**	**18.45**
60 – 64	**37,983**	**13.87**	**30,983**	**12.81**
65 – 69	**22,322**	**8.15**	**19,322**	**7.99**
70 – 74	**7,690**	**2.81**	**7,690**	**3.18**
75 – 79	**1,827**	**0.67**	**1,827**	**0.76**
80 +	**1,954**	**0.71**	**1,954**	**0.81**
Total	**₱273,823**	**100.00%**	**₱241,823**	**100.00%**

Attained Age	Group			
	Gross Reinsurance		Net of reinsurance	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	**₱592,826**	**0.85%**	**₱590,747**	**1.00%**
20 – 24	**4,426,312**	**6.33**	**4,420,687**	**7.51**
25 – 29	**11,664,935**	**16.69**	**11,434,482**	**19.43**
30 – 34	**15,083,995**	**21.58**	**14,017,921**	**23.82**
35 – 39	**12,734,274**	**18.22**	**10,734,764**	**18.24**
40 – 44	**10,102,378**	**14.45**	**7,384,712**	**12.55**
45 – 49	**6,692,435**	**9.58**	**4,466,718**	**7.59**
50 – 54	**4,471,326**	**6.40**	**2,846,401**	**4.83**
55 – 59	**2,750,033**	**3.93**	**2,019,165**	**3.43**
60 – 64	**1,235,872**	**1.77**	**838,609**	**1.42**
65 – 69	**124,539**	**0.18**	**92,902**	**0.16**
70 – 74	**7,815**	**0.01**	**4,815**	**0.01**
75 – 79	**525**	**0.00**	**525**	**0.00**
80 +	**4,180**	**0.01**	**4,180**	**0.01**
Total	**₱69,891,445**	**100.00%**	**₱58,856,628**	**100.00%**

Classification by attained age (Based on 2014 Data of Inforce Policies)

The table below presents the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets 45-49 to 50-54. For group insurance, exposure is concentrated on age brackets 25-29 to 30-34.

Attained Age	Individual			
	Gross Reinsurance		Net of reinsurance	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	₱4,200	1.51%	₱4,200	1.71%
20 – 24	5,767	2.08	5,767	2.35
25 – 29	4,302	1.55	4,302	1.75
30 – 34	1,356	0.48	1,356	0.54
35 – 39	15,856	5.70	15,856	6.44
40 – 44	22,379	8.05	22,379	9.10
45 – 49	62,409	22.46	48,409	19.69
50 – 54	53,183	19.14	45,183	18.38
55 – 59	42,676	15.36	42,676	17.36
60 – 64	35,812	12.89	28,812	11.72
65 – 69	19,703	7.09	16,703	6.79
70 – 74	6,365	2.29	6,365	2.59
75 – 79	1,932	0.70	1,932	0.79
80 +	1,939	0.70	1,939	0.79
Total	₱277,879	100.00%	₱245,879	100.00%

	Group			
	Gross Reinsurance		Net of reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	₱597,553	0.91%	₱595,474	1.07%
20 – 24	4,497,807	6.82	4,377,431	7.88
25 – 29	11,425,524	17.32	11,179,655	20.12
30 – 34	14,639,668	22.19	13,387,399	24.08
35 – 39	11,844,757	17.96	9,909,894	17.83
40 – 44	9,630,772	14.60	6,768,287	12.18
45 – 49	5,970,451	9.05	3,999,044	7.20
50 – 54	3,930,338	5.96	2,687,432	4.83
55 – 59	2,326,230	3.53	1,764,864	3.18
60 – 64	998,883	1.51	816,670	1.47
65 – 69	91,136	0.14	82,120	0.15
70 – 74	9,130	0.01	5,130	0.01
75 – 79	155	0.00	155	0.00
80 +	120	0.00	120	0.00
Total	₱65,962,524	100.00%	₱55,573,675	100.00%

Source of Uncertainty in the Estimation of Future Claim Payment

Estimation of future payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Company adopts standard industry data in assessing future benefit payments and premium receipts as approved by the Insurance Commission. Adjustments are made, if necessary, according to the experience of the Company.

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

The liability for these contracts comprises the incurred 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.

Financial Instruments

Due to the short term nature of cash and cash equivalents, premiums due and uncollected, due from policyholders, receivable from third party administration, other receivables, accrued interest receivable, performance bond, reserve and security funds, deposits, claims payable, policyholders' dividends due to related parties, premium deposit fund and cash dividends payable, their carrying values approximate their fair values at reporting dates.

The fair values of salary loans, mortgage loans, accounts receivable and accounts payable and other liabilities 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 of reporting date as discount rate.

The fair values of financial instruments classified as financial assets at FVPL and AFS financial assets that are actively traded in an organized exchange or active markets are determined by reference to quoted market or broker bid prices at the close of business as of reporting dates. For shares in an open-ended investment company, fair value is established by reference to published Net Asset Value (NAV) per share.

The table below presents the Company's financial instruments carried at fair value by valuation method as of December 31, 2015 and 2014.

	December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
AFS financial assets	**₱153,713,367**	**₱–**	**₱–**	**₱153,713,367**
Financial assets at FVPL	**586,254,411**	**–**	**–**	**586,254,411**
Asset for which fair values are disclosed:				
Salary loans	**–**	**–**	**107,542,481**	**107,542,481**
Accounts receivable	**–**	**–**	**21,009,922**	**21,009,922**
Mortgage loans	**–**	**–**	**7,862,599**	**7,862,599**
	₱739,967,778	**₱–**	**₱136,415,002**	**₱876,382,780**

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
AFS financial assets	₱157,968,140	₱–	₱–	₱157,968,140
Financial assets at FVPL	925,390,009	–	–	925,390,009
Asset for which fair values are disclosed:				
Salary loans	–	–	169,379,007	169,379,007
Accounts receivable	–	–	12,419,679	12,419,679
Mortgage loans	–	–	8,748,306	8,748,306
	₱1,083,358,149	₱–	₱190,546,992	₱1,273,905,141

For the years ended December 31, 2015 and 2014, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement.

Financial Risks

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The relevant financial risks faced by the Company in its day-to-day operations are market risk, credit risk and liquidity risk.

The BOD has overall responsibility for the oversight and management of the risk management process of the Company. The Risk Management Committee of the Maybank ATRKE Group is responsible for reviewing the design effectiveness of and strict compliance to specific risk management process and procedures. The Risk Management Committee directly reports to the Audit Committee.

Credit Risk

The Company has a significant exposure to credit risk, defined as the risk of financial loss resulting from the failure of counterparty to meet its contractual obligations to the Company. In particular, the Company is exposed to credit risk in the following accounts:

- Amounts due from Department of Education (DepEd) teachers and private institution employees;
- Amounts due from related parties and employees;

- Reinsurers' share in insurance liabilities;
- Obligations of companies issuing Mutual Fund shares and equity securities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance policyholders;
- Amounts due from insurance intermediaries; and
- Amounts due from banks.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such counterparty limits are subject to an annual or more frequent review. Limits are approved regularly as the need arises at the BOD level. A Credit Committee, which reports to the Executive Committee (ExCom), has been established by the BOD to monitor the credit management and exposure of the Company.

The Company fully complies with the guidelines issued by the DepEd in granting loans to teachers which are monitored by DepEd on a regular basis. Any violation shall result to the revocation of the Company's license to extend loans to public school teachers. The Company's credit evaluation policies are anchored on the DepEd guidelines on net take home pay of the teachers and authenticity of documents submitted by the borrowers.

The Excom has also created a special committee (DepEd Committee), tasked to monitor the DepEd loans business. The DepEd Committee meets on a monthly basis to discuss developments and status of past due accounts, action plans for collecting unpaid accounts and other pertinent issues relative to the loans operations. The DepEd Committee, in turn, reports to the Excom the status of the loans business on a regular basis.

Loans to policyholders granted against the cash surrender value of policies carry substantially minimal credit risk.

A significant credit exposure arises with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

In respect of investments securities, the Company secures 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 Company sets 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.

The table below shows the maximum exposure to credit risk as of December 31, 2015 and 2014:

	2015	2014
Cash and cash equivalents (excluding cash on hand)	**₱757,511,908**	₱389,797,675
Financial assets at FVPL	**586,254,411**	925,390,009
Loans and receivables	**224,415,607**	221,349,113
AFS financial assets	**153,713,367**	157,968,140
Premiums due and uncollected	**45,054,116**	45,361,897
Performance bond	**14,739,918**	13,704,155
Reserve fund	**7,536,011**	13,155,346
Accrued interest receivable	**7,356,976**	5,074,373
Deposits	**3,083,927**	3,075,337
Security fund	**221,082**	221,082
	₱1,799,887,323	₱1,775,097,127

The table below provides information regarding the credit risk exposure of the Company as of December 31, 2015 and 2014 by classifying assets according to the Company's credit grading of counterparties:

	Neither Past Due nor Impaired				
2015	**Investment High-Grade**	**Non-Investment Grade Satisfactory**	**Total Financial Assets Neither Past Due nor Impaired**	**Past Due**	**Total**
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand)	**₱757,511,908**	**₱–**	**₱757,511,908**	**₱–**	**₱757,511,908**
Premiums due and uncollected	**45,054,116**		**45,054,116**		**45,054,116**
Salary loans	**–**	**84,509,732**	**84,509,732**	**13,648,427**	**98,158,159**
Mortgage loans	**7,951,916**	**–**	**7,951,916**	**–**	**7,951,916**
Policy loans	**14,656,242**	**–**	**14,656,242**	**–**	**14,656,242**
Accounts receivable	**20,639,790**	**–**	**20,639,790**	**634,192**	**21,273,982**
Due from policyholders	**–**	**13,686,358**	**13,686,358**		**13,686,358**
Receivable from third party administration	**–**	**22,923,633**	**22,923,633**	**–**	**22,923,633**
Other receivables		**52,182,989**	**52,182,989**	**–**	**52,182,989**
Accrued interest receivable	**7,356,976**	**–**	**7,356,976**	**–**	**7,356,976**
Performance bond	**14,739,918**	**–**	**14,739,918**	**–**	**14,739,918**
Reserve fund	**7,536,011**	**–**	**7,536,011**	**–**	**7,536,011**
Security fund	**221,082**	**–**	**221,082**	**–**	**221,082**
Deposits	**3,083,927**	**–**	**3,083,927**	**–**	**3,083,927**
AFS financial assets:					
Government securities	**128,514,492**	**–**	**128,514,492**	**–**	**128,514,492**
Mutual fund	**24,463,672**	**–**	**24,463,672**	**–**	**24,463,672**
Equity shares	**735,203**	**–**	**735,203**	**–**	**735,203**
Financial assets at FVPL					
Government securities	**435,136,131**	**–**	**435,136,131**	**–**	**435,136,131**
Private securities	**–**	**–**	**–**	**–**	**–**
Mutual fund	**151,118,280**	**–**	**151,118,280**	**–**	**151,118,280**
Equity Shares	**–**	**–**	**–**	**–**	**–**
	₱1,618,719,664	**₱173,302,712**	**₱1,792,022,376**	**₱14,282,619**	**₱1,806,304,995**

2014	Neither Past Due nor Impaired Investment High-Grade	 Non-Investment Grade Satisfactory	 Total Financial Assets Neither Past Due nor Impaired	Past Due	Total
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand)	₱389,797,675	₱–	₱389,797,675	₱–	₱389,797,675
Premiums due and uncollected	45,361,897	–	45,361,897	–	45,361,897
Salary loans	–	139,753,015	139,753,015	14,494,595	154,247,610
Mortgage loans	8,951,376	–	8,951,376	–	8,951,376
Policy loans	14,760,488	–	14,760,488	–	14,760,488
Accounts receivable	11,029,808	–	11,029,808	1,916,615	12,946,423
Due from policyholders	–	12,289,199	12,289,199	–	12,289,199
Receivable from third party administration	–	20,775,049	20,775,049	–	20,775,049
Other receivables	–	4,776,526	4,776,526	–	4,776,526
Accrued interest receivable	5,074,373	–	5,074,373	–	5,074,373
Performance bond	13,704,155	–	13,704,155	–	13,704,155
Reserve fund	13,155,346	–	13,155,346	–	13,155,346
Security fund	221,082	–	221,082	–	221,082
Deposits	3,075,337	–	3,075,337	–	3,075,337
AFS financial assets:					
Government securities	130,253,309	–	130,253,309	–	130,253,309
Mutual fund	26,900,197	–	26,900,197	–	26,900,197
Equity shares	814,634	–	814,634	–	814,634
Financial assets at FVPL					
Government securities	305,193,461	–	305,193,461	–	305,193,461
Private securities	61,797,007	–	61,797,007	–	61,797,007
Mutual fund	513,354,541	–	513,354,541	–	513,354,541
Equity Shares	45,045,000	–	45,045,000	–	45,045,000
	₱1,588,489,686	₱177,593,789	₱1,766,083,475	₱16,411,210	₱1,782,494,685

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High Grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations, for individuals into business or for corporate entities. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

The table below shows the aging analysis of salary loans and other receivables that are past due as of December 31, 2015 and 2014:

2015	**Past due but are not Impaired** **<30 to 90 Days**	 **90 to 180 Days**	 **Total Financial Assets Neither Past Due nor Impaired**	**Past Due and Impaired**	**Total**
Salary loans	**₱4,034,964**	**₱3,829,939**	**₱7,864,903**	**₱5,783,524**	**₱13,648,427**
Accounts and other receivables	**–**	**–**	**–**	**634,192**	**634,192**
	₱4,034,964	**₱3,829,939**	**₱7,864,903**	**₱6,417,716**	**₱14,282,619**

2014	Past due but are not Impaired: <30 to 90 Days	Past due but are not Impaired: 90 to 180 Days	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Salary loans	₱5,624,502	₱3,389,151	₱9,013,653	₱5,480,942	₱14,494,595
Accounts and other receivables	–	–	–	1,916,615	1,916,615
	₱5,624,502	₱3,389,151	₱9,013,653	₱7,397,557	₱16,411,210

The Company has concentration of credit risk in the DepEd salary loan business as of December 31, 2015 and 2014.

Liquidity Risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company maintains minimum proportion of sufficient funds available to meet such calls to cover maturities, claims and surrenders at unexpected levels of demand.

The BOD has formed an Asset and Liability Committee (ALCO) which meets on a quarterly basis to ensure the adequacy of reserves and liquid assets and complies with the regulatory reserve and liquidity requirements. Cash forecasts are prepared and reviewed monthly by the ALCO, DepEd Committee and Investment Committee to ensure that the operational funding requirements are adequately met.

The table below summarizes the maturity profile of the Company's liabilities at December 31, 2015 and 2014 based on contractual undiscounted payments except for the legal policy reserves of the life insurance contracts (included in the "Insurance contract liabilities" account) which shows the maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability amounts:

2015

	On Demand	Up to a Year	1 -2 Years	2 -3 Years	Over 3 Years	Total
Insurance contract liabilities:						
Legal policy reserves	₱–	₱268,677,802	₱9,058,800	₱1,373,601	₱61,093,692	₱340,203,895
Claims payable		259,866,443	–	–	–	259,866,443
Policyholders' dividends	3,796,481	–	–	–	–	3,796,481
Premium deposit fund	1,248,167	–	–	–	–	1,248,167
Accounts payable and other liabilities:						
Accounts payable	–	127,537,525	–	–	–	127,537,525
Life insurance deposits	–	8,256,062	–	–	–	8,256,062
Accrued expenses	–	34,811,825	–	–	–	34,811,825
Due to policyholders	–	13,022,183	–	–	–	13,022,183
Bank loans payable	–	2,861,932	1,325,618	892,303	–	5,079,853
Due to reinsurer	–	54,508,697	–	–	–	54,508,697
Others	–	16,542,346	–	–	–	16,542,346
	₱5,044,648	₱786,084,815	₱10,384,418	₱2,265,904	₱61,093,692	₱864,873,477

2014

	On Demand	Up to a Year	1 -2 Years	2 -3 Years	Over 3 Years	Total
Insurance contract liabilities:						
Legal policy reserves	₱–	₱302,729,321	₱3,436,264	₱1,314,713	₱56,794,368	₱364,274,666
Claims payable	–	237,587,796	–	–	–	237,587,796
Policyholders' dividends	3,765,828	–	–	–	–	3,765,828
Premium deposit fund	1,479,782	–	–	–	–	1,479,782
Accounts payable and other liabilities:						
Accounts payable	–	161,581,806	–	–	–	161,581,806
Life insurance deposits	–	19,566,510	–	–	–	19,566,510
Accrued expenses	–	43,186,003	–	–	–	43,186,003
Due to policyholders	15,849,749	–	–	–	–	15,849,749
Bank loans payable	–	3,095,908	3,305,423	2,556,302	–	8,957,633
Due to reinsurer	–	3,707,247	–	–	–	3,707,247
Others	–	6,048,013	–	–	–	6,048,013
	₱21,095,359	₱777,502,604	₱6,741,687	₱3,871,015	₱56,794,368	₱866,005,033

Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of adverse changes in market prices. Market risk relevant to the Company comprises market rate (fair value interest rate risk) and market price (equity price risk) risks.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of adverse changes in market interest rates. Fixed rate securities and receivables, in particular, are exposed to such risk.

The Company's investment policy is to maintain an adequate yield to match the interest necessary to support future policy liabilities. Management's focus is to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company has an Investment Committee which approves all investment undertaking of the Company and meets on a monthly basis. The Company adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations.

The following table shows the information relating to the Company's financial instruments as of December 31, 2015 and 2014 that are exposed to fair value interest rate risk presented by maturity profile:

2015	Range of Interest Rate	On Demand	Less than 1 Year	1 -2 Years	2 -3 Years	More than 3 Years	Total
Cash and cash equivalents (excluding cash on hand)	0.25%-1.50%	₱112,509,303	₱645,002,605	₱–	₱–	₱–	₱757,511,908
AFS financial assets							
Government securities	3.75%-9.15%	–	12,273,154	6,221,737	41,442,815	68,576,786	128,514,492
Financial assets at FVPL							
Government	2.13%-9.13%	435,136,132	–	–	–	–	435,136,132
Loans and receivables							
Salary loans	5.70%-15.00%	–	31,143,510	36,111,106	30,903,588	–	98,158,204
Mortgage loans	10.00%	653,966	1,987,789	1,878,379	1,707,146	1,724,636	7,951,916
Policy loans	10.00%	–	14,656,242	–	–	–	14,656,242
		₱548,299,401	₱705,063,300	₱44,211,222	₱74,053,549	₱70,301,422	₱1,441,928,894
Policyholders' dividends	4.00%-6.00%	₱3,796,481	₱–	₱–	₱–	₱–	₱3,796,481
Premium deposit fund	3.00%-5.00%	1,248,167	–	–	–	–	1,248,167
		₱5,044,648	₱–	₱–	₱–	₱–	₱5,044,648

2014	Range of Interest Rate	On Demand	Less than 1 Year	1 -2 Years	2 -3 Years	More than 3 Years	Total
Cash and cash equivalents							
(excluding cash on hand)	0.25%-1.15%	₱203,950,419	₱185,847,256	₱–	₱–	₱–	₱389,797,675
AFS financial assets							
Government securities	3.10%-9.15%	–	–	68,177,091	12,916,760	49,159,458	130,253,309
Financial assets at FVPL							
Government	4.15%	305,193,461	–	–	–	–	305,193,461
Private	5.50%-7.20%	61,797,007	–	–	–	–	61,797,007
Loans and receivables							
Salary loans	5.70%-15.00%	–	20,882,379	54,772,271	78,592,960	–	154,247,610
Mortgage loans	10.00%	653,966	1,990,209	1,945,592	1,919,842	2,441,767	8,951,376
Policy loans	10.00%	–	14,760,488	–	–	–	14,760,488
		₱571,594,853	₱223,480,332	₱124,894,954	₱93,429,562	₱51,601,225	₱1,065,000,926
Policyholders' dividends	4.00%-6.00%	₱3,765,828	₱–	₱–	₱–	₱–	₱3,765,828
Premium deposit fund	3.00%-5.00%	1,479,782	–	–	–	–	1,479,782
	–	₱5,245,610	₱–	₱–	₱–	₱–	₱5,245,610

The sensitivity analysis below is presented for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity and profit before tax (that reflects adjustments due to changes in fair value of AFS financial assets):

	Change in Interest Rate	Impact on Profit Before Tax	Impact on Equity
December 31, 2015	+1.00%	₱196,692	₱137,684
	-1.00%	(157,057)	(109,940)
December 31, 2014	+1.00%	₱121,397	₱84,978
	-1.00%	(6,394)	(4,476)

In 2015 and 2014, the Company determined the reasonably possible change in interest rate using the historical percentage changes in weighted average yield rates of outstanding securities for the past three years.

Equity Price Risk

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities and investment in mutual funds classified as AFS financial assets. Such securities are subject to price risk due to possible adverse 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 Company invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

The Company has an IMA with ATR KE AMI which monitors and manages a portion of the Company's investments. The Investment Committee of the Company oversees its investment undertaking (Note 24).

The analysis below is performed for reasonably possible movements in PSE index with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of AFS financial assets):

	Change in PSE Index	Impact on Equity
December 31, 2015	**+20.21%**	₱108,140
	-20.21%	(108,140)
December 31, 2014	+ 31.35%	₱192,688
	-31.35%	(192,688)

In 2015 and 2014, the Company determined the reasonably possible change in PSE index using the specific adjusted data for each equity security the Company holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of AFS financial assets):

	Change in NAV per Share	**Impact on Equity**
December 31, 2015	**+3.79%**	**₱927,909**
	-3.79%	**(927,909)**
December 31, 2014	+8.32%	₱2,239,160
	-8.32%	(2,239,160)

In 2015 and 2014, the Company determined the reasonably possible change in NAV per share using the historical NAV year-end values for the past three years.

Foreign Currency Risk
The Company's foreign exchange risk arises primarily from any transaction denominated in a foreign currency such as the US Dollar. In 2015 and 2014, the Company's transactions are primarily denominated in Philippine Peso, thus, reducing the Company's exposure to currency risk to an insignificant amount.

26. Contingencies

The Company has contingent liabilities arising from tax assessments. The estimate of the probable costs for the resolution of these claims has been developed in consultation with counsel handling the Company's defense and is based on an analysis of potential results. Provisions for probable losses arising from contingencies was recognized in the Company's financial statements amounting to ₱18.0 million and ₱8.0 million ,in 2015 and 2014, respectively. Currently, the Company does not believe that these proceedings will have a material adverse effect on the financial statements.

27. Approval of the Financial Statements

The accompanying financial statements of the Company were authorized for issue by BOD on January 28, 2016.