ANNUAL REPORT 2015

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Contents

Our Profile

National Reinsurance Corporation of the Philippines was incorporated in 1978 pursuant to Presidential Decree No. 1270 as a domestic professional reinsurance firm to provide life and non-life reinsurance capacity to the Philippines and neighbouring insurance markets. The Company's registered office and principal place of business is located at the 31st Floor, Ayala Life-FGU Center, 6811 Ayala Avenue, Makati City. The Company is listed on the Philippine Stock Exchange with stock symbol NRCP.

Financial Highlights

(amounts in million pesos except book value per share)

	2015	2014	2013	2012	2011	2010
Gross Premiums	**2,182**	2,747	2,561	3,025	3,524	4,279
Net Premiums	**928**	1,022	820	779	1,126	1,598
Underwriting Income (Loss)	**229**	(72)	(428)	(795)	(107)	(658)
Investment & Other Income	**507**	433	664	702	768	491
Net Profit (Loss)	**179**	8	(288)	(396)	346	(480)
Total Assets	**13,439**	14,188	15,443	16,106	12,638	12,553
Stockholders' Equity	**4,907**	5,114	4,952	5,504	6,053	5,948
Book Value Per Share	**2.31**	2.41	2.33	2.59	2.85	2.75
Return on Average Equity	**3.58%**	0.17%	-5.50%	-6.85%	5.81%	-7.90%
Expense Ratio	**54.24%**	29.36%	57.16%	30.40%	21.59%	15.06%
Loss Ratio	**46.24%**	73.83%	116.67%	163.80%	79.81%	113.75%
Combined Ratio	**127.97%**	131.58%	209.20%	232.59%	132.08%	156.08%

Message To Stockholders

Dear shareholders,

The Philippine economy continued to grow in 2015, contributing to the insurance industry's strong performance for the year. However, at the global level, the reinsurance sector faced several challenges.

Amid this macro environment, NRCP's sustained efforts to strengthen its underwriting capabilities and streamline its risk portfolio led to a significant increase in your company's net income, which improved from ₱8.4 million in 2014 to ₱179.1 million in 2015. Your company has also maintained its financial strength of "B++ (Good)" from A.M. Best, which reaffirmed its rating in April 2016. Thus, it is well-positioned to maintain its growth amid the current political situation and the possibility of further regulatory or policy changes.

THE MACRO ENVIRONMENT

The Philippines' GDP continued to grow at an average rate of 5.8% for the year, accelerating in the second half to reach 6.3% in the last quarter. Unemployment fell from 6.8% to 6.3%, as around 752,000 new jobs were created from January 2015 to January 2016, while remittances for the year improved by 4.4%, and overall inflation slowed to 1.4%. These factors contributed to growth in private consumption from 5.4% to 6.2% in 2015; at nearly 70% of GDP, this made the largest impact on demand-side growth. Meanwhile, government expenditure accelerated from 1.7% in 2014 to 9.4% in 2015. In terms of contribution per sector, services had the biggest share of total GDP at 57%, as the sector grew by 6.7% in 2015; among the main drivers were business process outsourcing, tourism-related services, and trade. Construction revenue also rose by 8.9%.

This growth, along with a benign year for catastrophes, helped the Philippine insurance industry achieve excellent results in 2015. Notably, overall net income increased by 44.3%, with the life insurance sector growing by 45.5%, and the non-life sector, 36.8%.

Globally, however, the reinsurance sector faced several challenges. In Standard and Poor's report on global reinsurance highlights for 2015, they mentioned that "defense is at the forefront of many management teams' minds, especially given that competitive pressures are squeezing reinsurers' business models, credit conditions in the global reinsurance market remain negative as double-digit declines in pricing persist in many lines and regions around the world, investment yields remain anemic in this lower-for-longer reality, and both traditional and alternative capital continues to flood the capacity supply."

Helen Y. Dee Board Chair

NRCP'S OPERATIONAL HIGHLIGHTS FOR 2015

Amid this macro environment, your company built on the groundwork it laid last year by continuing to strengthen its underwriting capabilities and streamline its risk portfolio.

We continued to invest in our underwriting capabilities, for instance, by hiring consultants with 30+ years of experience in working for respected global reinsurers, and by organizing on-the-job training for our technical teams. We also acquired licenses for a number of analytics tools to help us, and our partners, strengthen our technical capacities. These programs include Risk Management Solutions' Philippine earthquake module and AIR Worldwide's typhoon model, which have helped us assess our total risk exposure in the event of such catastrophes. In addition, Ultimate Risk Solutions (URS) Risk Explorer has aided in reinsurance optimization and capital adequacy analyses, and is being tested for health insurance pricing. Meanwhile, URS RES-solver and Anaplan have helped with reinsurance analytics.

For the year, contributions per line of business were as follows: 44.5% for fire, 27.9% casualty, 24.1% life, and 3.5% marine. Stricter underwriting guidelines continued to be applied in 2015, resulting in the non-renewal of high hazard and/or unprofitable lines of business under facultative arrangements, particularly for property. This was one of the major reasons for the 20% drop in gross premiums written, from around ₱2.747 billion in 2014 to ₱2.182 billion 2015. In spite of this, the reduction in retroceded premiums and the significant decrease in the cost of excess of loss cover for fire, engineering, marine and motor led to an increase in premiums retained, which translated into an improved retention ratio of 42.5% in 2015, from 37.2% in 2014.

Augusto P. Hidalgo CEO

As a result of these efforts, total losses incurred (inclusive of incurred but not reported losses) for 2015 amounted to ₱416.4 million, 32.4% lower than the previous year's ₱616.3 million. Consequently, an underwriting loss of ₱71.7 million in 2014 was upturned to an underwriting income of ₱228.9 million in 2015.

This was accompanied by a ₱74.1 million or 17.1% increase in investment and other income, from ₱433.2 million in 2014 to ₱507.3 million in 2015. Though interest income dropped to ₱231.3 million in 2015 from ₱250.1 million in 2014 on account of declining interest rates, this was more than offset by greater gains on the sale of available-for-sale financial assets (₱215.1 million in 2015 vs. ₱101.3 million), an increase in dividend income (₱47.7 million vs. ₱41.8 million), and better foreign exchange gains (₱19.5 million vs. ₱11.5 million).

In all, net income improved from ₱8.4 million in 2014 to ₱179.1 million in 2015.

OUTLOOK FOR 2016

In the coming years, the global market for reinsurance is expected to remain challenging. In a December 2015 report, AM Best maintained their outlook for the global reinsurance industry at negative, and mentioned that this view is applicable for a term longer than their typical 12-18 month timeframe. They cited several reasons for this assessment, including "...declining rates, broader terms and conditions, unsustainable flows of net favorable loss reserve development, low investment yields, and continued pressure from convergence capital."

Accordingly, your company will continue to embark on a number of initiatives. We will carry on our efforts to strengthen our core competencies in reinsurance underwriting and catastrophe management. We will also diversify our portfolio by cautiously taking steps to add lines of business (for example, health insurance and mortgage redemption insurance) and to write more business in other Asian countries. Lastly, we will continue to manage our payables and receivables, especially in light of the adoption of new regulations related to reserving and capital requirements – in particular, the adoption of the Risk Based Capital (RBC) Framework 2. Ahead of these imminent developments, we have maintained our financial strength rating of "B++ (Good)" from A.M. Best, which reaffirmed its rating in April 2016.

These initiatives, along with our commitment to strengthening our underwriting capabilities and streamlining our risk portfolio, will help ensure that – amid the current political situation and the possibility of further regulatory or policy changes – your company will maintain the solid growth that it has achieved this year.

In closing, we would like to thank you, our stockholders, for your continued support in our efforts to turn this company into the world's best small national reinsurer.

HELEN Y. DEE
Board Chair

AUGUSTO P. HIDALGO
CEO

Board of Directors

Helen Y. Dee
Chairperson of the Board

Robert G. Vergara
Vice Chairman

Augusto P. Hidalgo
President and CEO

Gregorio T. Yu
Director and Treasurer

Cezar P. Consing
Director

Rafael G. Ayuste, Jr.
Director

Yvonne S. Yuchengco
Director

Joli Co Wu
Director

Simon R. Paterno
Director

Roman Felipe S. Reyes
Director

Romeo L. Bernardo
Independent Director

Ermilando D. Napa
Independent Director

Medel T. Nera
Independent Director

Rafael C. Gallaga
Advisor

Corporate Secretary
NOEL A. LAMAN

Assistant Corporate Secretary
MA. PILAR M. PILARES-GUTIERREZ

External Auditor
PUNONGBAYAN & ARAULLO

External Legal Counsel
CASTILLO LAMAN TAN
PANTALEON
& SAN JOSE LAW OFFICES

Management Team

EXECUTIVE SERVICES

AUGUSTO P. HIDALGO
President & Chief Executive Officer

REGINA S. RAMOS
Vice President &
Head of Compliance

SANTINO U. SONTILLANO
Assistant Vice President
Head of Internal Audit

LIFE REINSURANCE

VICTOR R. TANJUAKIO
First Vice President & Head

BLESILDA S. BESABE
Senior Assistant Vice President

MARIA PERPETUA PALMYRA T. KARO
Assistant Vice President

NON-LIFE REINSURANCE

ALEXANDER L. REYES
Senior Vice President & Head

EDEN R. TESORO
Vice President

DINO A. DE LEON
Assistant Vice President

INVESTMENTS

JOHN E. HUANG
Senior Vice President & Head

DAISY C. SALONGA
Senior Assistant Vice President

SHARED SERVICES

REGINA LOURDES D. PAPA
Senior Assistant Vice President
& Head of Human Resources

JEFFREY R. LACSON
Senior Assistant Vice President
& Head of Management Accounting
and Project/Support Office

CLAUDIA KAREN S. FIDELINO
Assistant Vice President
& Head of Technical Accounting

HONORATA S. LUCOS
Assistant Vice President

EDITHA B. GERONIMO
Assistant Vice President

Standing left to right:
Victor R. Tanjuakio, Regina Lourdes D. Papa
Jeffrey R. Lacson, Augusto P. Hidalgo, John E. Huang
Regina S. Ramos, Alexander L. Reyes

Seated left to right:
Eden R. Tesoro, Claudia Karen S. Fidelino

In 2015, the Philippine economy continued to grow, contributing to the insurance industry's strong performance for the year. This healthy macro-environment, and NRCP's sustained efforts to strengthen its underwriting capabilities and streamline its risk portfolio, led to a significant increase in your company's net income, which improved from P8.4 million in 2014 to P179.1 million in 2015. Your company has also worked on developing new lines of business, and has maintained its financial strength of "B++ (Good)" from A.M. Best, which reaffirmed its rating in April 2016.

REPORT OF THE AUDIT COMMITTEE

For the Year Ended December 31, 2015

In line with Article V. Board Committees of the Amended By-Laws of the National Reinsurance Corporation of the Philippines (PhilNaRe, the "Company"), the Audit Committee assists the Board of Directors in carrying out its responsibilities as they relate to the oversight of the Company's financial and operational risks, internal control, internal audit function, independent auditors, legal or regulatory compliance, corporate governance, risk management process and fraud risks.

The Audit Committee's roles and responsibilities are likewise defined in the Audit Committee Charter approved by the Company's Board of Directors (Board).

In compliance with the Audit Committee Charter, we confirm that:

- The Audit Committee was composed of **three (3) independent directors**;
- We had **five (5)** meetings during the year. The Company's President & Chief Executive Officer (CEO) and other members of Management attended the Committee meetings. External subject experts, such as the appointed Independent External Auditors and other consultants, were also invited to the meetings.
- The Committee met with the Internal Audit Head and the Independent External Auditors in private sessions during the year.
- We have reviewed and discussed the quarterly unaudited financial statements and the audited annual financial statements of the Company, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, with the Management, who has the primary responsibility for the financial statements and the financial reporting process, the Internal Audit, and with Punongbayan & Araullo (P&A), the Independent External Auditor, who is responsible for expressing an opinion on the conformity of the Company's audited financial statements with Philippine Financial Reporting Standards (PFRS);
- We have reviewed and discussed the adequacy of the Company's enterprise risk management framework and risk management processes specific to financial statement reporting, business continuity, fraud, revenue assurance and regulatory risks with Management who is primarily responsible for the risk management process;
- We have reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of noncompliance;
- We have discussed and approved the overall scope and plans for the respective audit reviews of the Internal Auditors and P&A. We have also discussed the results of their audits and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- We have reviewed and discussed the reports of the Internal and Independent External Auditors ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing internal control and any regulatory compliance issues;
- We have reviewed the effectiveness of the internal audit function, ensuring compliance with the International Standards for the Professional Practice of Internal Auditing (ISSPIA), and the <u>Internal Audit's annual</u> and quarterly <u>reports</u> to the Audit Committee covering:
  - Work plan and Key Performance Indicators (KPI) Accomplishments
  - Critical Risk Areas, including investigative reviews and resolutions
  - Organizational Structure, Resource Utilization and Staff Competencies
- We have reviewed and recommended for Board approval the audit services of P&A and approved audit-related and permitted non-audit services provided by P&A to the Company and the related fees for such services, in accordance with existing policies, standards, and regulatory requirements, and concluded that the non- audit fees are not significant to impair their independence.
- <u>We have evaluated the performance of the Committee, for the year ended December 31, 2015 and benchmarked the practices against the expectations set out in the Audit Committee Charter.</u> We have ascertained that the Audit Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Manual of Corporate Governance and other relevant regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations of our roles and responsibilities, the Audit Committee recommended to the Board of Directors the inclusion of the audited financial statements in the December 31, 2015 Annual Report, filed with the Securities and Exchange Commission.

<u>Considering the independent auditor's performance and qualifications, we recommended to the Board of Directors, subject for ratification of the Stockholders during the annual stockholders meeting, the re-appointment of Punongbayan & Araullo as the Company's Independent Auditor for the year 2016.</u>

By the Audit Committee:

Ermilando D. Napa Chairman	Romeo L. Bernardo Member	Medel T. Nera Member

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

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Website: www.nrcp.com.ph * E-mail: nrcp@nrcp.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of National Reinsurance Corporation of the Philippines (the Company), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014 in accordance with Philippine Financial Reporting Standards, including the following additional components attached therein:

a. Supplementary schedules required under Annex 68-E of the SRC
b. Reconciliation of retained earnings available for dividend declaration
c. List of standard and interpretations under Philippine Financial Reporting Standards as of December 31, 2015

This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Helen Y. Dee
Chairperson of the Board

Augusto P. Hidalgo
President & Chief Executive Officer

Gregorio T. Yu
Treasurer

Jeffrey R. Lacson
Senior Assistant Vice President &
Head of Management Accounting

SUBSCRIBED AND SWORN TO before me this 14th day of April 2016 at the City of Makati. Affiants exhibited to me their passport numbers.

Name	Passport No.	Date Issued	Place of issue
Helen Y. Dee	EB9694250	27 November 2013	DFA Manila
Gregorio T. Yu	EB3830518	10 October 2011	DFA Manila
Augusto P. Hidalgo	EB5668453	15 June 2012	PCG Toronto
Jeffrey R. Lacson	EB4445482	14 January 2012	DFA Manila

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Book No. 153
Series of 2016

ATTY. ROBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1009529, Sept. 24, 2015-RSM
PTR #5321594, Jan. 04, 2016-Makati
S.C. Roll No. 23597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
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Financial Statements and Independent Auditors' Report

National Reinsurance Corporation of the Philippines

December 31, 2015, 2014 and 2013

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20th Floor, Tower 1
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1200 Makati City
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Report of Independent Auditors

The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor Ayala Life FGU Center
6811 Ayala Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of National Reinsurance Corporation of the Philippines, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, 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 National Reinsurance Corporation of the Philippines as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

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Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2015 required by the Bureau of Internal Revenue as disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5321731, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 8, 2016

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(With Corresponding Figures as at January 1, 2014)
(Amounts in Philippine Pesos)

	Notes	December 31, 2015	December 31, 2014 (As Restated – see Note 2)	January 1, 2014 (As Restated – see Note 2)
A S S E T S				
CASH AND CASH EQUIVALENTS	5	₱ **1,047,472,576**	₱ 886,643,838	₱ 605,045,799
REINSURANCE BALANCES RECEIVABLE - Net	6	**5,343,416,633**	5,948,142,591	7,389,171,668
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	**5,728,375,588**	6,107,737,706	6,391,696,049
LOANS AND RECEIVABLES	8	**306,791,128**	322,338,295	320,047,429
PROPERTY AND EQUIPMENT - Net	9	**71,867,335**	76,346,345	102,753,246
DEFERRED ACQUISITION COSTS	10	**147,743,688**	150,257,105	85,207,534
DEFERRED REINSURANCE PREMIUMS	10	**386,743,932**	356,285,616	218,898,489
OTHER ASSETS	11	**406,384,402**	339,770,444	329,960,974
TOTAL ASSETS		₱ **13,438,795,282**	₱ 14,187,521,940	₱ 15,442,781,188
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	6	₱ **7,438,085,066**	₱ 8,019,241,944	₱ 9,787,726,188
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	12	**124,375,166**	151,554,847	137,729,054
PREMIUM LIABILITIES	10	**924,871,533**	866,875,910	541,893,656
DEFERRED REINSURANCE COMMISSIONS	10	**44,225,101**	36,251,613	23,587,283
TOTAL LIABILITIES		**8,531,556,866**	9,073,924,314	10,490,936,181
EQUITY	17	**4,907,238,416**	5,113,597,626	4,951,845,007
TOTAL LIABILITIES AND EQUITY		₱ **13,438,795,282**	₱ 14,187,521,940	₱ 15,442,781,188

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 SCES
RECEIVED
LAUREN MAY L. ALIGANTE

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	2015	2014 (As Restated – see Note 2)	2013 (As Restated – see Note 2)
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	18	₱ 2,182,359,780	₱ 2,747,078,557	₱ 2,561,126,445
Retroceded premiums	18	1,254,410,812	1,724,793,648	1,741,505,765
Reinsurance premiums retained		927,948,968	1,022,284,909	819,620,680
Decrease (increase) in premium liabilities	10	(27,537,307)	(187,595,127)	10,936,328
		900,411,661	834,689,782	830,557,008
UNDERWRITING DEDUCTIONS	14			
Share in claims and losses - net		416,389,040	616,278,781	969,018,388
Commissions - net		255,082,791	290,153,372	289,904,723
		671,471,831	906,432,153	1,258,923,111
NET UNDERWRITING INCOME (LOSS)		228,939,830	(71,742,371)	(428,366,103)
INVESTMENT AND OTHER INCOME - Net	13	507,267,145	433,166,382	664,399,633
PROFIT AFTER INVESTMENT AND OTHER INCOME		736,206,975	361,424,011	236,033,530
GENERAL AND ADMINISTRATIVE EXPENSES	15	503,290,546	300,183,899	468,494,074
PROFIT (LOSS) BEFORE TAX		232,916,429	61,240,112	(232,460,544)
TAX EXPENSE	16	53,782,989	52,853,880	55,281,861
NET PROFIT (LOSS)		₱ 179,133,440	₱ 8,386,232	(₱ 287,742,405)
Earnings (Loss) Per Share - Basic and diluted	21	₱ 0.084	₱ 0.004	(₱ 0.135)

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 SCES
RECEIVED
LAUREN MAY L. ALIGANTE

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	2015	2014 (As Restated – see Note 2)	2013 (As Restated – see Note 2)
NET PROFIT (LOSS)		₱ 179,133,440	₱ 8,386,232	(₱ 287,742,405)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit liability	15	10,432,221	27,902,377	(10,394,122)
Items that are and will be reclassified subsequently to profit or loss	7			
Fair valuation of available-for-sale (AFS) financial assets				
Fair value gains (losses) during the year		(170,754,065)	156,523,885	(41,637,686)
Fair value gains on disposal of AFS financial assets reclassified to profit or loss		(225,170,806)	(31,059,875)	(169,428,132)
		(395,924,871)	125,464,010	(211,065,818)
Total Other Comprehensive Income (Loss)		(385,492,650)	153,366,387	(221,459,940)
TOTAL COMPREHENSIVE INCOME (LOSS)		(₱ 206,359,210)	₱ 161,752,619	(₱ 509,202,345)

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 SCES
RECEIVED
LAUREN MAY L. ALIGANTE

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	Capital Stock: No. of Shares	Capital Stock: Amount	Additional Paid-in Capital	Treasury Shares - At Cost	Revaluation Reserves: Available-for-sale Financial Assets	Revaluation Reserves: Remeasurements of Defined Benefit Liability	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2015									
As previously reported		2,181,954,600	₱ 2,181,954,600	₱ 3,019,218,458	(₱ 100,525,432)	₱ 330,285,833	(₱ 73,800,095)	₱ 197,783,274	₱ 5,554,916,638
Prior period restatements	2	-	-	-	-	-	-	(441,319,012)	(441,319,012)
As restated		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	330,285,833	(73,800,095)	(243,535,738)	5,113,597,626
Total comprehensive income (loss) for the year	7, 15	-	-	-	-	(395,924,871)	10,432,221	179,133,440	(206,359,210)
Total equity as at December 31, 2015		**2,181,954,600**	**₱ 2,181,954,600**	**₱ 3,019,218,458**	**(₱ 100,525,432)**	**(₱ 65,639,038)**	**(₱ 63,367,874)**	**(₱ 64,402,298)**	**₱ 4,907,238,416**
Balance as at January 1, 2014									
As previously reported		2,181,954,600	₱ 2,181,954,600	₱ 3,019,218,458	(₱ 100,525,432)	₱ 204,821,823	(₱ 101,702,472)	₱ 484,672,871	₱ 5,688,439,848
Prior period restatements	2	-	-	-	-	-	-	(736,594,841)	(736,594,841)
As restated		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	204,821,823	(101,702,472)	(251,921,970)	4,951,845,007
Total comprehensive income for the year	7, 15	-	-	-	-	125,464,010	27,902,377	8,386,232	161,752,619
Total equity as at December 31, 2014		2,181,954,600	₱ 2,181,954,600	₱ 3,019,218,458	(₱ 100,525,432)	₱ 330,285,833	(₱ 73,800,095)	(₱ 243,535,738)	₱ 5,113,597,626
Balance as at January 1, 2013									
As previously reported		2,181,954,600	₱ 2,181,954,600	₱ 3,019,218,458	(₱ 100,525,432)	₱ 415,887,641	(₱ 91,308,350)	₱ 508,416,481	₱ 5,933,643,398
Prior period restatements	2	-	-	-	-	-	-	(430,123,934)	(430,123,934)
As restated		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	415,887,641	(91,308,350)	78,292,547	5,503,519,464
Cash dividends	17	-	-	-	-	-	-	(42,472,112)	(42,472,112)
Total comprehensive loss for the year	7, 15	-	-	-	-	(211,065,818)	(10,394,122)	(287,742,405)	(509,202,345)
Total equity as at December 31, 2013		2,181,954,600	₱ 2,181,954,600	₱ 3,019,218,458	(₱ 100,525,432)	₱ 204,821,823	(₱ 101,702,472)	(₱ 251,921,970)	₱ 4,951,845,007

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 SCES
RECEIVED
LAUREN MAY L. ALIGANTE

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	2015	2014 (As Restated – see Note 2)	2013 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		₱ 232,916,429	₱ 61,240,112	(₱ 232,460,544)
Adjustments for:				
Interest income	13	(231,297,911)	(250,119,737)	(298,209,165)
Impairment losses	6, 15	220,391,105	31,122,832	236,932,939
Gain on sale of available-for-sale financial assets	13	(215,133,833)	(101,284,924)	(327,352,764)
Dividend income	13	(47,659,949)	(41,831,599)	(34,303,900)
(Decrease) increase in premium liabilities	10	27,537,307	187,595,127	(10,936,328)
Depreciation and amortization	9, 11, 15	24,073,131	33,569,191	34,481,368
Unrealized foreign exchange loss (gain)		(3,639,300)	(6,756,940)	2,622,301
Gain on sale of property and equipment	9, 13	(171,782)	(33,209,877)	-
Operating profit (loss) before working capital changes		7,015,197	(119,675,815)	(629,226,093)
Decrease (increase) in reinsurance balances receivable		433,010,531	1,354,204,779	(475,062,829)
Decrease (increase) in loans and receivables		2,599,065	(8,640,326)	384,928,134
(Decrease) increase in deferred acquisition costs		10,486,905	(52,385,241)	(8,181,969)
(Increase) in other assets		(64,540,065)	(30,239,623)	(47,431,520)
Increase (decrease) in reinsurance balances payable		(641,896,904)	(1,703,350,059)	589,830,592
Increase (decrease) in accounts payable and accrued expenses		(27,172,391)	41,728,170	(112,659,112)
Cash used in operations		(280,497,662)	(518,358,115)	(297,802,797)
Cash paid for income taxes	16	(53,782,989)	(52,853,880)	(55,281,861)
Net Cash Used in Operating Activities		(334,280,651)	(571,211,995)	(353,084,658)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
Available-for-sale financial assets	7	5,172,530,259	1,833,198,966	3,905,563,050
Property and equipment	9	932,357	62,112,569	1,607,354
Interest received		244,246,013	256,094,817	307,987,449
Dividends received	13	47,659,949	41,831,599	34,303,900
Acquisitions of:				
Available-for-sale financial assets	7	(4,961,897,763)	(1,322,097,053)	(4,477,286,405)
Property and equipment	9	(8,307,062)	(14,497,689)	(2,298,273)
Intangible assets	11	(3,689,306)	(1,137,140)	(2,401,348)
Net Cash From (Used in) Investing Activities		491,474,447	855,506,069	(232,524,273)
CASH FLOWS FROM A FINANCING ACTIVITY				
Payments of dividends	17	(7,290)	-	(39,929,576)
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		3,642,232	(2,696,035)	4,085,033
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		160,828,738	281,598,039	(621,453,474)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		886,643,838	605,045,799	1,226,499,273
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱ 1,047,472,576	₱ 886,643,838	₱ 605,045,799

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

National Reinsurance Corporation of the Philippines (the Company) was incorporated on June 7, 1978 by virtue of Presidential Decree No. 1270 (the Decree), as a domestic professional reinsurance firm to provide life and non-life reinsurance capacity to the Philippines and neighboring insurance markets. Under the Decree, it became the vehicle for the Philippine insurance industry's participation in the Asian Reinsurance Corporation (ARC), a multi-government-initiated reinsurance entity, based in Bangkok, Thailand, which was established to foster regional cooperation among insurance companies doing business in Asia. The Company's shares are listed in the Philippine Stock Exchange (PSE).

The Company's registered office and principal place of business is located at 31st floor BPI-PhilAm Life Makati (formerly Ayala Life FGU Center) 6811 Ayala Avenue, Makati City.

The financial statements of the Company as at and for the year ended December 31, 2015 (including the comparative financial statements as at and for the years ended December 31, 2014 and 2013 and the corresponding figures as at January 1, 2014) were authorized for issue by the Company's Board of Directors (BOD) on April 8, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income in two statements: a statement of income and a statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In relation to the new Insurance Commission (IC) Circular Letter No. 2015-32, *Valuation Standards for Non-Life Insurance Policy Reserves,* the Company early adopted the inclusion of Margin of Adverse Deviation (MfAD) as a percentage of the total outstanding losses, incurred but not reported losses (IBNR) best estimate and loss adjustment expenses payable to allow for inherent uncertainty of the best estimate of the policy reserves. Also, in 2015, the Company adopted a new method of determining the IBNR from Chain Ladder method to Bornhuetter-Ferguson (BF) method. The BF method compromises between loss development and expected loss ratio which is suitable for new or volatile lines of business and does not focus on early claims in determining the amount of the reserve. Accordingly, the Company restated the comparative financial statements as at December 31, 2014 and for the years ended December 31, 2014 and 2013, and presented a third statement of financial position as at January 1, 2014 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Company also restated certain assets, liabilities, income and expense accounts arising from the change in the timing of the application of the 24th method for the recognition of premium revenue and the related commission expense, and retroceded premium and the related commission income. The effects of the foregoing restatements on the affected accounts in the statements of financial position as at December 31, 2014 and January 1, 2014 are shown below and in the succeeding page.

	December 31, 2014		
	As Previously Reported	Prior Period Restatements	As Restated
Change in assets:			
Reinsurance receivable balances – net	₱ 5,175,072,044	₱ 773,070,547	₱ 5,948,142,591
Deferred acquisition costs	49,322,031	100,935,074	150,257,105
Deferred reinsurance premiums	142,058,572	214,227,044	356,285,616
Other assets	344,446,320	(4,675,876)	339,770,444
Change in liabilities:			
Reinsurance balances payable	(6,974,870,479)	(1,044,371,465)	(8,019,241,944)
Premium liabilities	(411,855,614)	(455,020,296)	(866,875,910)
Deferred reinsurance commissions	(10,767,573)	(25,484,040)	(36,251,613)
Net decrease in equity		(₱ 441,319,012)	
Change in equity:			
Equity	(₱ 5,554,916,638)	₱ 441,319,012	(₱ 5,113,597,626)

	January 1, 2014		
	As Previously Reported	Prior Period Restatements	As Restated
Change in asset –			
Reinsurance receivable balances – net	₱ 6,548,123,440	₱ 841,048,228	₱ 7,389,171,668
Change in liability –			
Reinsurance balances payable	(8,210,083,119)	(1,577,643,069)	(9,787,726,188)
Net decrease in equity		(₱ 736,594,841)	
Change in equity –			
Equity	(₱ 5,688,439,848)	₱ 736,594,841	(₱ 4,951,845,007)

The effects of the change in adoption of a new method in determining IBNR, early adoption of the MfAD requirement, and certain adjustments on the timing of the application of the 24th method for the recognition of premium revenue and the related commission expense, and retroceded premium and the related commission income for the years ended December 31, 2014 and 2013 are shown below.

	For the Year Ended December 31, 2014		
	As Previously Reported	Prior Period Restatements	As Restated
Decrease (increase) in premium liabilites	₱ 53,198,125	(₱ 240,793,252)	(₱ 187,585,127)
Share in claims and losses	(1,081,572,704)	465,293,923	(616,278,781)
Commissions – net	(365,604,406)	75,451,034	(290,153,372)
Tax expenses	(48,178,004)	(4,675,876)	(52,853,880)
Net increase in net profit		₱ 295,275,829	

	For the Year Ended December 31, 2013		
	As Previously Reported	Prior Period Restatements	As Restated
Share in claims and losses	(₱ 662,547,481)	(₱ 306,470,907)	(₱ 969,018,388)
Net decrease in net profit		(₱ 306,470,907)	

The summary of the restatements and its impact to retained earnings (deficit) are presented below.

	December 31, 2014	December 31, 2013	January 1, 2013
As previously reported	₱ 197,783,274	₱ 484,672,871	₱ 508,416,481
Early adoption of IC Circular 2015-32	(271,300,918)	(736,594,841)	(430,123,934)
Change in timing of the 24th method application	(170,018,094)	-	-
	(441,319,012)	(736,594,841)	(430,123,934)
As restated	(₱ 243,535,738)	(₱ 251,921,970)	₱ 78,292,547

The above restatements also affected the earnings (loss) per share from P0.140 loss per share to P0.004 earnings per share (EPS) in 2014 and P0.010 EPS to P0.135 loss per share in 2013.

The effect of restatements made in the Company's statements of cash flows for the years ended December 31, 2014 and 2013 are shown below.

	For the Year Ended December 31, 2014		
	As Previously Reported	Prior Period Restatements	As Restated
Impact on cash flows from operating activities:			
Profit (loss) before tax	(₱ 238,711,593)	₱ 299,951,705	₱ 61,240,112
Decrease (increase) in reinsurance balances receivable	1,286,227,098	67,977,681	1,354,204,779
(Decrease) increase in premium liabilities	(53,198,125)	240,793,252	187,595,127
(Decrease) increase in deferred acquisition costs	23,065,793	(75,451,034)	(52,385,241)
Increase in other assets	(34,915,499)	4,675,876	(30,239,623)
Decrease in reinsurance balances payable	(1,170,078,455)	(533,271,604)	(1,703,350,059)
Cash paid for income taxes	(48,178,004)	(4,675,876)	(52,853,880)
		₱ -	

	For the Year Ended December 31, 2013		
	As Previously Reported	Prior Period Restatements	As Restated
Impact on cash flows from operating activities:			
Profit (loss) before tax	₱ 74,010,363	(₱ 306,470,907)	(₱ 232,460,544)
Decrease (increase) in reinsurance balances receivable	365,985,399	(841,048,228)	(475,062,829)
Decrease in reinsurance balances payable	(557,688,543)	1,147,519,135	589,830,592
		₱ -	

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Company

The Company adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below and in the succeeding page are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Company's financial statements since the Company's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, made minor amendments to a number of PFRS. Among those improvements, the following amendments shown in the succeeding page are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify the existing requirements.

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation* and PAS 38 (Amendment), *Intangible Assets – Proportionate Restatement of Accumulated Amortization.* The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures – Disclosure of Key Management Personnel*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement – Scope of Portfolio Exception*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

- PAS 40 (Amendment), *Investment Property – Clarifying the Interrelationship between* PFRS 3 *and* PAS 40. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations – Scope Exceptions for Joint Ventures*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

(b) Effective in 2015 that are not Relevant to the Company

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Company's financial statements:

PFRS (2010-2012 Cycle)		
PFRS 2 (Amendment)	:	Share-based Payment – Definition of Vesting Condition
PFRS 3 (Amendment)	:	Business Combinations – Accounting for Contingent Consideration in a Business Combination
PFRS 8 (Amendments)	:	Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
PFRS (2011-2013 Cycle)		
PFRS 3 (Amendment)	:	Business Combinations – Scope Exceptions for Joint Ventures

(c) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Company but management does not expect these to have material impact on the Company's financial statements:

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits – Discount Rate*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Reinsurance Contract Assets

(a) Due from Ceding Companies

Due from ceding companies refers to the premiums receivable from the cedants as a result of treaty and facultative acceptances and is presented as part of Reinsurance Balances Receivable in the statement of financial position.

(b) Deferred Acquisition Costs

Deferred acquisition costs are cost that vary with and are primary related to the acquisition of new and renewal of existing reinsurance contracts such as commissions are deferred and charged to expense in proportion to premium revenue recognized. The unamortized acquisition costs are presented as part of asset in the statement of financial position as Deferred Acquisition Costs.

Subsequent to initial recognition, these deferred costs are amortized using the 24th method and is charged against income.

(c) Deferred Reinsurance Premiums

Deferred reinsurance premiums represent unexpired portion of reinsurance premiums retroceded using the 24th method. The unamortized portion is presented as part of asset in the statement of financial position.

Subsequent to initial recognition, these deferred reinsurance premiums are amortized using the 24th method and is charged against income.

(d) Reinsurance Recoverable on Paid and Unpaid Losses

The Company retrocedes insurance risk in the normal course of business. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Balances recoverable from reinsurance companies on paid and unpaid losses are presented as part of Reinsurance Balances Receivable in the statement of financial position.

(e) Funds Held by Ceding Companies

Funds held by ceding companies pertain to the portion of reinsurance premiums withheld by ceding companies in accordance with treaty and facultative agreements and is presented as part of Reinsurance Balances Receivable in the statement of financial position.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recognized in profit or loss.

Retroceded reinsurance agreements do not relieve the Company from its obligations to ceding companies.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsured were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance receivables and recoveries are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets that are relevant to the Company is as follows:

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Company provides money or services directly to a debtor with no intention of trading the receivables.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Reinsurance Balances Receivable, and Loans and Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's AFS financial assets include listed equity securities, government and corporate bonds, and golf club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses relating to financial assets that are recognized in profit or loss are presented as part of Investment and Other Income account in the statement of income, except for impairment losses which are presented as part of General and Administrative Expenses account.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Condominium units	40 years
Office improvements	10 years
Office furniture and equipment	5 years
Transportation equipment	5 years
Electronic data processing (EDP) equipment	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further charge of depreciation is made in respect of those assets.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.6 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

2.7 Investment Property

Investment property (included as part of Other Assets) is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Except for land, investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The cost of the investment property comprises its purchase price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Depreciation is computed using the straight-line basis over the estimated useful life of the properties which is ten years.

The carrying amount of investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of income in the year of retirement or disposal.

2.8 Intangible Assets

Intangible assets (presented as part of Other Assets account) include acquired software licenses which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over five years as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.19.

Acquired computer software licenses are capitalized on the cost incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Reinsurance Contract Liabilities

(a) Premium Liabilities

Premium Liabilities refer to all future claim payments arising from future events after the valuation date that are insured under unexpired policies, as well as expenses for policy management and claims settlement, and is computed as the higher of the Unearned Premium Reserves (UPR) and Unexpired Risk Reserves (URR) at a designated level of confidence, on both gross and net of reinsurance basis. UPR is the reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date; and is recognized as revenues over the period of the contracts using the 24th method. URR is an estimate of the total liability (including expenses), at a designated level of confidence, in respect of the risk after the valuation date of policies written prior to that date including expenses for policy management and claims settlement costs.

A computation should be performed to determine whether the unexpired risk reserve required is greater or less than the unearned premium reserve at the gross of reinsurance basis. If the unexpired risk reserve is greater, then the difference should be booked as an additional reserve on top of the unearned premium reserve.

(b) Claims Provision and IBNR Losses

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduced for the expected value of salvage and other recoveries. Delays can be experience in the notification and settlement of certain types of claims, therefore the ultimate cost of which, cannot be known with certainty at the end of the reporting period. No provision for equalisation or catastrophic reserve is recognized. The liability is derecognized when the contract expires, is discharged or is cancelled.

(c) Liability Adequacy Test

At end of each reporting period, liability adequacy tests are performed, to ensure the adequacy of reinsurance contract liabilities, net of related Deferred Acquisition Costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is charged to profit or loss. The reinsurance contract liability is increased to the extent that the future claims and expense in respect of current insurance contracts exceed future premiums.

2.10 Financial Liabilities

Financial liabilities, which include Reinsurance Balances Payable and Accounts Payable and Accrued Expenses [excluding deferred output value-added tax (VAT), defined benefit liability and other taxes payable], are recognized when the Company becomes a party to the contractual terms of the agreement. All interest-related charges are recognized as an expense in the statement of income.

Reinsurance Balances Payable and Accounts Payable and Accrued Expenses are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria as described in the succeeding page must also be met before revenue is recognized.

(a) *Reinsurance premiums* – Premiums from short duration insurance contracts are recognized over the period of the contracts using the "24^{th} method", except for revenues from marine cargo risks wherein the premiums written during the first ten months of the current year and the last two months of the preceding year are recognized as revenue in the current year. The "24^{th} method" assumes that the average date of issue of all policies written during any one month is the middle of that month. Accordingly, $1/24^{th}$ of the net premiums are considered earned in the month the reinsurance contracts are issued and $2/24^{th}$ for every month thereafter (or $1/24^{th}$ for every 15-day period after the issue month). The portion of the gross reinsurance premiums that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as Premium Liabilities and is presented in the liability section of the statement of financial position while the portion of the retroceded reinsurance premiums that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as Deferred Reinsurance Premiums and is presented in the asset section of the statement of financial position. The net changes in the account Premium Liabilities and Deferred Reinsurance Premiums between the end of the reporting periods are recognized in the statement of income.

(b) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(c) *Dividend income* – Revenue is recognized when the Company's right to receive the payment is established.

(d) *Gain on sale of assets* – Revenue is recognized when the risks and rewards of ownership of the investments have passed to the buyer.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.14 Claim Costs Recognition

Share in claims and losses relating to insurance contracts are accrued when insured events occur. They arise from events that have occurred up to reporting date even if they have not yet been reported to the Company. The share in claims (including those for IBNR) are based on the estimated ultimate cost of settling the claims and are not discounted for time value of money. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverables. Recoveries on settled and unsettled claims are recognized in statement of income in the period the claims are made and are presented as part of Reinsurance Balances Receivable account in the statement of financial position [see Note 2.3(d)].

2.15 Acquisition Costs

Costs that vary with and are primarily related to the acquisition of new and renewal reinsurance contracts such as commissions, certain underwriting costs and inspection fees, are deferred and charged to expense in proportion to reinsurance premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as Deferred Acquisition Costs.

2.16 Commissions on Retrocessions

Commissions on retrocessions are deferred and are subjected to the same amortization method as the related acquisition costs. Deferred portion are presented in the statement of financial position as Deferred Reinsurance Commissions.

2.17 Leases – Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.18 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as part of profit or loss from operations.

2.19 Impairment of Non-financial Assets

The Company's property and equipment, investment property and intangible assets (presented as part of Other Assets in the statement of financial position) are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value-in-use. In determining value-in-use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements.

Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability and asset recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation (asset) is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance costs account under General and Administrative Expenses in the statement of income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accounts Payable and Accrued Expenses account in the statements of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.21 Income Taxes

Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.22 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close member of the family of any such individual; and, (d) the Company's retirement plan.

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

2.23 Equity

Capital stock represents the nominal value of shares that have been issued or reissued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of defined benefit liability.

Retained earnings (deficit) represent all current and prior period results of operations as reported in the statement of income, reduced by the amounts of dividends declared.

2.24 Earnings (Loss) Per Share

Basic earnings (loss) per share is determined by dividing net profit (loss) by the weighted average number of shares issued, adjusted for stock dividends and stock split, less shares held in treasury during the period.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.25 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstance affecting the Company's AFS financial assets, management concluded that AFS financial assets are not impaired as at December 31, 2015, 2014 and 2013. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction Between Investment Properties and Owner-managed Properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

Some properties comprise a portion that is held to earn rental and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

(c) Distinction Between Operating and Finance Leases

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, the Company's existing lease was determined to be an operating lease.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Reinsurance Balances Receivable and Loans and Receivables

Adequate amount of allowance for impairment is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of reinsurance balances receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6. The carrying value of loans and receivables is shown in Note 8.

(b) Fair Value Measurement of Financial Assets Other than Loans and Receivables

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

The carrying values of the Company's AFS financial assets and the amounts of fair value changes recognized are disclosed in Note 7.

(c) Estimation of Useful Lives of Property and Equipment, Investment Property and Intangible Assets

The Company estimates the useful lives of property and equipment, investment property and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment property and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 9, and of investment property and intangible assets in Note 11. Based on management's assessment as at December 31, 2015 and 2014, there is no change in the estimated useful lives of those assets during these years. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

(d) Impairment of Non-financial Assets

The Company's policy on estimating the impairment of non-financial assets is discussed in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2015, 2014 and 2013.

(e) Determination Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. As at December 31, 2015, 2014 and 2013, no deferred tax assets were recognized by the Company since management believes that they will not be able to utilize the amount prior to its expiration (see Note 16).

(f) Valuation of Post-employment Defined Benefit

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 15.2.

(g) Valuation of Reinsurance Contract Liabilities

The Company estimates the cost of IBNR through the use of past claims settlement trends to predict future claims settlement trends and the estimate of the ultimate loss. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities are not discounted for the time value of money.

The principal assumption underlying the liability estimates is that the Company's future claims development will depend on the estimate of the ultimate loss during a period of time for a particular risk exposure and then estimate the percentage of this ultimate loss that was not reported at that time. The Company's liability estimates as ascertained by an independent actuary is determined by calculating the estimated loss as the sum of reported loss plus IBNR, with IBNR calculated as the estimated ultimate loss multiplied by the percentage of loss that is unreported. The Company also included MfAD as a percentage of the total outstanding losses, IBNR best estimate and loss adjustment expenses payable, to allow for inherent uncertainty of the best estimate of the policy reserves.

Additional qualitative judgments are used by the independent actuary to assess the extent to which the full tail of the claims development is influenced by the different factors, for example, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix and policy conditions. Judgment is further used to assess the extent to which external factors such as juridical decisions and government legislation affect the estimates.

As at December 31, 2015, 2014 and 2013, the carrying values of provision for claims reported and IBNR are recognized as Claims payable under Reinsurance Balances Payable account that is presented in Note 6 to the financial statements.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's main risk mitigation strategies generally include adoption of underwriting and investment policies and guidelines, annual budget provision and internal audit checks and assessments.

The Company's risk management, in close cooperation with the respective duly constituted Board Committees on Underwriting, Investment and Budget, Risk Oversight and Audit, focuses on implementing risk control measures addressing underwriting acceptances, claims control, securing short to medium-term cash flows by minimizing exposure to financial markets while managing long-term financial investments to generate lasting returns.

The most significant financial risks to which the Company may be exposed to are described below and in the succeeding pages.

4.1 Reinsurance Risk

As a professional reinsurer, the Company underwrites reinsurance business from life and non-life insurance companies and intermediaries, with the objective of realizing profits and being a dependable partner to its clients. To attain this objective, it is essential for the Company to have a balanced portfolio, wherein there is diversification of risks. For non-life business, each risk that is accepted or treaty arrangement entered into is carefully evaluated based on the Company's underwriting guidelines, such as maximum limits per type of risk, existing exposures, premium adequacy, financial condition of the client and the like.

The Company's retention on the larger risks that the Company accepts, or possible accumulation of the same in a given area, including losses that could arise from catastrophes such as earthquakes and typhoons, is protected by an excess of loss coverage to limit the Company's exposure up to a specified amount. Significant risk concentrations may result in potential losses not only in certain areas but also within a particular type of business such as property, motor car and casualty. The Company therefore always monitors and controls its exposures in various lines.

The Company's reinsurance and retroceded premiums per line of risk for the years ended are shown below.

	Reinsurance Premiums	Retroceded Premiums	Retention
December 31, 2015			
Fire	₱ 970,312,071	₱ 793,769,600	₱ 176,542,471
Casualty	608,151,574	176,059,028	432,092,546
Life	526,725,444	259,770,427	266,955,017
Marine and aviation	77,170,691	24,811,757	52,358,934
	₱ 2,182,359,780	₱ 1,254,410,812	₱ 927,948,968
December 31, 2014			
Fire	₱ 1,367,625,900	₱ 1,187,813,798	₱ 179,812,102
Life	628,625,827	280,686,358	347,939,469
Casualty	582,662,612	186,666,726	395,995,886
Marine and aviation	168,164,218	69,626,766	98,537,452
	₱ 2,747,078,557	₱ 1,724,793,648	₱ 1,022,284,909
December 31, 2013			
Fire	₱ 1,353,766,718	₱ 1,203,345,007	₱ 150,421,711
Life	462,050,128	208,931,266	253,118,862
Casualty	619,889,521	277,372,841	342,516,680
Marine and aviation	125,420,078	51,856,651	73,563,427
	₱ 2,561,126,445	₱ 1,741,505,765	₱ 819,620,680

The tables present the Company's reinsurance risk concentration. It shows the allocation and portfolio share of each line of business in relation to the total gross premiums written and retained by the Company in 2015, 2014 and 2013 (amounts in thousands of Philippine Peso).

December 31, 2015

Line of business	Region	Gross Premiums	% to Total Gross Premiums	Retroceded Premiums	% to Total Retroceded	Net Retained Premiums	% to Total Net Retained
Fire	Domestic	P 944,797	43%	P 807,789	64%	P 137,008	15%
Fire	Foreign	25,515	1%	(14,019)	-1%	39,534	4%
Marine	Domestic	70,368	3%	24,812	2%	45,556	5%
Marine	Foreign	6,803	0%	-	0%	6,803	1%
Casualty and others	Domestic	546,984	25%	176,059	14%	370,925	40%
Casualty and others	Foreign	61,168	3%	-	0%	61,168	7%
Life		526,725	25%	259,770	21%	266,955	28%
		P 2,182,360	**100%**	**P 1,254,411**	**100%**	**P 927,949**	**100%**

December 31, 2014

Line of business	Region	Gross Premiums	% to Total Gross Premiums	Retroceded Premiums	% to Total Retroceded	Net Retained Premiums	% to Total Net Retained
Fire	Domestic	P 1,322,703	48%	P 1,162,676	68%	P 160,027	16%
Fire	Foreign	44,923	2%	25,138	1%	19,785	2%
Marine	Domestic	154,922	6%	69,627	4%	85,295	8%
Marine	Foreign	13,242	0%	-	0%	13,242	1%
Casualty and others	Domestic	576,228	21%	186,667	11%	389,561	38%
Casualty and others	Foreign	6,435	0%	-	0%	6,435	1%
Life		628,626	23%	280,686	16%	347,940	34%
		P 2,747,079	100%	P 1,724,794	100%	P 1,022,285	100%

December 31, 2013

Line of business	Region	Gross Premiums	% to Total Gross Premiums	Retroceded Premiums	% to Total Retroceded	Net Retained Premiums	% to Total Net Retained
Fire	Domestic	P 1,244,944	49%	P 1,141,133	66%	P 103,811	13%
Fire	Foreign	108,823	4%	62,212	4%	46,611	6%
Marine	Domestic	104,218	4%	51,845	3%	52,373	6%
Marine	Foreign	21,203	1%	12	0%	21,191	3%
Casualty and others	Domestic	601,305	23%	275,050	16%	326,254	40%
Casualty and others	Foreign	18,584	1%	2,323	0%	16,262	2%
Life		462,050	18%	208,931	12%	252,119	30%
		P 2,561,127	100%	P 1,741,506	100%	P 819,621	100%

Retrocession or reinsuring what the Company had earlier accepted as reinsurance is resorted to enable the Company to write risk whose amounts are in excess of its retention, and to reduce the volatility of its results and protect its capital. In doing so, the Company also sets minimum requirements and standards in determining with whom it plans to reinsure with, foremost of which is the rating of the particular security by international rating agencies such as Standard and Poor's and A.M. Best.

On the other hand, life business, which constitutes about 24% of gross premium written, follows a schedule of retention per life or group life as determined by the Analytics Unit. Any amount in excess of this is retroceded or reinsured with reputable foreign reinsurers whose ratings from the same rating agencies are above par and meet the Company's standards.

The Company has implemented an Enterprise Risk Management Process, which is an organization-wide approach to the identification, assessment, communication and management of enterprise risks which are, defined as issues which may prevent the Company from achieving its strategic objectives. This process has been fully integrated into the Company's operations and is overseen by a Risk Management Council, comprised of members of senior management. At the same time, a Risk Oversight Committee has been established by the Company's BOD to assist the Board in the development and oversight of the Company's risk management program. The Risk Oversight Committee is required to provide the Board with a comprehensive enterprise risk assessment at least annually and to establish plans to ensure that risks are being managed and monitored effectively. The Risk Oversight Committee's main task is to oversee that risk management is an integral part of the planning and operations of the Company in order to meet corporate goals and objectives.

Also, the Company continues to practice prudent underwriting with the objective of attaining underwriting profits. In evaluating a claim, the Company follows set guidelines such as setting up of reserves upon its receipt of a preliminary loss advice, and requiring the cedant-claimant to submit other necessary documents such as the adjuster's report, affidavits and proof of loss, among others. At each of the reporting date, the Company assessed the adequacy of the future claims that are not yet reported by setting up IBNR best estimate and inclusion of MfAD as ascertained by an independent actuary.

The Company's outstanding claims and the retrocessionaires' share in such claims per line of risk are shown below (see Note 6).

	Outstanding Claims	Retrocessionaires' Share in Claims	Net
December 31, 2015			
Fire	₱ 3,382,250,470	₱ 2,453,653,293	₱ 928,597,177
Casualty	1,406,165,492	842,438,919	563,726,573
Marine and aviation	1,347,595,055	587,804,054	759,791,001
Life	241,807,510	112,769,658	129,037,852
	₱ 6,377,818,527	₱ 3,996,665,924	₱ 2,381,152,603
December 31, 2014(as restated – see Note 2.1)			
Fire	₱ 3,895,524,012	₱ 2,753,237,998	₱ 1,142,286,014
Casualty	1,481,004,578	864,143,395	616,861,183
Marine and aviation	1,360,421,946	597,947,254	762,474,692
Life	191,195,110	40,471,271	150,723,839
	₱ 6,928,145,646	₱ 4,255,799,918	₱ 2,672,345,728

The Company ensures that all valid claims are settled promptly and judiciously, as part of its commitment to its clients.

Most of the risks reinsured by the Company are situated in the domestic market with only a small portion coming from overseas market.

In general, due to the number of cedants providing business to the Company, the impact of changes to such variables cannot be reliably predicted. Accordingly, management believes that an analysis to provide an accurate reflection of the sensitivity of the general reinsurance business to changes in these factors cannot be reliably performed at the moment.

As a general reinsurer, the insurance contract liabilities of the Company are sensitive to various key factors which are both internal and external. The main internal factors to which the Company is sensitive pertain to the loss ratios observed from its claims experience. Accordingly, the Company has contracted a professional actuary to perform actuarial investigation of its gross and net claims and premium liabilities as at December 31, 2015. The valuation of insurance liabilities for each class of business must comprise:

- Best Estimate of Claims Liabilities
- Best Estimate of Premium Liabilities
- MfAD

Both qualitative and quantitative factors have been taken into consideration in the selection of loss development factors (LDFs) to produce IBNR reserves that appropriately reflect the Company's future claims liabilities as at the valuation date.

In assessing the adequacy of the premium liabilities, the Company has allocated different percentages of net earned premium as claims handling expense, reinsurance cost and on-going maintenance respectively in order to ensure that the estimated premium liabilities would be sufficient to meet future financial obligations related to the future claims payments for these unexpired risks. These expense ratio assumptions are calculated by conducting internal analysis on the management expenses for the latest reporting period.

MfAD is set at 10% across all classes of business and is intended to provide a relative measure of risk. MfAD is calculated such that the actual loss amount is less than or equal to the expected loss plus the risk margin.

4.2 *Credit Risk*

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to the financial statements) as summarized below:

	Notes	**2015**	2014 (As Restated – see Note 2.1)
Cash and cash equivalents	5	₱ **1,047,472,576**	₱ 886,643,838
Reinsurance balances receivable – net	6	**5,343,416,633**	5,948,142,591
AFS financial assets	7	**3,863,005,866**	4,528,920,562
Loans and receivables	8	**306,791,128**	322,338,295
		₱ **10,560,686,203**	₱ 11,686,045,286

The Company continuously monitors defaults of ceding companies and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on ceding companies and other counterparties are obtained and used. The Company's policy is to deal only with credit worthy counterparties.

The Company's management considers that all the above financial assets that are not impaired or past due for each reporting period are of good credit quality.

As part of Company's policy, bank deposits are only maintained with reputable financial institution having high quality external credit ratings. Cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P500,000 per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, *Amendment to Charter of PDIC*, are still subjected to credit risk. However, the credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The reinsurance balance receivables that are past due but not impaired are as follows:

	2015	2014
More than six months but not more than one year	₱ **120,644,887**	₱ 57,417,704
More than one year	**166,100,782**	171,112,008
	₱ **286,745,669**	₱ 228,529,712

None of the Company's financial assets are secured by collateral or other credit enhancements.

4.3 *Liquidity Risk*

The Company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities. Currently, the Company's excess cash is invested in AFS financial assets.

As at December 31, 2015, the Company's obligations arising from reinsurance agreements and other financial liabilities have contractual maturities which are presented below.

	Current	**Non-current**
Reinsurance balances payable	₱ 1,683,722,090	₱ 5,754,362,976
Accounts payable and accrued expenses	80,638,647	-
	₱ **1,764,360,737**	₱ **5,754,362,976**

This compares to the maturity of the Company's financial liabilities as at December 31, 2014 (as restated – see Note 2.1) as follows:

	Current	Non-current
Reinsurance balances payable	₱ 1,755,936,425	₱ 6,263,305,519
Accounts payable and accrued expenses	103,721,159	-
	₱ 1,859,657,584	₱ 6,263,305,519

4.4 *Market Risk*

The market risks to which the Company may be exposed are as follows:

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the foreign currency-denominated investments, receivables and payables. The Company recognized net foreign currency gains of P19,503,398 in 2015, P11,467,754 in 2014 and P10,095,088 in 2013 (see Note 13).

Exposures to currency exchange rates arise from the Company's foreign currency reinsurance transactions, which are primarily denominated in United States (U.S.) dollars, Indonesian rupiah, Thailand baht, Malaysian ringgit, Euro, Singaporean dollars, Indian rupee, Japanese yen, Pakistan rupee, Hongkong dollars, Australian dollar, Nepalese rupee and Bangladesh taka. The Company also holds U.S. dollar-denominated cash and cash equivalents and investment in equity securities.

To mitigate the Company's exposure to foreign currency risk, foreign-currency denominated cash flows are monitored.

	2015		2014	
	U.S. Dollars	**Other Currencies**	U.S. Dollars	Other Currencies
Financial assets	₱ **956,035,564**	₱ **264,428,409**	₱ 1,689,583,896	₱ 140,621,662
Financial liabilities	**(1,186,224,311)**	**(206,154,797)**	(1,245,149,322)	(274,922,067)
Total net exposure	**(₱ 230,188,747)**	₱ **58,273,612**	₱ 444,434,574	(₱ 134,300,405)

The following table illustrates the sensitivity of the Company's profit before tax with respect to changes on Philippine peso (Php) against foreign currencies exchange rates. The percentage changes in rates have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months at a 99% confidence level. If the Philippine peso had strengthened against the foreign currencies, the effect is presented below.

	2015			2014		
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	**Effect in Equity**	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity
Php - U.S. Dollars	**11.08%**	**₱ 25,497,961**	**₱ 25,497,961**	11.81%	(₱ 52,467,758)	(₱ 52,467,758)
Php - Indonesian Rupiah	**28.22%**	**(10,678,855)**	**(10,678,855)**	31.25%	7,400,674	7,400,674
Php - Malaysian Ringgit	**29.58%**	**(9,785,570)**	**(9,785,570)**	16.44%	(247,252)	(247,252)
Php - Vietnamese Dong	**55.35%**	**4,040,644**	**4,040,644**	29.59%	1,435,309	1,435,309
Php - North Korean Won	**21.97%**	**(3,321,374)**	**(3,321,374)**	18.15%	18,063,765	18,063,765
Php - Thailand Baht	**13.57%**	**626,546**	**626,546**	11.77%	1,631,458	1,631,458
Php - Euro	**34.10%**	**(550,545)**	**(550,545)**	16.69%	1,213,710	1,213,710
Php - Indian Rupee	**13.80%**	**458,790**	**458,790**	16.46%	292,037	292,037
Php - Myanmar Kyat	**32.51%**	**420,153**	**420,153**	17.02%	4,069	4,069
Php - Japanese Yen	**21.84%**	**78,062**	**78,062**	24.61%	73,107	73,107
Php - Singaporean Dollars	**17.37%**	**68,635**	**68,635**	11.17%	5,930,365	5,930,365
Php - New Zealand Dollar	**31.77%**	**37,630**	**37,630**	21.41%	27,151	27,151
Php - Hongkong Dollars	**11.02%**	**32,502**	**32,502**	11.84%	2,127,339	2,127,339
Php - Seychelles Rupee	**51.08%**	**13,590**	**13,590**	36.11%	8,539	8,539
Php - Canadian Dollar	**26.75%**	**1,602**	**1,602**	15.21%	5,853	5,853
Php - Bangladesh Taka	**20.31%**	**(637)**	**(637)**	14.15%	(426)	(426)
Php - British Pound	**24.76%**	**328**	**328**	17.10%	4,734	4,734
Php - China Yuan	**15.47%**	**-**	**-**	12.03%	251,448	251,448
Php - Pakistan Rupee	**20.65%**	**-**	**-**	26.54%	245,044	245,044
Php - Nepalese Rupee	**25.24%**	**-**	**-**	20.13%	275,737	275,737
Php - Sri Lankan Rupee	**24.43%**	**-**	**-**	12.16%	3,311	3,311
Php - Australian Dollar	**28.54%**	**-**	**-**	18.74%	(41)	(41)
Php - South Korean Won	**16.10%**	**-**	**-**	11.63%	(17)	(17)
Total		**₱ 6,939,462**	**₱ 6,939,462**		(₱ 13,721,844)	(₱ 13,721,844)

If the Philippine peso had weakened against the foreign currencies, the effect would be the reverse of the amounts in the above page.

Exposures to foreign currency rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be a representative of the Company's currency risk.

(b) Market Price Risk

The Company's investments are regulated under the pertinent provisions of the New Insurance Code, otherwise known as RA 10607. The Insurance Code generally requires all insurance companies to obtain prior approval of the IC for certain investments, such as long term debt and investment in mutual funds. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may require the immediate sale or disposal of investments deemed too risky.

In the area of equity investments, Section 207 of the New Insurance Code further provides, among other things, that insurance companies may invest in listed equities of other financial institutions without need of prior approval by the Commissioner.

Beyond the provisions of the Insurance Code, the Company, through its Investment Committee, has established additional guidelines to control the risks inherent in equity investments. The Company's own investment policy requires that the Company invest only in shares of common stock of companies listed in the PSE. Furthermore, these listed companies must have profitable business operations and market capitalizations which are on a scale that would qualify them as blue chips. The Investment Committee regularly reviews and approves a list of publicly traded stocks authorized for investments on the basis of the foregoing considerations. Furthermore, the Investment Committee seeks to avoid unwarranted concentration of funds in a single asset class by regularly monitoring and limiting the proportion of equity investments to the Company's total investment portfolio. As at December 31, 2015 and 2014, investments in listed equities amounted to 29% and 22%, respectively, of the Company's total investment portfolio.

The observed volatility rates of the fair values of the Company's AFS financial assets held at fair value and their impact on the Company's other comprehensive income (loss) as at December 31, 2015 and 2014 are summarized as follows:

	2015		2014	
	Observed Volatility Rates	**Effect in Other Comprehensive Income**	Observed Volatility Rates	Effect in Other Comprehensive Income
Government bonds	**10.35%**	**₱ 244,051,369**	12.18%	₱ 301,003,101
Equity securities listed in the Philippines:				
Common shares	**39.26%**	**640,590,867**	26.23%	345,389,073
Preferred shares	**8.68%**	**17,411,285**	8.63%	19,878,649
Corporate bonds				
Dollar	**9.00%**	**7,197,680**	14.79%	10,702,554
Mutual funds	**24.11%**	**10,250,472**	38.20%	18,437,797
		₱ 919,501,673		₱ 695,411,174

(c) Interest Rate Risk

The Company has limited exposure to interest rate risk because of its fixed income investments which amounted to approximately 72% and 71% of the Company's total investment portfolio as at December 31, 2015 and 2014, respectively. The Company attempts to limit interest rate risk by establishing limits on the duration and average maturity of its variable income portfolio.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2015	2014
Short-term placements	**P 921,210,948**	P 737,428,357
Cash on hand and in banks	**126,261,628**	149,215,481
	P 1,047,472,576	P 886,643,838

Short-term placements include time deposits and special deposit accounts made for varying periods between one day and one month depending on the liquidity requirements of the Company.

Peso short-term placements earn annual interest rates ranging from 0.25% to 2.55% in 2015, from 0.25% to 1.88% in 2014 and from 0.48% to 1.38% in 2013, while dollar short-term placements earn annual interest rates ranging from 1.5% to 1.85% in 2015, from 0.25% to 2.00% in 2014 and from 0.50% to 1.00% in 2013. Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income recognized are presented as part of Investment and Other Income account in the statements of income (see Note 13). The Cash and Cash Equivalents account includes U.S. dollar denominated cash of $4,629,436 (P218,351,986) as at December 31, 2015 and $7,845,611 (P350,047,638) as at December 31, 2014.

6. REINSURANCE BALANCES

The details of Reinsurance Balances Receivable follows:

	2015	2014 (As Restated – see Note 2.1)
Reinsurance recoverable on unpaid losses	₱ 3,996,665,924	₱ 4,255,799,918
Due from ceding companies	1,231,923,155	1,209,089,581
Reinsurance recoverable on paid losses	794,903,981	956,677,133
Funds held by ceding companies	144,000,408	130,261,689
	6,167,493,468	6,551,828,321
Allowance for impairment	(824,076,835)	(603,685,730)
	₱ 5,343,416,633	₱ 5,948,142,591

The movements in these accounts are as follows:

	Reinsurance recoverable on paid and unpaid losses	Due from ceding companies	Funds held by ceding companies	Total
December 31, 2015				
Balance at beginning of year	₱ 5,212,477,051	₱ 1,209,089,581	₱ 130,261,689	₱ 6,551,828,321
Loss recoveries / premiums written during the year	629,278,061	2,168,267,612	14,092,168	2,811,637,841
Collections during the year	(1,097,420,067)	(2,147,228,305)	-	(3,244,648,372)
Revaluation adjustment	47,234,860	1,794,267	(353,449)	48,675,678
	4,791,569,905	1,231,923,155	144,000,408	6,167,493,468
Allowance for impairment	(578,515,996)	(245,455,569)	(105,270)	(824,076,835)
Balance at end of year	₱ 4,213,053,909	₱ 986,467,586	₱ 143,895,138	₱ 5,343,416,633
December 31, 2014 (As Restated – see Note 2.1)				
Balance at beginning of year	₱ 6,973,848,447	₱ 833,040,221	₱ 154,845,900	₱ 7,961,734,568
Loss recoveries / premiums written during the year	2,568,888,518	2,772,712,471	(25,633,914)	5,315,967,075
Collections during the year	(4,271,047,965)	(2,396,765,471)	-	(6,667,813,436)
Revaluation adjustment	(59,211,949)	102,360	1,049,703	(58,059,886)
	5,212,477,051	1,209,089,581	130,261,689	6,551,828,321
Allowance for impairment	(443,764,579)	(138,177,229)	(21,743,922)	(603,685,730)
Balance at end of year	₱ 4,768,712,472	₱ 1,070,912,352	₱ 108,517,767	₱ 5,948,142,591

The Company's collections on these reinsurance receivables include collections equivalent to underwriting costs and claims deducted by cedants from their statement of accounts.

All of the Company's reinsurance balances receivables have been reviewed for indicators of impairment. Certain reinsurance balances receivable were found to be impaired and provisions have been recorded accordingly.

A reconciliation of the allowance for impairment at the beginning and end of 2015 and 2014 is shown below.

	Note	2015	2014
Balance at beginning of year		₱ 603,685,730	₱ 572,562,898
Impairment losses during the year	15	220,391,105	31,122,832
Balance at end of year		₱ 824,076,835	₱ 603,685,730

The details of Reinsurance Balances Payable follows:

	2015	2014 (As Restated – see Note 2.1)
Claims payable	₱ 6,377,818,527	₱ 6,928,145,646
Due to retrocessionaires	970,742,419	1,016,675,866
Funds held for retrocessionaires	89,524,120	74,420,432
	₱ 7,438,085,066	₱ 8,019,241,944

Claims payable are losses and claims due to ceding companies under treaty and facultative agreements inclusive of provision for IBNR losses, loss adjustment expenses payable and MfAD as shown below.

	Outstanding Claims	IBNR	Total
December 31, 2015			
Balance at beginning of year	₱ 5,540,334,391	₱ 1,387,811,255	₱ 6,928,145,646
Claims incurred during the year	951,725,659	(159,153,562)	792,572,097
Claims paid during the year	(1,403,278,522)	-	(1,403,278,522)
Revaluation adjustment	60,379,306	-	60,379,306
Balance at end of year	₱ 5,149,160,834	₱ 1,228,657,693	₱ 6,377,818,527
December 31, 2014 (As Restated-See Note 2.1)			
Balance at beginning of year	₱ 7,271,270,522	₱ 1,577,643,071	₱ 8,848,913,593
Claims incurred during the year	1,857,260,136	(189,831,816)	1,667,428,320
Claims paid during the year	(3,521,326,129)	-	(3,521,326,129)
Revaluation adjustment	(66,870,138)	-	(66,870,138)
Balance at end of year	₱ 5,540,334,391	₱ 1,387,811,255	₱ 6,928,145,646

Due to retrocessionaires are unremitted share in premiums of retrocessionaires. Funds held for retrocessionaires represent portion of the reinsurance premium ceded to retrocessionaires which was withheld by the Company in accordance with treaty and facultative agreements. The Company's payments on these reinsurance liabilities include settlement equivalent to underwriting costs and retrocessionaires' share in losses paid claims deducted from the statement of account.

The movements in these accounts are shown below.

	Due to retrocessionaires	Funds held for retrocessionaires	Total
December 31, 2015			
Balance at beginning of year	₱ 1,016,675,866	₱ 74,420,432	₱ 1,091,096,298
Retroceded premiums during the year	1,239,307,124	15,103,688	1,254,410,812
Payments made during the year	(1,285,601,297)	-	(1,285,601,297)
Revaluation adjustment	360,726	-	360,726
Balance at end of year	₱ 970,742,419	₱ 89,524,120	₱ 1,060,266,539
December 31, 2014 (As Restated-See Note 2.1)			
Balance at beginning of year	₱ 858,462,597	₱ 80,350,000	₱ 938,812,597
Retroceded premiums during the year	1,730,723,216	(5,929,568)	1,724,793,648
Payments made during the year	(1,572,261,860)	-	(1,572,261,860)
Revaluation adjustment	(248,087)	-	(248,087)
Balance at end of year	₱ 1,016,675,866	₱ 74,420,432	₱ 1,091,096,298

The fair values of these short-term financial assets and liabilities are not individually determined as their carrying amounts are reasonable approximation of their fair values.

7. AFS FINANCIAL ASSETS

This account is composed of the following:

	2015	2014
Bonds	₱ 3,802,213,900	₱ 4,049,823,361
Equity securities	1,860,924,875	1,574,372,297
Investment in ARC	4,444,847	4,444,847
Various funds	60,791,966	479,097,201
	₱ 5,728,375,588	₱ 6,107,737,706

Bonds include investments in corporate bonds, long-term negotiable instruments and government securities. This also includes government securities amounting to P500,000,000 and P250,000,000 in 2015 and 2014, respectively, which are on deposit with the IC as security for the benefit of policyholders and creditors of the Company in accordance with the provisions of the Insurance Code.

Bonds earn interest at annual rates ranging from 2.13% to 15.00% in 2015, 2014 and 2013. Interest income recognized are presented as part of Investment and Other Income account in the statements of income (see Note 13).

The following presents the fair values of investments in bonds by contractual maturity dates:

	2015	2014
Due within one year	₱ 299,169,188	₱ 219,072,654
Due after one year through five years	807,395,409	1,442,173,049
Due after five years through ten years	2,338,844,983	1,921,891,112
Due after ten years	356,804,320	466,686,546
	₱ 3,802,213,900	₱ 4,049,823,361

The balance of equity securities classified as AFS financial assets consists of:

	2015	2014
Cost:		
Quoted in the stock exchange	₱ 1,796,167,163	₱ 1,388,821,282
Not quoted in the stock exchange	38,346,338	38,346,335
	1,834,513,501	1,427,167,617
Accumulated fair value gains (losses):		
Quoted in the stock exchange	45,228,583	165,859,088
Not quoted in the stock exchange	(18,817,209)	(18,654,408)
	26,411,374	147,204,680
	₱ 1,860,924,875	₱ 1,574,372,297

Equity securities consist mainly of investments in companies listed in the PSE. Dividend income from these equity securities are presented under Investment and Other Income account in the statements of income (see Note 13).

The shares of ARC have been issued in the name of the Government of the Philippines (GoP) as the Philippine government's participation in the joint undertaking of Asian countries to organize a reinsurance company that will service the needs of the region. The GoP assigned such shares, including any interest accruing thereon, to the Company. The GoP designated the Company as the national institution authorized to subscribe and pay for the said shares of stock. The shares of stock of ARC, while not for sale, were classified under this category since these do not qualify for inclusion in any other categories of financial assets.

The fair value of investment in ARC shares amounted to P4,444,847 as at December 31, 2015 and 2014.

The reconciliation of the carrying amounts of AFS financial assets is as follows:

	2015	2014
Balance at beginning of year	₱ 6,107,737,706	₱ 6,391,696,049
Additions	4,961,897,763	1,322,097,053
Disposals/maturities	(5,182,567,232)	(1,762,973,917)
Fair value gains (losses) – net	(170,754,065)	156,523,885
Foreign currency gains – net	12,061,416	394,636
Balance at end of year	₱ 5,728,375,588	₱ 6,107,737,706

Changes in fair value of AFS financial assets recognized in the statements of comprehensive income amounted to P170,754,065 and P41,637,686 fair value losses for 2015 and 2013, respectively, and P156,523,885 fair value gains in 2014.

The Company sold AFS financial assets with carrying amount of P4,133,237,101 in 2015 and P1,404,592,240 in 2014. Accordingly, the Company recognized Gain on Sale of AFS Financial Assets amounting to P215,133,833 in 2015, P101,284,924 in 2014 and P327,352,764 in 2013. These are presented under Investment and Other Income account in the statements of income (see Note 13).

Fair value gains reclassified to profit or loss, as presented in the statements of comprehensive income amounted P225,170,806 in 2015, P31,059,875 in 2014 and P169,428,132 in 2013. The difference in the Gain on Sale recognized and those fair value gains reclassified refer to fair value changes from the beginning of the year up to date of disposal.

The fair values of AFS financial assets have been determined directly by reference to published prices in active market. Certain investments where fair value is not reliably determinable either through reference of similar instruments or valuation techniques, are carried at cost.

Various funds pertain to the Company's investments in mutual funds.

8. LOANS AND RECEIVABLES

This account is comprised of the following:

	2015	2014
Current:		
Accrued interest receivable	₱ 42,266,050	₱ 55,214,152
Others	15,533,346	18,121,292
	57,799,396	73,335,444
Non-current:		
Term loans	242,500,000	245,000,000
Loans receivable	6,491,732	4,002,851
	248,991,732	249,002,851
	₱ 306,791,128	₱ 322,338,295

Term loans mainly pertain to the Company's participation in syndicated loans of other companies. These loans are unsecured, interest-bearing and with terms ranging from two to five years. The annual effective interest rate on these loans ranges from 4.80% to 5.86% in 2015, and from 4.30% to 5.86% in 2014 and 2013.

Loans receivable pertains to car loans granted to the Company's employees which have annual effective interest rates of 11.00% to 13.00%. These loans are collected through salary deductions with a term of five to twenty years.

Interest income on loans and receivables are presented as part of Investment and Other Income account in the statements of income (see Note 13).

In 2015 and 2014, Others includes receivables from retirement fund amounting to P13.0 million and P10.9 million, respectively. In 2014, the remaining balance from sale of condominium unit amounting to P6.7 million was also included as part of Others account.

The fair value of these financial assets is not individually determined as the carrying amount is a reasonable approximation of this fair value since the interest rates are approximately the same as the market interest rate.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2015 and 2014 are shown below.

	Condominium Units	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
December 31, 2015						
Cost	₱ 101,310,361	₱ 10,826,265	₱ 10,256,148	₱ 11,158,214	₱ 40,408,715	₱ 173,959,703
Accumulated depreciation	(54,595,028)	(4,602,368)	(9,360,559)	(4,406,923)	(29,127,490)	(102,092,368)
	₱ 46,715,333	₱ 6,223,897	₱ 895,589	₱ 6,751,291	₱ 11,281,225	₱ 71,867,335
Net carrying amount						
December 31, 2014						
Cost	₱ 101,310,361	₱ 10,885,911	₱ 10,680,460	₱ 8,673,928	₱ 36,680,077	₱ 168,230,737
Accumulated depreciation	(51,218,016)	(3,530,088)	(9,416,029)	(3,723,535)	(23,996,724)	(91,884,392)
Net carrying amount	₱ 50,092,345	₱ 7,355,823	₱ 1,264,431	₱ 4,950,393	₱ 12,683,353	₱ 76,346,345
January 1, 2014						
Cost	₱ 154,882,915	₱ 14,845,258	₱ 10,095,760	₱ 10,426,898	₱ 34,391,666	₱ 224,642,497
Accumulated depreciation	(73,064,749)	(8,744,816)	(9,022,515)	(5,097,303)	(25,959,868)	(121,889,251)
Net carrying amount	₱ 81,818,166	₱ 6,100,442	₱ 1,073,245	₱ 5,329,595	₱ 8,431,798	₱ 102,753,246

A reconciliation of the carrying amounts at the beginning and end of 2015 and 2014, of property and equipment is shown below.

	Condominium Units	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Balance at January 1, 2015, net of accumulated depreciation	₱ 50,092,345	₱ 7,355,823	₱ 1,264,431	₱ 4,950,393	₱ 12,683,353	₱ 76,346,345
Additions	-	-	181,610	4,393,571	3,731,881	8,307,062
Disposals	-	(59,646)	-	(700,929)	-	(760,575)
Depreciation charges for the year	(3,377,012)	(1,072,280)	(550,452)	(1,891,744)	(5,134,009)	(12,025,497)
Balance at December 31, 2015, net of accumulated depreciation	₱ 46,715,333	₱ 6,223,897	₱ 895,589	₱ 6,751,291	₱ 11,281,225	₱ 71,867,335
Balance at January 1, 2014, net of accumulated depreciation	₱ 81,818,166	₱ 6,100,442	₱ 1,073,245	₱ 5,329,595	₱ 8,431,798	₱ 102,753,246
Additions	-	2,344,353	584,700	3,319,643	8,248,993	14,497,689
Disposals	(27,121,104)	-	-	(1,723,358)	(58,230)	(28,902,692)
Depreciation charges for the year	(4,604,717)	(1,088,972)	(393,514)	(1,975,487)	(3,939,208)	(12,001,898)
Balance at December 31, 2014, net of accumulated depreciation	₱ 50,092,345	₱ 7,355,823	₱ 1,264,431	₱ 4,950,393	₱ 12,683,353	₱ 76,346,345

In 2015, the Company sold certain assets with a book value of P760,575 and recognized gain amounting to P171,782, which is presented as part of Investment and Other Income account in the 2015 statement of income (see Note 13). In 2014, the Company sold certain assets with a book value of P28,902,692 and recognized gain amounting to P33,209,877. In 2013, the Company sold certain assets at their net book value amounting to P1,607,354.

The cost of fully depreciated property and equipment recorded in the books that are still in use amounted to P110,113,067 and P19,508,133 as at December 31, 2015 and 2014, respectively.

10. REINSURANCE RESERVES

The movements in Deferred Acquisition Costs and Deferred Reinsurance Commissions follow:

	2015	2014 (As Restated – see Note 2.1)
Deferred acquisition costs:		
Balance at beginning of year	₱ **150,257,105**	₱ 85,207,534
Cost deferred	**375,900,466**	469,649,985
Cost recognized	**(378,413,883)**	(404,600,414)
Balance at end of year	₱ **147,743,688**	₱ 150,257,105
Deferred reinsurance commissions:		
Balance at the beginning of year	₱ **36,251,613**	₱ 23,587,283
Income deferred	**131,304,580**	127,111,372
Income recognized	**(123,331,092)**	(114,447,042)
Balance at end of year	₱ **44,225,101**	₱ 36,251,613

The difference between the movement of Deferred Acquisition Costs and Deferred Reinsurance Commissions are presented as part of Commissions – net under Underwriting Deductions in the statements of income.

The movements in Deferred Reinsurance Premiums and Premium Liabilities follow:

	2015	2014 (As Restated – see Note 2.1)
Deferred Reinsurance Premiums:		
Balance at beginning of year	₱ **356,285,616**	₱ 218,898,489
Premiums retroceded	**1,254,410,812**	1,724,793,647
Premiums amortized	**(1,223,952,496)**	(1,587,406,520)
Balance at end of year	₱ **386,743,932**	₱ 356,285,616
Premium Liabilities:		
Balance at the beginning of year	₱ **866,875,910**	₱ 541,893,656
Premiums written	**2,182,359,780**	2,747,078,557
Premiums earned	**(2,124,364,157)**	(2,422,096,343)
Balance at end of year	₱ **924,871,533**	₱ 866,875,910

The difference between the increase in Deferred Reinsurance Premiums and Premium Liabilities for the year is presented as Decrease (Increase) in Premium Liabilities account in the statements of income.

11. OTHER ASSETS

The Other Assets account is composed of the following:

	Notes	2015	2014 (As Restated – see Note 2.1)
Creditable withholding tax		₱ 146,664,603	₱ 139,407,976
Input VAT	27.1(b)	121,640,732	86,794,566
Deferred input VAT	27.1(b)	71,502,770	74,470,070
Defined benefit asset	15.2	32,419,064	-
Intangible assets – net		12,229,660	20,582,988
Deferred withholding VAT	27.1(b)	9,202,886	9,202,886
Prepayments		5,069,321	3,248,228
Investment properties – net		2,829,909	2,834,909
Deposit		799,399	791,268
Security fund		192,888	192,888
Others		3,833,170	2,244,665
		₱ 406,384,402	₱ 339,770,444

Input VAT pertains to input VAT on commissions paid to ceding companies.

Deferred Input VAT includes unapplied input taxes resulting from unpaid premiums on ceded out transactions and unamortized input VAT on capital asset acquisitions.

Intangible assets pertain to acquired computer software licenses used in production and administration. The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of December 31, 2015 and 2014 follow:

	2015	2014
Cost	₱ 114,934,981	₱ 111,245,674
Accumulated amortization	(102,705,321)	(90,662,686)
Balance at end of year	₱ 12,229,660	₱ 20,582,988

A reconciliation of the carrying amounts at the beginning and end of 2015 and 2014, of intangible assets is shown below.

	Note	2015	2014
Balance at beginning of year, net of accumulated amortization		₱ 20,582,988	₱ 41,008,141
Additions		3,689,306	1,137,140
Amortization charges for the year	15	(12,042,634)	(21,562,293)
Balance at end of year		₱ 12,229,660	₱ 20,582,988

Deferred withholding VAT relates to the unapplied input VAT on unpaid premiums on ceded out transactions to the Company from a certain government entity.

Prepayments include substantially the prepaid insurance on property and equipment and the group life insurance.

Investment property consists mainly of land, with improvements, which are owned for capital appreciation. The changes to the carrying amounts of the investment property can be summarized as follows as at December 31:

	Note	2015	2014
Balance at beginning of year		₱ 2,834,909	₱ 2,839,909
Amortization charges for the year	15	(5,000)	(5,000)
Balance at end of year		₱ 2,829,909	₱ 2,834,909

These properties are classified as Level 3 in the fair value hierarchy. The total estimated fair values based on the latest available selling price of the properties obtained by the Company amount to P5,880,000 as at December 31, 2015 and 2014 (see Note 24.4).

Security fund represents amount deposited with the IC, as required by the IC, to be used for the payment of valid claims against insolvent insurance companies. The balance of the fund earns interest at rates determined by the IC annually.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Notes	2015	2014
Accrued expenses		₱ 66,419,242	₱ 30,857,886
Deferred output VAT	27.1(a)	38,795,517	33,087,669
Accounts payable		11,684,159	50,362,325
Withholding taxes payable		4,941,002	6,959,043
Defined benefit liability	15.2	-	7,786,976
Other liabilities	17.3	2,535,246	22,500,948
		₱ 124,375,166	₱ 151,554,847

Management considers the carrying amounts of accounts payable and accrued expenses recognized in the statements of financial position to be a reasonable approximation of their fair values due to their short duration.

13. INVESTMENT AND OTHER INCOME

The details of this account follow:

	Notes	2015	2014	2013
Interest income	5, 7, 8, 18.2	₱ 231,297,911	₱ 250,119,737	₱ 298,209,165
Gain on sale of AFS financial assets	7	215,133,833	101,284,924	327,352,764
Dividend income	7	47,659,949	41,831,599	34,303,900
Foreign currency gains – net	4.4	19,503,398	11,467,754	10,095,088
Gain on sale of property and equipment	9	171,782	33,209,877	-
Other charges	18.2	(6,499,728)	(4,747,509)	(5,561,284)
		₱ 507,267,145	₱ 433,166,382	₱ 664,399,633

14. UNDERWRITING DEDUCTIONS

14.1 *Share in Claims and Losses – net*

This account represents the aggregate amount of the Company's share in net losses and claims relative to its acceptances under treaty and facultative reinsurances.

	2015	2014 (As Restated – see Note 2.1)	2013 (As Restated – see Note 2.1)
Gross claims paid	₱ 1,403,278,520	₱ 3,521,326,129	₱ 2,947,290,718
Retrocessionaires' share in losses paid	(680,604,153)	(2,636,866,201)	(2,385,757,478)
Gross change in provision for claims reported	(451,552,862)	(1,664,065,993)	(544,318,568)
Retrocessionaires' share in change in provision for claims reported	253,095,006	1,517,738,980	645,332,809
Gross change in provision for IBNR	(159,153,562)	(189,831,816)	656,401,153
Retrocessionaires' share in change in provision for IBNR	51,326,091	67,977,682	(349,930,246)
Balance at end of year	₱ 416,389,040	₱ 616,278,781	₱ 969,018,388

14.2 *Commissions – net*

This account consists of the following (see Note 10):

	2015	2014 (As Restated – see Note 2.1)	2013 (As Restated – see Note 2.1)
Commission expense	₱ 378,413,883	₱ 404,600,414	₱ 458,096,397
Reinsurance revenues	(123,331,092)	(114,447,042)	(168,191,674)
	₱ 255,082,791	₱ 290,153,372	₱ 289,904,723

Commission expense refers to fees deducted by ceding companies from reinsurance premiums assumed under treaty and facultative agreements.

Reinsurance revenues pertain to fees charged by the Company related to reinsurance premiums retroceded under treaty and facultative agreements.

15. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account follow:

	Notes	2015	2014	2013
Impairment losses	6	₱ 220,391,105	₱ 31,122,832	₱ 236,932,939
Salaries and employee benefits	15.1	114,541,199	141,342,041	127,150,814
Taxes and licenses	27.1(f)	54,529,668	28,220,859	4,517,157
Professional fees		29,740,339	20,416,340	18,434,981
Depreciation and amortization	9, 11	24,073,131	33,569,191	34,481,368
Contract labor		16,262,411	2,696,296	1,775,967
Repairs and maintenance		7,769,228	9,148,884	10,167,495
Rental	22.1	3,626,686	2,764,393	763,003
Association and pool expense		3,389,238	4,336,410	3,782,149
Light and water		2,442,868	2,714,806	3,748,705
Advertising and publicity		2,235,966	1,346,984	1,490,267
Transportation and travel		2,229,438	4,142,253	2,667,442
Representation and entertainment		2,207,276	2,993,451	4,384,392
Communication and postages		2,165,667	1,905,009	2,054,624
Insurance		895,433	959,446	1,049,218
Printing and office supplies		877,995	974,859	1,222,261
Finance costs	15.2	319,266	2,519,190	4,887,048
Miscellaneous		15,593,632	9,010,655	8,984,244
		₱ 503,290,546	₱ 300,183,899	₱ 468,494,074

15.1 *Salaries, Wages and Employee Benefit Expense*

Expenses recognized for salaries and employee benefits are presented below.

	2015	2014	2013
Short-term employee benefits	₱ 100,871,099	₱ 98,156,264	₱ 102,703,527
Separation benefits	7,925,387	11,452,215	5,818,015
Compensated absences	3,696,500	9,738,229	9,212,541
Post-employment defined benefit	2,048,213	21,995,333	9,416,731
	₱ 114,541,199	₱ 141,342,041	₱ 127,150,814

15.2 *Post-employment Defined Benefit*

(a) Characteristics of the Defined Benefit Plan

The Company maintains a wholly-funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The normal retirement age is 60 with a minimum of 10 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service. Normal retirement benefit is an amount equivalent to 175% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2015 and 2014. The amounts of defined benefit asset (presented as part of Other Assets – see Note 11) and defined benefit liability (presented as part of Accounts Payable and Accrued Expenses – see Note 12) recognized in the statements of financial position are determined as follows:

	2015	2014	2013
Present value of the obligation	₱ 50,512,429	₱ 90,007,834	₱ 144,762,543
Fair value of plan assets	(82,931,493)	(82,220,858)	(80,333,128)
Defined benefit liability (asset)	(₱ 32,419,064)	₱ 7,786,976	₱ 64,429,415

The movements in the present value of the retirement benefit obligation are as follows:

	2015	2014	2013
Balance at beginning of year	₱ 90,007,834	₱ 144,762,543	₱ 174,933,081
Current service cost	5,443,665	8,222,834	9,581,702
Interest expense	3,690,321	5,660,215	9,096,520
Remeasurement on actuarial losses (gains) arising from:			
Changes in financial assumptions	(2,121,467)	(1,153,040)	11,708,682
Changes in demographic assumptions	-	-	25,294
Experience adjustments	(10,891,376)	(16,495,240)	921,633
Settlement loss (gain)	(3,395,452)	13,772,499	(164,971)
Benefits paid by the plan	(32,221,096)	(64,761,977)	(61,339,398)
Balance at end of year	₱ 50,512,429	₱ 90,007,834	₱ 144,762,543

The movement in the fair value of plan assets is presented below.

	2015	2014	2013
Balance at beginning of year	₱ 82,220,858	₱ 80,333,128	₱ 80,951,387
Interest income	3,371,055	3,141,025	4,209,472
Return on plan assets (excluding amounts included in net interest)	(2,580,622)	10,254,097	2,261,487
Contributions paid into the plan	32,141,298	53,254,585	54,250,180
Benefits paid by the plan	(32,221,096)	(64,761,977)	(61,339,398)
Balance at end of year	₱ 82,931,493	₱ 82,220,858	₱ 80,333,128

The plan assets as at December 31 consist of:

	2015	2014	2013
Cash and cash equivalents	₱ 12,380,121	₱ 19,798,028	₱ 4,798,403
Equity securities	18,408,807	24,152,947	26,137,227
Philippine government securities	35,832,300	48,892,150	49,159,686
Corporate notes	16,112,430	-	-
Loans and receivables	337,155	293,162	237,812
Benefits payable	-	(10,773,889)	-
Accounts payable	(139,320)	(141,540)	-
Balance at end of year	₱ 82,931,493	₱ 82,220,858	₱ 80,333,128

The fair values of the equity and government bonds are determined based on quoted market prices in active markets.

The plan assets earned a return of P790,433 in 2015 and P13,395,122 in 2014.

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2015	2014	2013
Reported in profit or loss:			
Current service cost	₱ 5,443,665	₱ 8,222,834	₱ 9,581,702
Settlement loss (gain)	(3,395,452)	13,772,499	(164,971)
Net interest expense	319,266	2,519,190	4,887,048
	₱ 2,367,479	₱ 24,514,523	₱ 14,303,779
Reported in other comprehensive loss (income):			
Actuarial losses arising from changes in:			
Financial assumptions	(₱ 2,121,467)	(₱ 1,153,040)	₱ 11,708,682
Experience adjustments	(10,891,376)	(16,495,240)	921,633
Demographic assumptions	-	-	25,294
Return on plan assets (excluding amounts included in net interest)	2,580,622	(10,254,097)	(2,261,487)
	(₱ 10,432,221)	(₱ 27,902,377)	₱ 10,394,122

Current service cost and settlement gain are presented as part of Salaries and employee benefits; while net interest expense is presented as Finance costs. These accounts are presented in the statements of income under General and Administrative Expenses section (see Note 15.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2015	2014	2013
Discount rate	4.7%	5.2%	5.2%
Expected rate of salary increase	5.0%	5.0%	5.0%
Employee turn-over rate	10.0%	5.0% to 9.5%	5.0% to 9.5%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 25. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, loans receivables, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Inflation Risk

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Company's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2015			
Discount rate	+/- 1.0%	(₱ 3,524,843)	₱ 4,004,555
Salary growth	+/- 1.0%	3,910,859	(3,563,741)
Turn-over rate	+/-10.0%	(342,911)	342,911
December 31, 2014			
Discount rate	+/- 1.0%	₱ 6,371,957	(₱ 6,250,853)
Salary growth	+/- 1.0%	6,250,853	(6,371,957)
Turn-over rate	+/-10.0%	(485,321)	485,321

The sensitivity analysis shown in the preceding page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Company applies asset-liability matching techniques to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. Retirement funds are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations, and maximize opportunities for higher potential returns at the least risk.

The Company is guided by a formal Asset-Liability Management Study conducted by an independent actuary. In the study, expected benefit payments are projected and classified into short-term, medium-term or long-term liabilities. Investment instruments that would match the liabilities are identified. Finally, the investment mixes that would yield the maximum returns at certain risk levels are identified using the Markowitz Portfolio Theory (MPT) or the Mean Variance Framework.

The study is conducted annually to capture changes in the demographic profile of the employees and changes in the economic environment affecting the amounts of maturing obligations and rates of return of available investment instruments.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as at December 31, 2015 and 2014 consists of debt and equity securities, although the Company also invests in cash equivalents and loans receivables. The Company believes that debt securities offer the most secure returns over the long term as they have the least acceptable level of risk which is in line with their asset-liability matching techniques.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded based on the latest actuarial valuation. Therefore, the Company is not expected to make any contribution to the plan during the next financial year.

As at December 31, 2015, the maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows.

	Amount
Within one year	₱ 2,792,086
More than one year to five years	24,999,112
More than five years to ten years	54,261,495
More than ten years to 15 years	66,952,207
More than 15 years to 20 years	69,180,359
	₱ 218,185,259

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

16. CURRENT AND DEFERRED TAXES

The components of tax expense as reported in statements of income.

	2015	2014 (As Restated – see Note 2.1)	2013
Current tax expense:			
Final tax at 20% and 7.5%	**₱ 43,794,061**	₱ 48,178,004	₱ 55,281,861
MCIT	**9,988,928**	4,675,876	-
	₱ 53,782,989	₱ 52,853,880	₱ 55,281,861

The reconciliation of the tax on pretax profit (loss) computed at the applicable statutory rates to tax expense in profit or loss is as follows:

	2015	2014 (As Restated – see Note 2.1)	2013 (As Restated – see Note 2.1)
Tax on pretax profit (loss) at 30%	**₱ 69,874,929**	₱ 18,372,034	(₱ 69,738,163)
Adjustment for income subjected to lower tax rates	**(37,910,977)**	(40,063,816)	(75,972,541)
Tax effects of:			
Non-deductible expenses	**130,916,211**	132,079,677	60,000
Utilization of deferred tax asset on net operating loss carry-over (NOLCO)	**(83,468,550)**	(8,921,779)	148,370,574
Non-taxable income	**(62,180,264)**	(26,001,421)	(58,136,454)
Movement in unrecognized deferred tax assets	**26,562,712**	(27,286,691)	-
Unrecognized MCIT	**9,988,928**	4,675,876	-
Unrecognized NOLCO	**-**	-	110,698,445
Tax expense reported in statements of income	**₱ 53,782,989**	₱ 52,853,880	₱ 55,281,861

In accordance with the applicable accounting standards, the Company has taken a conservative position of not recognizing the net deferred tax assets on the following temporary differences as at December 31, 2015 and 2014:

	2015		2014 (As Restated – see Note 2.1)	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Deferred tax assets:				
Allowance for impairment	₱ 824,076,835	₱ 247,223,051	₱ 603,685,730	₱ 181,105,719
Claims payable (IBNR)	506,913,237	152,073,971	614,740,708	184,422,212
NOLCO	368,994,815	110,698,446	858,974,780	257,692,435
Unamortized past service cost	105,564,708	31,669,412	93,752,744	28,125,823
MCIT	14,664,804	14,664,804	4,675,876	4,675,876
Accrued expense	3,757,851	1,127,355	3,888,452	1,166,535
Revaluation reserves on AFS financial assets	716,392	214,917	716,392	214,917
Accrued leave benefits	-	-	2,289,502	686,850
Defined benefit liability	-	-	7,786,976	2,336,092
	1,824,688,642	557,671,956	2,190,511,160	660,426,459
Deferred tax liabilities:				
Defined benefit asset	(32,419,064)	(9,725,720)	-	-
Unrealized foreign currency gains	(17,251,053)	(5,175,316)	(13,611,750)	(4,083,525)
	(49,670,117)	(14,901,036)	(13,611,750)	(4,083,525)
Net Unrecognized Deferred Tax Assets	₱ 1,775,018,525	₱ 542,770,920	₱ 2,176,899,410	₱ 656,342,934

The details of the unrecognized NOLCO is shown below.

Year Incurred	Amount	Applied	Expired	Balance	Until
2013	₱ 368,994,815	₱ -	₱ -	₱ 368,994,815	2016
2012	489,979,965	278,228,501	211,751,464	-	2015
	₱ 858,974,780	₱ 278,228,501	₱ 211,751,464	₱ 368,994,815	

The Company is subject to MCIT which is computed at 2% of gross income, or regular corporate income tax (RCIT), whichever is higher. In 2013, the Company did not incur MCIT because the Company's operations resulted in a gross loss. In 2015 and 2014, the Company incurred MCIT which can be applied against future income tax payable as follows:

Year Incurred	Original Applied	Applied	Remaining Balance	Expiry
2015	₱ 9,988,928	₱ -	₱ 9,988,928	2018
2014	4,675,876	-	4,675,876	2017
	₱ 14,664,804	₱ -	₱ 14,664,804	

In 2015, 2014 and 2013, the Company claimed itemized deductions.

17. EQUITY

17.1 Capital Stock

As at December 31, 2015, 2014 and 2013, the Company has authorized shares of 3,000,000,0000 and has issued and outstanding shares amounted to P2,123,605,600 net of treasury shares, which is divided into 2,123,605,600 shares with a par value of P1 per share.

On April 27, 2007, the SEC approved the listing of the Company's shares totalling 741,902,600. The shares were initially issued at an offer price of P3.80 per share.

As at December 31, 2015 and 2014, there are 280 and 282 holders of the listed shares, respectively. Such listed shares closed at P0.93 and P0.90 per share, as at those dates, respectively.

As at December 31, 2015 and 2014, total shares in treasury is 58,349,000 amounting to P100,525,432. In 2011, the Company acquired 36,072,000 of its own shares at a total cost of P60,443,621. There are no treasury stock transactions in 2015 and 2014.

17.2 Appropriation for Contingencies

On April 18, 1989, the Company's BOD approved the establishment of a special reserve which will serve as cushion to the paid-up capital in the event of extraordinarily high loss occurrences or severe catastrophic losses. As such, at December 31 of each year where there is profit, 10% of such profit is set aside as additional reserve for contingencies. As at December 31, 2015, the Company did not appropriate any amount since it has incurred deficit.

17.3 Declaration of Cash Dividends

The BOD approved the declaration of cash dividends of P0.02 per share (or a total of P42,472,112) on May 16, 2013, payable to stockholders of record as at June 14, 2013 and June 1, 2012, respectively. There was no declaration of cash dividends in 2015 and 2014. The total outstanding dividends payable amounted to P2,535,246 and P2,542,536 as at December 31, 2015 and 2014, respectively. These are presented as part of Other Liabilities under Accounts Payable and Accrued Expenses account in the statements of financial position (see Note 12).

18. RELATED PARTY TRANSACTION

The Company's related parties include its principal stockholders, related parties under common ownership, retirement plan and the Company's key management personnel with which the Company had transactions as described below and in the succeeding pages.

18.1 Reinsurance Contracts with Related Parties

The Company accepts and cedes insurance business under various reinsurance contracts with related parties. The details of which follow:

	2015		2014 (As Restated – see Note 2.1)	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Ownership
Premiums	₱ 441,285,032	₱ 26,257,936	₱ 353,442,391	₱ 49,545,015
Retrocessions	1,372,044	1,067,067	908,118	811,770
Commission income	22,200	-	31,626	-
Commission expenses	124,349,288	-	108,042,840	-
Losses incurred	278,600,661	461,947	150,150,352	3,950,722
Losses recoveries	2,970,573	1,562,648	39	388,699

As a result of the transactions in the above, reinsurance balances receivable from and payable to related parties are present in the succeeding page (see Note 6):

	2015		2014 (As Restated – see Note 2.1)	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	₱ **222,331,936**	₱ **20,216,776**	₱ 217,855,945	₱ 48,406,620
Reinsurance recoverable on losses	**95,866,745**	**489,795**	89,291,265	-
Funds held by ceding companies	**60,839,214**	**-**	64,021,845	-
Claims payables	**1,212,866,352**	**4,458,459**	1,342,005,997	6,499,019
Due to retrocessionaires	**44,783,499**	**1,374,498**	7,192,935	1,895,203
Funds held for retrocessionaire	**164,777**	**-**	164,032	-

The terms and conditions on these transactions are the same as those with third parties.

The balance of due from ceding companies pertaining to related parties is presented net of P115.4 million and P37.3 million allowance for impairment as at December 31, 2015 and 2014, respectively. There are no other impairment losses recognized on other receivables.

18.2 Other Transactions

The Company's other transactions with related parties follow:

		2015		2014 (As Restated – see Note 2.1)	
	Notes	**Amount of Transactions**	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholders					
Cash and cash equivalents	(a)	₱ **161,051,957**	₱ **165,773,965**	₱ 1,761,206	₱ 4,722,008
AFS financial assets	(b)	**21,900,662**	**67,073,208**	45,172,546	45,172,546
Loans and receivables	(c)	**87,842**	**87,842**	-	-
Interest income – bank accounts	(a)	**546,854**	**-**	25,550	-
Interest income – AFS financial assets	(b)	**1,234,771**	**-**	-	-
Service fees	(d)	**(3,718,236)**	**-**	(2,744,658)	-
Related Parties Under Common Ownership					
Cash and cash equivalents	(a)	₱ **274,579,834**	₱ **562,820,462**	₱ 102,834,993	₱ 288,240,628
AFS financial assets	(b)	**(82,890,836)**	**152,773,562**	48,368,650	235,664,397
Loans and receivables	(c)	**(1,291,390)**	**853,931**	(1,055,988)	2,145,320
Interest income – bank accounts	(a)	**570,998**	**-**	2,452,830	-
Interest income – AFS financial assets	(b)	**8,785,067**	**-**	10,469,169	-
Service fees	(d)	**(1,203,272)**	**-**	(1,064,839)	-

(a) Cash and Cash Equivalents

The Company maintains several savings and current accounts with a stockholder and related party under common ownership. Interest income recognized is presented as part of Interest income under Investment and Other Income account in the statements of income (see Note 13).

(b) AFS Financial Assets

The Company has investments in shares of stock of a related party under common ownership classified as AFS financial assets. Relative to these transactions, the Company recognized interest income and trading gains which are presented as part of Investment and Other Income account in the statements of income (see Note 13).

(c) Loans and Receivables

The Company has term loans with certain related parties under common ownership. Relative to this, the Company recognized interest income which are presented as part of Interest income under Investment and Other Income account in the statements of income (see Note 13). The term loan is unsecured and earns interest of 4.80% to 5.86% in 2015, 5.00% to 5.50% in 2014 and 2013. As at December 31, 2015, management assessed that these term loans are not impaired.

(d) Investment Management and Custodianship

The Company has entered into agreements known as "Investment Management Agreement" and "Custodianship Agreement" with a stockholder and an affiliate bank for the management and custodianship of certain investible funds of the Company subject to terms and conditions in the said agreements. In consideration for the services rendered, the Company pays the stockholder and the affiliate bank service fees equivalent to a certain percentage of the market value of the investments. Total service fees paid is charged against Other charges under Investment and Other Income account (see Note 13) in the statements of income. There are no outstanding liabilities from these transactions as at December 31, 2015 and 2014.

18.3 Retirement Fund Investment Management

In 2007, the Company entered into a "Retirement Fund Investment Management Agreement" with its stockholder for the management of the investments of the Company's retirement funds subject to the terms and conditions in the said agreement.

18.4 Transactions with Retirement Fund

As discussed in Note 15.2, the Company maintains a wholly-funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. The Company has no other transaction with its retirement fund in 2015 and 2014 except for its contribution of P32,141,298 and P53,254,585, respectively.

18.5 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2015	2014	2013
Short-term benefits	₱ **36,431,145**	₱ 47,798,421	₱ 41,126,946
Post-employment benefits	**107,405**	3,610,068	2,671,986
	₱ **36,538,550**	₱ 51,408,489	₱ 43,798,932

19. SOLVENCY

Under the New Insurance Code, an insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and adopted only after due consultation with the insurance industry associations.

Whenever the aforementioned requirement is found to be less than the required to be maintained, the Commissioner shall direct the Company to make good any such deficiency by cash, to be contributed by all stockholders of record in proportion with their respective interests, and paid to the treasurer of the Company, within 15 days from receipt of the order. Provided, that the Company in the interim shall not be permitted to take any new risk of any kind or character unless and until it make good any such deficiency.

In case that a stockholder pays the contribution due from another stockholder by reason of failure or refusal of the latter to do so, shall have a lien on the certificates of stock of the Company appearing in its books in the name of the defaulting stockholder on the date of default, as well as on any interests or dividends that have accrued or will accrue to the said certificates of stocks, until the corresponding payment or reimbursement is made by the defaulting stockholder.

20. RECONCILIATION OF NET PROFIT (LOSS) UNDER PFRS TO STATUTORY NET PROFIT (LOSS)

Republic Act No. 10607 also known as "The New Insurance Code" was approved on August 15, 2013. Under Section 219 of the new code, every insurance company, other than life, shall maintain a reserve for unearned premiums on its policies in force, which shall be calculated based on the twenty fourth (24th) method. Effective 2014, the Company no longer applied the use of 40% (previous statutory method) in its reporting of unearned premium reserve to the IC; thus, net income in 2015 and 2014 under PFRS and statutory reporting are of the same amount.

The reconciliation of PFRS net profit (loss) and statutory net profit (loss) follows:

	2015	2014 (As Restated – see Note 2.1)	2013 (As Restated – see Note 2.1)
PFRS net profit (loss)	₱ 179,133,440	₱ 8,386,232	(₱ 287,742,405)
Difference in change in premium liabilities – net	-	-	(37,224,178)
Deferred acquisition costs – net	-	-	(8,181,969)
Statutory net profit (loss)	₱ 179,133,440	₱ 8,386,232	(₱ 333,148,552)

21. EARNINGS (LOSS) PER SHARE

The earnings (loss) per share amounts are as follows:

	2015	2014 (As Restated – see Note 2.1)	2013 (As Restated – see Note 2.1)
Net profit (loss) available to common shareholders	₱ 179,133,440	₱ 8,386,232	(₱ 287,742,405)
Divided by the average number of outstanding common shares	2,123,605,600	2,123,605,600	2,123,605,600
	₱ 0.084	₱ 0.004	(₱ 0.135)

Diluted earnings (loss) per share is not determined since the Company does not have dilutive shares as at December 31, 2015, 2014 and 2013.

22. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

22.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under various operating leases covering warehouse and parking lots having a term of one year with renewal options. The future minimum rentals payable under this non-cancellable operating lease as at December 31, 2015 and 2014 is P1,992,110 and P3,331,184, respectively.

Rental expense recognized amounted to P3,626,686, P2,764,393, and P763,003 in 2015, 2014 and 2013, respectively, and is presented in the statements of income as Rental under General and Administrative Expenses section (see Note 15).

22.2 Legal Claims

The Company is a defendant in a third party claim filed by a government agency against the Company and other reinsurers. Management believes that as at December 31, 2015, the reserve set up relating to this case is adequate to cover any liability that may arise from the ultimate outcome of the case.

22.3 Others

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. Management believes that losses as at December 31, 2015, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

23. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

23.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Notes	2015 Carrying Values	2015 Fair Values	2014 (As Restated – see Note 2.1) Carrying Values	2014 (As Restated – see Note 2.1) Fair Values
Financial assets					
Cash and cash equivalents	5	₱ 1,047,472,576	₱ 1,047,472,576	₱ 886,643,838	₱ 886,643,838
Reinsurance balances receivables	6	5,343,416,633	5,343,416,633	5,948,142,591	5,948,142,591
Loans and receivables	8	306,791,128	306,791,128	322,338,295	322,338,295
		₱ 6,697,680,337	₱ 6,697,680,337	₱ 7,157,124,724	₱ 7,157,124,724
AFS financial assets:	7				
Debt securities		P 3,802,213,900	P 3,802,213,900	₱ 4,049,823,361	₱ 4,049,823,361
Equity securities		1,860,924,875	1,860,924,875	1,574,372,297	1,574,372,297
Investment in ARC		4,444,847	4,444,847	4,444,847	4,444,847
Various funds		60,791,966	60,791,966	479,097,201	479,097,201
		₱ 5,728,375,588	₱ 5,728,375,588	₱ 6,107,737,706	₱ 6,107,737,706
Financial liabilities					
Financial liabilities at amortized cost:					
Reinsurance balances payable	6	₱ 7,438,085,066	₱ 7,438,085,066	₱ 8,019,241,944	₱ 8,019,241,944
Accounts payable and accrued expenses	12	80,638,647	80,638,647	103,721,159	103,721,159
		₱ 7,518,723,713	₱ 7,518,723,713	₱ 8,122,963,103	₱ 8,122,963,103

Due to the short-term duration, management considers the carrying values of the Company's financial assets and financial liabilities approximate their fair values as at the end of the reporting periods.

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instrument including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

23.2 Offsetting of Financial Assets and Financial Liabilities

For financial assets and financial liabilities, particularly, reinsurance balances, subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties, including related parties, allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

Reinsurance balances as at December 31 are as follows.

	Note	2015	2014 (As Restated – see Note 2.1)
Reinsurance balances receivable	6	₱ **5,343,416,633**	₱ 5,948,142,591
Reinsurance balances payable	6	**7,438,085,066**	8,019,241,944

24. FAIR VALUE MEASUREMENT AND DISCLOSURES

24.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

24.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis, as at December 31, 2015 and 2014 (amounts in thousands Philippine Peso).

	Level 1	Level 2	Level 3	Total
December 31, 2015				
AFS financial assets	₱ **4,550,100**	₱ **80,321**	₱ **4,445**	₱ **4,634,866**
December 31, 2014				
AFS financial assets	₱ 3,980,728	P 498,789	₱ 590,796	₱ 5,070,313

The movement of the AFS financial assets classified under level 3 in the fair value hierarchy is shown below (amounts in thousands Philippine Peso).

	2015	2014
Balance at beginning of year	₱ **590,796**	₱ 494,103
Additions	**-**	278,134
Disposals	**(562,960)**	(194,931)
Transfers	**(23,391)**	23,083
Fair value loss	**-**	(9,593)
Balance at end of year	₱ **4,445**	₱ 590,796

The Company's AFS financial assets includes certain investments measured at cost amounting to P1,093,509 and P1,037,425 (amounts in thousand Philippine Peso) as at December 31, 2015 and 2014, respectively.

The Company has no financial liabilities measured at fair value as at December 31, 2015 and 2014.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

a) Equity securities

As at December 31, 2015 and 2014, instruments included in Level 1 comprise equity securities classified as AFS financial assets. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

The fair value of the Company's debt securities which consist of government and corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1 and 3.

b) Debt securities

The fair value of the Company's debt securities which consist of government and corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1 and 3.

c) Mutual funds

The fair value of the Company's mutual funds which consist of money market placements and minimal equity securities is estimated by reference to the net asset value provided by the fund managers.

24.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₱ 1,047,472,576	₱ -	₱ -	₱ 1,047,472,576
Reinsurance balances receivables	-	-	5,343,416,633	5,343,416,633
Loans and receivables	-	-	306,791,128	306,791,128
	₱ 1,047,472,576	₱ -	₱ 5,650,207,761	₱ 6,697,680,337
Financial liabilities:				
Reinsurance balances payable	₱ -	₱ -	P 7,438,085,066	P 7,438,085,066
Accounts payable and other accrued expenses	-	-	80,638,647	80,638,647
	₱ -	₱ -	₱ 7,518,723,713	₱ 7,518,723,713

	2014 (As Restated – see Note 2.1)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₱ 886,643,838	₱ -	₱ -	₱ 886,643,838
Reinsurance balances receivables	-	-	5,948,142,591	5,948,142,591
Loans and receivables	-	-	322,338,295	322,338,295
	₱ 886,643,838	₱ -	₱ 6,270,480,886	₱ 7,157,124,724
Financial liabilities:				
Reinsurance balances payable	₱ -	₱ -	₱ 8,019,241,944	₱ 8,019,241,944
Accounts payable and other accrued expenses	-	-	103,721,159	103,721,159
	₱ -	₱ -	₱ 8,122,963,103	₱ 8,122,963,103

For financial assets, other than AFS investments, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

24.4 Fair Value Measurement for Non-financial Assets

The Company used market comparable approach as a valuation technique in measuring the fair values of its investment properties to arrive at fair values that are more representative of the investment properties' highest and best use. As at December 31, 2015 and 2014, the fair value of the investment properties is P5,880,000, classified as under Level 3 of the fair value hierarchy (see Note 11). The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are (a) to ensure the Company's ability to continue as a going concern; and, (b) to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Company's operational strategy to its corporate goals. The capital requirements and limitations are as follows:

25.1 Minimum Capitalization

Under section 289 of the New Insurance Code, any partnership, association, or corporation authorized to transact solely reinsurance business must have a capitalization of at least P3,000,000,000 paid in cash of which at least 50% is paid-up capital and the remaining portion thereof is contributed surplus, which in no case shall be less than P400,000,000 or such capitalization as may be determined by the Secretary of Finance, upon the recommendation of the Commissioner.

The IC issued Circular Letter No. 2015-02-A dated January 13, 2015, to clarify the minimum capitalization requirements under sections 194, 197, 200 and 289 of RA 10607 (The New Insurance Code). Under the said circular letter, all existing reinsurance companies authorized to transact solely reinsurance business must have a networth of at least P2,000,000,000 by December 31, 2013. The minimum networth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	Compliance Date
₱ 2,250,000,000	December 31, 2016
2,500,000,000	December 31, 2019
3,000,000,000	December 31, 2022

As at December 31, 2015, the Company has complied with the minimum capital requirements.

25.2 Risk-Based Capital Requirements

As per Insurance Memorandum Circular No. 7-2006, every non-life insurance company is annually required to maintain a minimum Risk-Based Capital (RBC) ratio of 100%. RBC ratio is computed by dividing the Company's net worth by an RBC requirement prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC.

25.3 Limitation on Dividend Declaration

The Company's BOD is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. However, a stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as atten and at such times as the BOD may determine and in accordance with law.

Section 201 of the New Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock unless it has met the minimum paid-up capital and net worth requirements under Section 194 and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the solvency requirements defined by Section 200;
- the legal reserve fund required by Section 219; and,
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

The Company is required to report such dividend declaration or distribution to the IC within 30 days from the date of such declaration.

Moreover, the SEC, through its Memorandum Circular 11 dated December 5, 2008 has set guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution. This shall be based on the net profit for the year based on the audited financial statements, adjusted for unrealized items which are considered not available for dividend declaration. These unrealized items consist of the following:

- share/equity in net income of the associate or joint venture;
- unrealized foreign currency gains, except those attributable to cash and cash equivalents;
- unrealized actuarial gains arising from the exercise of the option of recognizing actuarial gains or losses directly to the statement of comprehensive income;
- fair value adjustment arising only from marked-to-market valuation which are not yet realized;
- the amount of deferred tax asset that reduced the amount of income tax expense;
- adjustment due to deviation from PFRS/Generally Accepted Accounting Principles which results to gain; and,
- other unrealized gains or adjustments to the retained earnings.

26. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following basic ratios measure the financial performance of the Company:

	2015	2014 (As Restated – see Note 2.1)
Current ratio	**2.61**	2.72
Asset-to-equity	**2.74**	2.77
Liability-to-equity	**1.74**	1.77

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented below is the supplementary information which is required by the BIR under its existing revenue regulations (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

27.1 Requirements Under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output VAT

In 2015, the Company declared output VAT amounting to P 9,539,634, which is set off against input VAT [see Note 27.1(b)], based on the following gross receipts:

	Tax Base	Output VAT
Commission earned on retrocession	₱ 79,497,452	₱ 9,539,634
Exempt receipts	2,065,402,690	-
	₱ 2,144,900,142	₱ 9,539,634

Pursuant to RR 04-07 effective April 6, 2007, "Non-life insurance premiums are subject to VAT whereas non-life reinsurance premiums are not subject to VAT, the latter being already subject to VAT upon receipt of the insurance premiums."

The tax bases of commission earned on retrocession are included as net of Underwriting Deductions account in the 2015 statement of income. The tax bases for commission are based on the Company's gross receipts for the year, hence, may not be the same with the amounts accrued in the 2015 statement of income.

As at December 31, 2015, the Company also has Deferred output VAT amounting to P38,795,517 pertaining to uncollected commission income from retrocessionaires (see Note 12).

(b) Input VAT

The movements in input VAT in 2015 are summarized below.

Balance at beginning of year	₱ 86,794,566
Services lodged under other accounts	50,765,692
Goods other than for resale or manufacture	389,837
Capital goods subject to amortization	1,249,989
Applied against output VAT	(9,539,694)
Input VAT on exempt sales	(8,019,658)
Balance at end of year	₱ 121,640,732

The balance of Input VAT as at December 31, 2015 is recorded under Other Assets account in the 2015 statement of financial position (see Note 11).

As at December 31, 2015, the Company also has Deferred Input VAT amounting to P71,502,770 pertaining to VAT on unpaid commission to ceding companies, and Deferred Withholding VAT amounting to P9,202,886 representing VAT on unapplied input VAT on unpaid premiums on ceded out transactions to the Company from a certain government entity (see Note 11).

(c) Taxes on Importation

The Company does not have any customs duties or tariff fees in 2015 since it does not have any importation.

(d) Excise Tax

The Company does not have excise tax in 2015 since it does not have any transactions which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

Reinsurance contracts are not subject to DST. The Company is liable to DST when it issues original shares of stocks or transfer certificate of stock. The Company did not issue original shares of stocks nor transfer certificate of stocks for the year ended December 31, 2015.

(f) Taxes and Licenses

The details of Taxes and licenses account for the year ended December 31, 2015 presented under General and Administrative Expenses section in the 2015 statement of income is broken down as follows (see Note 15):

Deficiency taxes	₱ 50,000,000
Municipal license and permits	2,912,016
Registration	611,281
Fringe benefit tax	583,173
Real estate taxes	302,224
Miscellaneous	120,974
	₱ 54,529,668

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2015 are shown below.

Compensation and benefits	₱	30,056,648
Expanded		3,436,955
Final		2,138,235
	₱	35,631,838

(h) *Deficiency Tax Assessments and Tax Cases*

As at December 31, 2015, the Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

27.2 Requirements Under RR No. 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, and itemized deductions, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2015 statement of income.

(a) *Taxable Revenues*

The Company's taxable revenues from rendering of services amounted to P1,059,253,547 for the year ended December 31, 2015.

(b) *Deductible Costs of Services*

Deductible cost of services for the year ended December 31, 2015 comprises the following:

Claims and losses	₱	524,216,511
Increase in reserve premium liabilities		27,537,307
Salaries and allowances		38,733,231
Interest expense		1,000,432
	₱	591,487,481

(c) *Taxable Non-operating and Other Income*

The details of taxable non-operating and other income in 2015, which are subject to regular tax rate are shown below.

Realized foreign currency gains	₱	15,864,098
Interest income		15,474,451
Gain on sale of asset		171,782
Miscellaneous		170,016
	₱	31,680,347

(d) *Itemized Deductions*

The amounts of itemized deductions for the year ended December 31, 2015 are as follows:

NOLCO applied	₱	278,228,501
Salaries and allowances		62,722,119
Professional fees		31,078,557
Depreciation and amortization		24,073,131
Other services		16,205,169
Amortization of past service cost		14,885,670
Separation benefit		7,925,387
Repairs and maintenance		7,691,330
Other investment expenses		6,669,742
Current service cost		5,443,665
Directors' fees		5,118,236
Taxes and licenses		4,529,668
Rental		3,597,989
Meetings and conferences		3,535,978
Association dues		2,891,931
Light and water		2,327,925
Transportation and travel		2,242,415
Advertising and promotions		2,235,966
Representation and entertainment		2,199,579
Communication and postage		2,108,021
Insurance		952,015
Office supplies		932,585
Miscellaneous		11,850,834
	₱	499,446,413

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor BPI-PhilAm Life Makati (formerly Ayala Life FGU Center)
6811 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of National Reinsurance Corporation of the Philippines for the year ended December 31, 2015, on which we have rendered our report dated April 8, 2016. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5321731, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 8, 2016

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

List of Supplementary Schedules

December 31, 2015

Statement of Management's Responsibility for the Financial Statements

Independent Auditor's Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

Schedule		No. of Pages
A	Financial Assets	3
B	Amounts Receivable from Directors, Officers, Employees, Related Parties & Principal stockholders other than related parties	2
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	N/A
D	Intangible Assets/Other Assets	1
E	Long-term Debt	N/A
F	Indebtedness to related parties (Long-term loans from related companies)	N/A
G	Guarantees of securities of other Issuers	N/A
H	Capital Stock	5

Supplementary Schedule to Financial Statements (SEC Circular 11)

	Reconciliation of Retained Earnings for Dividend Declaration	1

Schedule of Philippine Financial Reporting Standards and Interpretations	4

SCHEDULE A. Financial Assets

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
AVAILABLE FOR SALE				
STOCKS:				
Aboitiz Equity Ventures	617,640	35,792,238.00	35,792,238.00	824,463.60
Aboitiz Power	975,200	40,665,840.00	40,665,840.00	2,640,728.00
Alliance Global Group	2,028,200	32,654,020.00	32,654,020.00	628,742.00
Ayala Corp.	148,680	112,402,080.00	112,402,080.00	835,442.40
Ayala Corp.- Preferred B	100,000	52,300,000.00	52,300,000.00	2,625,000.00
Ayala Land Inc.	4,045,924	139,382,081.80	139,382,081.80	1,624,465.21
Banco de Oro	634,860	66,660,300.00	66,660,300.00	1,067,814.00
Bank of the Phil. Islands	799,919	67,073,208.15	67,073,208.15	1,234,771.30
Century Pacific Food, Inc.	350,000	5,768,000.00	5,768,000.00	-
DMCI Holdins Inc.	2,281,800	31,488,840.00	31,488,840.00	878,784.00
Emperador, Inc.	630,100	5,639,395.00	5,639,395.00	150,000.00
First Gen - Pref	156,000	18,720,000.00	18,720,000.00	624,000.00
First Gen Corp. Pref. G	200,000	23,600,000.00	23,600,000.00	778,080.00
First Gen Corporation	1,362,800	30,799,280.00	30,799,280.00	1,823,910.00
Globe Telecom	28,585	52,939,420.00	52,939,420.00	2,313,832.50
Globe Telecom Preferred Sh	100,000	52,200,000.00	52,200,000.00	2,600,300.00
GT Capital Hldgs. Inc	23,535	31,066,200.00	31,066,200.00	80,265.00
Integ. Micro-Electronics	1,333,400	7,520,376.00	7,520,376.00	249,079.12
International Container	563,920	39,643,576.00	39,643,576.00	537,120.00
JG Summit Holdings Inc.	1,421,210	104,174,693.00	104,174,693.00	341,211.20
Jollibee Foods Corporation	245,700	53,808,300.00	53,808,300.00	495,677.50
Lopez Holdings Corporation	720,000	4,752,000.00	4,752,000.00	72,000.00
Manila Water Corp.	400,000	9,920,000.00	9,920,000.00	525,430.50
Max's Group, Inc.	696,800	13,922,064.00	13,922,064.00	-
Megawide Const. Corp	7,975,900	33,897,575.00	33,897,575.00	524,940.07
Meralco	110,250	35,280,000.00	35,280,000.00	2,280,380.50
Metro Pac Inv. Corp.	5,652,500	29,393,000.00	29,393,000.00	556,241.40
Metropolitan Bank & Trust Co.	585,843	47,160,361.50	47,160,361.50	518,713.00
Petron Corporation	2,009,400	14,045,706.00	14,045,706.00	72,800.00
PLDT Common	65,300	134,518,000.00	134,518,000.00	7,814,515.00
PNOC-EDC	4,335,100	26,877,620.00	26,877,620.00	560,988.00
RCBC	122,500	4,042,500.00	4,042,500.00	148,560.00
Robinsons Land	454,150	12,489,125.00	12,489,125.00	425,412.00
Robinsons Retail Hldgs	344,000	21,672,000.00	21,672,000.00	247,860.00
San Miguel Corp Series 2-B - Pref	133,000	10,294,200.00	10,294,200.00	1,623,486.26
San Miguel Corp Series 2-C - Pref	133,000	11,039,000.00	11,039,000.00	598,500.00
San Miguel Corp Series 2-d - Pref	67,000	5,695,000.00	5,695,000.00	74,660.19
San Miguel Pure Foods Perpetual Pref. 2	50,000	51,450,000.00	51,450,000.00	2,321,337.50
Semirara Mining Corp.	117,940	16,098,810.00	16,098,810.00	624,920.00
SM Investments Corp	208,862	180,456,768.00	180,456,768.00	2,294,752.02
SM Prime Holdings	3,123,500	67,779,950.00	67,779,950.00	641,319.00
Trans-Asia Oil and Energy Dev't. Corp.	1,460,000	3,182,800.00	3,182,800.00	-
Universal Robina Corp.	554,470	103,131,420.00	103,131,420.00	1,524,630.00
Asian Reinsurance Corp	980	4,444,846.72	4,444,846.72	

SCHEDULE A. Financial Assets

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
Evercrest Golf Club-A	1	50,000.00	50,000.00	
Makati Sports Club "A"	1	400,000.00	400,000.00	
Calatagan Golf Club, Inc.	1	30,000.00	30,000.00	
Benguet Consolidated	18	61.92	61.92	
Heritage Park - Garden	4	880,000.00	880,000.00	
Philippine Nuclear	100	10,000.00	10,000.00	
Rancho Palos Verdes	2	1,000,000.00	1,000,000.00	
Orchard Golf Club - C	1	190,000.00	190,000.00	
Batangas Venture(BAC)	2,200,000	845,724.97	845,724.97	
Phil. Hotel C (Hot)	750	96,971.77	96,971.77	7,500.00
Phil. Nuclear (PN)	200	20,000.00	20,000.00	
Roxas	2,628	-	-	
Roxas C	110,490	4,921,612.27	4,921,612.27	
Roxas Pref. others C (RXC-1)	189,305	8,432,328.66	8,432,328.66	
Seneca Holdings Inc. (SHI)	746,453	746,453.00	746,453.00	30,447.82
Shell Co. (SHEP)	660	1,905,974.40	1,905,974.40	
Sold				1,816,870.00
SUB-TOTAL FOR STOCKS		**1,865,369,721.16**	**1,865,369,721.16**	**47,659,949.09**
BONDS				
Fixed Rate Treasury Notes				
FXTN 10-60	1,029,221,213.00	996,945,974.83	996,945,974.83	13,633,340.61
MATURED/SOLD				68,297,134.79
	1,029,221,213.00	**996,945,974.83**	**996,945,974.83**	**81,930,475.41**
ROP BONDS				
ROP 24	102,637,350.00	117,614,882.74	117,614,882.74	4,122,388.51
RCBC 2017	8,785,600.00	9,714,403.69	9,714,403.69	482,691.12
PCORPM	10,163,250.00	12,145,245.00	12,145,245.00	862,980.31
PCORPM	10,163,250.00	12,145,245.00	12,145,245.00	862,980.31
SMIC 2019	8,376,000.00	9,574,698.00	9,574,698.00	395,325.62
SMC US$	20,469,000.00	22,222,260.90	22,222,260.90	1,143,359.54
FGEN CSUFN	21,654,500.00	24,677,251.20	24,677,251.20	1,513,380.11
RCBC US$ Senior Notes	23,445,000.00	23,769,777.36	23,769,777.36	133,342.21
MATURED				487,793.12
TOTAL DOLLAR BONDS	**205,693,950.00**	**231,863,763.89**	**231,863,763.89**	**10,004,240.86**
(BPI Managed)				
FXTN 7-48	185,703,199.00	185,703,199.00	185,703,199.00	13,035,332.90
FXTN 7-56	60,000,000.00	59,998,810.62	59,998,810.62	1,814,330.14
FXTN 7-57	10,000,000.00	9,808,757.52	9,808,757.52	132,161.56
FXTN 10-54	15,632,706.00	17,061,846.35	17,061,846.35	1,824,470.20
FXTN 10-60	154,464,475.00	149,620,640.01	149,620,640.01	1,742,016.02
FXTN 20-20	120,000,000.00	104,495,642.40	104,495,642.40	5,342,941.35
FXTN 25-11	237,344,100.00	229,366,631.70	229,366,631.70	3,415,117.88
MATURED				15,703,879.04
	783,144,480.00	**756,055,527.59**	**756,055,527.59**	**43,010,249.10**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

SCHEDULE A. Financial Assets

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
(RCBC Managed)				
FXTN 5-72	30,000,000.00	29,192,155.20	29,192,155.20	325,605.07
FXTN 5-73	15,000,000.00	14,716,827.77	14,716,827.77	54,883.35
FXTN 10-42	40,000,000.00	41,465,989.29	41,465,989.29	1,566,574.67
FXTN 7-51	41,000,000.00	42,102,872.73	42,102,872.73	1,472,887.88
FXTN 7-56	18,000,000.00	17,999,643.18	17,999,643.18	342,261.28
FXTN 7-57	10,000,000.00	9,808,757.52	9,808,757.52	244,692.75
FXTN 10-54	15,000,000.00	16,371,298.44	16,371,298.44	567,524.72
FXTN 10-59	40,000,000.00	39,910,411.20	39,910,411.20	1,301,794.36
RTB 15-1	20,000,000.00	22,942,045.56	22,942,045.56	1,022,753.43
FXTN 3-21	5,000,000.00	5,008,626.62	5,008,626.62	847.54
MATURED/SOLD				1,503,787.90
	234,000,000.00	239,518,627.51	239,518,627.51	8,403,612.95
Mandatory Reserves				
FXTN 10-60	500,000,000.00	484,320,553.36	484,320,553.36	5,638,888.89
	500,000,000.00	484,320,553.36	484,320,553.36	5,638,888.89
CORPORATE BONDS				
SMIC Series B	12,000,000.00	12,000,000.00	12,000,000.00	1,095,033.33
SMIC Series B	10,000,000.00	10,000,000.00	10,000,000.00	912,527.78
FLI Bond	50,000,000.00	50,000,000.00	50,000,000.00	3,106,705.83
San Miguel Brewery	71,550,000.00	71,550,000.00	71,550,000.00	4,452,596.25
San Miguel Brewery	5,000,000.00	5,000,000.00	5,000,000.00	311,152.77
Globe Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,882,986.11
GLOBE-BOND	23,000,000.00	23,000,000.00	23,000,000.00	1,326,173.61
ALI Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,820,312.50
FLI Bond	20,000,000.00	20,000,000.00	20,000,000.00	1,258,105.06
SMIC	50,000,000.00	50,000,000.00	50,000,000.00	3,008,333.33
JGS-BOND	25,000,000.00	25,000,000.00	25,000,000.00	1,311,558.12
JGS-BOND	25,000,000.00	25,000,000.00	25,000,000.00	1,311,558.12
AEV Serries A	50,000,000.00	50,000,000.00	50,000,000.00	900,651.39
EDC Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,084,925.42
EDC-BOND	10,000,000.00	10,000,000.00	10,000,000.00	416,985.08
FLI	50,000,000.00	50,000,000.00	50,000,000.00	974,621.81
AEV Serries B	50,000,000.00	50,000,000.00	50,000,000.00	1,008,072.22
SMB-BOND	70,000,000.00	70,000,000.00	70,000,000.00	4,742,208.34
SMIC	80,000,000.00	86,712,571.66	86,712,571.66	4,882,123.83
FLI	50,000,000.00	50,000,000.00	50,000,000.00	2,434,844.72
Rockwell 2021	50,000,000.00	50,000,000.00	50,000,000.00	2,553,673.89
SMPH	50,000,000.00	50,000,000.00	50,000,000.00	225,475.00
Filinvest Dev't. Corp(FDC)	20,000,000.00	20,000,000.00	20,000,000.00	1,232,574.33
RCBC Tier2	50,000,000.00	50,000,000.00	50,000,000.00	2,694,965.28
MATURED				3,950,465.10
	971,550,000.00	978,262,571.66	978,262,571.66	51,898,629.22

SCHEDULE A. Financial Assets

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
LONG-TERM NEGOTIABLE INSTRUMENT				
RCBC LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,625,000.00
RCBC LTNCD	15,000,000.00	15,246,880.58	15,246,880.58	560,630.63
EWB LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,500,000.00
MATURED				1,652,083.33
	115,000,000.00	115,246,880.58	115,246,880.58	7,337,713.97
SUB-TOTAL FOR INVESTMENT IN BONDS	3,838,609,643.00	3,802,213,899.42	3,802,213,899.42	208,223,810.39
PREMIUM FIXED INCOME FUND	3,378,128.00	60,791,966.64	60,791,966.64	-
TOTAL AVAILABLE FOR SALE		5,728,375,587.22	5,728,375,587.22	255,883,759.48
LOANS AND RECEIVABLE				
TERM LOANS				
SMPH	97,000,000.00	97,000,000.00	97,000,000.00	5,687,771.65
SMART 2017	97,000,000.00	97,000,000.00	97,000,000.00	5,167,435.00
SMPH	48,500,000.00	48,500,000.00	48,500,000.00	2,339,266.66
MATURED/SOLD	-	-	-	
SUB-TOTAL TERM LOAN	242,500,000.00	242,500,000.00	242,500,000.00	13,194,473.31
ACCRUED INTEREST RECEIVABLE		42,266,049.54	42,266,049.54	
ACCOUNTS RECEIVABLE		15,403,524.96	15,403,524.96	
MORTGAGE LOANS		-	-	371,372.62
TREASURY BILLS				87,803.72
SECURITY FUND				19,548.25
TOTAL LOANS AND RECEIVABLE		300,169,574.50	300,169,574.50	13,673,197.90
GRAND TOTAL FOR FINANCIAL ASSETS		6,028,545,161.72	6,028,545,161.72	269,556,957.38

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders' (Other than Related Parties)

December 31, 2015

Name of employee	Designation	Bal. at beg. of period	Additions	Deductions: Amounts collected	Deductions: Amounts Written off	Ending Balance: Current	Ending Balance: Non-Current	Balance at end of period
A. Emergency Loans								
1 Arcangel, Tristan Russell T.	Rank & File	11,129.95	20,000.00	18,350.85	-	12,779.10	-	12,779.10
2 Bariring, Juluis	Rank & File	7,781.91	-	7,781.91	-	-	-	-
3 Bautista, Jonathan B.	Rank & File	7,781.91	-	7,781.91	-	-	-	-
4 Castillo, Jocelyn	Rank & File	14,411.85	20,000.00	26,629.94	-	7,781.91	-	7,781.91
5 Collantes, Jereco L.	Rank & File	11,956.58	-	11,956.58	-	-	-	-
6 Cruz, Bethzayda	Rank & File	882.05	20,000.00	13,100.15	-	7,781.90	-	7,781.90
7 Ignaciao, Jose Alladin	Rank & File	17,453.83	-	17,453.83	-	-	-	-
8 Lampa, Kathy	Rank & File	14,411.86	-	14,411.86	-	-	-	-
9 Lopez, Marvin	Manager	-	50,000.00	32,664.08	-	17,335.92	-	17,335.92
10 Magalona, Natalie S.	Asst. Manager	33,993.75	-	33,993.75	-	-	-	-
11 Magalona, Wilmar	Asst. Manager	8,754.42	-	8,754.42	-	-	-	-
12 Magtalas, Ivy I.	Manager	21,562.90	50,000.00	23,528.93	-	48,033.97	-	48,033.97
13 Malabanan, Daryl Casey	Rank & File	8,814.49	-	8,814.49	-	-	-	-
14 Malana, Jackilyn	Rank & File	3,467.20	20,000.00	15,509.46	-	7,957.74	-	7,957.74
15 Mirano, Seth Louis	Rank & File	16,830.69	-	16,830.69	-	-	-	-
16 Pascual, Teofista	Asst. Manager	14,196.37	-	14,196.37	-	-	-	-
17 Paz, Anjo Raval	Rank & File	8,625.19	20,000.00	27,743.14	-	882.05	-	882.05
18 Ramos, Rizza Glein	Rank & File	16,830.69	-	16,830.69	-	-	-	-
19 Avila, Lylibeth	Rank & File	8,625.18	20,000.00	20,843.28	-	7,781.90	-	7,781.90
20 Salesa, Marjorie	Rank & File	16,028.42	-	16,028.42	-	-	-	-
21 Salesa, Mario	Rank & File	-	20,000.00	13,917.34	-	6,082.66	-	6,082.66
22 Sanoy, Vicente	Asst. Vice President	17,465.45	-	17,465.45	-	-	-	-
23 Velasquez, Rolly	Asst. Manager	-	15,000.00	8,531.14	-	6,468.86	-	6,468.86
24 Yamat, Jennifer	Rank & File	1,759.66	20,000.00	14,824.91	-	6,934.75	-	6,934.75
		262,764.35	275,000.00	407,943.59	-	129,820.76	-	129,820.76
B. Emergency/Calamity Loan								
1 Reyes, Lylibeth	Rank & File	1,052.56		1,052.56		-		-
		1,052.56	-	1,052.56	-	-	-	-
C. Car Facility Loan								
1 Asuncion, Rino Antonio Carino	Manager		403,800.00	56,617.59			-	347,182.41
2 Benito, Noli Mario	Vice President	418,873.72		76,289.78			-	342,583.94
3 Besabe, Blesilda Santos	Senior Asst. Vice President		600,000.00	41,363.74			-	558,636.26
4 Camince, Enrico	Manager		420,000.00	8,585.44			-	411,414.56
5 Cornelio, Jennifer Aning	Manager		403,800.00	27,837.80			-	375,962.20
6 De Leon, Dino Angeles	Asst. Vice President		600,000.00	49,802.96			-	550,197.04
7 Dela Paz, M.	Manager		420,000.00	52,822.19			-	367,177.81
8 Engracia, Rosario V.	Asst. Vice President	421,301.16		421,301.16			-	-
9 Fidelino, Karen	Asst. Vice President	567,019.49		104,377.07			462,642.42	462,642.42
10 Fong, Allan	Sr. Manager	259,900.67		86,717.37			173,183.30	173,183.30
11 Hife, Jennifer	Manager		394,800.00				342,300.48	342,300.48
12 Geronimo, Editha B.	Asst. Vice President	232,431.61		132,195.71			100,235.90	100,235.90
13 Gomez, Hannah Lee	Manager		420,000.00	23,086.36			-	396,913.64
14 Karo, Maria Perpetua Palmyra Tan	Asst. Vice President		600,000.00	41,363.74			-	558,636.26
15 Lacson, Jeffrey	Senior Asst. Vice President	93,459.58	600,000.00	190,695.18			502,764.40	502,764.40
16 Lopez, C. Marvin	Manager		418,800.00	49,661.62			-	369,138.38
17 Lucos, Honarata S.	Asst. Vice President	232,431.61		132,195.71			100,235.90	100,235.90
18 Martinez, Ariel D.	Asst. Vice President	416,630.79		416,630.79			-	-
19 Papa, Regina	Sr. Asst. Vice President	138,694.28		109,836.65			28,857.63	28,857.63
20 Ramos, Regina S.	Vice President	142,970.23		99,228.29			43,741.94	43,741.94
21 Salonga, Daisy Cua	Asst. Vice President	248,226.39		130,882.53			117,343.86	117,343.86
22 Sanoy, Jr., Vicente R.	Asst. Vice President	237,714.30		237,714.30			-	-
23 Tanjuakio, Viktor	Vice President	418,872.84		76,288.90			342,583.94	342,583.94
24 Villarama, Jr., Vicente B.	Vice President	174,324.35		174,324.35			-	-
		4,002,851.01	5,281,200.00	2,739,819.23	-	-	2,213,889.77	6,491,732.27
D. Receivables on Insurance coverage of Co. Car (Officers share)								
1 Asuncion, Rino Antonio Carino	Manager		12,009.44	10,007.80		2,001.64		2,001.64
2 Benito, Noli Mario	Vice President	11,566.25	14,100.96	16,266.57		9,400.64		9,400.64
3 Besabe, Blesilda Santos	Senior Asst. Vice President		18,893.32	7,872.20		11,021.12		11,021.12
4 Camince, Enrico	Manager		13,412.65	558.86		12,853.79		12,853.79
5 Cornelio, Jennifer Aning	Manager		11,299.61	4,708.20		6,591.41		6,591.41
6 De Leon, Dino Angeles	Asst. Vice President		11,842.88	5,921.44		5,921.44		5,921.44
7 Dela Paz, M.	Manager		15,089.26	10,688.24		4,401.02		4,401.02
8 Engracia Rosario	Asst. Vice President	5,269.12		5,269.12		-		-
9 Fidelino, Karen	Asst. Vice President	13,498.90	13,567.38	18,021.38		9,044.90		9,044.90
10 Fong, Allan	Sr. Manager	8,693.65	12,832.35	11,901.73		9,624.27		9,624.27
11 Geronimo, Editha B.	Asst. Vice President	9,424.25	12,208.12	12,476.27		9,156.10		9,156.10
12 Gomez, Hannah Lee	Manager		11,139.24	3,533.32		7,605.92		7,605.92
13 Hife, Jennifer	Manager		13,292.48	9,415.45		3,877.03		3,877.03
14 Karo, Maria Perpetua Palmyra Tan	Asst. Vice President		18,893.32	7,872.20		11,021.12		11,021.12
15 Lacson, Jeffrey	Asst. Vice President	4,375.62	11,257.26	14,694.72		938.16		938.16
16 Lopez, C. Marvin	Manager		13,372.06	8,914.72		4,457.34		4,457.34
17 Lucos, Honarata S.	Asst. Vice President	9,424.25	12,208.12	12,750.47		8,881.90		8,881.90
18 Martinez, Ariel	Asst. Vice President	3,393.57		3,393.57		-		-
19 Papa, Regina	Sr. Asst. Vice President	3,126.62	11,457.08	11,719.42		2,864.28		2,864.28
20 Ramos, Regina S.	Vice President	6,041.21	10,303.85	10,763.77		5,581.29		5,581.29
21 Salonga, Daisy Cua	Asst. Vice President		13,493.11	9,557.64		3,935.47		3,935.47
22 Sanoy, Vicente	Asst. Vice President	2,881.45		2,881.45		-		-
23 Tanjuakio, Viktor	Vice President	11,024.15	11,881.17	14,984.52		7,920.80		7,920.80
24 Villarama, Jr., Vicente B.	Vice President	3,536.00		3,536.00		-		-
		92,255.04	262,553.66	217,709.06	-	137,099.64	-	137,099.64
GRAND TOTAL		**4,358,922.96**	**5,818,753.66**	**3,366,524.44**	**-**	**266,920.40**	**2,213,889.77**	**6,758,652.67**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

December 31, 2015

Name of employee	Designation	Bal. at beg. of period	Additions	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts Written off	Current	Non-Current	

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule D - Intangible Assets/Other Assets

December 31, 2015

	Description (i)	Beginning Balance	Additions at cost (ii)	Deduction: Charged to cost & exp.	Deduction: Charged to other accts.	Deduction: Other charges add'l. (deductions) (iii)	Ending Balance
A.	**Intangible Assets**						
1	SAP Software Licences	7,216,620		7,216,620			-
2	ARIMA Insurance Software	10,066,350		4,269,245			5,797,105
3	RMS LIFE MODULE CUSTOMISATION	1,461,814		-			1,461,814
4	RMS GL INTERFACE	470,151		-			470,151
5	RMS CAT Accumulation Report	215,895		-			215,895
6	RMS TRANSACTION REPORT	183,511	189,762	43,549			329,724
7	RMS Dashboard Software	818,647	135,973	190,922			763,698
8	Custom System Dev't-RADSL	150,000	60,000	42,000			168,000
9	OS Ticket System(HelpDesk System		75,000	11,250			63,750
10	RMS Licences - RiskLink		3,228,571	269,048			2,959,523
	Sub-Total	**20,582,988**	**3,689,306**	**12,042,634**	**-**	**-**	**12,229,660**
B	**Other Assets**						
1	Deferred Withholding VAT (GSIS)	9,202,886	-	-	-	-	9,202,886
2	Investment properties	2,834,909	-	5,000	-	-	2,829,909
3	Input VAT	86,794,566	52,405,519	8,019,659	9,539,694	-	121,640,732
4	Creditable Expanded withholding Tax	139,407,976	17,245,553	9,988,926	-	-	146,664,603
5	Prepayments	3,248,228	5,069,321	3,248,228	-	-	5,069,321
6	Deposit	791,268	26,822	-	18,691	-	799,399
7	Security Fund	192,888	-	-	-	-	192,888
8	Deferred expanded withholding tax	2,244,665	16,947,969	-	15,359,464	-	3,833,170
9	Deferred Input Vat	74,470,070	42,983,270	-	45,950,570	-	71,502,770
10	Defined benefit asset	-	32,419,064	-	-		32,419,064
	Sub-Total	**319,187,456**	**167,097,518**	**21,261,813**	**70,868,419**	**-**	**394,154,742**
	GRAND TOTAL	**339,770,444**	**170,786,824**	**33,304,447**	**70,868,419**	**-**	**406,384,402**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule E - Long-term Debt

December 31, 2015

Title of Issue and type of obligation (i)	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

December 31, 2015

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule G - Guarantees of Securities of Other Issuers

December 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statement is file	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is file	Nature of guarantee (ii)

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule H - Capital Stock

December 31, 2015

	Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
					Related parties	Directors, officers and employees	Others
1	REGINA CAPITAL DEV. CORP. 018400	Common	6,000	NIL			6,000
2	REGINA CAPITAL DEV. CORP.018414	Common	3,000	NIL			3,000
3	ALEGAR CORPORATION	Common	32,600	NIL			32,600
4	ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900	NIL			1,578,900
5	ANSALDO GODINEZ & CO. INC.	Common	2,451,000	NIL			2,451,000
6	AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300	NIL			3,300
7	ARAVAL, INC	Common	77,100	NIL			77,100
8	ASIA UNITED INSURANCE, INC	Common	1,252,300	NIL			1,252,300
9	B.F. GENERAL INSURANCE CO., INC.	Common	36,900	NIL			36,900
10	BANCOM DEVELOPMENT CORP.	Common	8,300	NIL			8,300
11	BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500	NIL	290,795,500		-
12	BENEFICIAL LIFE INSURANCE COMPANY INC.	Common	3,193,500	NIL			3,193,500
13	BF LIFE INSURANCE CORP.	Common	397,300	NIL			397,300
14	BPI/MS INSURANCE CORP.	Common	3,347,500	NIL	3,347,500		-
15	CENTENNIAL GUARANTEE ASSURANCE CORP.	Common	265,200	NIL			265,200
16	CONSOLIDATED INSURANCE CO., INC.	Common	144,600	NIL			144,600
17	COOPERATIVE INSURANCE SYSTEM OF THE PHILS.	Common	72,900	NIL			72,900
18	COUNTRY BANKERS INS. CORP.	Common	2,220,300	NIL			2,220,300
19	COUNTRY BANKERS LIFE INSURANCE CORP.	Common	30,000	NIL			30,000
20	EASTERN ASSURANCE & SURETY CORPORATION	Common	1,872,400	NIL			1,872,400
21	EMPIRE INSURANCE COMPANY	Common	7,498,900	NIL			7,498,900
22	EMPIRE INSURANCE COMPANY	Common	500,000	NIL			500,000
23	FEDERAL PHOENIX ASSURANCE COMPANY INC.	Common	3,786,300	NIL			3,786,300
24	FGU INSURANCE CORPORATION	Common	36,126,000	NIL	36,126,000		-
25	FIDELITY INSURANCE COMPANY INC.	Common	818,800	NIL			818,800
26	FIRST INTEGRATED BONDING & INS. CO INC.	Common	275,300	NIL			275,300
27	FIRST LIFE FINANCIAL COMPANY INC.	Common	485,700	NIL			485,700
28	GENERAL INSURANCE & SURETY CORPORATION	Common	313,300	NIL			313,300
29	GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700	NIL			544,700
30	HYDEE MANAGEMENT & RESOURCE CORPORATION	Common	264,000	NIL			264,000
31	INSURANCE CO. OF NORTH AMERICA	Common	705,600	NIL			705,600
32	INSURANCE OF THE PHIL. ISLANDS CO., INC.	Common	59,100	NIL			59,100
33	INVESTOR'S ASSURANCE CORP.	Common	99,000	NIL			99,000
34	LUZON INSURANCE & SURETY CO., INC.	Common	32,300	NIL			32,300
35	M.J. SORIANO TRADING, INC.	Common	1,000	NIL			1,000
36	MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800	NIL			271,800
37	MABASA & COMPANY, INC.	Common	36,500	NIL			36,500
38	MALAYAN INSURANCE CO., INC.	Common	21,600	NIL	21,600		-
39	MANILA INSURANCE COMPANY INC.	Common	1,148,400	NIL			1,148,400
40	MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400	NIL			3,168,400
41	MARILEX REALTY DEVELOPMENT CORPORATION	Common	1,933	NIL			1,933
42	MERCANTILE INSURANCE CO., INC.	Common	2,997,700	NIL			2,997,700
43	MONARCH INSURANCE CO., INC.	Common	1,674,000	NIL			1,674,000
44	NEW INDIA ASSURANCE CO., LTD.	Common	4,168,300	NIL			4,168,300
45	ORIENTAL ASSURANCE CORPORATION	Common	3,560,800	NIL			3,560,800
46	PACIFIC UNION INSURANCE CO.	Common	1,351,600	NIL			1,351,600
47	PARAMOUNT LIFE & GENERAL INS. CORP.	Common	940,900	NIL			940,900
48	PCD NOMINEE CORP. (F)	Common	1,589,329,000	NIL	820,182,500	858,000	768,288,500
49	PCD NOMINEE CORP. (F) - TREASURY	Common	58,349,000	NIL			58,349,000
50	PCD NOMINEE CORP. (NF)	Common	3,729,600	NIL			3,729,600
51	PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300	NIL			2,435,300
52	PHIL. INT'L LIFE INSURANCE CO., INC.	Common	4,450,200	NIL			4,450,200
53	PHIL. PHOENIX SURETY & INS. INC.	Common	134,900	NIL			134,900
54	PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900	NIL			1,771,900
55	PHILIPPINE AMERICAN LIFE INSURANCE CO.	Common	8,628,600	NIL			8,628,600
56	PHILIPPINE BRITISH ASSURANCE CO., INC.	Common	590,400	NIL			590,400
57	PHILIPPINE CHARTER INSURANCE CORP.	Common	15,305,900	NIL			15,305,900
58	PHILIPPINE GENERAL INSURANCE CORP.	Common	750,000	NIL			750,000
59	PHILIPPINE REMNANTS CO., INC.	Common	399,300	NIL			399,300
60	PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200	NIL			11,075,200

	Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by: Related parties	Number of shares held by: Directors, officers and employees	Number of shares held by: Others
61	PLARIDEL SURETY & INSURANCE COMPANY INC.	Common	162,500	NIL			162,500
62	PNB GENERAL INSURERS CO., INC.	Common	1,000	NIL			1,000
63	REPUBLIC SURETY & INSURANCE COMPANY INC.	Common	542,300	NIL			542,300
64	RITA LEGARDA., INC.	Common	13,700	NIL			13,700
65	RIVARA, INC.	Common	8,700	NIL			8,700
66	SM SAVINGS & LOAN ASSOCIATION	Common	70,000	NIL			70,000
67	SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700	NIL			4,152,700
68	STERLING INSURANCE CO., INC.	Common	2,453,900	NIL			2,453,900
69	STERLING INSURANCE COMPANY, INC.	Common	300,000	NIL			300,000
70	STRONGHOLD INSURANCE CO., INC.	Common	2,817,600	NIL			2,817,600
71	SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700	NIL			305,700
72	SUSANA REALTY	Common	600	NIL			600
73	TABACALERA INSURANCE CO. INC.	Common	1,278,700	NIL			1,278,700
74	THE PREMIER INSURANCE & SURETY CORPORATION	Common	2,456,100	NIL			2,456,100
75	TIMES SURETY & INSURANCE CO., INC.	Common	7,500	NIL			7,500
76	TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100	NIL			696,100
77	UNION BANK OF THE PHILIS.	Common	5,000	NIL			5,000
78	UNION INSURANCE SOCIETY OF CANTON LTD.	Common	2,197,300	NIL			2,197,300
79	UNITED INSURANCE CO., INC	Common	2,006,600	NIL			2,006,600
80	UNITED LIFE ASSURANCE CORP.	Common	2,518,100	NIL			2,518,100
81	UTILITY ASSURANCE CORP.	Common	1,837,900	NIL			1,837,900
82	VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500	NIL			3,545,500
83	VISAYAN SURETY & INSURANCE CORPORATION	Common	200,000	NIL			200,000
84	WORLDWIDE INSURANCE & SURETY COMPANY	Common	100	NIL			100
85	ZENITH INSURANCE CORPORATION	Common	805,800	NIL			805,800
86	ADELITA VERGEL DE DIOS	Common	171,500	NIL			171,500
87	AFRICA, ISABELO P.	Common	100	NIL			100
88	ALICIA S. CRUZ	Common	6,400	NIL			6,400
89	ALMEDA, VALERIANO &/OR TITA JANE	Common	40,000	NIL			40,000
90	ALVENDIA, JOSE P.	Common	100	NIL			100
91	ANDRES E. SIOCHI	Common	11,700	NIL			11,700
92	ANGELITA U. REYES	Common	2,800	NIL			2,800
93	ANSALDO, GODINEZ &CO INC.FAO: MARK V. PANGIL	Common	254,000	NIL			254,000
94	ANTONIO P. MADRIGAL	Common	4,200	NIL			4,200
95	ANTONIO ROXAS CHUA	Common	1,089,500	NIL			1,089,500
96	ANTONIO S. ROXAS-CHUA JR.	Common	24,900	NIL			24,900
97	ARAGON, BIENVENIDO M.	Common	200	NIL			200
98	AYUSTE JR., RAFAEL G.	Common	100,000	NIL		100,000	-
99	BANZON JR., JOSE G.	Common	54,000	NIL			54,000
100	BASCO, AMERFIL V.	Common	11,800	NIL			11,800
101	BELTRAN, AURELIO M.	Common	100	NIL			100
102	BERNARDO, ROMEO L.	Common	100	NIL		100	-
103	BETTY RC YAO	Common	13,400	NIL			13,400
104	BUENO, FRANCIS EDWIN I.	Common	100	NIL			100
105	CABANGON CHUA, ANTONIO L.	Common	100	NIL			100
106	CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPHINE S	Common	1,896,000	NIL			1,896,000
107	CARREDO, RAMON M.	Common	200	NIL			200
108	CASTANEDA JR., CONSTANCIO T.	Common	100	NIL			100
109	CASTRO, WILLIAM Y.	Common	15,000	NIL			15,000
110	CHAVEZ, RAMON NONATO D.	Common	5,000	NIL			5,000
111	CHENG, BERCK Y.	Common	500,000	NIL			500,000
112	CHENG, GEMA O.	Common	100	NIL			100
113	CHUA, VICKY B.	Common	1,000	NIL			1,000
114	CONCEPCION S. ARANETA	Common	700	NIL			700
115	CONRADO BENITEZ	Common	7,400	NIL			7,400
116	CONSING, CEZAR P.	Common	50	NIL		50	-
117	CONSUELO P. MADRIGAL	Common	1,200	NIL			1,200
118	CORPUS, SERGIO	Common	100	NIL			100
119	COTOCO, DOMINGO	Common	100	NIL			100
120	COTOCO, NAZARIO	Common	100	NIL			100
121	CRISOL, ROBERTO B.	Common	1,000	NIL			1,000
122	CRUZ JR., ROMAN A.	Common	100	NIL			100
123	CRUZ, MARY ANN PINEDA DELA	Common	3,000	NIL			3,000
124	CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I.	Common	5,000	NIL			5,000

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125	CUA, PAMELA S.	Common	6,000	NIL			6,000
126	CUYEGKENG, ROSARIO W.	Common	100	NIL			100
127	DANILO J. CABERO	Common	7,200	NIL			7,200
128	DAVID C. COYUKIAT	Common	200	NIL			200
129	DAVID C. MERCADO	Common	27,300	NIL			27,300
130	DEE, HELEN Y.	Common	100	NIL		100	-
131	DESIDERIO JR., JOSE O.	Common	100	NIL			100
132	DESIDERIO, RODOLFO O.	Common	100	NIL			100
133	DIZON, VLADEMIR S.	Common	26,000	NIL			26,000
134	DOMINO, JUAN	Common	100	NIL			100
135	EDITHA B. GERONIMO	Common	15,000	NIL		15,000	-
136	EDUARDO ECHAUZ	Common	100	NIL			100
137	ENRIQUE M. REYES	Common	752,600	NIL			752,600
138	ESTATE OF VICENTE M. WARNS	Common	600	NIL			600
139	EUGENIA G. SILVA	Common	2,800	NIL			2,800
140	FERNANDEZ, JAIME C.	Common	100	NIL			100
141	FERNANDEZ, VICENTE T.	Common	100	NIL			100
142	FLORES, WALDO Q.	Common	25,000	NIL			25,000
143	FRANCISCO CORPUS	Common	100	NIL			100
144	FRANCISCO JOSE ELIZALDE YTURRALDE	Common	75,700	NIL			75,700
145	FRANCISCO M. BAYOT	Common	1,100	NIL			1,100
146	FRANCISCO, CLEOTILDE B.	Common	100	NIL			100
147	FRANCISCO, ROLANDO B.	Common	100	NIL			100
148	GALLAGA, RAFAEL C.	Common	100	NIL			100
149	GALVEZ, ANTONIO R.	Common	6,000	NIL			6,000
150	GAPUZ, CO KIAN CHAY &/OR RITA	Common	2,000	NIL			2,000
151	GARCIA, WINSTON F.	Common	442,300	NIL			442,300
152	GERARDO A.S. MADRIGAL	Common	1,600	NIL			1,600
153	GILI JR., GUILLERMO F.	Common	38,000	NIL			38,000
154	GO, GEORGE L.	Common	1,000	NIL			1,000
155	GO, IRENE CHAN	Common	185,000	NIL			185,000
156	GONZALEZ, GIZELA M.	Common	600	NIL			600
157	GOZO, DANILO A.	Common	1,000	NIL			1,000
158	HANS MENZI	Common	2,100	NIL			2,100
159	HARI, ABDON M.	Common	100	NIL			100
160	HIDALGO, AUGUSTO PEDROSA III	Common	1,000	NIL		1,000	-
161	HONORATA S. LUCOS	Common	15,000	NIL		15,000	-
162	INDON, REYNALDO P.	Common	100	NIL			100
163	ISABELITA M. CABANGUNAY	Common	14,500	NIL			14,500
164	JACINTO JR., FERNANDO P.	Common	100	NIL			100
165	JACQUELINE M. HALILI CO	Common	293,800	NIL			293,800
166	JAYMERLI C. BAUTISTA	Common	298,100	NIL			298,100
167	JENNIFER C. MARTIN	Common	294,000	NIL			294,000
168	JOSE R. RODAS	Common	100	NIL			100
169	JUAN, FRISCO F. SAN	Common	100	NIL			100
170	JUNTEREAL JR., FILEMON A.	Common	100	NIL			100
171	KAWSEK, PAUL L.	Common	80,000	NIL			80,000
172	KO PIO, RODERICK C.	Common	100	NIL			100
173	KO PIO, RUFFY C.	Common	100	NIL			100
174	KO PIO, RUFINO H.	Common	100	NIL			100
175	KOH, ANTONIO M.	Common	100	NIL			100
176	LAO, EDMUND Y.	Common	6,000	NIL			6,000
177	LA'O, LUIS C.	Common	100	NIL			100
178	LEE, JOSE C.	Common	100	NIL			100
179	LEE, LEA B.	Common	250,000	NIL			250,000
180	LEON, BEATRIZ P. DE	Common	1,933	NIL			1,933
181	LEON, JAIME S. DE	Common	100	NIL			100
182	LICAROS JR., GREGORIO B.	Common	100	NIL			100
183	LICAROS, ABELARDO B.	Common	100	NIL			100
184	LILY VICTORIA G. GALO	Common	2,800	NIL			2,800
185	LIM, IAN VINCENT &/OR FLORA &/OR ERNESTO	Common	86,000	NIL			86,000
186	LIM, JAMES ORTEGA	Common	100	NIL			100
187	LIM, PEDRO C.	Common	3,000	NIL			3,000
188	LIM, ROQUE A.	Common	66,000	NIL			66,000
189	LO, JOSEPHINE NG	Common	71,000	NIL			71,000
190	LOCSIN, JULIAN J.	Common	100	NIL			100

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191	LOURDES S. RODAS	Common	1,100	NIL			1,100
192	LUCINA OCAMPO LEGASPI	Common	3,800	NIL			3,800
193	LUCITA R.C. LIMPE	Common	13,400	NIL			13,400
194	LUZ NER CRUZ	Common	13,400	NIL			13,400
195	MA. LUISA MADRIGAL VASQUEZ	Common	400	NIL			400
196	MACARIA P. MADRIGAL	Common	2,300	NIL			2,300
197	MACROHON JR., IGNACIO	Common	100	NIL			100
198	MALLILLIN, MELECIO C.	Common	100	NIL			100
199	MALONG, ALEJANDRO V.	Common	100	NIL			100
200	MAMERTA ANDAYA	Common	2,100	NIL			2,100
201	MANANSALA, CONSUELO D.	Common	1,000	NIL			1,000
202	MANUEL A. TORRES JR.	Common	79,100	NIL			79,100
203	MANUEL B. ENRIQUEZ	Common	500	NIL			500
204	MANUEL DYTOC	Common	900	NIL			900
205	MANUEL U. CO	Common	100	NIL			100
206	MARIANO JR., JORGE T.	Common	100	NIL			100
207	MAURO PRIETO	Common	11,600	NIL			11,600
208	MENDIOLA, JORGE T.	Common	20,000	NIL			20,000
209	MERCADO JR., DANIEL M.	Common	100	NIL			100
210	MERCADO JR., DAVID P.	Common	100	NIL			100
211	MERCEDES U. GONZALES	Common	200	NIL			200
212	MORALES, RHODORA B.	Common	100	NIL			100
213	NAPA, ERMILANDO D.	Common	1,000	NIL		1,000	-
214	NATIVIDAD CANTAJAL	Common	4,800	NIL			4,800
215	NELIA M. MALUBAY	Common	54,000	NIL			54,000
216	NERA, MEDEL T.	Common	1,000	NIL		1,000	-
217	NORMANDO ANTONIO S. AGUILAR	Common	16,900	NIL			16,900
218	OLIVA, DULCE MARIA S.	Common	20,000	NIL			20,000
219	ONGKINGCO, FLORENCIO N.	Common	100	NIL			100
220	OWEN NATHANIEL S. AU ITF LI MARCUS M. AU	Common	200	NIL			200
221	PA, ANA GO &/OR GO KIM	Common	7,500,000	NIL			7,500,000
222	PACITA RODRIGUEZ	Common	13,400	NIL			13,400
223	PADIERNOS, GAY G.	Common	100	NIL			100
224	PATERNO, SIMON ROCES	Common	50	NIL		50	-
225	PAZ VDA. DE RODAS	Common	6,200	NIL			6,200
226	PEDRO P. BENEDICTO JR.	Common	15,800	NIL			15,800
227	PETER T. ROXAS-CHUA	Common	13,400	NIL			13,400
228	PRIETO JR., BENITO R.	Common	1,933	NIL			1,933
229	PRIETO, MARTIN L.	Common	967	NIL			967
230	PRIETO, MAURO R.	Common	1,934	NIL			1,934
231	PRIETO, MERCEDES R.	Common	1,933	NIL			1,933
232	PUYAT, ALFONSO G.	Common	100	NIL			100
233	RAFAEL C. GALLAGA	Common	13,500	NIL			13,500
234	RAMAJO, HONORIO J.	Common	100	NIL			100
235	REMO JR., JOSE H.	Common	100	NIL			100
236	REYES, CARLOS, R.	Common	12,000	NIL			12,000
237	REYES, OSCAR C.	Common	200	NIL			200
238	REYES, ROMAN FELIPE S.	Common	1,000	NIL		1,000	-
239	ROMAN, VICTOR B.	Common	100	NIL			100
240	ROMEO ECHAUZ	Common	400	NIL			400
241	ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000	NIL			3,000,000
242	ROSARIO M. LLORA	Common	7,100	NIL			7,100
243	ROSARIO RODAS	Common	900	NIL			900
244	SALCEDO JR., ALFONSO L.	Common	100	NIL			100
245	SALVADOR, BIENVENIDO C.	Common	100	NIL			100
246	SAUCO, NORBERTO V.	Common	100	NIL			100
247	SEVERINO T. ROXAS-CHUA	Common	13,400	NIL			13,400
248	SUDHAKAR, RANIPETA RANI	Common	100	NIL			100
249	SUNGA, PETER EDWIN J. SUNGA &/OR ROSANNA MAR	Common	300,000	NIL			300,000
250	SUNGA, PROSPERO S. SUNGA &/OR CLARITA J.	Common	375,000	NIL			375,000
251	SUSANA B. ORTIGAS	Common	1,100	NIL			1,100
252	TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300	NIL			92,300
253	TAN, LOZANO A.	Common	100,000	NIL			100,000
254	TANCO, EUSEBIO H.	Common	100	NIL			100
255	TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000	NIL			29,000
256	TEODORO, MONICA P.	Common	967	NIL			967
257	TIU, ALFONSO SY	Common	6,000	NIL			6,000
258	TRINIDAD, ARMANDO C.	Common	100	NIL			100
259	TURNER, PHILIP &/OR ELNORA	Common	1,000	NIL			1,000
260	UNSON JR., ALEJANDRO F.	Common	100	NIL			100
261	UNSON JR., EDMUNDO L.	Common	100	NIL			100
262	UNSON, MA. ANICIA F.	Common	100	NIL			100
263	UY JR., CARLOS F.	Common	100	NIL			100
264	UY, ALVIN CHRIS SY	Common	6,000	NIL			6,000
265	UY, FRANCISCO A.	Common	100,000	NIL			100,000
266	VALENCIA, JESUS SAN LUIS	Common	2,100	NIL			2,100
267	VERGARA, ROBERT G.	Common	1,000	NIL		1,000	-
268	VICENTE A.S. MADRIGAL	Common	1,600	NIL			1,600
269	VICENTE B. VILLARAMA JR.	Common	2,800	NIL			2,800
270	VICENTE M. BAYOT	Common	1,100	NIL			1,100
271	VICTORIANO G. BELIZARIO	Common	300	NIL			300
272	VILLAMAYOR, ANTONIO S.	Common	100	NIL			100
273	VILLANUEVA, NICERATA C.	Common	6,000	NIL			6,000
274	WONGAIHAM, ANTHONY T.	Common	200	NIL			200
275	WU, JOLI CO	Common	344,100	NIL		344,100	-
276	YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000	NIL			50,000
277	YAO, BONIFACIO N.	Common	100	NIL			100
278	YAO, WILSON A.	Common	30,000	NIL			30,000
279	YU, GREGORIO T.	Common	1,000	NIL		1,000	-
280	YUCHENGCO, YVONNE S.	Common	100	NIL		100	-
	Total		2,123,605,600		1,150,473,100	1,338,500	971,794,000

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
31st floor Ayala Life FGU Center, 6811 Ayala Avenue, Makati City

Reconciliation of Retained Ernings Available for Dividend Declaration

For the Year Ended December 31, 2015

Unappropriated Retained Earnings at Beginning of Year	₱ 197,783,274
Prior Years' Outstanding Reconciling Item, net of tax	
Unrealized foreign exchange gain	(4,729,858)
Unappropriated Retained Earnings at Beginning of Year, as adjusted	₱ 193,053,416
Effect of Prior Period Adjustments	(441,319,012)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	(248,265,596)
Net Profit Realized during the Year	
Net profit per audited financial statements	179,133,440
Non-actual/unrealized income, net of tax	
Unrealized foreign exchange gain	(2,547,510)
	176,585,930
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	(₱ 71,679,666)

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
31st floor Ayala Life FGU Center, 6811 Ayala Avenue, Makati City

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters**	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters**	✓		
	Amendment to PFRS 1: Government Loans**	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* *(effective January 1, 2016)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2016)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants* *(effective January 1, 2016)*			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates**	✓		
	Amendment: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities**			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements* *(effective January 1, 2016)*			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective January 1, 2016)*			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets**	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities**	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions**	✓		
	Amendments to PAS 39: The Fair Value Option**	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition**	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	✓		
	Amendment to PAS 39: Eligible Hedged Items**	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting**			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* *(effective January 1, 2016)*			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies**	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

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