COVER SHEET

8 0 1 1 8

SEC Registration Number

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

(Company's Full Name)

31F BPI-PHILAM LIFE MAKATI

6811 AYALA AVENUE MAKATI

(Business Address: No., Street City / Town / Province)

Regina S. Ramos

Contact Person

(02) 988-7400

Company Telephone Number

1	2	3	1

Month Day

Fiscal Year

SEC Form 17-A
Annual Report

FORM TYPE

4th Wednesday of June

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2016**

2. SEC Identification Number: **80118**
3. BIR Tax Identification No.: **000-480-869**

4. Exact name of issuer as specified in its charter:
   National Reinsurance Corporation of the Philippines, doing business under the names and styles of Philippine National Reinsurance Company; PhilNaRe

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization
6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **31st Floor, BPI-Philam Life Makati,**
   6811 Ayala Avenue,
   Makati City, Philippines
   Address of principal office
   1227
   Postal Code

8. **(632) 988-7400**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	No. of Shares Outstanding	Amount
Common Shares	2,123,605,600	Php2,123,605,600.00
TOTAL	2,123,605,600	Php2,123,605,600.00

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange **Common**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

Shares Held by Non-Affiliates	**Market Value per share as of xx/xx/xx**	**Total Market Value**
xxx	**xxx**	**xxx**

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **N/A**

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

A. BUSINESS DEVELOPMENT

National Reinsurance Corporation of the Philippines (hereafter "PhilNaRe", the "Company" or the "Corporation") was incorporated in 1978 pursuant to Presidential Decree No. 1270. The Company operates as a professional reinsurance corporation providing life and non-life reinsurance to the Philippines and to neighboring insurance markets. Since 2007, the Company has also been doing business under the names and styles of "Philippine National Reinsurance Company; PhilNaRe" in order to reinforce its image as the country's national reinsurer and its position as the only domestically-incorporated professional reinsurance company in the Philippines.

The primary mandate of PhilNaRe is to assist in the development of the Philippine insurance industry (a) by providing reinsurance capacity and support to Philippine insurance companies, (b) by serving as a medium for regional and international cooperation in insurance, and (c) by contributing towards higher retention of business within the country. The Company became the vehicle for the Philippines' participation in the Asian Reinsurance Corporation ("Asian Re"), a multilateral reinsurance entity based in Bangkok, Thailand established to foster regional cooperation among insurance companies doing business in Asia.

The Company is committed to maintain its financial strength, to continuously improve its technical expertise, provide better customer service and to adopt the leading and best practice standards in corporate governance as a good corporate citizen.

PhilNaRe became the country's sole domestic professional reinsurance company following its merger with Universal Malayan Reinsurance Corporation ("UMRe") on March 6, 2006. UMRe itself was the product of the 2004 merger between Universal Reinsurance Corporation ("URC") and Malayan Reinsurance Corporation ("MRC"). Prior to their 2004 merger, URC had been the country's second largest reinsurer (in terms of gross premiums written) and MRC had been ranked third. At present, PhilNaRe has no subsidiaries.

The Company has not been a party to any bankruptcy, receivership or similar proceedings.

B. BUSINESS OF ISSUER

Principal Products & Services

The Company writes both life and non-life reinsurance. Major business lines under the Non-Life Group include Fire, Marine & Aviation and Casualty & Others. Fire Insurance covers standard Fire and Industrial All Risks. Marine & Aviation covers insurance on aircraft, marine vessels and marine cargo. Casualty and Others cover Contractors All Risks, Erection All Risks, Electronic Equipment Insurance, Machinery Breakdown, Boiler Pressure Vessel, Comprehensive General Liability, Personal and Group Accident, Errors and Omissions, Directors Liability, Products Liability, Money Securities and Payroll, Fidelity Guarantee, Robbery and Burglary, Equipment Floater, Hole-In-One, All Risks, Crop Insurance, Construction related Bonds and, Motor Car.

As of December 2016, Fire accounted for 45% of the Company's Gross Premiums Written ("GPW") and 44% of Net Premiums Written ("NPW"), life accounted for 22% of GPW and 24% of NPW, casualty and others accounted for 30% of GPW and 28% of NPW and marine and aviation accounted for 3% of GPW and 4% of NPW.

The Company writes reinsurance largely for the domestic market. The portion of the Company's GPW sourced from foreign insurance companies for the years 2016, 2015 and 2014 are 21%, 4% and 2%, respectively.

The Company offers reinsurance for both treaty and facultative arrangements or contracts. Typically, in treaty arrangements, reinsurance is offered to cover more than one policy or entire, precisely defined portfolios while facultative arrangements provide cover on a per policy basis.

Facultative reinsurance is individually written and negotiated by the Reinsurer, with the pricing and other terms established at the time the policy is underwritten. Under a facultative arrangement, the ceding company is under no obligation to reinsure any particular risk and the reinsurer to whom an offer is made is likewise under no obligation to accept any particular risk.

In a treaty arrangement, the ceding company purchases reinsurance to cover specified blocks of business it has underwritten. The ceding company and the reinsurer enter into a treaty contract, which sets out the terms, conditions and limitations that govern the reinsurance arrangements. Both parties are automatically bound in advance with respect to any and all risks that fall within the scope of the contract such that the ceding company would be obliged to cede, and the reinsurer would be obliged to accept all business falling under the scope of the agreement. Reinsurance treaties specify the ceding company's binding limit, which is the maximum amount of risk that can be ceded automatically and that the reinsurer must accept. In contrast to facultative reinsurance, the reinsurer does not approve each individual risk under a treaty arrangement.

Competition

As the sole domestic professional reinsurance company in the Philippines, the Company's business prospects are closely aligned with the growth and development of the insurance industry in the Philippines. While the industry has in recent years exhibited spurts of growth in premium income, much of this expansion was attributable to increases in investment-linked insurance products of the life insurance segment, which products are not reinsured by the Company. In its main business of reinsuring property & casualty risk on the non-life segment and mortality and disability risks on the life segment, the Company anticipates growth to be closely correlated with the expansion of the country's GDP. As GDP increases, the volume of needed protection and the demand for insurance products also increases, thus the need for reinsurance products to accommodate rising levels of insurance business.

The Company has identified its competitors as domestic insurance companies, which are also licensed to sell reinsurance and the foreign reinsurance companies, who have representative agents licensed by the Insurance Commission. PhilNaRe's competitors have different objectives.

Domestic insurance companies' core business is selling direct insurance to the general population and thus their reinsurance operations are more often used for exchange of reinsurance business with other domestic companies to earn premiums while diversifying their portfolio than for pure risk transfer/management.

Foreign reinsurance companies on the other hand directly compete with the Company in terms of products and services. The Company competes with a number of large foreign reinsurers in its selected lines of business. These companies offer the lines of reinsurance that the Company also offers. The Company benefits to a certain extent from Presidential Decree No. 1270 ("PD 1270") which mandates all life and non-life insurance and reinsurance companies doing business in the Philippines to cede to the Company at least ten percent (10%) of their outward reinsurance placed with unauthorized foreign reinsurers.

The principal methods of competition in the reinsurance business are price and service. The price of the product or premium is the expected value of the risk reinsurance companies are charging for accepting risks. Several factors such as tariffs, mortality, exposure accumulation

and catastrophe dictate premium levels. Reinsurance service is measured through a variety of factors: risk acceptance capacity, claims volatility management, risk sharing, technical advice on new products and markets and underwriting expertise.

As of December 31, 2016 list of licensed insurance companies from the Insurance Commission, the Company had existing reinsurance treaties with 50 out of the 66 licensed non-life insurance companies in the Philippines, all of the 27 licensed life insurance companies and 3 out of the 4 composite companies.

For 2016, the Company's top ten customers represented 85% of gross premiums written, compared to 61% in 2015.

Employees

The Company currently has forty-nine (49) employees, of whom ten (10) occupy clerical positions; six (6) are in professional-technical posts; twenty-seven (27) are in managerial and officer levels; and six (6) occupy executive positions.

Broken down by operations, there are five (5) employees in the Life Reinsurance Group, four (4) in the Non-Life Reinsurance Group and forty (40) employees in the support group, including Office of the President and CEO, Investments, Accounting and Data and Analytics.

In the next twelve 12 months, the Company projects an increase in the number of employees of around twenty 20.

The Company's employees are not and have never been subject to any Collective Bargaining Agreement

Risks

The occurrence of severe catastrophic events may have a material adverse effect on the financial results and conditions

The Company reinsures property, marine and casualty insurance with large aggregate exposures, corresponding to the possibility of loss due to man-made and natural disasters such as typhoons, floods, and earthquakes. The Company expects that the loss experience generally will include infrequent events of great severity. The risks associated with man-made and natural disasters are inherently unpredictable, and it is difficult to predict the timing of such events with statistical certainty or estimate the amount of loss any given occurrence will generate. However, such losses are considered manageable. The Company has procured an excess of loss protection which limits its risk exposure to ₱120 million per catastrophic event, with an aggregate loss limit of ₱4.85 billion per event.

The Company obtains excess of loss protection from a panel of global reinsurers with investment grade financial strength ratings higher than its own rating. The cost is material and varies from year-to-year depending upon, among other things, the Company's history of claims and losses as well as the state of the global market for catastrophe reinsurance. In 2016, the Company paid its excess of loss reinsurers a total of P 307.7 million compared to P325 million in 2015.

A significant amount of the Company's invested assets will be subject to changes in interest rates, exchange rates and market volatility.

A major portion of the Company's assets is its investment portfolio, which, as of December 31, 2016, remained at the same level with 2015, at approximately ₱7 billion. About 69% of the portfolio was invested in fixed income obligations of the Philippine government and of large Philippine corporations, compared to 70% in 2015. About 30% was invested in equities traded on the Philippine Stock Exchange, compared to 27% in 2015. While the bulk of its

investments are in the local currency, the Company maintains some investments in securities denominated in U.S dollars.

The fair market value of these assets and the investment income from these assets will fluctuate depending on general economic and market conditions. Investments in fixed income securities may be adversely affected by fluctuations in interest rates. An increase in interest rates will decrease the value of the investments while a decrease in interest rates will increase the value of the investments. The investment results may also be adversely affected by changes in the business, financial condition or results of operations of the entities in which the Company invests. Since a substantial amount of the Company's invested assets are classified as securities available for sale, changes in the market value of these securities will be reflected in shareholders' equity.

The Company's Board of Directors has established investment guidelines which involve diversifying the investment portfolio, limiting investments to instruments not exposed to significant risks, performing rigorous analysis of potential investments and establishing suitable benchmarks for targeted returns, among others. The Company currently invests only in instruments allowable under Title 4, Investments of the New Insurance Code and by related issuances of the Insurance Commissioner. The Board of Directors of the Company has established an Investment Committee to implement the Company's investment strategy in accordance with approved investment guidelines.

The Company's financial condition may be affected by delays in the payment of premiums by cedants.

As of December 2016, premiums receivable from ceding companies amounted to P1,639.2 million, compared to P1,375.9 million in 2015.

To mitigate the risk of non-payment of premiums, the Company regularly reviews and evaluates the financial capacity and payment history of the companies from which it accepts business. On facultative acceptances, the Company generally provides its cedants a grace period of 120 days for the settlement of premiums. Within this 120-day premium payment warranty term, the company is obligated to pay legitimate claims arising from its acceptance of risk, even though it may not have yet received any premiums.

The Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses

For the period ending December 31, 2016, the Company retroceded ₱1.7 billion or 50% of its gross written premiums to retrocessionaires. The Company retroceded part of the gross premiums in order to transfer the risk to the retrocessionaire. As certain loss events occur, the Company is obligated to pay the legal claims made by its customers. If the Company retroceded part of the premiums paid by its clients to retrocessionaires, then the Company is entitled to recover commensurately the losses it paid to its clients from the latter. However, if the retrocessionaire is not able to pay the claims made by the Company, the latter will shoulder the losses it paid to its customers and this will negatively impact the Company's financials. As of end of 2016, reinsurance recoverable on paid and unpaid losses amounted to ₱4.7 billion, compared to ₱4.8 billion in 2015.

In choosing its retrocessionaires, the Company takes into consideration the retrocessionaires financial capacity, acceptable credit rating, technical knowledge/expertise and industry reputation. The Company also considers the retrocessionaires record of paying claims and adverse balances. The Company adheres to these guidelines to ensure that this risk is mitigated and/or avoided.

ITEM 2. PROPERTIES

The net property, plant and equipment of the Company as of December 31, 2016 amounted to P66.0 million, broken down as follows:

	Cost	Accumulated Depreciation	Net book value
Condominium units	101,310,361	57,972,040	43,338,321
Office improvements	10,027,229	5,161,641	4,865,588
Office furniture and equipment	9,038,741	8,540,690	498,051
Transportation equipment	10,472,603	2,761,543	7,711,060
EDP equipment	41,620,695	32,055,590	9,565,105

in Philippine Pesos

The Company budgeted P30.0 million for the renovation of its office premises in 2017.
.
There are no liens, mortgages or encumbrance over the aforementioned properties of the Company. There is likewise no limitation on the ownership or usage of the said properties, except under standard rules of their respective condominium corporations.

There is no litigation or claims of material importance known to the Company to be pending or threatened against the Company's properties.

ITEM 3. LEGAL PROCEEDINGS.

The Company is currently a party to the following litigation cases:

1. *National Reinsurance Corporation of the Philippines vs. Stronghold Insurance Company*
   Civil Case No. 10-1036
   Regional Trial Court, Makati City, Branch 142

   This is a complaint filed by NRCP for sum of money with damages and application for attachment with respect to its claims against Stronghold Insurance Company, Inc. ("Stronghold").

   On its first claim, NRCP is the reinsurer of a bankers blanket bond under GSIS Policy No. BBB-95021 between the Land Bank of the Philippines ("LBP") and GSIS as insurer. NRCP reinsured its risk with Stronghold. Due to the fraudulent acts of one of its employees, LBP lost the amount of ₱88,618,001.97, which was deposited by the National Electrification Commission to its account in LBP. With the occurrence of the contingency insured against, LBP filed an insurance claim with GSIS. GSIS paid the amount of ₱49,000,000.00 to the LBP. GSIS then filed its claim with NRCP, which in turn, filed its claim with Stronghold. NRCP has since paid GSIS' claim for ₱38,513,885.40. We sent a demand letter dated May 27, 2010 to Stronghold for the payment of same amount to NRCP. However, despite demand, Stronghold failed to pay.

   With regard the second claim, GSIS and Bangko Sentral ng Pilipinas ("BSP") entered into a fire insurance contract, where the latter insured its PICC Building with the former. GSIS, in turn, reinsured its risk with NRCP. NRCP then reinsured its risk with Stronghold, which likewise reinsured its risk with other entities. On February 22, 2001, BSP incurred a loss due to the fire which occurred at the western portion of the PICC building. GSIS paid BSP the amount of ₱111,089,965.65 for the building and ₱16,236,687.73 for the contents thereof. NRCP then paid its share of GSIS claim amounting to ₱63,321,280.00 for the buildings and ₱9,254,912.01 for the contents. Thereafter, NRCP notified Stronghold of the total amount of its share in the loss, which amounts to ₱57,564,800.39 for the buildings and ₱8,413,556.67 for the contents. Despite repeated demands, Stronghold refused to pay NRCP.

   On May 28, 2014, the trial court denied NRCP's application for the issuance of a writ of preliminary attachment. Summons was thereafter served on Stronghold. On July 25, 2014, NRCP received a copy of Stronghold's Answer with Compulsory Counterclaims dated July 14, 2014. On August 22, 2014, NRCP filed its Reply and Answer to Defendant's Compulsory Counterclaims dated August 19, 2014.

   In its Answer, Stronghold admits its liability to NRCP insofar as the BSP reinsurance policy/contract is concerned and argues that it "has not refused to pay or settle the BSP claim, but is simply awaiting determination of the proper amount due, which remains uncertain on account of the insolvency and liquidation of one of its reinsurers." Thus, on August 28, 2014, NRCP filed its Motion to Render Partial Judgment on the Pleadings dated August 22, 2014, which was opposed by Stronghold. On January 23, 2015, NRCP received a copy of the trial court's Order dated December 22, 2014 denying said Motion. On January 29, 2015, NRCP filed its Motion for Reconsideration dated January 27, 2015. Stronghold filed an Opposition, to which we responded with a Comment dated March 2, 2015. The trial court issued an Order dated March 27, 2015 denying NRCP's Motion for Reconsideration. NRCP did not assail the Decision and Order denying its Motion to Render Partial Judgment on the Pleadings.

   On January 7, 2016, NRCP served its Request for Admission on Stronghold, and after several requests for extension, Stronghold submitted its response.

On October 17, 2016, the court referred the parties to mandatory mediation proceedings to explore the possibility of amicable settlement. During the mediation conference on December 13, 2016, NRCP and Stronghold discussed possible terms of settlement and agreed to continue the conduct of mediation on January 5, 2017. The mediation conference on January 5, 2017, however, did not push through because of the unavailability of the mediator. In an Order dated January 11, 2017, the trial court extended the mediation until January 25, 2017.

Due to the failure of the parties to reach an amicable settlement, the case was referred back to the trial court for the conduct of judicial dispute resolution ("JDR"). At the JDR conference on March 31, 2017, the parties also failed to amicably settle. The case will be re-raffled to another branch for the continuation of the pre-trial conference.

Meanwhile, Stronghold sent a Request for Admission dated January 21, 2017 addressed to Mr. Rodolfo Nayve, NRCP's former Vice President, at NRCP's old office address. The Request for Admission was merely forwarded to NRCP on February 17, 2017. In this regard, NRCP filed a Manifestation dated February 22, 2017 to manifest that Stronghold's Request for Admission was improperly served, as well as to update its set of officers and office address on record. On March 22, 2017, Stronghold served the Request for Admission on NRCP through its President, Mr. Augusto P. Hidalgo.

2. *National Reinsurance Corporation of the Philippines vs. Stronghold Insurance Company, Inc.*
   I.C. Adm. Case No. RD-422
   Insurance Commission, Manila

   This is a complaint filed by NRCP with the Insurance Commission against Stronghold for the revocation or cancellation of Stronghold's license to conduct insurance business, with respect to NRCP's second claim as discussed in item no. 2 above.

   Despite several meetings between the parties, they were not able to settle. On May 22, 2012, the Commission issued its Decision dismissing without prejudice NRCP's complaint. The Commission ruled that Stronghold did not violate Section 241 of the Insurance Code of the Philippines because the claims set forth in the case were subject of compensation between the parties based on an existing practice of offsetting between them.

   On August 3, 2012, NRCP filed its Motion for Reconsideration of even date. On September 13, 2012, NRCP received a copy of Stronghold's Opposition dated August 27, 2012, to which we filed our Reply dated September 19, 2012. NRCP's Motion for Reconsideration is pending resolution by the Commission.

3. *Oriental Assurance Corp. v. National Reinsurance Corporation of the Philippines and CBR Asia Insurance Brokers, Inc.*
   Civil Case No. 73975
   Regional Trial Court, Branch 157, Pasig City

   This is a complaint for sum of money with damages filed by Oriental Assurance Corp. ("OAC") against NRCP and CBR Asia Reinsurance Brokers, Inc. ("CBR Asia").

   NRCP issued a Marine Hull Reinsurance Policy ("Reinsurance Policy") in favor of OAC, through the latter's reinsurance broker, CBR Asia. Under the Reinsurance Policy, NRCP agreed, in consideration of the reinsurance premium of ₱28,453,450.00, to reinsure OAC as the Assured Ceding Company, subject to all terms and conditions of the latter's original insurance policy with Sulpicio Lines.

M/V Princess of the Stars ("POTS") is part of a fleet of vessels, 11 in all, that NRCP accepted for Marine Hull Reinsurance. POTS is vessel No. 3, with hull cover limit of ₱200,000,000.00. NRCP's share is ₱100,000,000.00, 50% of said amount, on a Primary Layer basis.

On June 21, 2008, POTS capsized and sank within the vicinity of Romblon due to a typhoon. The incident resulted in hundreds of deaths and damage to cargo loaded onboard the vessel. NRCP paid ₱100,000,000.00, the maximum limit, for its marine hull exposure.

Despite payment of the said amount, NRCP received four demand letters from OAC, all claiming reimbursement in the amount of ₱7,986,422.67 for "Sue and Labor" expenses allegedly incurred by the vessel. NRCP did not honor OAC's cash call for the Sue & Labor claim. Thus, on July 3, 2013, OAC filed this complaint, claiming (a) ₱7,986,422.67 plus legal interest of 6% thereon and (b) attorney's fees in the amount equivalent to 10% of the principal amount claimed.

On September 2, 2013, NRCP filed its Answer to the Complaint, where it lodged a counterclaim of ₱2,200,000.00 against OAC. NRCP also interposed a Crossclaim against CBR Asia in the amount of ₱7,986,422.67, or whatever sum that may be awarded in favor of OAC and against NRCP, including attorney's fees and costs. CBR Asia also filed a Crossclaim against NRCP for the same amount.

This case was referred to mediation and judicial dispute resolution. Unfortunately, no amicable settlement was reached. Hence, the case was set for pre-trial. Owing to the pendency of NRCP's Motion to Declare Cross-Defendant in Default dated October 22, 2013, the pre-trial conference had to be reset several times. The next setting for the pre-trial conference is on April 27, 2017, at 8:30 a.m.

4. *Final Assessment Notice for Deficiency Value Added Tax*
   Bureau of Internal Revenue

On December 29, 2015, NRCP received a Preliminary Assessment Notice ("PAN") from the VAT Audit Group of the Bureau of Internal Revenue ("BIR") Large Taxpayers Service informing it of an alleged deficiency Value Added Tax amounting to ₱28,073,470.03 plus ₱16,444,131.21 in interest (from January 26, 2013 to December 31, 2015) for the taxable period from July 1, 2012 to December 31, 2012, or a total of ₱44,517,601.24, plus compromise penalty of ₱50,000.00.

Based on the PAN, the assessments arose from NRCP's alleged failure to pay VAT on the sale of some items of property plant and equipment (PPE) and taxable interest income, the disallowance of input tax on current purchases for alleged lack of substantiation, the disallowance of input tax from purchases from non-VAT suppliers, the reallocation of a specific portion of NRCP's input tax credits to exempt sales, and the disallowance of input tax carried over to the next period.

On January 13, 2016, NRCP sent a reply letter to the BIR contesting the PAN. The following day, the BIR Large Taxpayers Service issued its Formal Letter of Demand (or Formal Assessment Notice/FAN) reiterating the assessments stated in the PAN with interest penalty updated to January 31, 2016.

On February 12, 2016, the Company filed the Protest to contest the assessment. For practical considerations, the Company paid the deficiency VAT of ₱4,189,869.25, interest of ₱2,571,317.02, and compromise penalties of ₱50,000.00, or the aggregate amount of ₱6,811,186.27 on February 18, 2016.

On September 14, 2016, the Company received the Final Decision on Disputed Assessment (FDDA) dated September 13, 2016 (on the Protest) that was issued by

OIC-Assistant Commissioner Teresita M. Angeles. The FDDA considered some of the arguments raised in the Protest and imposed upon the Company deficiency VAT in the reduced amount of ₱32,693,610.62, inclusive of interest.

On October 14, 2016, the Company filed with the Commissioner of Internal Revenue ("CIR") a request for reconsideration. The assessment is still pending resolution.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the stockholders during the fourth quarter of the fiscal year ending December 31, 2016.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

The common shares of the Company have been listed on the Philippine Stock Exchange since April 27, 2007. The high and low prices for each quarter of the last two years are as follows:

	2016		2015	
	High	**Low**	**High**	**Low**
1st Quarter	0.98	0.87	1.21	0.90
2nd Quarter	1.05	0.89	1.11	0.96
3rd Quarter	0.98	0.87	1.01	0.91
4th Quarter	0.91	0.75	0.98	0.93

The price information as of the latest practicable trading date, **April 12, 2017,** was **P0.72** per share.

2. Holders

Approximate Number of Holders as of 31 December 2016

There were approximately 280 common shareholders of the Company as of December 31, 2016. The Top 20 shareholders as of December 31, 2016, with their corresponding shares and percentage ownership of the Company, are as follows:

	Name of Record Owner	No. of Shares Held	Percentage
1	PCD Nominee Corporation (Filipino) (Non-Filipino)	 1,662,741,898 3,972,600	 78.29% 0.18%
2	Bank of the Philippine Islands	290,795,500	13.69%
3	FGU Insurance Corporation	36,126,000	1.70%
4	Philippines First Insurance Co., Inc.	11,075,200	0.52%
5	Philippine American Life Insurance Co..	8,628,600	0.41%
6	Pa, Ana Go &/or Go Kim	7,500,000	0.35%
7	Empire Insurance Company	7,498,900	0.35%
8	Phil. International Life Insurance Co., Inc	4,450,200	0.21%
9	New India Assurance Co., Ltd.	4,168,300	0.20%
10	South Sea Surety & Insurance Co., Inc.	4,152,700	0.20%
11	Federal Phoenix Assurance Company	3,786,300	0.18%
12	Oriental Assurance Corporation	3,560,800	0.17%
13	Visayan Surety & Insurance Corporation	3,545,500	0.17%
14	BPI/MS Insurance Corporation	3,347,500	0.16%
15	Beneficial Life Insurance Company Inc	3,193,500	0.15%
16	Manila Surety & Fidelity Company, Inc.	3,168,400	0.15%
17	Romualdez, Ferdinand Martin G.	3,000,000	0.14%
18	Mercantile Insurance Company, Inc.	2,997,700	0.14%
19	Stronghold Insurance Company, Inc.	2,817,600	0.13%
20	United Life Assurance Corp.	2,518,100	0.11%

Minimum Public Ownership as of 31 December 2016

The minimum public ownership report as of December 31, 2016 showed the Company's public float at 47.60%. This was computed in accordance with the guidelines provided under the Amended Rule on Minimum Public Ownership.

3. Dividends

It is the Company's policy to declare dividends regularly with the pay-out determined by the Company's performance as well as by the availability of unappropriated retained earnings for distribution. On May 16, 2013, the Company declared cash dividends of P0.02 per share for a total amount of P 42, 472,112 which was paid on June 14, 2013. The payment of dividends by insurance companies is governed in the Philippines by Section 201 of the New Insurance Code as well as by Section 43 of the Corporation Code, both of which establish the appropriate amount of retained earnings, which may be paid out for dividend distribution. Beyond these inherent limitations, there are no known restrictions or impediments to the Company's ability to pay dividends on common equity or are there likely to be any in the future.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company had no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVIEW OF 2016 VERSUS 2015

Results of Operations

In Million PhP	for the years ended 31 Dec 2016	31 Dec 2015	Change Amount	%
Reinsurance Premium Income				
Reinsurance premiums-net of returns	3,383.9	2,182.4	1,201.5	55%
Retroceded premiums	1,690.7	1,254.5	436.2	35%
Net Premiums Written	1,693.2	927.9	765.3	82%
Increase in premium liabilities	(404.3)	(27.5)	-376.8	1370%
	1,288.9	**900.4**	**388.5**	**43%**
Underwriting deductions				
Share in claims & losses	754.5	415.8	338.7	81%
Commissions, net	364.3	255.7	108.6	42%
	1,118.8	**671.5**	**447.3**	**67%**
Net Underwriting Income (Loss)	**170.1**	**228.9**	**-58.8**	**26%**
Interest	196.7	231.3	-34.6	(15%)
Foreign currency gain (losses)	21.3	19.5	1.8	(9%)
Others	66.9	256.5	-189.6	(74%)
Investment and Other Income	**284.9**	**507.3**	**-222.4**	**(44%)**
Profit after Investment and Other Inco	**455.0**	**736.2**	**-281.2**	**(38%)**
General and Administrative Expenses	**326.2**	**503.3**	**-177.1**	**(35%)**
Profit Before Tax	128.8	232.9	-104.1	(45%)
Tax Expense	**50.7**	**53.8**	**-3.1**	(6%)
Net Profit (Loss)	**78.1**	**179.1**	**-101.0**	**(56%)**

The Company generated a net profit of P78.1 million for the year ended December 31, 2016, this is P101.0 million or 56.4% lower than the net profit recognized in 2015. Underwriting and Investment results were positive in 2016 but lower than the previous year by P58.8 million (25.7%) and P223.9 million (44.1%), respectively. The impact of the drop in revenue generated by these activities were partially negated by the lower general and administrative expenses incurred in 2016 compared to 2015.

Underwriting Income

Overall, the underwriting income dropped by P58.8 million in 2016 compared to 2015 due to higher loss ratio experienced in 2016. The impact of recording higher losses was partially tapered by generating higher net earned premiums.

Table below shows the comparative results by main type of business (in million pesos):

	2016			*2015*		
	Non-Life	***Life***	***Total***	***Non-Life***	***Life***	***Total***
Gross Premiums Written	2,655.9	728.0	3,383.9	1,655.6	526.7	2,182.4
Retroceded Premiums	(1,301.0)	(389.7)	(1,690.7)	(994.6)	(259.7)	(1,254.4)
Net Written Premiums	1,354.9	338.3	1,693.2	661.0	267.0	928.0
(Increase) Decrease in UPR	(389.3)	(15.0)	(404.3)	(13.0)	(14.5)	(27.5)
Net Earned Premiums	**965.6**	**323.3**	**1,288.9**	**648.0**	**252.5**	**900.5**
Share in Claims & Losses	(587.5)	(167.0)	(754.4)	(317.2)	(99.2)	(415.8)
Commission, net	(352.1)	(12.2)	(364.3)	(244.2)	(10.9)	(255.7)
Underwriting Income	**26.0**	**144.1**	**170.1**	**86.6**	**142.4**	**229.0**

Net Earned Premiums

Gross premiums written rose by 55.1% from P2,182.4 million in 2015 to P3,383.9 million in 2016. All lines of business contributed to this result but is largely driven by premiums from Non-life business, sourced from foreign markets. The contribution per type of business showed that Non-life and Life accounts represent 78% and 22% of the company's total portfolio, respectively. Non-life account remains to be the major source of business. Its segment grew by 2%from a 76% portfolio share in 2015. Of the non-life accounts, 73% came from domestic and 27% from foreign markets. Compared to the 94% and 6% mix in 2015, the significant growth coming from foreign business demonstrates a change in business strategy that is in line with the company's approach on managing underwriting risks through portfolio diversification.

Retroceded premiums were 34.8% higher at P1,690.7 million in 2016 compared to P1,254.5 in 2015. P1,301.0 million (77%) and P389.7 million (23%) came from Non-life and Life business, respectively. Despite the increase in retroceded premiums, the Company's retention ratio, which is measured by the ratio of net premiums written over gross premiums written, improved to 50.0%from 42.5%in 2015.

In terms of net premiums written, Non-life business accounted for 80% of the total portfolio in 2016, of which 48% is domestic and 52% is foreign. In 2015, Non-life contributed only 71% of the company's portfolio with 84% and 16% combination of domestic and foreign markets, respectively.

Based on the foregoing results, earned premiums in 2016 ended at P1,288.9 million. Despite the soft underwriting market, the Company was able to increase its net earned premiums by P389 million or 43.2%.Thegrowthlargely came from the Non-Life business that contributed P965.6 million or 75.5% of the total earned premiums in 2016.

Share in Claims and Losses

Total losses incurred for 2016, inclusive of incurred but not reported (IBNR)losses, amounted to P754.5 million, which is 81.5% higher than the previous year's balance of P415.8 million. The largest natural catastrophe loss in 2016 was the Typhoon Nina (international name Nock-ten) that hit Luzon in December with an estimated loss of about P32 million.

The Company's loss ratio, which is measured by the ratio of share in claims and losses over premiums earned, was 58.5% for 2016. This is 12.3 percentage points higher than last year's ratio of 46.2%. The increase in loss ratio can be attributed to a new business written in 2016 with higher expected loss ratios. Loss ratio for Life and Non-life businesses was 51.6% and 60.9%, respectively.

Net Commissions

Consistent with the growth of written premiums, net commission for 2016 is also higher by 42.5% at P364.3 million versus P255.7 million in 2015. The ratio of the net commission over net written premiums was 21.5% in 2016 compared to27.6% in 2015. The variance is mainly caused by the timing of cost recognition and varying commission rates per type and line of business.

Commission ratio for Life and Non-life businesses was 3.6% and 26.0%, respectively.

General and Administrative Expenses

General and administrative expenses (GAE) in 2016 is lower by 35.2% or P177.1 million from P503.3 million in 2015 and this is primarily due to lower impairment losses recognized for the current year. The company's expense ratio, which is measured by the ratio of total GAE over net written premiums, improved in 2016 at 19.3%, compared to 54.2% in 2015. Excluding the provision for impairment losses and other one-time expenses, the ratio would have been 14.7% and 30.5%, respectively. This indicates that the company is able to maintain recurring operational costs despite the business growth in 2016.

Investment and Other Income

Investment and other income was P284.9 million in 2016, which is 43.8% lower than the P507.3 million income in 2015. The current year's result is predominantly an effect of lower interest income on fixed income securities and trading gains from sale of securities. Interest income on bonds and other fixed income securities, fell by 15.0% or P34.6 million from P231.3 million in 2015 to P196.7 million in 2016. While gain on sale of available-for-sale (AFS) financial assets dropped to P25.5million in 2016 from P215.1 million in 2015.

Investment gains/losses arise primarily from the sale of investments and its timing may have a material effect on periodic earnings. The Company's decision to trade securities is not motivated by the impact that the resulted gains or losses will have on our reported profit since most of our investments are recorded at fair value with the unrealized gains or losses recognized in the statement of comprehensive income.

Financial Condition

In Million PhP	Unaudited December 2016	Audited December 2015	Changes Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS	920.4	1,047.5	(127.1)	-12%
REINSURANCE BALANCES RECEIVABLE-net	1,445.9	1,346.8	99.1	7%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5,857.6	5,728.4	129.2	2%
LOANS AND RECEIVABLES	464.9	306.8	158.1	52%
PROPERTY AND EQUIPMENT-NET	66.0	71.9	(5.9)	-8%
REINSURANCE RECOVERABLE ON UNPAID LOS	4,200.4	3,996.7	203.7	5%
DEFERRED ACQUISITION COST	258.6	147.7	110.9	75%
DEFERRED REINSURANCE PREMIUMS	394.8	386.7	8.1	2%
OTHER ASSETS	567.1	406.4	160.7	40%
TOTAL ASSETS	**14,175.7**	**13,438.9**	**736.8**	5%
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	1,086.9	1,060.3	26.6	3%
ACCOUNTS PAYABLE & ACCRUED EXPENSES	128.7	124.4	4.3	3%
LOSSES AND CLAIMS PAYABLE	6,728.8	6,377.8	351.0	6%
PREMIUM LIABILITIES	1,337.3	924.9	412.4	45%
DEFERRED REINSURANCE COMMISSIONS	41.2	44.2	(3.0)	-7%
TOTAL LIABILITIES	**9,322.9**	**8,531.6**	**791.3**	9%
EQUITY				
Capital Stock	2,182.0	2,182.0	-	0%
Treasury Stock	(100.5)	(100.5)	-	0%
Additional Paid in Capital	3,019.2	3,019.2	-	0%
Remeasurement of the Defined Benefit Liability	(75.2)	(63.4)	(11.8)	19%
Revaluation reserve	(186.4)	(65.6)	(120.8)	184%
Retained Earnings	13.7	(64.4)	78.1	-121%
Total Equity	**4,852.8**	**4,907.3**	**(54.5)**	-1%
TOTAL LIABILITIES & EQUITY	**14,175.7**	**13,438.9**	**736.8**	5%

The company's shareholders' equity at December 31, 2016 decreased by P54.4 million from P4,907.2 million in December 31, 2015 to P4,852.8 million. The 5.5% decrease was caused by the P132.5million net losses in other comprehensive income primarily related to the decline in market value of investment and retirement fund, which was partially tapered by the net profit of P78.1 million in 2016. Despite the decrease in equity, the company's balance sheet continues to remain strong as it exceeds the required capitalization of the IC by 142.6%.

Total assets increased by P736.9 million from P13,438.8 million in 2015 to P14,175.7 million as at December 31, 2016. The 5.5% increase was attributable to the P288.9 million (4.1%) increase in operating assets, P287.3 million (4.8%) increase in investment assets and P160.7 million (39.5%) increase in other assets.

	2016	2015	Variance	
OPERATING ASSETS				
CASH AND CASH EQUIVALENTS	**P 920.4**	P 1,047.5	(127.0)	-12.1%
REINSURANCE BALANCES RECEIVABLE - Net	**1,445.9**	1,346.8	99.2	7.4%
PROPERTY AND EQUIPMENT - Net	**66.0**	71.9	(5.9)	-8.2%
REINSURANCE RECOVERABLE ON UNPAID LOSSES	**4,200.4**	3,996.7	203.7	5.1%
DEFERRED ACQUISITION COSTS	**258.6**	147.7	110.9	75.0%
DEFERRED REINSURANCE PREMIUMS	**394.8**	386.7	8.1	2.1%
TOTAL	**P 7,286**	**P 6,997**	288.9	4.1%

Increase in operating assets was mainly driven by the increase in reinsurance recoverable on unpaid losses by P203.7 million, deferred acquisition costs P110.9 million and reinsurance

balances receivables by P99.1 million. This was partially negated by the decrease in cash and cash equivalents by P127.0 million.

Reinsurance Recoverable on Unpaid Losses

The P203.7 million (5.1%) increase in reinsurance recoverable on unpaid losses is primarily due to the increase in losses covered by retrocession agreements.

Deferred Acquisition Cost

The Company amortizes its acquisition cost over the term of the assumed insurance contracts and recognizes the unamortized portion as deferred acquisition cost that forms part of the company's operating assets. The P110.8 million (75%) increase in deferred acquisition cost mainly resulted from higher gross premiums written in 2016.

Reinsurance Balances Receivable – net

The Company was able to better manage its recording and collection process as demonstrated by the increase of only P94.9 million (11.5%) in reinsurance balances receivables despite writing P3,383.9 million worth of premiums in 2016.

Cash and Cash Equivalent

The company held cash and cash equivalents of P920.4 million. The 12.1% or P127.0 million decrease from the prior year's balance of P1,047.4 million was the result of positive cash flow of P8.6 million from operating activities and P135.6 million net cash used in investing activities.

	2016		**2015**		Variance	
INVESTMENTS ASSETS						
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**P**	**5,857.6**	P	5,728.4	129.2	2.3%
LOANS AND RECEIVABLES		**464.9**		306.8	158.1	51.5%
TOTAL	**P**	**6,322.5**	**P**	**6,035.2**	287.3	4.8%

Investment assets increased by P287.3 million as a result of net additions of P374.0 million that was partially negated by the decline in market value amounting to P132.5 million. Funding for the P374.0 million was derived from operations amounting to P135.6 million and interest and dividends amounting to P238.4 million.

The P160.7 million (39.5%) increase in other assets is largely due to P149.4 million (US $3.0 million) Funds at Lloyd's, which was placed in December 2016 in relation to a treaty contract that will take effect on January 1, 2017.

Total liabilities increased by 9.3% or P791.4 million, from P8,531.6 million in 2015 to P9,323.0 million as at December 31, 2016. This was mainly driven by insurance related liabilities, specifically losses and claims payable and premium reserves accounts, as a result of the significant growth in assumed business for 2016.

REVIEW OF 2015 VERSUS 2014

Results of Operations

Reinsurance premiums – net of returns or Gross Premiums Written. Gross premiums written in 2015 totaled P2,182.3 million, 20% less than P2,747.1 million in 2014. The drop in premiums is mainly caused by the non-renewal of unprofitable lines of business under Facultative arrangements, the decreasing premium rates for Fire business and the declining market for Marine.

The contribution per line of business showed that fire accounts had the biggest portfolio share at 44.5% in 2015 vs. 49.8% in 2014, followed by casualty and others at 27.9% in 2015 vs. 21.2% in 2014, life represented 24.1% in 2015 vs. 22.9% in 2014 and lastly, marine and aviation accounted for 3.5% in 2015 vs. 6.1% in 2014. On a per class of business, premiums from non-life business decreased by P462.8 million or 21.8% from P2,118.4 million in 2014 to P1,655.6 million in 2015. Similarly, life premiums decreased by P101.9 million or 16.2% from P628.6 million in 2014 to P526.7 million in 2015.

Reinsurance Premiums Retained or Net premiums retained. Consistent with the decrease in gross premiums written, reinsurance premiums retained for the year decreased by P94.3 million or 9.2% from P1,022.3 million in 2014 to P927.9 in 2015. However, as we retain more premiums than in previous year, the net retention ratio improved from 37.2% in 2014 to 42.5% in 2015. Net premiums retained per line of business showed the casualty and others line contributing 46.6% in 2015 vs. 38.7% in 2014, followed by life at 28.8% in 2015 vs. 34% in 2014, fire at 19.0% in 2015 vs. 17.6% in 2014, and marine share at 5.6% in 2015 vs. 9.6% in 2014.

Premiums earned. Premiums earned increased by P65.7 million or 7.9% from P834.7 million in 2014 to P900.4 million in 2015 brought about by higher net premiums retained as well as earned premium reserve from 2014.

Share in claims and losses. Total losses incurred (inclusive of IBNR or Incurred but not reported losses) for 2015 amounted to P416.4 million, 32.4% lower than the previous year's P616.3 million. Consequently, overall loss ratio improved from 73.8% in 2014 to 46.2% in 2015. Year 2014 ended at a higher loss ratio mainly due to the impact of typhoon Glenda and Odette that hit Luzon in July and September, respectively. Total claims incurred so far are at P135M for both catastrophic events. In 2015, the company registered only one catastrophic event and has recorded an estimated net loss of P10 million from Typhoon Lando, which hit Northern and Central Luzon in October 2015.

Commissions-net. As a result of the decrease in net premiums retained, commissions decreased also by P35.0 million or 12.1% from P290.2 million in 2014 to P255.1 million in 2015 However, commission ratio was flat at 28.3% in 2015 vs. 28.4% in 2014.

Investment income and other income. Investment and other income Investment and other income increased by P74.1 million or 17.1% from P433.2 million in 2014 to P507.3 million in 2015.

Interest income dropped by P18.8 million or 7.5% to P231.3 million in 2015 from P250.1 million in 2014 on account of declining interest rates. The increases in gain on sale of AFS financial assets (P215.1 million in 2015 vs. P101.3 million) of 112.4% and dividend income (P47.7 million vs. P41.8 million) of 13.9% as well as foreign exchange gain (P19.5 million vs. P11.5 million) of 70.1% more than offset the decrease in interest income and gain on sale of property and equipment. (In 2014, the company booked a onetime gain of P33.2 million on the sale of Philippine AXA Life Condominium unit).

General and administrative expenses. General and administrative expenses (GAE) increased by 67.7% or P203.1 million from P300.2 million in 2014 to P503.3 million in 2015 principally due to increases in impairment loss (P220.4 million vs. P31.1 million), taxes and licenses (P60.0 million vs P28.2 million, professional fees (P29.7 million vs. P20.4 million), contract labor (P16.3 million vs. P2.7 million), miscellaneous (P15.6 million vs. P9.0 million) and advertising and publicity (P2.2 million vs. P1.3 million).However, the increases was partially offset by decline in certain expenses such as: salaries and employee benefits (P109.2 million vs. P141.3 million), depreciation (P24.1 million vs P33.6 million), repairs and maintenance (P7.8 million vs. P9.1 million), transportation and travelling (P2.2 million vs P4.1 million), representation and entertainment (P2.2 million vs. P3.0 million) and finance cost (P.31 million vs. P2.5 million.

Tax expense. The Company's tax expense slightly increased by P0.9 million or 1.7% from P52.8 million in 2014 to P53.7 million in 2015 mainly due to the increase in minimum corporate income tax (MCIT) from P4.4 million in 2014 to P9.7 million in 2015 which was offset by the decrease in final tax from P48.2 million in 2014 to P44.8 million in 2015.

Net Profit (Loss). Due to favorable underwriting income as well as higher investment and other income the Company's net profit increased by 2036% from P8.4 million in 2014 to P179.1 million in 2015.

Financial Condition

As of December 31, 2015, total resources of the Company stood at P13.4 billion, P748.7million or 4.9% lower than total resources of P14.1 billion as of December 31, 2014. Material changes in the Company's resources which contributed to the decrease, are described below.

Reinsurance balances receivable, net of allowance for impairment of P824.0 million, reinsurance balances receivable decreased by P553.4 million or 10.7% from P5.9 billion as of December 31, 2014 to P5.3 billion as of December 31, 2015. The reinsurance balances receivable is composed of account balances pertaining to: *due from ceding companies (P1,231.9 million), funds held by ceding companies (P144.0 million) and reinsurance recoverable on losses (P4.1 billion)*. The P369.6 million decrease was accounted from reinsurance recoverable on losses account. In addition, the company recorded additional provision for long outstanding accounts receivable amounting to P220.3 million. This brought the total allowance for doubtful account balance to P824.1 million as of December 31, 2015.

Available-for-sale financial assets.(AFS) representing 42.6% of total assets decreased by P379.4 million or 6.2% from P6,107.7 billion as of December 31, 2014 to P5,728.4 billion as of December 31, 2015 mainly due to lower mark to market revaluation reserves of available for sale financial assets. (please refer to revaluation reserve line item of equity section also).

Loans and receivables(part of the Company's investment portfolio) decreased by P15.5 million or 4.8% to P306.8 million in 2015 from P322.3 million in 2014 basically due to lower accrued interest receivable (P42.3 million vs. P55.2 million) consistent with the decline in available for sale financial assets.

Property and equipment (PPE), net of accumulated depreciation amounted to P71.9 million as of December 31, 2015, a decrease of P4.5 million or 5.9% from December 31, 2014 mainly due to recorded depreciation of P12.0 million being higher than capital expenditures of P8.2 million.

Deferred acquisition costs, which mainly consist of reinsurance commissions; decreased by P2.5 million or 1.7% to P147.7 million in 2015 from P150.2 million in 2014. Under the 24th method of revenue and expense recognition, policy cost is deferred and charged to expense in proportion to reinsurance premium revenue recognized during the year. This is adjusted at end of each reporting period to account for unexpired portion of the reinsurance commission.

Deferred reinsurance premiums increased by P30.5 million or 8.5% as of December 31, 2015. Deferred reinsurance premiums pertain to the unexpired portion of ceded out premiums which corresponds to the unexpired portion of the reinsurance premiums accepted (unearned reinsurance premiums) at the end of each reporting period.

Other assets increased by 19.3% to P405.5 million in 2015 from P339.8 million in 2014 largely due to the increases in creditable withholding tax (P6.4 million), plan assets (P32.4 million) and input vat (P34.8 million) offset against decreases in intangible assets and other assets of P7.9 million.

Total liabilities decreased by P542.4 million or 5.9% to P8.5 billion in 2015 from P9.0 billion in 2014. The increase in total liabilities is explained below.

Reinsurance balances payable decreased by 581.2 million or 7.2% from P8,019.2 million as of December 31, 2014 to P7,438.0 million as of December 31, 2015. This was mainly due to the decrease in reserve for IBNR (incurred but not reported) loss following the loss development for 2015 and settlement of claims and other reinsurance payable accounts. Reinsurance balances payable is composed of account balances pertaining to: *(1) premiums due to reinsurers (decreased from P1,016.7million in 2014 to P970.7 million in 2015); (2) funds held for retrocessionaires (slightly increased from P74.4 million in 2014 to P89.5 million in 2015) and (3) losses and claims payable and IBNR (decreased from P6,928.1 million in 2014 to P6,377.8 million in 2015).*

Accounts payable and accrued expenses decreased by P27.2 million or 17.9% from P151.6 million in 2014 to P124.4 million in 2015 principally due to decreases in accounts payable (P38.7 million, withholding tax payable (P2.0 million) and other liabilities/defined benefit liability (P27.8 million) offset by increases in accrued expenses (P35.6 million) and deferred output Vat (P5.7 million).

Reserve for unearned reinsurance premiums increased to P924.9 million in 2015 from last year's P866.9 million or by P58 million or 6.7%. This account represents the unexpired/unearned portion of the gross reinsurance premiums written.

Deferred reinsurance commission likewise increased by P8 million or 22% from P36.2 million in 2014 to P44.2 million in 2015 following the higher commission income from retroceded premiums.

Total equityas of December 31, 2015 declined by 4.0% or P206.4 million to P4,907.2 million from P5,113.6 million as of December 31, 2014 principally due to the decline in mark to market revaluation reserve (P395.9 million) partially offset by net profit during the year (P178.7 million) and the positive movement in the re-measurement of defined benefit liability (P10.4 million).

Material changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2015 versus 2014

20.5% decrease in reinsurance premiums
This is mainly caused by the non-renewal of unprofitable lines of business under Facultative arrangements, the decreasing premium rates for Fire business and the declining market for Marine.

27.3% decrease in retroceded premiums
This is mainly caused by the decrease in the cost of excess of loss cover for Fire, Engineering, Marine and Motor lines of business.

9.2% decrease in net premiums retained.
This is mainly due to the decrease in reinsurance premiums written in 2015, partially covered by the decrease in cost of excess of loss cover. Overall retention ratio increased from 37.2% in 2014 to 42.5% in 2015.

85.3% decrease on the amount of reserve for unearned premiums.
This is the result of higher net premiums retained as well as earned premium reserve from 2014.

32.4% decrease in net share in claims and losses
This is generally due to lower claims and losses incurred for the year which resulted in an overall loss ratio of 46.2% vs. 73.8% in 2014. In 2015, the company registered only one catastrophic event (i.e., Typhoon Lando).

12% decrease in net commission
This is consistent with the decrease in net premiums retained in 2015.

419% increase in net underwriting income
This is mainly due to 26% decrease in net underwriting deductions and 8% increase in earned premiums.

17% increase in investment and other income
This is generally due to higher trading gains, dividend income and foreign exchange gains.

68% increase in general and administrative expenses.
This is due to increase in provision for impairment loss from P31.1 million in 2014 vs. P220.4 million in 2015.

1.7% increase in tax expense.
This is due to recorded minimum corporate income tax (MCIT) for the year 2015.

2036% increase in net profit.
This can be attributed to the resulting net underwriting income and higher investment and other income earned during the year.

Balance Sheet items - 2015 versus 2014

18% increase in cash and cash equivalents.
Mainly due to increase in time deposit placement.

10.7% decrease in reinsurance balances receivable.
Mainly due to settlement of reinsurance recoverable on losses and additional provision made for long outstanding receivable accounts.

6% decrease in available for sale financial assets.
Principally due to decline in mark to market revaluation reserve of available for sale financial assets (AFS).

5% decrease in loans and receivables.
Mainly due to decrease in accrued interest receivable.

6% decrease in property and equipment, net.
This is mainly due to recorded depreciation being higher than capital expenditures.

8.5% increase in deferred reinsurance premiums
The higher volume of reinsurance premiums ceded/retroceded (excluding retroceded premiums pertaining to excess of loss cover) translates to the higher level of deferred reinsurance premium recognized under the 24th method of revenue recognition.

19% increase in other assets
Largely due to increases in defined benefit assets and unapplied input vat.

7.3% decrease in reinsurance balances payable
This was mainly due to the decrease in reserve for IBNR (incurred but not reported) loss following the loss development for 2015 and settlement of claims and other reinsurance payable accounts.

18% decrease in accounts payable and accrued expenses.
Due to decreases in defined benefit liability and other liabilities..

6.7% increase in reserve for unearned reinsurance premiums
Essentially related to the increase in the amount of reinsurance premiums subject to 24th method of revenue recognition.

22% increase in deferred reinsurance commissions
This is consistent with the increase in retroceded reinsurance premiums subject to 24th method of revenue recognition.

REVIEW OF 2014 VERSUS 2013

Results of Operations

Reinsurance premiums – net of returns or Gross Premiums Written. Gross premiums written in 2014 totaled P2,747.1 million, 7.3% higher than P2,561.1 million in 2013. Except for casualty, all lines of business generally increase in 2014. The contribution per line of business showed that fire accounts for 49.8% in 2014 vs. 52.9% in 2013, followed by life at 22.9% in 2014 vs.18% in 2013, casualty and others represented 21.2% in 2014 vs. 24.2% in 2013 and lastly, marine accounted for 6.1% in 2014 vs. 4.9% in 2013. On a per class of business, premiums from non-life treaty business increased by P272.5 million or 24.8% from P1,098.0 million in 2013 to P1,370.4 million in 2014.Similarly, life premiums increased by P166.6 million or 36.1% from P462.1 million in 2013 to P628.6 million in 2014. However, premiums from non-life facultative business declined by P253.1 million or 25.3% from P1,001.1 million in 2013 to P748.0 million in 2014 mainly due to non-renewal of unprofitable line of facultative business.

Reinsurance Premiums Retained or Net premiums retained. Consistent with the increase in gross premiums written, reinsurance premiums retained for the year 2014 increased by P202.7 million or 24.7% from P819.6 million in 2013 to P1,022.3 in 2014. As more premiums were retained during the year, net retention ratio improved from 32% in 2013 to 37.2% in 2014. Net premiums retained per line of business showed the casualty and others line contributing 38.7% in 2014 vs. 41.8% in 2013, followed by life at 34% in 2014 vs. 30.9% in 2013, fire at 17.6% in 2014 vs. 18.4% in 2013, and marine share is 9.6% in 2014 vs. 9.0% in 2013.

Premiums earned. Premiums earned increased by P4.1 million or 5% from P830.6 million in 2013 to P834.7 million in 2014 brought about by higher net premiums retained and despite the increase in reserve for unearned premiums.

Share in claims and losses. During the year, total losses incurred (inclusive of IBNR or Incurred but not reported losses) amounted to P616.3 million, 36.4% lower than the previous year's P969.0.5 million. Fire registered a higher loss ratio in 2014 due to typhoon Glenda that hit Southern Luzon in July 16, 2014.

Commissions- net. Commissions was flat from P289.9 million at 34.9% commission ratio in 2013 to P290.2 million at 34.8% commission ratio in 2014.

Investment income and other income Investment and other income decreased by P231.2 million or 34.8% from P664.4 million in 2013 to P433.2 million in 2014.

Interest income dropped by P48.1 million or 1.6% to P250.1 million in 2014 from P298.2 million in 2013 on account of declining interest rates. The increase in dividend and income (P41.8 million in 2014 vs. P34.3 million in 2013) of 21.9% as well as the booking of onetime gain on the sale of Philippine AXA Life condominium unit (P33.2 million) was not enough to offset the decrease in trading gains and other income, net (P96.5 million in 2014 vs. P321.8 million in 2013) of P225.3 million or 70%. Foreign exchange translation gains slightly increased by P1.4 million or 13.6% from P10.1 million in 2013 to P11.5 million in 2014.

General and administrative expenses General and administrative expenses (GAE) decreased by 35.9% or P168.3 million from P468.5 million in 2013 to P300.2 million in 2014. Declines in certain expenses such as: finance cost (P2.5 million in 2014 vs. P4.9 million in 2013), utilities (P4.6 million in 2014 vs. P5.8 million in 2013), repairs and maintenance (P9.1 million in 2014 vs. P10.2 million in 2013, representation and entertainment (P3.0 million in 2014 vs. P4.4 million in 2013) and provision for impairment loss (P31.1 million vs. P236.9 million) more than offset the increases in manpower cost and employee benefits (P141.3 million in 2014 vs. P127.1 million in 2013) and taxes and licenses and fees (P28. 2million in 2014 vs. P4.5 million in 2013). The increase in manpower cost can be traced to separation benefits of employees who opted an early retirement from the Company effective December 31, 2014 while the increase in taxes and licenses was mainly due to provision for tax assessment for calendar year 2012.

Tax expense The Company's tax expense decreased by P2.4 million or 4.4% from P55.3 million in 2013 compared to P52.9 million in 2013, consistent with the decrease in interest income for the year. This tax expense largely represents the final tax on interest income earned from the Company's investment portfolio.

Net Profit (Loss) As a result of the aforementioned factors, the Company's net income increased to P8.4 million in 2015 compared to a net loss P287.7 million in 2013.

Financial Condition

As of December 31, 2014, total resources of the Company stood at P13.4 billion, P1.2 billion or 8.1% lower than total resources of P14.6 billion as of December 31, 2013. Material changes in the Company's resources, which contributed to the decrease, are described below.

Reinsurance balances receivable, net of allowance for impairment of P603.7 million, decreased by P1,441.03 million or 19.5% from P7.4 billion as of December 31, 2013 to P5.9 billion as of December 31, 2014. This reinsurance balances receivable is composed of account balances pertaining to: *due from ceding companies (P1,209.1 million), funds held by ceding companies (P130.3 million), share in retrocessionaires' in IBNR (P773.1 million) and reinsurance recoverable on losses (P4.4 billion), net of allowance for impairment of P603.7 million*.

Available-for-sale financial assets (AFS) representing 46.5% of total assets decreased by P284.0 million or 4.4% from P6,391.7 million as of December 31, 2013 to P6,107.7 million as of December 31, 2014 mainly due to investments matured during the year, proceeds of which was invested in time deposit under cash and cash equivalents. AFS consists of investments in listed equities, government securities and corporate bonds.

Loans and receivables (part of the Company's investment portfolio) slightly increased by P2.3 million or .72% to P322.3 million in 2014 from P320.0 million in 2013 basically due to increase in other receivables related to retirement benefits paid by the company but to be reimbursed by the retirement fund.

Property and equipment (PPE), net of accumulated depreciation amounted to P76.3 million as of December 31, 2014, a decrease of P26.4 million or 25.7% from December 31, 2013 mainly due to recorded depreciation of P12.0 million and the carrying value of the disposed property and equipment amounting to P28.9 million, compared to acquisitions made of about P14.5 million.

Deferred acquisition costs which mainly consist of reinsurance commissions; increased by P65.0 million or 76% to P150.3 million in 2014 from P85.2 million in 2013. Under the 24th method of revenue and expense recognition, policy cost is deferred and charged to expense in proportion to reinsurance premium revenue recognized during the year.

Deferred reinsurance premiums decreased by P137.4 million or 63% to P356.2 million in 2014 from P218.9 million in 2013. This is comprised of reinsurance premiums ceded out

during the year. Deferred reinsurance premiums is measured using the 24th method of revenue and expense recognition. Accordingly, the balances is adjusted at the end of each reporting period to coverany unexpired portion of ceded out premiums which corresponds to the unexpired portion of the reinsurance premiums accepted (unearned reinsurance premiums).

Other assets increased by 3.0% to P339.8 million in 2014 from P330.0 million in 2013 largely due to the increases in creditable withholding tax by P13.3 million and input vat by P18.3 million offset against decreases in intangible assets and other assets of P21.8

Total liabilities decreased by P1,349.0 million or 13.0% to P8.3 billion in 2014 from P9.6 billion in 2013. The increase in total liabilities is explained below:

Reinsurance balances payable decreased by P1,768.5 million or 18.1% from P9.8 billion as of December 31, 2013 to P8.0 billion as of December 31, 2014 and this was mainly due to settlement of claims and other reinsurance payable accounts. Reinsurance balances payable is composed of account balances pertaining to: *(1) premiums due to reinsurers (increased from P858.5 million in 2013 to P1,016.7 million in 2014); (2) funds held for retrocessionaires (decreased from P80.4 million in 2013 to P74.4 million in 2014); (3) IBNR (decreased from P1,577.6 million in 2013 to P1,387.8 million in 2015) and (4) losses and claims payable (decreased from P7,271.3 million in 2013 to P5,540.3million in 2014).*

Accounts payable and accrued expenses increased by P13.8 million or 10.0% from P137.7 million in 2013 to P151.6 million in 2014 principally due to increases in accrued expenses payable (P25.8 million), withholding tax payable (P5.0 million) and accounts payable (P41.5 million) offset by decreases in defined benefit liability (P56.6 million) and deferred output vat (P1.9M).

Reserve for unearned reinsurance premiums increased to P866.9 million in 2014 from last year's P541.9 million or by P325 million (60%). This account is being adjusted at the end of each reporting period and represents the unexpired portion of the gross reinsurance premiums written and was measured using the 24th method of revenue and expense recognition.

Deferred reinsurance commission likewise increased by P12.6 million or 53.7% from P23.6 million in 2013 to P36.3 million in 2014.This account can be traced from retroceded premiums and represents the unearned portion of the corresponding commission income.

Total equity as of December 31, 2014 increased by 3.3% or P161.8 million to P5,113.6 million from P4,951.8 million as of December 31, 2013 mainly attributed to the reported net income of the Company during the year amounting to P8.4 million, mark to market increase in revaluation reserve in investment of P125.5 million and the positive movement in the re-measurement of the defined benefit liability of P27.9 million.

Material changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2014 versus 2013

7% increase in reinsurance premiums
This is mainly due to higher volume of reinsurance premiums accepted for both life and non-life treaty business.

25% increase in net premiums retained.
This is accounted for by the increase in percentage of premiums being retained by the Company for its own account. Overall retention ratio increased from 32.0% in 2013 to 37.2% in 2014.

269% increase on the amount of reserve for unearned premiums.
Generally, this is the result of higher premiums retained in 2015 as compared to 2014, which is subject to 24th method of revenue recognition. Accordingly, the level of reserve has to be increased to cover the amount of unearned portion of the policies written as of December 31, 2014.

28% decrease in underwriting deductions
This is mainly due to lower share in claims & losses during the year.

83% increase in net underwriting loss
This is mainly driven by the lower share in claims & losses during the year.

35% decrease in investment and other income
This is generally due to lower trading gains and lower interest income earned during the year.

36% decrease in general and administrative expenses.
This is due to decrease in provision for impairment loss from P236.9 million in 2013 vs. P31.1 million in 2014.

4% decrease in tax expense.
This is due to lower investment and other income earned during the period being subject to final tax.

103% increase in net income
This can be attributed to lower general and administrative expenses recorded during the year.

Balance Sheet items - 2014 versus 2013

47% increase in cash and cash equivalents.
Mainly due to increase in time deposit placement

20% decrease in reinsurance balances receivable.
Principally due to settlement of reinsurance recoverable on paid losses.

4% decrease in available for sale financial assets.
Principally due to investments made and transferred to time deposit under cash and cash equivalents.

26% decrease in property and equipment, net
This is mainly due to the retirement and disposal of Philippine AXA condominium unit.

76% increase in deferred acquisition cost.
This is the effect of the adjustment being made at the end of each reporting period, which represents the deferred expense in proportion to reinsurance premium revenue recognized during the year.

63% increase in deferred reinsurance premiums
This is the result of adjustment made at the end of each reporting period to coverany unexpired portion of ceded out premiums which corresponds to the unexpired portion of the reinsurance premiums accepted (unearned reinsurance premiums).

3% increase in other assets
Largely due to increases in creditable withholding taxes and unapplied input vat.

20% decrease in reinsurance balances payable
Principally due to settlement of claims and other reinsurance accounts payable.

10% increase in accounts payable and accrued expenses
Due to increases in accrued expenses payable and withholding tax payable

60% increase in reserve for unearned reinsurance premiums
This is the effect of the adjustment being made at the end of each reporting period, which represents the unexpired portion of reinsurance premium written during the year.

54% decrease in deferred reinsurance commissions
This is consistent with the decrease in reinsurance premiums retroceded, which is the source of the related reinsurance commissions earned.

KEY PERFORMANCE INDICATORS

	2016	2015	2014
Net Profit (Loss)	P78 million	P179 million	P8 million
Earnings per share	P 0.037	P 0.08	P 0.004
Retention ratio	50%	43%	37%
Combined ratio	99%	128%	132%
Return on average equity	1.6%	3.6%	0.16%

The company's key performance ratios for the last three years are described hereunder:

Net Profit (Loss) – The Company's net income decreased to P78 million in 2016 from P179 million in 2015 and P8 million in 2014.

Earnings per share (EPS) - EPS is computed by dividing net profit by the weighted average number of shares issued and outstanding. The company's EPS was P0.037, P0.084, and P0.004 for the years ended December 31, 2016, 2015 and 2014, respectively.

Retention ratio - indicates the total amount of business risk retained by the company, computed by dividing reinsurance premiums retained by reinsurance premiums (Gross Premiums Written or GPW). Retention ratio in 2016 increased to 50%, higher than retention ratio of 43% in 2015 and 37% in 2014.

Combined ratio - a measure of performance used by the Company as this measures profitability of its insurance operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means that it is paying more claims and expenses than it should be receiving from premiums. Combined ratio is the sum of loss ratio, commission ratio and expense ratio. The combined ratio for the subject three years were 99% in 2016, 128% in 2015, 132% in 2014.

Return on average equity (ROE) - measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners, computed by dividing net income by average equity. ROE for the last three years were 1.6%, 3.6%, 0.16% for 2016, 2015 and 2014 respectively.

FINANCIAL SOUNDNESS INDICATORS*

	2016	2015	2014
Current Ratio	2.47	2.46	3.16
Asset to Equity Ratio	2.92	2.74	2.77
Total Liabilities/Equity	1.92	1.74	1.77

** Note 31 of the Audited Financial Statements*

Material Event/s and Uncertainties:

Other than the disclosures described in the preceding sections, the Company has nothing to report on the following:

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

b. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. Material off balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

d. Any material commitments for capital expenditures.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

f. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

g. Any seasonal aspects that had a material effect on the financial condition or results of operations.

ITEM 7. FINANCIAL STATEMENTS

Please refer to the attached Audited Financial Statements for 2016, audited by the accounting firm of Punongbayan & Araullo, and signed by partner Mr. Romualdo V. Murcia III.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Punongbayan & Araullo has served as the independent auditor of the Company's financial statements since 2003. The Company has not had any material disagreements on accounting or financial disclosure matters with Punongbayan & Araullo

External Audit Fees

The following are the aggregate fees (in Philippine Pesos) billed for each of the last three fiscal years for professional services rendered by Punongbayan & Araullo:

	2016	2015	2014
Audit and audit-related fees	P1,355,200	P1,892,000	P1,225,000
Other assurance and related services	56,280	50,000	50,000
Tax fees	-	533,500	110,000
Total	P1,411,490	P2,475,500	P1,385,000

The Audit Committee reviewed the external auditor's engagement letter covering their scope of work and the reasonableness of the related professional fee. The Audit Committee recommended for approval of the Board the appointment of the external audit service provider for the subject audit year. The Board approved the appointment subject to ratification by the stockholders during the Company's annual stockholders meeting.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

1. Directors, Including Independent Directors, and Executive Officers

The Company's Articles of Incorporation provide for a 13-seat Board of Directors. Following is the list of the incumbent members of the Board:

Name	Position	Age	Citizenship
Helen Yuchengco - Dee	Chairperson	72	Filipino
Augusto Hidalgo	Director/President/Chief Executive Officer	49	Filipino
Cezar P. Consing	Director	57	Filipino
Luis C. Urcia	Director	58	Filipino
Yvonne S. Yuchengco	Director	62	Filipino
Nora M. Saludares	Director	58	Filipino
Jocelyn DG Cabreza	Director	60	Filipino
Alan R. Luga	Director	58	Filipino
Joli Co Wu	Director / Teeasurer	49	Filipino
Rafael G. Ayuste, Jr.	Director	53	Filipino
Romeo L. Bernardo	Independent Director	62	Filipino
Ermilando D. Napa	Independent Director	67	Filipino
Medel T. Nera	Independent Director	61	Filipino

Following is the list of the Corporation's key executive officers as of the date of this report:

Name	Position	Age	Citizenship
Augusto Hidalgo	President and Chief Executive Officer	49	Filipino
Noel A. Laman	Corporate Secretary	77	Filipino
Ma. Pilar M. Pilares-Gutierrez	Assistant Corporate Secretary	40	Filipino
John E. Huang	Senior Vice President and Head, Investments	59	Filipino
Alexander L. Reyes	Senior Vice President and Head, Non-Life Reinsurance	56	Filipino
Victor R. Tanjuakio	First Vice President and Head, Life Reinsurance	50	Filipino
Eden R. Tesoro	Vice President and Head, Property Underwriting	46	Filipino
Regina S. Ramos	Vice President and Head, Risk & Compliance	54	Filipino

Term of Office

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

Business experience of the Directors and Officers during the past five (5) years/ Other directorships held in reporting companies naming each company

Helen Yuchengco-Dee, Chairperson of the Board, Director of the Corporation since January 2010. Ms. Helen Y. Dee is the Chairperson of Rizal Commercial Banking Corporation and House of Investments, Inc. She is the Chairperson and President of Hydee Management & Resource Corporation, Financial Brokers Insurance Agency, Inc., Mijo Holdings, Inc. and Tameena Resources, Inc. She also holds Chairmanship positions in various companies, including Malayan Insurance Company, Inc., Petro Energy Resources Corporation, Seafront Resources Corporation, La Funeraria Paz Sucat, RCBC Leasing and Finance Corporation, Landev Corporation, HI-Eisai Pharmaceutical Inc., PetroGreen Energy Corporation, Mapua Information Technology Center, Inc., Manila Memorial Park Cemetery, Inc., Pan Malayan Realty Corporation, RCBC Savings Bank, Xamdu Motors, Inc., Petrowind Energy, Inc., Malayan High School of Science, Inc. and Maibarara Geothermal, Inc. She is the Vice Chairperson of Pan Malayan Management & Investment Corporation and West Spring Dev. Corp. She likewise holds directorship positions in Philippine Long Distance Telephone Company, Sun Life GREPA Financial, Inc., MICO Equities, Inc., Isuzu Philippines, Honda Cars Philippines, Inc., AY Holdings, Pan Malayan Express, Honda Cars Kalookan, RCBC Realty Corporation, RCBC Forex Brokers Corporation, Luisita Industrial Park Corporation, IPeople, Inc., Y Realty, Inc., ET Yuchengco, Inc. Philippine Integrated Advertising Agency, Inc., and Malayan Insurance Co., Inc.; Director and Vice Chairman of Pan Malayan Management and Investment Corporation and West Spring Development Corporation. She is the President of the following: YGC Corporate Services, Inc., GPL Holdings and Moira Management, Inc.; Vice President of A.T. Yuchengco, Inc. and Treasurer of Business Harmony Realty, Inc. Ms. Dee is a Board of Trustee member of the Philippine Business for Education, Inc. and Trustee of Malayan Colleges Laguna, Inc. She also serves as Board member of the EEI Corporation. She graduated from Assumption College with a Bachelor of Science degree in Commerce and completed her Masters in Business Administration at De La Salle University.

Augusto Hidalgo, Director, President and Chief Executive Officer from April 2014. Mr. Augusto Hidalgo is currently the President and Chief Executive Officer of National Reinsurance Corporation of the Philippines, from April 2014. Mr. Hidalgo has been a strategy executive for the last 8 years: heading Mergers & Acquisitions (M & A) of Peak Reinsurance Hong Kong, and before that; Managing Partner of New World Financial Canada. Before the jump to senior management, Mr. Hidalgo was a Reinsurance Underwriter for Swiss Re in Canada, Australia, Switzerland and South Africa from 1996 to 2005. He started his career in management consulting with IBM in Tokyo, Arthur Andersen (SGV and Co) and EasyCall from 1989-1996. Mr. Hidalgo obtained his Bachelor of Science degree in Business Administration from the University of the Philippines. He received his Master's degrees in Business Administration from the Kellogg School of Management at Northwestern University and the Schulich School of Business at York University.

Cezar P. Consing, Director from July 2014. Mr. Cezar P. Consing has been the President and CEO of Bank of the Philippine Islands ("BPI") since April 2013. From 2004 to 2013, he was a Partner of The Rohatyn Group, a New York headquartered investment company that manages about $7.0 billion in investments in the global emerging markets. He was responsible for the firm's private equity business in Asia, managed its Hong Kong based operations and was a member of the board of partners of the firm's management company. Mr. Consing was an investment banker with J.P. Morgan & Co. from 1985 to 2004, where he was based in Hong Kong and Singapore. From 1999 to 2004, he was President of J.P. Morgan Securities (Asia Pacific) and, as a senior Managing Director, co-headed or headed the firm's investment banking group in the Asia Pacific region. As an investment banker, he

was directly involved in some of the most significant corporate transactions in Asia, including several mergers, privatizations and debt and equity fund raisings. He worked for BPI in Manila in corporate planning and corporate banking from 1980 to 1985. Mr. Consing served as an independent director of the boards of CIMB Group Holdings Berhad and CIMB Group Sdn. Berhad from 2004 to 2012 and First Gen Corporation, a major Philippine power generation company, from 2005 to 2013. He has been an independent director of the board of Jollibee Foods Corporation since 2010. He served as a board director of BPI from 1995 to 2000, 2004 to 2007, and most recently since 2010. He received an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

Luis C. Urcia, Director of the Corporation starting January 2017. Mr. Urcia is Vice President of Partnership Distribution Group of the Bank of Philippine Islands, responsible for building and managing institutional distribution partnerships. He has been with the BPI Group since 1988 and has worked in its investment banking unit, corporate communications department and corporate social responsibility arm- the BPI Foundation. Prior to his current assignment, he was Business Director and Head of Corporate Finance of BPI Capital Corporation. He was also a director of BPI Securities Corporation, Brightnote Assets Corporation, Beacon Property Ventures, Inc. and ICCP Holdings, Inc. He graduated from the University of the Philippines- Los Banos in 1980 with a B.S. in Agricultural Engineering and in 1995, he obtained his Master in Business Management degree from the Asian Institute of Management**.**

Yvonne S. Yuchengco, Director since June 2006. Ms. Yvonne S. Yuchengco is the President and Director of Malayan Insurance Company, Inc. and MICO Equities, Inc. since 1995, Alto Pacific Corporation, and Philippine Integrated Advertising Agency, Inc. She is currently the Chairperson and Director of the RCBC Capital Corporation; Chairperson and President of Yuchengco Tower Office Condominium Corporation, Y Tower II Office Condominium Owners Asso. Inc. and Malayan Securities Corp; Chairperson of First Nationwide Assurance Corporation and XYZ Assets Corporation; Advisory Board Member of Rizal Commercial Banking Corporation; Director, Vice President and Treasurer of Pan Managers, Inc.; Treasurer and Director of Pan Malayan Management & Investment Corporation, Honda Cars Kalookan, Inc, Mona Lisa Development Corp., Malayan High School of Science, Inc. and Petroenergy Resources Corporation; Director of Pan Malayan Realty Corporation, Malayan Insurance (H.K), Malayan International Insurance Corporation, Manila Memorial Park, Inc., La Funeraria Paz Sucat Inc., iPeople Inc., Seafront Resources Corporation, House of Investments, Inc., HYDee Management and Resource Corporation, Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology, Luisita Industrial Park Corporation, Malayan Colleges Laguna, Inc., Asia-Pac Reinsurance Co., Ltd., AY Holdings, Inc., Pan Malayan Express, Inc., Pan Pacific Computer, Inc., Shayamala Corporation, and YGC Corporate Services, Inc.; Trustee of AY Foundation, and Philippine Asia Assistance Foundation, Inc.; Trustee and Chairperson of the Malayan Plaza Condominium Owners Asso., Inc.; Trustee and Vice Chairperson of Yuchengco Museum, Inc.; and Assistant Treasurer of Enrique T. Yuchengco Inc. She was also formerly President of the PIA/Phil-Asia Assistance Foundation, Inc. She graduated with a Bachelor of Arts degree from Ateneo de Manila University in 1977 and took up further studies in UAP under SBEP program.

Atty. Nora Malubay-Saludares, Director of the Corporation since December 2016. Ms. Saludares, a CPA-Lawyer, is currently the Officer in Charge, Office of the President and General Manager of the Government Service Insurance System (GSIS) and concurrently Senior Vice President, NCR Operations Group. She has been with GSIS since 1981 and has assumed various positions in the organization. She started as an Internal Auditor and was assigned to different departments assuming different roles and responsibilities thereafter, she rose to become a Senior Vice President. She is a member of the Integrated Bar of the Philippines, Federacion International de Abogadas, Philippine Institute of Certified Public Accountants and the Government Association of Certified Public Accountant. She is a graduate of San Beda College of Law in 1995 and passed the bar examination in the same year.

Jocelyn De Guzman Cabreza, Director of the Corporation since December 2016. Ms. Cabreza is a Trustee of the Government Service Insurance System (GSIS). She currently chairs the GSIS Audit Committee and a member of the Risk Oversight Committee. She is a director of Banco Laguna, Inc. Formerly she was the Executive Vice President of Land Bank of the Philippines, director of the Land Bank Resources Development Corp. and the Land Bank Countryside Development Foundation. A seasoned banker, she is equipped with 37 years of extensive experience in various areas of banking and finance, internal audit operations and strategic policy formulation and implementation. She is a certified public accountant and a master's degree holder. She graduated in 1977 with a BS Commerce degree from the University of Caceres. She also obtained a master's degree in Business Administration from the Manuel L. Quezon University.

Lt. Gen. Alan R. Luga, AFP (Ret), Director of the Corporation since December 2016. Alan R. Luga (Lt. Gen, Ret., AFP) is a Trustee of the Government Service Insurance System (GSIS). He is currently the President and CEO of AFP General Insurance Corporation. He was formerly the Vice Chief of Staff of the Armed Forces of the Philippines. From 2012 to 2013, he served as Commander of the AFP Southern Luzon Command. He was also the Commander of two Infantry Brigades (the 802nd Infantry BDE and the 1001st Infantry Bde) from 2008 to 2011 and the Commander for the 7th Infantry Division of the Philippine Army in 2012. He was a member of the GRP Peace Panel for the GRP-MILF Peace Talks and as the Chairman of the ADHOC Joint Action Group, OPAPP in 2011 to 2012. In 2005 to 2006, he was the Chief of the AFP Command Center as well as the Secretary, Army General Staff. He was deployed as Deputy Commander of the Philippine Battalion for the International Forces in East Timor and later as Chief Plans of the Peace Keeping Force of UNTAET in East Timor from 1999 to 2001. He was the Chairman of the Board of the Camp Aguinaldo Golf and Country Club from 2013 to 2014, and of the AFP Housing Board on the same years. He was also a member of the Board of Directors of the Riviera Sports & Country Club, Inc. from 2014 to 2016, and served as a member of the AFP Board of Generals from 2013 to 2014. He obtained his Bachelor of Science Degree from the Philippine Military Academy in 1981. In 1994, he acquired his MBA units from the Ateneo De Manila University Graduate School of Business. He completed a Master's Degree in Military Arts and Science at the US Army Command and General Staff College in 2002.

Romeo L. Bernardo, Independent Director since June 2006. Mr. Romeo L. Bernardo is the Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a financial advisory firm based in Manila. He is also a GlobalSource economist in the Philippines. He is Chairman of ALFM Family of Funds, ALFM Euro Bond Fund, ALFM Growth Fund, ALFM Money Market Fund, ALFM Peso Bond Fund, RL Bernardo & Associates, Inc. and Philippine Stock Index Fund. He is likewise an Independent Director of several companies and organizations including Aboitiz Power, Ayala Plans, Inc., BPI, RFM Corporation, Philippine Investment Management, Inc. (PHINMA), Trans-Asia Petroleum Corporation, BPI Globe BanKo Inc., BPI Family Savings Bank, Inc., BPI Direct Savings Bank, Inc., BPI Capital Corporation, BPI-Philam Life Assurance Corporation andBPI/MS Insurance Corporation. Mr. Bernardo is also the Director of Globe Telecom Inc.; and Board of Trustee of Institute for Development & Econometric Analysis, Inc.. (IDEA) and Philippine Institute for Development Studies. He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was an Advisor of the World Bank and the IMF (Washington D.C.). Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (*magna cum laude*) and a Masters degree in Development Economics at Williams College from Williams College in Williamstown, Massachusetts.

Ermilando D. Napa, Independent Director since June 2011. Mr. Ermilando D. Napa was previously the President and CEO and Vice-Chairman of the Board of Directors of the Philippine Export-Import Credit Agency (PhilEXIM), also known as the Trade and Investment Development Corporation of the Philippines (TIDCORP), a government financial institution

attached to the Department of Finance. He is the Founding CEO of Manila Consulting and Management Co., Inc., Century Woods, Inc., and Catanauan Resources and Development Corporation. Currently, Mr. Napa is an Independent Director at the National Reinsurance Corporation of the Philippines and the CIIF Oil Mills Group. He is the Chairman of the Audit Committee of National Reinsurance Corporation of the Philippines and CIIF Oil Mills, as well as a Member of the Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC). His previous professional experience include being a Partner of SyCip Gorres & Velayo Company (Philippines), a Principal of Kassim Chan & Company in Kuala Lumpur, Malaysia (a former member firm of SGV Group and Delloite Haskins & Sells International), and a Manager of Arthur Andersen in New York. In 2013, he was appointed as Conservator of the NLIC. Mr. Napa has attended special trainings and various courses such as Strategic Management and IMPACT Productivity Improvement in Chicago and Corporate Finance in New York. He holds a bachelor's degree in Business Management from Aquinas University (1970) and a master's degree in Management from the Asian Institute of Management (1980).

Medel T. Nera, Independent Director since July 2011. Mr. Medel T. Nera is the President and CEO of House of Investments, Inc. and President of RCBC Realty Corp. He serves as Director of House of Investments and its significant subsidiaries and associates. He also serves as Director of Rizal Commercial Banking Corporation and Seafront Resources Corp. He was a former senior partner of SyCip, Gorres, Velayo and Co., CPAs (SGV) where he served as Financial Services Practice Head. He also serves as Director and Treasurer of CRIBS Foundation Inc. Mr. Nera holds a degree in Bachelor of Science in Commerce from Far Eastern University where he graduated in 1976. He obtained his Master of Business Administration degree from New York University in 1982.

Rafael G. Ayuste, Jr. Director since June 2012. Mr. Rafael G. Ayuste, Jr. is a Senior Vice President (Wealth Advisory and Trust Group) of BDO Private Bank, Inc. Prior to this, he was First Senior Vice President and Head of the Trust Banking Group of Philippine National Bank from 2009-2013; Vice President and Head of Retail Branch Business, Citibank Savings of Citibank N.A. Philippines from August 2008 to November 2009; Senior Vice President/Deputy Group Head of Trust banking of the Metropolitan Bank and Trust Company through merger with Global Business Bank from 2000 to 2008; Vice President/Head-Securities Distribution of the Banco Santander Philippines, Inc. from 1999 to 2000; Vice President/Head-Trust Division, Security Bank Corporation from 1996 to 1999; Assistant Vice President and Head of Peso and Dollar Trading Desks of Citibank, N.A., Citibank Global Asset Management (CGAM) from 1989 to 1996. Concurrently, he is the President and Director of the Trust Officers Association of the Philippines (TOAP) and former Director from 2003 to 2006 where he was elected President in 2005. He has attended various seminars such as Risk Management, Citibank Phils., 1995; Financial Risk Management, Pi Eta Singapore, 2004; Risk Management, BNP Paribas, 2006; Corporate Governance, Bankers Association of the Philippines (BAP), 2007. He obtained his Bachelor of Science degree major in Business Administration from the University of Sto. Tomas in1986.

Joli Co Wu, Director from 2013-2014 and since July 2015. Director from 2013-2014 and since July 2015. Appointed as Treasurer effective January 2017. Ms. Joli Co Wu is the President and Chief Executive Officer of QBE Seaboard Insurance Philippines. Prior to this, she was with Seaboard Eastern Insurance where she started her insurance career and eventually lead the company as its President/CEO until March 2014. She has extensive experience in Marine, Aviation, Casualty and Motor Insurance. Throughout her career, she has attended management, insurance and reinsurance courses, both local and international, to help hone her experience in the Industry. She is a member of the Board of Directors of QBE Seaboard Insurance Philippines; Trustee of the Philippine Insurance and Reinsurance Association as well as the Insurance Institute for Asia and the Pacific. She is also an officer of the Marine Underwriters of the Philippines. Ms. Wu attended the Immaculate Concepcion Academy for her primary and secondary education and graduated with a degree in Bachelor of Arts, Major in Financial Management from the Catholic University of America, Washington DC.

Noel A. Laman, Corporate Secretary since June 2007. Atty. Noel A. Laman is a founder and a Senior Partner of Castillo Laman Tan Pantaleon & San Jose Law Offices. He serves as Corporate Secretary of Boehringer Ingelheim (Phils.), Inc., Merck Inc. and Eli Lilly (Phils.), Inc. He also serves as Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. He obtained his Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of the Philippines College of Law. He obtained a Master of Laws degree in 1963 from the University of Michigan Law School as a De Witt scholar. His law practice concentrates on corporation and general business law, foreign investments, mergers and acquisitions and intellectual property law. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, and the Philippine Bar Association. Atty. Laman is the recipient of a number of awards, plaques, citations, and certificates of appreciation as invited speaker, resource person and conference chairman of various law and business symposia. He is the firm representative to the SGC Legal, an international association of law firms and to the German Philippines Chamber of Commerce (Makati City).

Ma. Pilar M. Pilares-Gutierrez, Assistant Corporate Secretary since December, 2002. She is presently a Partner at Castillo Laman Tan Pantaleon & San Jose Law Offices. She obtained her Bachelor of Science degree major in Legal Management from the Ateneo de Manila University in 1997 and her Bachelor of Laws Degree from the University of the Philippines, College of Law in 2001. She is the Assistant Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. She holds the position of Corporate Secretary/Assistant Corporate Secretary in several other Philippine corporations.

John E. Huang, Senior Vice President and Head, Investments. Mr. John E. Huang joined Universal Malayan Re (UMRe) in 2004 as its Chief Finance Officer. Prior to joining UMRe, he held the positions of Chief Financial Officer of C&P Homes, Inc., Senior Vice President of Urban Bank, and Vice President of First National Bank of Boston. He graduated with a Bachelor of Arts degree in Economics Honors, *magna cum laude*, from the Ateneo de Manila University in 1978, and obtained his Masters degree in Business Administration from the Harvard Business School in 1982.

Alexander L. Reyes, Senior Vice President & Head, Non-Life Reinsurance. Mr. Reyes joined the Company in October 2014 as Senior Vice President and Head of Claims. Prior to this, Mr. Reyes held various senior management positions covering Marketing, Sales, Underwriting and Claims operations in leading non-life insurance direct-writing Companies in the Philippines. He graduated from the University of the Philippines, Diliman with a B.S. in Business Administration degree in 1982.

Victor R. Tanjuakio, First Vice-President & Head, Life Reinsurance. Mr. Victor Tanjuakio joined the Company in September 2014 as Head of Life Reinsurance. Prior to this, Mr. Tanjuakio was Head of Corporate Solutions of Philippine AXA Life. He is an actuary by profession and was Chief Actuary of various companies including Maxicare Healthcare Corporation, Asian Life and General Assurance, and Great Pacific Life (now Sunlife Grepa). He is a Fellow of the Actuarial Society of the Philippines and has served as member of its Board of Governors many times. He also chaired the Technical Committee of the Philippine Life Insurance Association in 2002-2004. He earned his B.S. Mathematics degree from Ateneo de Manila University in 1988.

Eden R. Tesoro, Vice President & Head, Property Underwriting. Ms. Tesoro joined the Company in September 2014 as Head of Property Underwriting. Prior to joining the Company, she served as Chief Underwriter for Federal Phoenix Assurance Company, Inc. from 2010 to 2014. She also worked with Aon Insurance and Reinsurance Brokers where she headed the Power and Energy Team from 2006 to 2010. She has had various underwriting appointments from local and multinational insurance companies for 12 years prior to her stint as a broker. Ms. Tesoro started her career in the insurance industry as a Management Trainee of FGU Insurance Corporation. She obtained her Bachelor of Science degree in Civil Engineering from the University of the Philippines in 1994.

Regina S. Ramos, Vice President and Head, Risk and Compliance. Prior to joining the Company in July 2000, Ms. Ramos was employed with Development Insurance and Surety Corporation in various capacities from May 1987 to April 2000. After taking the 1982 CPA Board Licensure Examination, she joined SGV & Co. until April 1987. Ms. Ramos is a Certified Public Accountant. She has also earned her designation as a Certified Internal Auditor in November 2004. She obtained her degree in Bachelor of Science in Commerce, major in Accounting from St. Paul College, Manila in 1982.

Directorships in Other Listed Companies

Helen Y. Dee	Rizal Commercial Banking Corporation House of Investments, Inc. Seafront Resources Corporation Petro Energy Resources Corporation Phil. Long Distance Telephone Co. EEI Corp. iPeople, Inc.
Romeo L. Bernardo	Globe Telecom Inc Aboitiz Power Corporation RFM Corporation Bank of Philippine Islands Trans-Asia Petroleum Corporation
Medel T. Nera	House of Investments, Inc Rizal Commercial Banking Corporation Seafront Resources Corporation iPeople, Inc. EEI Corporation
Cezar P. Consing	Bank of the Philippine Islands Jollibee Foods Corporation
Yvonne S. Yuchengco	iPeople Inc. Seafront Resources Corporation, House of Investments, Inc. Petro Energy Resources Corporation

2. Significant Employees

Although the Corporation has and will likely continue to rely significantly on the continued individual and collective contributions of its senior management team, the Corporation is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete with the Company upon termination.

3. Family Relationships

Ms. Helen Yuchengco-Dee and Ms. Yvonne S. Yuchengco, both directors of the Corporation, are sisters, and thus, are related to each other within the second degree of consanguinity.

4. Involvement in Certain Legal Proceedings

To the best of the Corporation's knowledge, there has been no occurrence during the past 5 years up to the present date of this report of any of the following events that are material to an evaluation of the ability and integrity of any director, any nominee for election as director, executive officer, or controlling person of the Corporation:

- Any bankruptcy petition filed by or against any business of which the person was a general partner or executive officer, either at the time of the bankruptcy or within 2 years prior to that time;

- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, traffic violations and other minor offenses;

- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. EXECUTIVE COMPENSATION

ANNUAL COMPENSATION IN PHILIPPINE PESOS

Name	Year	Salary	Bonus	Other annual compensation	Total
CEO and key executive officers named	2014	17,856,825	5,472,115	7,054,022	30,382,962
All other officers and directors as a group unnamed		10,684,039	1,729,336	5,002,084	17,415,459
CEO and key executive officers named	2015	25,143,000	4,190,500	3,938,988	33,272,488
All other officers and directors as a group unnamed		6,745,400	1,124,233	1,133,224	9,002,857
CEO and key executive officers named	2016	26,364,609.88	6,071,875.00	7,963,673.72	40,400,158.60
All other officers and directors as a group unnamed		4,923,649.38	1,270,137.50	770,893,35	6,964,680.23
CEO and key executive officers named	2017 (Estimates)	29,001,070.87	6,679,062.50	8,760,041.10	44,440,174.47
All other officers and directors as a group unnamed		5,416,014.32	1,397,151.25	847,982.68	7,661,148.25

Officers and directors named for 2016 include the following:

1. Augusto Hidalgo, President & CEO;
2. John E. Huang, Senior Vice President and Head, Investments;
3. Alexander L. Reyes, Senior Vice President and Head, Non-Life Reinsurance;
4. Victor Tanjuakio, First Vice President and Head, Life Reinsurance Operations;
5. Eden R. Tesoro, Vice President and Head, Property Underwriting.

The Corporation's Amended By-Laws (Article III, Section 8) provide that such per diem as the Board of Directors may approve shall be paid to each director for attendance at any meeting of the Board; provided however, that nothing herein contained shall be construed to preclude any director from receiving such bonuses, other than per diems, as provided elsewhere in the Corporation's Amended By-Laws, or from serving in any other capacity and receiving compensation there from, subject to approval thereof by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In this connection, Section 30 of the Corporation Code of the Philippines states that "in no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income after tax of the corporation during the preceding year."

Each director of the Corporation receives a per diem based on the following schedule for attendance in meetings of the Board of Directors/ Committees:

A. Board Meetings	
Chairman	₱ 50,000
Vice-Chairman	45,000
Treasurer	37,500
Independent Directors	20,000
Regular Directors	17,000
B. Committees' Meetings	
Independent Directors	₱ 6,000
Regular Directors	5,000

Aside from the above, no other resolution relating to director's remuneration has been adopted by the Board of Directors.

As of date, none of the Corporation's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Corporation.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2016, the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Filipino	290,795,500	13.69%
Common	PCD Nominee Corporation (Filipino)[1], G/F MSE Building, 6754 Ayala Avenue, Makati City	Government Service Insurance System[2], New GSIS Headquarters, Financial Center, Pasay City	Filipino	546,465,398	25.73%
Common	PCD Nominee Corporation (Filipino)[1], G/F MSE Building, 6754 Ayala Avenue, Makati City	MICO Equities Inc.[2] Yuchengco Bldg., 484 Quintin Paredes Street Manila	Filipino	273,717,100	12.89%

[1,2]The PCD is not related to the Company. The 546,465,398 shares and 273,717,100 shares beneficially owned by GSIS and MICO Equities, respectively, form part of the 1,662,741,898 shares registered in the name of PCD Nominee Corporation (Filipino).

2. Security Ownership of Management

The following table sets forth as of Dec. 31, 2016, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Helen Y. Dee	100 Record	Filipino	0.000005%
Common	Augusto P. Hidalgo	1,000 Record 1,396,000 Beneficial	Filipino	0.065737%
Common	Cezar P. Consing	50 Record	Filipino	0.000002%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Joli Co Wu	344,100 Record 260,000 Beneficial	Filipino	0.028446%
Common	Yvonne S. Yuchengco	100 Record 26,000 Beneficial	Filipino	0.001229%
Common	Simon R. Paterno.	50 Record	Filipino	0.000002%
Common	Ermilando D. Napa	1,000 Record	Filipino	0.000047%
Common	Romeo L. Bernardo	100 Record 4,000 Beneficial	Filipino	0.000193%
Common	Medel T. Nera	1,000 Record	Filipino	0.000047%
Common	Rafael G. Ayuste, Jr.	100,000 Record	Filipino	0.004709%
Common	Nora M. Saludares	1 Record	Filipino	0.00000%
Common	Jocelyn DG Cabreza	1 Record	Filipino	0.00000%
Common	Alan R. Luga	1 Record	Filipino	0.00000%
	TOTAL FOR DIRECTORS	**2,133,503**		**0.100466%**
	TOTAL FOR OFFICERS	-		-
	GRAND TOTAL	**2,133,503**		**0.100466%**

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.

Changes in Control

From January 1, 2015 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement which may result in a change in control of it.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's corporate governance manual provide that related party transactions shall be fully disclosed and conducted on terms that are comparable to normal commercial practices to safeguard the best interest of the Corporation and its stakeholders.

The following table show (in millions of Philippine Pesos) **premiums, retrocession and related income and expense accounts** between the Corporation, its Principal Shareholders, related parties under common ownership and companies represented by other members of the Board of Directors. For 2015 and 2014 information (refer to note 24 of the accompanying audited financial statements):

Shareholder/Related Party/Director Corporation	**2016**					
In Million PHP	Premiums	Retrocessions	Commission Income	Commission Expenses	Losses Incurred	Loss Recoveries
GSIS	**-**	**0.09**	**0.04**	**-**	**149.75**	**131.69**
BPI-Philam Life	55.11	12.08	-	-	18.28	2.91
BPI/MS Insurance	328.41	48.81	13.67	100.07	126.26	27.83
FGU Insurance Corp	-	-	-	-	-	-
Total BPI Group	**383.52**	**60.89**	**13.67**	**100.07**	**144.54**	**30.74**
First Nationwide Assurance Corp.	0.03	-		0.02	-	-
Sunlife GREPA Financial	4.54	1.41	0.02	-	1.71	0.05
Malayan Insurance	208.23	-	-	41.49	38.31	(0.01)
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	**212.80**	**1.41**	**0.02**	**41.49**	**40.02**	**0.04**
GRAND TOTAL	**596.32**	**62.39**	**13.73**	**141.56**	**334.31**	**162.47**

Shareholder/Related Party/Director Corporation	**2015**					
In Million PHP	Premiums	Retrocessions	Commission Income	Commission Expenses	Losses Incurred	Loss Recoveries
GSIS	**-**	**0.02**	**-**	**-**	**4.54**	**2.97**
BPI-Philam Life	26.26	1.07	-	-	0.46	1.56
BPI/MS Insurance	335.00	-	-	104.06	189.16	-
FGU Insurance Corp	-	-	-	-	-	-
Total BPI Group	**361.26**	**1.07**	**-**	**104.06**	**189.62**	**1.56**
First Nationwide Assurance Corp.	-	-	-	-	-	-
Sunlife GREPA Financial	6.41	1.35	0.02	0.01	1.43	-
Great Life Financial	-	-	-	-	-	-
Malayan Insurance	99.88	-	-	20.28	83.47	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	**106.29**	**1.35**	**0.02**	**20.29**	**84.9**	**-**
GRAND TOTAL	**467.55**	**2.44**	**0.02**	**124.35**	**279.06**	**4.53**

Shareholder/Related Party/Director Corporation	2014					
In Million PHP	Premiums	Retrocessions	Commission Income	Commission Expenses	Losses Incurred	Loss Recoveries
GSIS	**(85.10)**	**0.08**	**0.03**	**(13.05)**	**45.35**	**-**
BPI-Philam Life	49.54	0.81	-	-	3.95	0.39
BPI/MS Insurance	312.35	-	-	97.30	62.74	-
FGU Insurance Corp	-	-	-	-	-	-
Total BPI Group	**361.89**	**0.81**	**-**	**97.30**	**66.69**	**0.39**
First Nationwide Assurance Corp.	0.13	-	-	0.03	-	-
Sunlife GREPA Financial	4.30	0.83	-	0.01	0.06	-
Great Life Financial	-	-	-	-	-	-
Malayan Insurance	121.77	-	-	23.75	42.00	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	**126.20**	**0.83**	**-**	**23.79**	**42.06**	**-**
GRAND TOTAL	**402.99**	**1.72**	**0.03**	**108.04**	**154.10**	**0.39**

The following tables show (in millions of Philippine Pesos) **reinsurance balances receivable from and payable to related parties** as a result of the above transactions as of December 31, 2016 and 2015 (refer to Note 18 of the accompanying audited financial statements):

Shareholder/Director Corporation	2016					
In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro-cessionaire	Funds held for retro
GSIS	**29.64**	**40.98**	**0.03**	**484.45**	**-**	**(1.06)**
BPI-Philam Life	(4.15)	-	-	0.1	9.58	-
BPI/MS Insurance	70.60	399.64	65.79	505.96	34.47	0.16
FGU Insurance Corp	-	0.46	-	2.15	-	-
Total BPI Group	**66.455**	**400.10**	**65.79**	**508.21**	**44.05**	**0.16**
First Nationwide Assurance Corp.	0.15	-	-	0.08	(0.14)	-
Sunlife GREPA Financial	0.39	0.14	-	3.55	0.93	-
Malayan Insurance	68.26	204.65	0.08	397.24	(5.82)	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	**68.80**	**204.79**	**0.08**	**400.87**	**(5.03)**	**-**
GRAND TOTAL	**164.89**	**645.87**	**65.90**	**1,393.53**	**39.02**	**0.90**

Shareholder/Related Party/Director Corporation	2015					
In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro-cessionaire	Funds held for retro
GSIS	**149.83**	**81.15**	**1.08**	**623.26**	**0.02**	**-**
BPI-Philam Life	19.41	0.49	-	4.46	1.37	
BPI/MS Insurance	51.88	0.14	59.66	166.36	36.24	0.16
FGU Insurance Corp		0.45	0.02	2.15	0.34	-
Total BPI Group	**71.29**	**1.08**	**59.68**	**172.97**	**37.95**	**0.16**
First Nationwide Assurance Corp.	-	0.02	-	50.09	0.15	-
Sunlife GREPA Financial	4.93	-	-	3.55	0.39	-
Great Life Financial	0.8	-	-	-	-	-
Malayan Insurance	15.69	14.1	0.08	367.47	7.64	
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	**21.42**	**14.12**	**0.08**	**421.11**	**8.18**	**-**
GRAND TOTAL	**242.54**	**96.35**	**60.84**	**1217.34**	**46.15**	**0.16**

Shareholder/Related Party/Director Corporation	2014					
In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro-cessionaire	Funds held for retro
GSIS	**118.10**	**71.91**	**1.06**	**625.78**	**-**	**-**
BPI-Philam Life	48.40	-	-	6.50	1.90	-
BPI/MS Insurance	62.69	0.14	62.87	374.73	0.28	0.16
FGU Insurance Corp	-	0.49	0.01	2.15	0.59	-
Total BPI Group	**111.09**	**0.63**	**62.88**	**383.38**	**2.77**	**0.16**
First Nationwide Assurance Corp.	.	0.02	-	50.08	0.12	-
Sunlife GREPA Financial	4.00	-	-	3.55	0.07	-
Great Life Financial	-	-	-	-	-	-
Malayan Insurance	33.07	16.73	0.08	285.72	6.13	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	**37.07**	**16.75**	**0.08**	**339.35**	**6.32**	**-**
GRAND TOTAL	**266.26**	**89.29**	**64.02**	**1,348.51**	**9.09**	**0.16**

In addition to the foregoing, the Corporation has entered into agreements with the following::

1. *Custodianship Agreement:* The Corporation entered into a Custodianship Agreement with the Bank of Philippine Islands (BPI) for purposes of opening and maintaining a custodianship account with BPI over certain securities owned by the Corporation. BPI acts as a depositary of such securities. For services rendered, BPI is entitled to the custodianship fees based on the value of the securities held. The Agreement shall continue in full force and

effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

2. *Investment Management Agreement.* The Corporation entered into separate Investment Management Agreement with BPI and Rizal Commercial Banking Corporation (RCBC) , for purposes of investing a portion of the Company's investible funds. BPI and RCBC, as Investment Managers shall invest and reinvest the funds deposited with them through an investment management account.. As compensation for services, both BPI and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

3. *Retirement Fund Agreement.* The Board of Trustees of the National Reinsurance Corporation Employees Retirement Plan entered into separate Trust Agreement with BPI and RCBC, to manage and administer the Corporation's retirement fund and to make such investments or reinvestments of the fund as deemed to be reasonable or advisable. As compensation for services, BPI and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

There are no other parties, aside from the related parties discussed herein, with whom the Corporation has a relationship, being a stockholder and a related party under common ownership, that enables the parties to negotiate terms of material transactions that may not be available to other more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

Per SEC Memorandum Circular No. 20, Series of 2016, the company's 2016 Annual Corporate Governance Report [ACGR] shall be submitted to SEC on or before May 30, 2017. The company shall not be required to attach the same to the 2016 Annual Report-SEC Form 17-A.

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PART V – EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS

(a) Exhibits – See accompanying Index of Exhibits

(b) Reports on SEC Form 17-C

Items reported under SEC Form 17C during the last six months include the following:

- September 15, 2016 re: Anti-Bribery and Corruption policy
- October 3, 2016 re: Compliance with the requirements of SEC Memorandum Circular No. 4, Series of 2012 on the Guidelines for the Assessment of the performance of Audit Committees of Companies Listed on the Exchange.
- October 20, 2016 re: Appointment of Jeffrey R. Lacson as Vice President and Head of Finance
- November 17, 2016 re: Resignation of Director Robert Vergara
- November 25, 2016 re: Resignation of Directors Gregorio Yu and Roman Felipe Reyes
- December 15, 2016 re: Election of New Directors: Atty. Nora M. Saludares, Jocelyn De Guzman Cabreza and Lt. Gen Alan R. Luga (Ret.)
- December 22, 2016 re: Resignation of Director Simon R. Paterno
- January 19, 2017 re: Election of Director Luis C. Urcia
- February 16, 2017 re: Annual Stockholders Meeting and creation of the Governance & Related Party Transaction Committee
- March 6, 2017 re: Resignation of Jeffrey R. Lacson as Vice President and Head of Finance
- March 16, 2017 re: Appointment of Claudia Karen S. Fidelino as Officer-In-Charge of Finance Department

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 11 April 2017.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Issuer

By:

AUGUSTO P. HIDALGO
Principal Executive Officer
(President & CEO)

CLAUDIA KAREN S. FIDELINO
Designated Principal Accounting Officer
(Officer-In-Charge, Finance Department)

NOEL A. LAMAN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 11th day of April 2017 affiant(s) exhibiting to me their Passport Nos., as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Augusto P. Hidalgo	EB5668453	June 15, 2012	PCG Toronto
Claudia Karen S. Fidelino	EC4198687	May 18, 2015	DFA Manila
Noel A. Laman	EC1231940	May 27, 2014	DFA Manila

Doc. No.: 209
Page No.: 44
Book No.: 01;
Series of 2017

Notary Public

ATTY. HENRY B. ADASA
NOTARY PUBLIC CITY OF PASAY
UNTIL DECEMBER 31, 2017
NOTARIAL COMMISSION NO. 17-23
UNIT 8 J 11 BLDG. 1858 SEN. GIL PUYAT
AVE. COR. TRAMO PASAY CITY
IBP NO. 1047411 /01/03/2017 Z.N.
PTR NO. 5995352 /01/03/2017 MLA
MCLE COMPLIANCE NO. IV-0025957
ROLL OF ATTORNEYS NO29679
TIN: 172-528-620-000

EXHIBIT TABLE

	Description	**17-A**
3	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	**N.A.**
5	Instruments Defining the Rights of Security Holders, Including Indentures	**N.A.**
8	Voting Trust Agreement	**N.A.**
10	2016 Financial Statements and Independent Auditors' Report (with notarized Statement of Management Responsibility and SEC Supplementary Schedules)	**Attached**
13	Letter re: Change in Certifying Accountant	**N.A.**
15	Letter re: Change in Accounting Principles	**N.A.**
16	Report Furnished to Security Holders	**N.A.**
18	Subsidiaries of the Registrant	**N.A.**
19	Published Report Regarding Matters Submitted to Vote of Security Holders	**N.A.**
20	Consents of Experts and Independent Counsel	**N.A.**
21	(a) Power of Attorney (b) Power of Attorney—Foreign Registrant	**N.A.**
29	Additional Exhibits	**N.A.**

N.A. - *Not applicable or require no answer.*

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 including the schedules attached therein, for the years ended December 31, 2016 and 2015 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

HELEN Y. DEE
Chairperson of the Board

AUGUSTO P. HIDALGO
President & Chief Executive Officer

JOLI CO WU
Treasurer

JEFFREY R. LACSON
Vice President & Head of Finance

Signed this 16th day of March 2017.

SUBSCRIBED AND SWORN TO before me this 16th day of March 2017 at Makati City, Affiants exhibited to me their passport numbers.

Name	Passport No.	Date Issued	Place of issue
HELEN Y. DEE	EB9694250	27 November 2013	DFA Manila
JOLI CO WU	EC0653403	25 March 2014	DFA NCR East
AUGUSTO P. HIDALGO	EB5668453	15 June 2012	PCG Toronto
JEFFREY R. LACSON	P0508453A	05 October 2016	DFA NCR West

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Page No. 18
Book No. 01
Series of 2017.

ATTY. HENRY C. ADASA
NOTARY PUBLIC
100 PEDRO GIL ST. ERMITA MANILA
UNTIL DEC. 31, 2017
PTR NO. 5994552 01/03/2017
IBP NO. 1042111 01/03/2017 Z.N. CHAPTER
MCLE NO. COMPLIANCE NO. IV 0025967
ROLL NO. 23679
TIN NO. 172-526-629

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for the **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES** for the period ending **31 DECEMBER 2016**.

In discharging this responsibility, I hereby declare that (check one (1)):

__✓__ I, am the **VICE PRESIDENT & HEAD OF FINANCE** of the **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**.

_____ I, am the (position) of (name of organization/person) and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of **PUNONGBAYAN & ARAULLO** who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No.9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: **JEFFREY R. LACSON**

PROFESSIONAL IDENTIFICATION CARD NO. **0116821**
VALID UNTIL: **April 15, 2019**

ACCREDITATION NUMBER: **1311**
VALID UNTIL: **December 31, 2018**

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, Philippines, this 16th day of March, 2017, by the affiant, whose identity I have confirmed through his Passport No. P0508453A, issued on October 5, 2016 at DFA-NCR West bearing the affiant's photograph and signature.

NOTARY PUBLIC

ATTY. HENRY R. ADASA
NOTARY PUBLIC
ERMITA MANILA
DEC. 31, 2017
01/03/2017
2.N. CHAPTER
NO. IV 0025957

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P&A
Grant Thornton

An instinct for growth™

Financial Statements and
Independent Auditors' Report

National Reinsurance Corporation of the Philippines

December 31, 2016, 2015 and 2014

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Reinsurance Corporation of the Philippines (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, 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 for the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Recognition of Reinsurance Premiums and the Related Commission Expense, and Retroceded Premiums and the Related Commission Income

Description of the Matter

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenue presented in the financial statements is higher than what has been actually generated by the Company. The Company recognizes premiums from short duration insurance contracts over the period of the contracts using the "24th method". The related commission expense is deferred and charged to profit or loss in proportion to premium revenue recognized. Retroceded premium and the related commission income are also recognized using the "24th method". For the year ended December 31, 2016, the reinsurance premium and retroceded premium accounts and the related commission expense and income accounts recognized in the 2016 statement of income amounted to P2,971.6 million, P1,682.6 million, P493.2 million and P128.9 million, respectively. Based on the possible effects of misstatement in the recording of revenue transactions and the related expense accounts, and the materiality of the amounts involved to the financial statements, we have concluded that the Company's revenue and expense recognition is considered to be a matter of audit significance.

The Company's disclosures about reinsurance premiums and the related commission expense, and retroceded premiums and the related commission income are included in Notes 12, 17, 20 and 24.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue and expense recognition, which was considered to be a significant risk, included:

- testing of design, existence and operating effectiveness of activities-level internal controls related to the Company's process of recording reinsurance premiums assumed, retroceded premiums, commission expenses and commission income in the reinsurance accounts subsystem;

- performing detailed analysis of premiums assumed, acquisition expenses, retroceded premiums and commission income by appropriate measures, such as, but not limited to, premiums assumed and retroceded by source (life and non-life) and by major line of business (treaty and facultative);

- testing outstanding balance of receivables, including, among others, positive confirmation (through sampling), testing subsequent collections and originating documents for non-responding customers, reporting unresolved difference to appropriate client personnel and projecting errors to the population, to ascertain the testing precision achieved;

- performing premium cut-off test, including, among others, examining date of approval and receipt date for insurance contracts near period end and subsequent to period end;

- testing the reasonableness of the balances of reserves for unexpired risks on both premiums assumed and ceded, as well as the deferred acquisition costs and unearned commission income using the 24th method; and,

- testing the reasonableness of recorded accruals of reinsurance premiums assumed and retroceded premiums for treaty contracts and analysis of assumptions used in order to determine the proprietary of recorded accrual balances.

(b) Valuation of Reinsurance Balances Receivable

Description of the Matter

Reinsurance balances receivable is measured at amortized cost and the carrying amount is reduced by the amount of allowance for impairment. In determining impairment, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not significant. If there is objective evidence that an impairment loss on reinsurance balances receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The allowance for impairment of reinsurance balances receivable is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. In addition, this allowance for impairment was significant to our audit because the outstanding balance of reinsurance receivable amounting to P1,445.9 million as of December 31, 2016 is material to the financial statements.

The Company's disclosures about reinsurance balances receivable, detailing the movements in the account and reconciliation of the allowance for impairment, are included in Note 6.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to impairment of reinsurance balances receivable included:

- performing detailed analysis of the appropriateness of the method of estimation used (i.e., specific identification) and the specific criteria developed to compute the allowance for doubtful accounts;

- testing the reasonableness of the allowance balance using the criteria and method used by management;

- determining the consistency of the method and criteria used throughout the period and from prior periods; and,

- performing analysis of the adequacy of the balance by testing the aging of reinsurance balances receivable and identifying potential troubled accounts considering, among others, past due accounts, account that are large in relation to the population and customers with prior credit issues, and whether changes should be made to reflect a more accurate estimate of doubtful accounts.

(c) Valuation of Reinsurance Contract Liabilities

Description of the Matter

The valuation of the Company's reinsurance contract liabilities was a key area of focus of our audit due to the degree of complexity involved in valuing these liabilities and the significance of the judgments and estimates made by management. Reinsurance contract liabilities are composed of premium reserves and losses and claims payable. Premium reserves, which refer to all future claim payments and expenses for policy management and claims settlement, are computed as the higher of the Unearned Premium Reserves (UPR) and Unexpired Risk Reserves (URR) at a designated level of confidence. On the other hand, losses and claims payable include the provisions for incurred but not reported (IBNR) losses which are estimated through the use of past claims settlement trends to predict future claims settlement trends and the estimate of the ultimate loss. These Company's liability estimates are ascertained by an independent actuary with the use of additional qualitative judgments to assess the extent to which the full tail of the claim development is influenced by the different internal and external factors. In addition, in compliance with an Insurance Commission circular, the Company's losses and claims payable include certain percentage of margin for adverse deviation (MfAD) to allow for inherent uncertainty of the best estimate of the policy reserves arising from the variability of claims experience, the diversification between classes of business and conservatism in the best estimate.

The Company's disclosures about reinsurance contract liabilities, detailing the movements in the accounts, are included in Notes 16, 17 and 18.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the valuation of reinsurance contract liabilities included:

- testing of design, existence and operating effectiveness of activities-level internal controls related to the Company's process of recording reinsurance contract liabilities in the claims subsystem;

- validating the propriety of the data used by the independent actuary in computing the URR and IBNR and evaluating the reasonableness of the assumptions and methodologies used in the determination of URR and IBNR;

- testing the reasonableness of the amount of IBNR following the methodology applied by the actuary;

- performing detailed analysis of claims and loss adjustment expenses by appropriate measures, such as, but not limited to, claims liability by source (life and non-life) and by major line of business (treaty and facultative);

- examining relevant reports and documents to establish the propriety of the outstanding claims; and,

- testing subsequent disbursements and cut-off tests to determine whether disbursements represent previously unrecorded reinsurance contract liabilities.

(d) Valuation of Available-for-sale Financial Assets

Description of the Matter

The fair valuation of the Company's available-for-sale (AFS) financial assets was a key area of focus in our audit as the Company uses inputs from external sources in computing the market value of the AFS financial assets.

As discussed in Note 29, the fair value of AFS financial assets are categorized into Level 1, 2 or 3 based on the significance of inputs used to measure the fair value. As at December 31, 2016, P5,808.4 million of the Company's AFS financial assets, that include government and corporate debt securities, and equity securities and were carried at fair value, were classified as Level 1. On the other hand, P17.9 million of the Company's AFS financial assets, which include golf club shares and mutual funds, were carried at fair value and classified as Level 2. Lastly, equity security held in a private company amounting to P31.3 million was carried at fair value and classified as Level 3.

The Company's disclosures about AFS financial assets and the disclosures on fair value measurement are included in Notes 7 and 29, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to valuation of AFS financial assets included:

- evaluating the appropriateness of the valuation process of investments and tested the inputs against reliable market sources and the valuation formulas used in fair market valuation;

- evaluating whether fair value prices used were appropriate; and,

- recomputing the fair values based on the inputs and comparing with the market values used by the Company.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, both of which do not include the financial statements and our auditors' report thereon, and the Annual Report for the year ended December 31, 2016. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 2016 required by the Bureau of Internal Revenue as disclosed in Note 32 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 PFRS; neither it is required by the Securities Regulation Code Rule 68 of the SEC. Such supplementary information is the responsibility of 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.

The engagement partner on the audits resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5908631, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 16, 2017

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2017 TSIS
MA. GRACIA AURORA L. CASTILLO

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes		2016		2015
A S S E T S					
CASH AND CASH EQUIVALENTS	5	P	920,425,229	P	1,047,472,576
REINSURANCE BALANCES RECEIVABLE - Net	6		1,445,939,323		1,346,750,709
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7		5,857,571,100		5,728,375,588
LOANS AND RECEIVABLES	8		464,887,025		306,791,128
PROPERTY AND EQUIPMENT - Net	9		65,978,125		71,867,335
REINSURANCE RECOVERABLE ON UNPAID LOSSES	10		4,200,404,577		3,996,665,924
DEFERRED ACQUISITION COSTS	11		258,617,319		147,743,688
DEFERRED REINSURANCE PREMIUMS	12		394,816,767		386,743,932
OTHER ASSETS	13		567,104,396		406,384,402
TOTAL ASSETS		P	14,175,743,861	P	13,438,795,282
LIABILITIES AND EQUITY					
REINSURANCE BALANCES PAYABLE	14	P	1,086,930,932	P	1,060,266,539
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	15		128,792,280		124,375,166
LOSSES AND CLAIMS PAYABLE	16		6,728,805,241		6,377,818,527
PREMIUM RESERVES	17		1,337,254,844		924,871,533
DEFERRED REINSURANCE COMMISSIONS	18		41,201,206		44,225,101
TOTAL LIABILITIES			9,322,984,503		8,531,556,866
EQUITY	23		4,852,759,358		4,907,238,416
TOTAL LIABILITIES AND EQUITY		P	14,175,743,861	P	13,438,795,282

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	6, 24	P 3,383,940,377	P 2,182,359,780	P 2,747,078,557
Retroceded premiums	14, 24	1,690,722,077	1,254,410,812	1,724,793,648
Reinsurance premiums retained		1,693,218,300	927,948,968	1,022,284,909
Increase in premium reserves - net	12, 17	(404,310,476)	(27,537,307)	(187,595,127)
		1,288,907,824	900,411,661	834,689,782
UNDERWRITING DEDUCTIONS	20			
Share in claims and losses - net		754,428,460	415,753,287	616,278,781
Commissions - net		364,339,977	255,718,544	290,153,372
		1,118,768,437	671,471,831	906,432,153
NET UNDERWRITING INCOME (LOSS)		170,139,387	228,939,830	(71,742,371)
INVESTMENT AND OTHER INCOME - Net	19	284,874,541	507,267,145	433,166,382
PROFIT AFTER INVESTMENT AND OTHER INCOME		455,013,928	736,206,975	361,424,011
GENERAL AND ADMINISTRATIVE EXPENSES	21	326,233,534	503,290,546	300,183,899
PROFIT BEFORE TAX		128,780,394	232,916,429	61,240,112
TAX EXPENSE	22	50,726,437	53,782,989	52,853,880
NET PROFIT		P 78,053,957	P 179,133,440	P 8,386,232
Earnings Per Share - Basic and Diluted	26	P 0.037	P 0.084	P 0.004

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
NET PROFIT		P 78,053,957	P 179,133,440	P 8,386,232
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plan	21	(11,779,274)	10,432,221	27,902,377
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		(98,495,832)	(170,754,065)	156,523,885
Fair value gains on disposal of AFS financial assets reclassified to profit or loss		(25,561,793)	(225,170,806)	(31,059,875)
Fair value losses on impairment of AFS financial assets reclassified to profit or loss		3,303,884	-	-
		(120,753,741)	(395,924,871)	125,464,010
Total Other Comprehensive Income (Loss)		(132,533,015)	(385,492,650)	153,366,387
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 54,479,058)	(P 206,359,210)	P 161,752,619

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	Capital Stock		Additional	Treasury	Revaluation Reserves		Retained Earnings (Deficit)		
		No. of Shares	Amount	Paid-in Capital	Shares - At Cost	Available-for-sale Financial Assets	Remeasurements of Defined Benefit Liability	Appropriated	Unappropriated	Total Equity
Balance as at January 1, 2016		P 2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	(P 65,639,038)	(P 63,367,874)	P -	(P 64,402,298)	P 4,907,238,416
Appropriated for contingencies	23	-	-	-	-	-	-	7,805,396	(7,805,396)	-
Total comprehensive income (loss) for the year	7, 21	-	-	-	-	(120,753,741)	(11,779,274)	-	78,053,957	(54,479,058)
Total equity as at December 31, 2016		P 2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	(P 186,392,779)	(P 75,147,148)	P 7,805,396	P 5,846,263	P 4,852,759,358
Balance as at January 1, 2015		P 2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 330,285,833	(P 73,800,095)	P -	(P 243,535,738)	P 5,113,597,626
Total comprehensive income (loss) for the year	7, 21	-	-	-	-	(395,924,871)	10,432,221	-	179,133,440	(206,359,210)
Total equity as at December 31, 2015		P 2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	(P 65,639,038)	(P 63,367,874)	P -	(P 64,402,298)	P 4,907,238,416
Balance as at January 1, 2014		P 2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 204,821,823	(P 101,702,472)	P -	(P 251,921,970)	P 4,951,845,007
Total comprehensive income for the year	7, 21	-	-	-	-	125,464,010	27,902,377	-	8,386,232	161,752,619
Total equity as at December 31, 2014		P 2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 330,285,833	(P 73,800,095)	P -	(P 243,535,738)	P 5,113,597,626

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 128,780,394	P 232,916,429	P 61,240,112
Adjustments for:				
Increase in premium reserves - net	12, 17	404,310,476	27,537,307	187,595,127
Interest income	19	(196,697,334)	(231,297,911)	(250,119,737)
Decrease (increase) in deferred acquisition costs - net		(113,897,526)	10,486,905	(52,385,241)
Impairment losses	6, 7, 21	77,431,774	220,391,105	31,122,832
Dividend income	19	(47,894,868)	(47,659,949)	(41,831,599)
Gain on sale of available-for-sale financial assets	7, 19	(25,561,793)	(215,133,833)	(101,284,924)
Depreciation and amortization	9, 13, 21	18,604,856	24,073,131	33,569,191
Unrealized foreign exchange gain		(6,021,409)	(3,639,300)	(6,756,940)
Gain on sale of non-financial assets	9, 13, 19	(750,199)	(171,782)	(33,209,877)
Operating profit (loss) before working capital changes		238,304,371	17,502,102	(172,061,056)
Decrease (increase) in reinsurance balances receivable		(123,845,357)	173,876,537	2,158,698,973
Decrease (increase) in loans and receivables		5,854,565	2,599,065	(8,640,326)
Decrease (increase) in reinsurance recoverable on unpaid losses		(170,132,780)	259,133,994	(804,494,194)
Increase in other assets		(228,677,881)	(74,528,993)	(34,915,499)
Increase (decrease) in reinsurance balances payable		21,868,375	(91,569,785)	217,417,888
Increase (decrease) in accounts payable and accrued expenses		4,359,707	(27,179,681)	41,728,170
Increase (decrease) in losses and claims payable		293,479,769	(550,327,119)	(1,920,767,947)
Cash generated from (used in) operations		41,210,769	(290,493,880)	(523,033,991)
Cash paid for income taxes	22	(35,152,163)	(43,794,061)	(48,178,004)
Net Cash From (Used in) Operating Activities		6,058,606	(334,287,941)	(571,211,995)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		197,407,609	244,246,013	256,094,817
Dividends received		46,974,124	47,659,949	41,831,599
Proceeds from disposal/maturities of:				
Available-for-sale financial assets	7	2,358,965,006	5,172,530,259	1,833,198,966
Property and equipment	9	2,018,217	932,357	62,112,569
Investment properties	13	704,000	-	-
Acquisitions of:				
Available-for-sale financial assets	7	(2,733,008,190)	(4,961,897,763)	(1,322,097,053)
Property and equipment	9	(7,083,824)	(8,307,062)	(14,497,689)
Intangible assets	13	(1,598,014)	(3,689,306)	(1,137,140)
Net Cash From (Used in) Investing Activities		(135,621,072)	491,474,447	855,506,069
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		2,515,119	3,642,232	(2,696,035)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(127,047,347)	160,828,738	281,598,039
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,047,472,576	886,643,838	605,045,799
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 920,425,229	P 1,047,472,576	P 886,643,838

Supplemental Information on a Non-cash Investing Activity

In 2016, the Company reclassified certain investments classified under Available-for-sale Financial Assets account to Loans and Receivables account amounting to P165.2 million (see Note 7). No similar transaction occurred in 2015 and 2014.

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 AND 2014
(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, 2016 (including the comparative financial statements as at December 31, 2015 and for the years ended December 31, 2015 and 2014) were authorized for issue by the Company's Board of Directors (BOD) on March 16, 2017.

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. The 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.

(c) Reclassification of Accounts

In 2016, the Company's management reclassified certain accounts of the 2015 statement of financial position to conform to the 2016 financial statement presentation and account classification, and to ensure comparability with other reinsurance companies. The reconciliation of the affected 2015 accounts is summarized below.

	As Previously Reported	Reclassification Adjustments	As Reclassified
Changes in assets:			
Reinsurance balances receivable	P 5,343,416,633	(P 3,996,665,924)	P 1,346,750,709
Reinsurance recoverable on unpaid losses	-	3,996,665,924	3,996,665,924
		P -	
Changes in liabilities:			
Losses and claims payable	P 7,438,085,066	(P 6,377,818,527)	P 1,060,266,539
Reinsurance balances payable	-	6,377,818,527	6,377,818,527
		P -	

The effects of the reclassification adjustments made in the Company's statements of cash flows for the years ended December 31, 2015 and 2014 are shown below and in the succeeding page.

	For the Year Ended December 31, 2015		
	As Previously Reported	Reclassification Adjustments	As Reclassified
Cash flows from operating activities:			
Decrease in reinsurance balances receivable	P 433,010,531	(P 259,133,994)	P 173,876,537
Decrease in reinsurance recoverable on unpaid losses	-	259,133,994	259,133,994
Decrease in reinsurance balance payable	(641,896,904)	550,327,119	(91,569,785)
Decrease in losses and claims payable	-	(550,327,119)	(550,327,119)
Net change in cash		P -	

	For the Year Ended December 31, 2014		
	As Previously Reported	Reclassification Adjustments	As Reclassified
Cash flows from operating activities:			
Decrease in reinsurance balances receivable	P 1,354,204,779	P 804,494,194	P 2,158,698,973
Increase in reinsurance recoverable on unpaid losses	-	(804,494,194)	(804,494,194)
Increase (decrease) in reinsurance balance payable	(1,703,350,059)	1,920,767,947	217,417,888
Decrease in losses and claims payable	-	(1,920,767,947)	(1,920,767,947)
Net change in cash		P -	

The reclassifications did not change the balance of total assets, total liabilities and net change in cash reported in the current and prior years. The reclassification did not also result to any adjustments in the Company's statement of income, statement of comprehensive income and statement of changes in equity.

(d) 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 2016 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed in the succeeding pages are the relevant information about these amendments and improvements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify 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. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments in PAS 16 clarify 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, amendments to PAS 38 introduce 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 amendments also provide 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) Annual Improvements to PFRS (2010-2014 Cycle). Among the improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify 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.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide 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.

(b) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, 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 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 4 (Amendments), *Insurance Contracts* (effective from January 1, 2018). The amendments address the temporary accounting consequences of the different effective dates of PFRS 9, *Financial Instruments*, and the anticipated new insurance contracts standard by introducing the following options: (a) overlay approach, which is an option for all entities that issue insurance contracts to adjust profit or loss for eligible financial assets by removing any additional accounting volatility that may arise as a result of PFRS 9; or, (b) an optional temporary exemption from applying PFRS 9 for entities whose activities are predominantly connected with insurance. These entities will be permitted to continue to apply the existing financial instrument requirements of PAS 39, *Financial Measurements: Recognition and Measurement*.

(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will 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 plans to exercise the second option provided by the PFRS 4 (Amendments) effectively deferring application of PFRS 9 (2014) to periods beyond January 1, 2018. Consequently, the Company will continue to apply the existing financial instrument requirements of PAS 39, *Financial Measurements: Recognition and Measurement*.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

2.3 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, *Financial Instruments: Presentation*. 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: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) 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 the statement of income. 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, Loans and Receivables, and Funds at Lloyd's (presented under Other Assets account 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 subject to any impairment loss.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are designated as AFS financial assets or are not classified as loans and receivables, HTM investments or financial assets at FVTPL. The Company's AFS financial assets include listed and unlisted equity securities, mutual funds, and government and corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for certain 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 any impairment loss. Fair value 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 the statement of income.

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 statement of income 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 asset's 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 the statement of income.

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 statement of income.

(ii) 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 the statement of income 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 the statement of income 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.

2.4 Deferred Acquisition Costs

Deferred acquisition costs represent the unamortized portion of commission expense from premiums written as at report date. Subsequent to initial recognition, these costs are amortized using the 24th method [see Note 2.15(a)] over the term of the policy. Amortization is charged against the statement of income. The unamortized acquisition costs are presented as part of asset in the statement of financial position.

2.5 Deferred Reinsurance Premiums

Deferred reinsurance premiums represent the part of the premiums that pertain to the unexpired portion of the policy and are presented as Deferred Reinsurance Premiums in the statement of financial position. Subsequent to initial recognition, these deferred reinsurance premiums are recognized in the statement of income using the 24th method.

2.6 Reinsurance Recoverable on Unpaid Losses

Reinsurance recoverable on unpaid losses represents the amount recoverable from retrocessionaires under reinsurance agreements as their share on unpaid, including unreported, losses and loss adjustment expenses, net of salvage of recoveries.

2.7 Property and Equipment

Property and equipment represent tangible items that are held for use in the Company's business operations or for administrative purposes and are expected to be used during more than one period. An item of property and equipment that qualifies for recognition as an asset shall be measured at its cost less any accumulated depreciation, and any accumulated impairment losses.

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, while 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, estimated useful lives and method of depreciation 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 the statement of income in the year the item is derecognized.

2.8 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. They may include the following accounts:

(a) Investment Properties

Investment properties are 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 properties comprise their 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 10 years.

The carrying amount of investment properties are 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 properties are 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 properties are recognized in the statement of income in the year of retirement or disposal.

(b) Intangible Assets

Intangible assets 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 the statement of income 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 the statement of income.

(c) Creditable Withholding Tax

Creditable withholding tax (CWT) mainly arises from taxes withheld by the ceding companies upon payment of reinsurance premiums to the Company.

CWT is recorded at cost. It can either be used to offset against future income tax liabilities or claimed as a tax refund from the Bureau of Internal Revenue (BIR).

(d) Input Value-added Tax

The input value-added tax (VAT) pertains to the 12% tax paid by the Company on commissions and local purchase of goods or services.

The input VAT is recorded at cost. It is used to offset against output VAT due to the BIR. Excess input VAT is recorded under the Other Assets account in the statement of financial position.

(e) Deferred Input VAT

Deferred input VAT pertains to the 12% tax arising from commissions payable and acquisition of capital assets exceeding P1,000,000. Deferred input VAT arising from capital assets is amortized to input VAT over the useful lives of the capital assets or 60 months, whichever is lower.

(f) Deferred Withholding VAT

Deferred withholding VAT pertains to the unapplied input VAT on unpaid premiums from a certain government entity.

(g) Prepayments

Prepayments pertain to expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.

2.9 Financial Liabilities

Financial liabilities, which include Reinsurance Balances Payable and Accounts Payable and Accrued Expenses (excluding deferred output VAT 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 initially recognized at their fair value and subsequently measured at amortized cost, using the effective interest method for those with maturities beyond one year, less settlements.

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 statement of income.

2.10 Losses and Claims Payable

(a) Losses and Claims Payable is 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. This includes Margin for Adverse Deviation (MfAD) as percentage of the total outstanding losses, estimate for incurred but not reported (IBNR) losses and loss adjustment expenses payable, to allow for inherent uncertainty of the best estimate of the policy reserve.

(b) 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 the statement of income. The reinsurance contract liability is increased to the extent that the future claims and expense in respect of current insurance contracts exceed future premiums.

2.11 Premium Reserves

Premium Reserves 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. In determining the URR, the Company has allocated different percentages of net earned premium as claims handling expense, reinsurance cost and on-going maintenance in order to ensure that the estimated premium reserves 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

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

2.12 Deferred Reinsurance Commissions

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at end of the reporting period is accounted for as deferred reinsurance commissions and presented as part of liabilities section in the statement of financial position.

2.13 Other Liabilities

These represent other liabilities which cannot be appropriately classified under the foregoing liability accounts. These comprise, among others, the following accounts:

(a) 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.

(b) Deferred Output VAT

Deferred output VAT, presented as part of Accounts Payable and Accrued Expenses, represents the 12% tax due on commission income on retroceded premiums and other goods based on amounts still to be collected from counterparties. Such amounts are still not due for remittance to the BIR until the receivables are collected.

2.14 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.

2.15 Revenue 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 below 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 24th method. The 24th method assumes that the average date of issue of all policies written during any one month is the middle of that month. Accordingly, 1/24th of the net premiums are considered earned in the month the reinsurance contracts are issued and 2/24th for every month thereafter (or 1/24th 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 Reserves 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 Reserves and Deferred Reinsurance Premiums between the end of the reporting periods are recognized in the statement of income.

(b) *Commission on retrocession* – Revenue is deferred and is subjected to the same amortization as the retroceded reinsurance premiums. Deferred portion is presented in the statement of financial position as Deferred Reinsurance Commissions.

(c) *Interest income* – Interest income for all interest-bearing financial instruments are recognized using the effective interest rate method.

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

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

2.16 Expense Recognition

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

(a) Claims and Losses Recognition

Share in claims and losses relating to insurance contracts are accrued when insured events occur. These arise from events that have occurred up to reporting date even if these have not yet been reported to the Company. The share in claims (including those for IBNR losses) 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 claims and losses 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 aggregate share of the retrocessionaire on the claims and losses and adjustment expenses of the Company on business ceded under reinsurance arrangements. Recoveries on settled and unsettled claims are recognized in statement of income in the period the claims are made. Uncollected balances are presented as part of Reinsurance Balances Receivable account in the statement of financial position (see Note 2.3).

(b) Acquisition Costs

Costs that vary with and are primarily related to the acquisition of new and renewal reinsurance contracts such as commissions and certain underwriting costs, are recognized as expense over the period of the contracts using the 24th method. Unamortized acquisition costs are presented in the statement of financial position as Deferred Acquisition Costs (see Note 2.4).

(c) General and Administrative Expenses

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

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 Investment and Other Income (see Note 19).

2.19 Impairment of Non-Financial Assets

The Company's property and equipment, investment properties, intangible assets and other non-financial assets 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 amount 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.

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.

(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, non-contributory and administered by a trustee.

The asset recognized in the statement of financial position for a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation (asset) is calculated annually by an independent actuary 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 Corp., 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 statement of income in the period of a plan amendment and curtailment.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. These are included in the Accounts Payable and Accrued Expenses account in the statement 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 the statement of income.

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 the statement of income, 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, directly or indirectly, 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 funded 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.

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 plan.

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. The appropriated portion of the retained earnings is intended as additional reserve for contingencies (see Note 23.2).

2.24 Earnings Per Share

Basic earnings per share is determined by dividing net profit 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 per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.25 Segment Reporting

For purposes of segment reporting, the Company does not have other reportable segments. The Company has one reportable business segment which is the reinsurance market. The financial information about the sole business segment is presented in the financial statements.

The management monitors the operating results of its business segment for the purpose of making decisions about resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss and is measured consistently with the income before income tax in the financial statements.

2.26 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 certain AFS financial assets are impaired as at December 31, 2016 while no AFS financial assets are impaired as at December 31, 2015 (see Note 7). Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) 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 2.13(a) and relevant disclosures are presented in Note 27.

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 Properties and Intangible Assets

The Company estimates the useful lives of property and equipment, investment properties 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 properties 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 properties and intangible assets in Note 13. Based on management's assessment as at December 31, 2016 and 2015, 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 2016, 2015 and 2014.

(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, 2016 and 2015, no deferred tax assets were recognized by the Company since management believes that they will not be able to utilize the tax benefits prior to its expiration (see Note 22).

(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 an independent actuary 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 21.2.

(g) Valuation of Reinsurance Contract Liabilities

The Company estimates the cost of IBNR losses 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 losses, with IBNR losses 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, 2016 and 2015, the carrying values of provision for claims reported and IBNR losses are recognized as Losses and Claims Payable account in the statements of financial position (see Note 16).

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 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 Team, who reports the results of the review and risk assessment to 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

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, catastrophe exposures, retrocession programs, claims control, securing short to medium-term cash flows by minimizing financial market risks while managing long-term financial investments to generate expected returns.

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

4.1 Underwriting 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.

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 retrocedes to, foremost of which is the rating of the retrocessionaires by international rating agencies such as Standard and Poor's and A.M. Best.

On the other hand, life business, which constitutes about 22% of gross premium written, follows a schedule of retention per life or group life as set by the Underwriting Committee. Any amount in excess of this is retroceded with reputable foreign reinsurers whose ratings from the same rating agencies are above par and meet the Company's standards.

Also, the Company continues to practice prudent claims management control. 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. In addition, the Company establishes claim reserves to provide for losses that have been incurred but not yet paid. At each of the reporting date, the Company assessed the adequacy of reserves for future claims that are not yet reported by setting up IBNR best estimate and inclusion of MfAD as ascertained by an independent actuary.

The tables below set out the concentration of the claims liabilities and retrocessionaires' share in such losses by line of risk (see Notes 10 and 16).

	Outstanding Loss Reserves	Retrocessionaires' Share in Losses	Net
December 31, 2016			
Fire	P 3,651,532,249	P 2,669,319,225	P 982,213,024
Casualty	1,500,199,127	789,870,653	710,328,474
Marine and aviation	1,283,367,314	607,877,496	675,489,818
Life	293,706,551	133,337,203	160,369,348
	P 6,728,805,241	**P 4,200,404,577**	**P 2,528,400,664**
December 31, 2015			
Fire	P 3,382,250,470	P 2,453,653,293	P 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
	P 6,377,818,527	P 3,996,665,924	P 2,381,152,603

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

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 such as the loss ratios observed from its claims experience, the observed claims reporting and payment patterns, the occurrence of catastrophic events. Accordingly, the Company has contracted a professional independent actuary to perform actuarial review of its gross and net claims and premium reserves as at December 31, 2016 and 2015. The valuation of insurance liabilities for each class of business must comprise:

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

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

In assessing the adequacy of the premium reserves, the Company recognizes the higher between the UPR and URR (see Note 2.11).

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	**2016**	2015
Cash and cash equivalents	5	**P 920,425,229**	P 1,047,472,576
Reinsurance balances receivable – net	6	**1,445,939,323**	1,346,750,709
AFS financial assets	7	**3,689,509,733**	3,802,213,900
Loans and receivables	8	**464,887,025**	306,791,128
		P 6,520,761,310	P 6,502,228,313

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 creditworthy counterparties.

The Company's management considers that all the above financial assets that are not impaired 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 balances receivable that are past due but not impaired are as follows:

	2016	2015
More than six months but not more than one year	**P 147,932,771**	P 120,644,887
More than one year	**124,134,340**	166,100,782
	P 272,067,111	P 286,745,669

Except for Reinsurance recoverable on paid losses which is presented under Reinsurance balances receivable – net (see Note 6) that is secured by the Funds held for retrocessionaires (see Note 14), no other financial assets by the Company 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, 2016 and 2015, the Company's obligations arising from reinsurance agreements totaling P1,086,930,932 and P1,060,266,539, respectively, have contractual maturities within the normal operating cycle of the business. In addition, as at December 31, 2016 and 2015, other financial liabilities included as part of Accounts payable and accrued expenses account amounted to P45,704,597 and P30,638,647, respectively, and have contractual maturities within one year after the end of the reporting period.

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 P21,270,123 in 2016, P19,503,398 in 2015 and P11,467,754 in 2014 (see Note 19).

Exposures to currency exchange rates arise from the Company's foreign currency reinsurance transactions, which are primarily denominated in U.S. Dollars, Myanmar Kyat, Indonesian Rupiah, Singaporean Dollars, Hongkong Dollars, Thailand Baht, Euro, North Korean Won, Malaysian Ringgit and Vietnamese Dong. 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.

	2016		2015	
	U.S. Dollars	**Other Currencies**	U.S. Dollars	Other Currencies
Financial assets	**P 1,560,796,964**	**P 100,341,843**	P 956,035,564	P 264,428,409
Financial liabilities	**(1,236,314,542)**	**(195,223,676)**	(1,186,224,311)	(206,154,797)
Total net exposure	**P 324,482,422**	**(P 94,881,833)**	(P 230,188,747)	P 58,273,612

The table below 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.

	2016			2015		
	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	**15.13%**	**(P 49,094,190)**	**(P 49,094,190)**	11.08%	P 25,504,913	P 25,504,913
Php - Singaporean Dollars	**18.15%**	**6,227,506**	**6,227,506**	17.37%	68,635	68,635
Php - Indonesian Rupiah	**22.91%**	**2,970,876**	**2,970,876**	28.22%	(10,678,855)	(10,678,855)
Php - Hongkong Dollars	**14.62%**	**2,929,916**	**2,929,916**	11.02%	32,502	32,502
Php - Malaysian Ringgit	**25.06%**	**(2,242,468)**	**(2,242,468)**	29.58%	(9,785,570)	(9,785,570)
Php - Thailand Baht	**13.74%**	**2,061,679**	**2,061,679**	13.57%	626,546	626,546
Php - Euro	**21.76%**	**1,948,777**	**1,948,777**	34.10%	(550,545)	(550,545)
Php - North Korean Won	**23.60%**	**(1,958,516)**	**(1,958,516)**	21.97%	(3,321,374)	(3,321,374)
Php - Vietnamese Dong	**14.13%**	**823,371**	**823,371**	55.35%	4,040,644	4,040,644
Php - Myanmar Kyat	**23.35%**	**306,321**	**306,321**	32.51%	420,153	420,153
Php - Nepalese Rupee	**16.31%**	**231,053**	**231,053**	25.24%	-	-
Php - Indian Rupee	**13.37%**	**218,853**	**218,853**	13.806%	458,790	458,790
Php - Pakistan Rupee	**16.64%**	**164,614**	**164,614**	20.65%	-	-
Php - Japanese Yen	**41.23%**	**160,449**	**160,499**	21.84%	78,062	78,062
Php - China Yuan	**14.20%**	**74,220**	**74,220**	15.47%	-	
Php - New Zealand Dollar	**29.31** %	**37,105**	**37,105**	31.77%	37,630	37,630
Php - Seychelles Rupee	**60.99%**	**16,751**	**16,751**	51.08%	13,590	13,590
Php - British Pound	**44.36%**	**7,970**	**7,970**	24.76%	328	328
Php - Sri Lankan Rupee	**21.36%**	**6,270**	**6,602**	24.43%	-	-
Php - Canadian Dollar	**23.05%**	**1,497**	**1,497**	26.75%	1,602	1,602
Php - Bangladesh Taka	**18.60%**	**(614)**	**(614)**	20.31%	(637)	(637)
Total		**(P 35,118,560)**	**(P 35,118,560)**		P 6,946,414	P 6,946,414

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

Exposures to foreign currency rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis 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 Insurance Commission (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 invests 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, 2016 and 2015, investments in listed equities amounted to 30% and 27%, 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, 2016 and 2015 are summarized as follows:

	2016		2015	
	Observed Volatility Rates	**Effect in Other Comprehensive Income**	Observed Volatility Rates	Effect in Other Comprehensive Income
Government bonds	**12.57%**	**P 208,697,062**	10.35%	P 244,051,369
Equity securities listed in the Philippines:				
Common shares	**49.30%**	**883,486,287**	39.26%	640,590,867
Preferred shares	**19.34%**	**61,158,627**	8.68%	17,411,285
Corporate bonds - U.S. Dollar	**12.42%**	**10,694,612**	9.00%	7,197,680
Mutual funds	**0%**	**-**	24.11%	10,250,472
		P 1,164,036,588		P 919,501,673

(c) Interest Rate Risk

The Company has limited exposure to interest rate risk because of its fixed income investments which amounted to approximately 69% and 70% of the Company's total investment portfolio as at December 31, 2016 and 2015, 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:

	2016	2015
Cash on hand and in banks	**P 82,098,842**	P 126,261,628
Short-term placements	**838,326,387**	921,210,948
	P 920,425,229	P 1,047,472,576

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 19).

Short-term placements include time deposits and special deposit accounts made for varying periods of up to three months depending on the liquidity requirements of the Company.

Peso short-term placements earn annual interest rates ranging from 0.25% to 2.63% in 2016, from 0.25% to 2.55% in 2015 and from 0.25% to 1.88% in 2014, while dollar short-term placements earn annual interest rates ranging from 1.50% to 1.60% in 2016, from 1.50% to 1.85% in 2015 and from 0.25% to 2.00% in 2014.

The Cash and Cash Equivalents account includes:

	2016	2015
U.S. Dollar denominated cash	**$ 3,424,850**	$ 4,629,436
U.S. Dollar denominated cash in Philippine Peso	**P 170,602,071**	P 218,351,986

6. REINSURANCE BALANCES RECEIVABLE

The details of Reinsurance Balances Receivable are as follows:

	2016	2015
Due from ceding companies	**P 1,524,450,006**	P 1,231,923,154
Reinsurance recoverable on paid losses	**535,884,884**	794,903,982
Funds held by ceding companies	**114,758,276**	144,000,408
	2,175,093,166	2,170,827,544
Allowance for impairment	**(729,153,843)**	(824,076,835)
	P 1,445,939,323	P 1,346,750,709

The movements in these accounts are as follows:

	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
December 31, 2016				
Balance at beginning of year	P 1,231,923,154	P 794,903,982	P 144,000,408	P 2,170,827,544
Loss recoveries during the year	-	481,922,480	-	481,922,480
Premiums written, gross of funds held during the year	3,279,248,249	-	-	3,279,248,249
Funds held during the year	-	-	104,692,128	104,692,128
Funds released during the year	-	-	(135,101,805)	(135,101,805)
Collections during the year	(2,986,670,153)	(623,549,426)	-	(3,610,219,579)
Write-off during the year	-	(129,050,882)	-	(129,050,882)
Revaluation adjustment	(51,244)	11,658,730	1,167,545	12,775,031
	1,524,450,006	535,884,884	114,758,276	2,175,093,166
Allowance for impairment	(314,314,943)	(390,840,600)	(23,998,300)	(729,153,843)
Balance at end of year	**P 1,210,135,063**	**P 145,044,284**	**P 90,759,976**	**P1,445,939,323**
December 31, 2015				
Balance at beginning of year	P 1,209,089,580	P 956,677,132	P 130,261,689	P 2,296,028,401
Loss recoveries during the year	-	680,451,916	-	680,451,916
Premiums written, gross of funds held during the year	2,087,227,395	-	-	2,087,227,395
Funds held during the year	-	-	95,132,385	95,132,385
Funds released during the year	-	-	(81,040,217)	(81,040,217)
Collections during the year	(2,066,188,088)	(844,172,825)	-	(2,910,360,913)
Revaluation adjustment	1,794,267	1,947,759	(353,449)	3,388,577
	1,231,923,154	794,903,982	144,000,408	2,170,827,544
Allowance for impairment	(245,455,569)	(578,515,996)	(105,270)	(824,076,835)
Balance at end of year	P 986,467,585	P 216,387,986	P 143,895,138	P 1,346,750,709

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 receivables were found to be impaired and provisions have been recorded accordingly.

A reconciliation of the allowance for impairment at the beginning and end of 2016 and 2015 is shown below.

	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
December 31, 2016				
Balance at beginning of year	P 245,455,569	P 578,515,996	P 105,270	P 824,076,835
Impairment loss during the year	80,966,699	18,021,142	23,893,030	122,880,871
Write-off during the year	-	(129,050,882)	-	(129,050,882)
Reversal during the year	(12,107,325)	(76,645,656)	-	(88,752,981)
Balance at end of year	**P 314,314,943**	**P 390,840,600**	**P 23,998,300**	**P 729,153,843**

	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
December 31, 2015				
Balance at beginning of year	P 138,177,229	P 443,764,579	P 21,743,922	P 603,685,730
Impairment loss during the year	107,278,340	134,751,417	-	242,029,757
Reversal during the year	-	-	(21,638,652)	(21,638,652)
Balance at end of year	P 245,455,569	P 578,515,996	P 105,270	P 824,076,835

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

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	2016	2015
Bonds	**P 3,689,501,733**	P 3,802,213,900
Equity securities – net	**2,136,666,156**	1,860,924,875
Investment in ARC	**31,335,823**	4,444,847
Mutual funds	**67,388**	60,791,966
	P 5,857,571,100	P 5,728,375,588

Bonds include investments in corporate bonds and government securities. These also include government securities amounting to P500,000,000 in 2016 and 2015, which are deposited with the IC as security for the benefit of cedants and creditors of the Company in accordance with the provisions of the Insurance Code.

Bonds earn interest at annual rates ranging from 1.63% to 9.13% in 2016 and 2.13% to 15.00% in both 2015 and 2014. Interest income is presented as part of Investment and Other Income account in the statements of income (see Note 19).

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

	2016	2015
Due within one year	**P 159,522,861**	P 299,169,188
Due after one year through five years	**849,633,928**	807,395,409
Due after five years through 10 years	**2,367,382,106**	2,338,844,983
Due after 10 years	**312,962,838**	356,804,320
	P 3,689,501,733	P 3,802,213,900

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

	2016	2015
Cost:		
Quoted in the stock exchange	**P 2,165,094,045**	P 1,796,167,163
Not quoted in the stock exchange	**34,296,008**	38,346,338
	2,199,390,053	1,834,513,501
Accumulated fair value gains (losses):		
Quoted in the stock exchange	**(46,210,562)**	45,228,583
Not quoted in the stock exchange	**(16,513,335)**	(18,817,209)
	(62,723,897)	26,411,374
	P 2,136,666,156	P 1,860,924,875

Equity securities consist mainly of investments in companies listed in the PSE.

Dividend income from these equity securities is presented under Investment and Other Income account in the statements of income (see Note 19).

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 P31,335,823 and P4,444,847 as at December 31, 2016 and 2015, respectively.

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

	2016	2015
Balance at beginning of year	**P 5,728,375,588**	P 6,107,737,706
Additions	**2,733,008,190**	4,961,897,763
Reclassifications	**(165,246,880)**	-
Disposals/maturities	**(2,358,965,006)**	(5,182,567,232)
Fair value losses – net	**(98,495,832)**	(170,754,065)
Impairment losses	**3,303,884**	-
Foreign currency gains – net	**15,591,156**	12,061,416
Balance at end of year	**P 5,857,571,100**	P 5,728,375,588

Changes in fair value of AFS financial assets recognized in the statements of comprehensive income amounted to P98,495,832, P170,754,065 and P156,523,885 in 2016, 2015 and 2014, respectively.

In 2016, the Company reclassified certain investments classified under AFS financial assets account to Loans and Receivables account amounting to P165,246,880. No similar transaction occurred in 2015.

In 2016, the Company recognized an impairment loss amounting to P3,303,884 which pertains to certain investments with significant and prolonged decline in fair values. This was recorded as part of Impairment losses under General and Administrative Expenses account in the 2016 statement of income (see Note 21) after transferring the same amount of fair value losses on AFS financial assets from the Other Comprehensive Income account. There were no impairment losses recognized in 2015 and 2014.

The Company sold AFS financial assets with carrying amount of P1,152,390,848 in 2016, 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 P25,561,793, P215,133,833 and P101,284,924 in 2016, 2015 and 2014, respectively. These are presented under Investment and Other Income account in the statements of income (see Note 19).

Fair value gains reclassified to profit or loss, as presented in the statements of comprehensive income, amounted P25,561,793 in 2016, P225,170,806 in 2015 and P31,059,875 in 2014.

The fair values of majority of the AFS financial assets have been determined directly by reference to published prices in active market (see Note 29).

8. LOANS AND RECEIVABLES

This account is comprised of the following:

	2016	2015
Current:		
Loans and notes receivable	**P 253,245,751**	P 15,533,346
Time deposits	**65,070,069**	-
Dividend, interest and other receivables	**40,969,038**	42,266,050
	359,284,858	57,799,396
Non-current:		
Loans and notes receivable	**55,602,167**	242,500,000
Time deposits	**50,000,000**	6,491,732
	105,602,167	248,991,732
	P 464,887,025	P 306,791,128

Loans and notes receivable mainly pertains to the Company's participation in syndicated loans of other companies. These loans are unsecured, interest-bearing and with original maturities ranging from two to five years. The annual effective interest rate of these loans range from 3.80% to 5.86% in 2016, from 4.80% to 5.86% in 2015, and from 4.30% to 5.86% in 2014. Loans and notes receivable also includes car loans extended to certain officers as part of their benefits. These loans are collected through salary deductions for a period of five years with annual effective interest rate of 8.00%.

Time deposits refer to time deposits of the Company in a particular bank for purposes of earning higher interest compared to savings deposits. These deposits which are not subject to any restrictions or covenants have original maturity of five years. Annual effective interest rates range from 5.00% to 5.25% in 2016, 2015 and 2014.

Interest income on time deposits and loans and notes receivable are presented as part of Investment and Other Income account in the statements of income (see Note 19).

The carrying value of these financial assets approximate their fair value as these are short-term in nature and the interest rates approximate the prevailing market interest rates. No impairment loss was recorded for loans and receivables in 2016, 2015 and 2014.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2016 and 2015 are shown below.

	Condominium Units	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
December 31, 2016						
Cost	P 101,310,361	P 10,027,229	P 9,038,741	P 10,472,603	P 41,620,695	P 172,469,629
Accumulated depreciation and amortization	(57,972,040)	(5,161,641)	(8,540,690)	(2,761,543)	(32,055,590)	(106,491,504)
	P 43,338,321	**P 4,865,588**	**P 498,051**	**P 7,711,060**	**P 9,565,105**	**P 65,978,125**
December 31, 2015						
Cost	P 101,310,361	P 10,826,265	P 10,256,148	P 11,158,214	P 40,408,715	P 173,959,703
Accumulated depreciation and amortization	(54,595,028)	(4,602,368)	(9,360,559)	(4,406,923)	(29,127,490)	(102,092,368)
	P 46,715,333	P 6,223,897	P 895,589	P 6,751,291	P 11,281,225	P 71,867,335
January 1, 2015						
Cost	P 101,310,361	P 10,885,911	P 10,680,460	P 8,673,928	P 36,680,077	P 168,230,737
Accumulated depreciation and amortization	(51,218,016)	(3,530,088)	(9,416,029)	(3,723,535)	(23,996,724)	(91,884,392)
Net carrying amount	P 50,092,345	P 7,355,823	P 1,264,431	P 4,950,393	P 12,683,353	P 76,346,345

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015, of property and equipment is shown below.

	Condominium Units	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 46,715,333	P 6,223,897	P 895,589	P 6,751,291	P 11,281,225	P 71,867,335
Additions	-	222,821	82,030	4,108,209	2,670,764	7,083,824
Disposals	-	(491,896)	-	(1,153,637)	(326,485)	(1,972,018)
Depreciation and amortization charges for the year	(3,377,012)	(1,089,234)	(479,568)	(1,994,803)	(4,060,399)	(11,001,016)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 43,338,321**	**P 4,865,588**	**P 498,051**	**P 7,711,060**	**P 9,565,105**	**P 65,978,125**
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 50,092,345	P 7,355,823	P 1,264,431	P 4,950,393	P 12,683,353	P 76,346,345
Additions	-	-	181,610	4,393,571	3,731,881	8,307,062
Disposals	-	(59,646)	-	(700,929)	-	(760,575)
Depreciation and amortization 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 and amortization	P 46,715,333	P 6,223,897	P 895,589	P 6,751,291	P 11,281,225	P 71,867,335

The Company sold certain assets with book values of P1,972,018, P760,575 and P28,902,692 in 2016, 2015 and 2014, respectively, and recognized gain, which is presented as part of Investment and Other Income in the statements of income (see Note 19), amounting to P46,199, P171,782 and P33,209,877 in 2016, 2015 and 2014, respectively.

The cost of fully depreciated property and equipment recorded in the books that are still in use amounted to P28,842,300 and P20,285,064 as at December 31, 2016 and 2015, respectively.

10. REINSURANCE RECOVERABLE ON UNPAID LOSSES

The details of Reinsurance Recoverable on Unpaid Losses are as follows:

	2016	2015
Reinsurance recoverable on unpaid losses	**P 3,682,008,078**	P 3,597,573,220
Reinsurance recoverable on IBNR losses	**518,396,499**	399,092,704
Balance at the end of year	**P 4,200,404,577**	P 3,996,665,924

The movements in reinsurance recoverable on unpaid losses are as follows:

	Reinsurance recoverable on unpaid losses	**Reinsurance recoverable on IBNR losses**	**Total**
December 31, 2016			
Balance at beginning of year	P 3,597,573,220	P 399,092,704	P 3,996,665,924
Recoverable on unpaid losses during the year	415,158,671	-	415,158,671
Recoverable on IBNR losses during the year	-	236,896,589	236,896,589
Transferred to recoverable on unpaid losses	117,592,794	(117,592,794)	-
Collections during the year	(481,922,480)	-	(481,922,480)
Revaluation adjustment	33,605,873	-	33,605,873
Balance at end of year	**P 3,682,008,078**	**P 518,396,499**	**P 4,200,404,577**
December 31, 2015			
Balance at beginning of year	P 3,800,809,322	P 454,990,596	P 4,255,799,918
Recoverable on unpaid losses during the year	224,249,434	-	224,249,434
Recoverable on IBNR losses during the year	-	151,781,386	151,781,386
Transferred to recoverable on unpaid losses	207,679,278	(207,679,278)	-
Collections during the year	(680,451,914)	-	(680,451,914)
Revalurtation adjustment	45,287,100	-	45,287,100
Balance at end of year	P 3,597,573,220	P 399,092,704	P 3,996,665,924

11. DEFERRED ACQUISITION COSTS

The movements in Deferred Acquisition Costs follow:

	2016	2015
Balance at beginning of year	**P 147,743,688**	P 150,257,105
Costs deferred during the year	**604,099,693**	376,688,454
Costs recognized during the year	**(493,226,062)**	(379,201,871)
Balance at end of year	**P 258,617,319**	P 147,743,688

The increase or decrease of Deferred Acquisition Costs for the year is presented as part of Commissions – net under Underwriting Deductions in the statements of income (see Note 20.2).

12. DEFERRED REINSURANCE PREMIUMS

The movements in Deferred Reinsurance Premiums follow:

	2016	2015
Balance at beginning of year	**P 386,743,932**	P 356,285,616
Premiums retroceded during the year	**1,690,722,077**	1,254,410,812
Premiums amortized during the year	**(1,682,649,242)**	(1,223,952,496)
Balance at end of year	**P 394,816,767**	P 386,743,932

The increase or decrease in Deferred Reinsurance Premiums for the year is presented as part of Increase in Premium Reserves account in the statements of income.

13. OTHER ASSETS

The Other Assets account is composed of the following:

	Notes	2016	2015
Funds at Lloyd's		**P 149,439,000**	P -
Creditable withholding tax		**147,723,611**	146,664,604
Input VAT	32.1(b)	**142,366,220**	121,640,732
Deferred input VAT	32.1(b)	**77,933,665**	71,502,770
Defined benefit asset	21.2	**14,068,874**	32,419,064
Deferred withholding VAT	32.1(b)	**9,202,886**	9,202,886
Deferred creditable tax withheld		**8,085,990**	3,833,170
Prepayments		**7,762,079**	5,069,320
Intangible assets − net		**6,228,834**	12,229,660
Investment properties − net		**2,824,909**	2,829,909
Deposit		**824,403**	799,399
Security fund		**643,925**	192,888
		P 567,104,396	P 406,384,402

Funds at Lloyd's

In December 2016, the Company entered into a quota share reinsurance treaty contract with a member of the Lloyd's effective January 1, 2017, whereby the Company was required to establish its share of the Funds at Lloyd's amounting to U.S. $3,000,000.

Prepayments

Prepayments include substantially software licenses and support maintenance costs and prepaid health and group life insurance of the Company.

Intangible Assets

Intangible assets pertain to acquired computer software licenses used in operation and administration. The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of December 31, 2016 and 2015 follow:

	2016	2015
Cost	**P 116,422,745**	P 114,934,981
Accumulated amortization	**(110,193,911)**	(102,705,321)
Balance at end of year	**P 6,228,834**	P 12,229,660

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015, of intangible assets is shown below.

	Note	**2016**	2015
Balance at beginning of year, net of accumulated amortization		**P 12,229,660**	P 20,582,988
Additions		**1,598,014**	3,694,306
Amortization charges for the year	21	**(7,598,840)**	(12,047,634)
Balance at end of year, net of accumulated amortization		**P 6,228,834**	P 12,229,660

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

	Note	**2016**	2015
Balance at beginning of year		**P 2,829,909**	P 2,834,909
Depreciation and amortization charges for the year	21	**(5,000)**	(5,000)
Balance at end of year		**P 2,824,909**	P 2,829,909

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, 2016 and 2015 (see Note 29.4).

In 2016, the Company sold certain fully depreciated investment properties and recognized gain amounting to P704,000, which is presented as part of Gain on sale of non-financial assets under Investment and Other Income account in the 2016 statement of income (see Note 19).

Security fund represents amount deposited with the IC, as required by the IC, and in instances of the Company becoming insolvent, can be used as payment for valid claims against the Company. The balance of the fund earns interest at rates determined by the IC annually.

14. REINSURANCE BALANCES PAYABLE

The details of Reinsurance Balances Payable follows:

	2016	2015
Due to retrocessionaires	**P 1,029,493,913**	P 970,742,419
Funds held for retrocessionaires	**57,437,019**	89,524,120
	P 1,086,930,932	P 1,060,266,539

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 reinsurance 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, 2016			
Balance at beginning of year	P 970,742,419	P 89,524,120	P 1,060,266,539
Premiums retroceded, excluding funds held during the year	1,613,204,524	-	1,613,204,524
Funds held during the year	-	77,517,553	77,517,553
Funds released during the year	-	(109,604,654)	(109,604,654)
Payments made during the year	(1,559,249,048)		(1,559,249,048)
Revaluation adjustment	4,796,018	-	4,796,018
Balance at end of year	**P 1,029,493,913**	**P 57,437,019**	**P 1,086,930,932**
December 31, 2015			
Balance at beginning of year	P 1,016,675,866	P 74,420,432	P 1,091,096,298
Premiums retroceded, excluding funds held during the year	1,239,307,124	-	1,239,307,124
Funds held during the year	-	70,563,350	70,563,350
Funds released during the year	-	(55,459,662)	(55,459,662)
Payments made during the year	(1,285,601,297)	-	(1,258,601,297)
Revaluation adjustment	360,726	-	360,726
Balance at end of year	P 970,742,419	P 89,524,120	P 1,060,266,539

15. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Notes	2016	2015
Accrued expenses		**P 73,080,832**	P 66,419,242
Deferred output VAT	32.1(a)	**38,842,259**	38,795,517
Accounts payable		**10,088,519**	11,684,159
Withholding taxes payable		**4,245,424**	4,941,002
Dividends payable	23.3	**2,535,246**	2,535,246
		P 128,792,280	P 124,375,166

Accrued expenses include amounts pertaining to accruals of outside services, utilities, uniforms, membership dues and meeting expenses.

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.

16. LOSSES AND CLAIMS PAYABLE

The details of Losses and Claims Payable are as follows:

	2016	2015
Outstanding loss reserves	**P 5,685,539,491**	P 5,703,387,502
Reserves for IBNR losses	**1,043,265,750**	674,431,025
	P 6,728,805,241	P 6,377,818,527

Losses and Claims Payable are losses due to ceding companies under reinsurance agreements inclusive of reserves for IBNR losses, loss adjustment expenses payable and MfAD as shown below.

	Outstanding loss reserves	Reserves for IBNR losses	Total
December 31, 2016			
Balance at beginning of year	P 5,703,387,502	P 674,431,025	P 6,377,818,527
Claims incurred during the year	748,989,872	-	748,989,872
Claims paid during the year	(1,113,003,952)	-	(1,113,003,952)
IBNR losses during the year	-	657,493,848	657,493,848
IBNR losses transferred to outstanding loss reserves	288,659,123	(288,659,123)	-
Revaluation adjustment	57,506,946	-	57,506,946
Balance at end of year	**P 5,685,539,491**	**P 1,043,265,750**	**P 6,728,805,241**

	Outstanding loss reserves	Reserves for IBNR losses	Total
December 31, 2015			
Balance at beginning of year	P 6,137,854,279	P 790,291,367	P 6,928,145,646
Claims incurred during the year	462,542,521	-	462,542,521
Claims paid during the year	(1,402,490,532)	-	(1,402,490,532)
IBNR losses during the year	-	329,241,586	329,241,586
IBNR losses transferred to outstanding loss reserves	445,101,928	(445,101,928)	-
Revaluation adjustment	60,379,306	-	60,379,306
Balance at end of year	P 5,703,387,502	P 674,431,025	P 6,377,818,527

17. PREMIUM RESERVES

The movements in Premium Reserves are as follows:

	2016	2015
Balance at beginning of year	**P 924,871,533**	P 866,875,910
Premiums written	**3,383,940,377**	2,182,359,780
Premiums earned	**(2,971,557,066)**	(2,124,364,157)
Balance at end of year	**P 1,337,254,844**	P 924,871,533

The increase or decrease in Premiums Reserves for the year is presented as part of Increase in Premium Reserves account in the statements of income.

18. DEFERRED REINSURANCE COMMISSIONS

The movements in Deferred Reinsurance Commissions are as follows:

	2016	2015
Balance at beginning of year	**P 44,225,101**	P 36,251,613
Income deferred	**125,862,189**	131,456,815
Income recognized	**(128,886,084)**	(123,483,327)
Balance at end of year	**P 41,201,206**	P 44,225,101

The increase or decrease of Deferred Reinsurance Commissions for the year is presented as part of Commissions – net under Underwriting Deductions in the statements of income (see Note 20.2).

19. INVESTMENT AND OTHER INCOME

The details of this account follow:

	Notes	2016	2015	2014
Interest income	5, 7, 8, 21.2, 24.2	**P 196,697,334**	P 231,297,911	P 250,119,737
Dividend income	7	**47,894,868**	47,659,949	41,831,599
Gain on sale of AFS financial assets	7	**25,561,793**	215,133,833	101,284,924
Foreign currency gains – net	4.4	**21,270,123**	19,503,398	11,467,754
Gain on sale of non-financial assets	9, 13	**750,199**	171,782	33,209,877
Other charges	24.2	**(7,299,776)**	(6,499,728)	(4,747,509)
		P 284,874,541	P 507,267,145	P 433,166,382

20. UNDERWRITING DEDUCTIONS

20.1 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 reinsurance agreements.

	2016	2015	2014
Gross claims paid	**P 1,113,003,952**	P 1,402,490,532	P 3,521,326,129
Retrocessionaires' share in losses paid	**(481,922,480)**	(680,451,914)	(2,636,866,201)
Decrease in outstanding loss reserves	**(75,354,957)**	(494,846,083)	(1,664,065,993)
Retrocessionaires' share in change in outstanding loss reserve	**(50,828,985)**	248,523,202	1,517,738,980
Increase (decrease) in reserves for IBNR losses	**368,834,725**	(115,860,342)	(189,831,816)
Retrocessionaires' share in change in reserves for IBNR losses	**(119,303,795)**	55,897,892	67,977,682
Balance at the end of the year	**P 754,428,460**	P 415,753,287	P 616,278,781

20.2 Commissions – net

This account consists of the following (see Notes 11 and 18):

	2016	2015	2014
Commission expense	**P 493,226,062**	P 379,201,871	P 404,600,414
Commission income	**(128,886,085)**	(123,483,327)	(114,447,042)
	P 364,339,977	P 255,718,544	P 290,153,372

Commission expense refers to fees deducted by ceding companies from reinsurance premiums assumed under reinsurance agreements, while commission income pertains to fees charged by the Company related to reinsurance premiums retroceded under retrocession agreements.

21. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account follow:

	Notes	**2016**	2015	2014
Salaries and employee benefits	21.1	**P 128,965,787**	P 116,388,163	P 141,342,041
Impairment losses	6, 7	**77,431,774**	220,391,105	31,122,832
Professional fees		**24,420,882**	29,740,339	20,416,340
Depreciation and amortization	9, 13	**18,604,856**	24,073,131	33,569,191
Outsourced services		**17,941,846**	16,716,957	2,696,296
Repairs and maintenance		**7,220,021**	7,314,682	9,148,884
Data, licenses and subscriptions		**6,641,596**	-	-
Taxes and licenses	32.1(f)	**6,486,196**	54,529,667	28,220,859
Communication and postages		**6,052,565**	2,165,667	1,905,009
Meetings, conferences and convention		**3,476,059**	4,080,623	4,142,253
Dues and fees		**3,446,253**	3,389,238	4,336,410
Rental	27.1	**3,082,152**	3,626,686	2,764,393
Light and water		**2,256,276**	2,442,868	2,714,806
Advertising and publicity		**2,158,435**	2,235,966	1,346,984
Printing and office supplies		**1,379,493**	877,995	974,859
Insurance		**1,014,459**	895,433	959,446
Representation and entertainment		**581,405**	2,207,276	2,993,451
Finance costs	21.2	**-**	319,266	2,519,190
Miscellaneous		**15,073,479**	11,895,484	9,010,655
		P 326,233,534	P 503,290,546	P 300,183,899

21.1 Salaries and Employee Benefit Expense

Expenses recognized for salaries and employee benefits are presented below.

	2016	2015	2014
Short-term employee benefits	**P 115,237,519**	P 102,718,063	P 98,156,264
Post-employment defined benefit	**8,078,402**	2,048,213	21,995,333
Compensated absences	**5,649,866**	3,696,500	9,738,229
Separation benefits	**-**	7,925,387	11,452,215
	P 128,965,787	P 116,388,163	P 141,342,041

21.2 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 2016 and 2015. The amounts of defined benefit asset (presented as part of Other Assets – see Note 13) recognized in the statements of financial position are determined as follows:

	2016	2015
Fair value of the plan assets	**P 67,520,551**	P 82,931,493
Present value of the obligation	**(53,451,677)**	(50,512,429)
	P 14,068,874	P 32,419,064

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

	2016	2015
Balance at beginning of year	**P 82,931,493**	P 82,220,858
Interest income	**3,856,314**	3,371,055
Return on plan assets (excluding amounts included in net interest)	**1,861,198**	(2,580,622)
Contributions paid into the plan	**-**	32,141,298
Benefits paid by the plan	**(21,128,454)**	(32,221,096)
Balance at end of year	**P 67,520,551**	P 82,931,493

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

	2016	2015
Balance at beginning of year	**P 50,512,429**	P 90,007,834
Current service cost	**8,078,402**	5,443,665
Interest expense	**2,348,828**	3,690,321
Remeasurements – actuarial losses (gains) arising from:		
Experience adjustments	**12,378,509**	(10,891,376)
Changes in financial assumptions	**1,261,963**	(2,121,467)
Settlement gain	**-**	(3,395,452)
Benefits paid by the plan	**(21,128,454)**	(32,221,096)
Balance at end of year	**P 53,451,677**	P 50,512,429

The plan assets as at December 31 consist of:

	2016	2015
Cash and cash equivalents	**P 6,497,090**	P 12,380,121
Philippine government securities	**23,632,359**	35,832,300
Corporate notes	**17,039,108**	16,112,430
Mutual fund	**4,838,088**	-
Equity securities	**15,018,921**	18,408,807
Loans and receivables	**494,985**	337,155
Accounts payable	**-**	(139,320)
	P 67,520,551	P 82,931,493

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 P5,717,512, P790,433 and P13,395,122 in 2016, 2015 and 2014, respectively.

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 the statements of income and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2016	2015	2014
Reported in statements of income:			
Current service cost	**P 8,078,402**	P 5,443,665	P 8,222,834
Net interest expense (income)	**(1,507,486)**	319,266	2,519,190
Settlement loss (gain)	**-**	(3,395,452)	13,772,499
	P 6,570,916	P 2,367,479	P 24,514,523
Reported in other comprehensive loss (income):			
Actuarial losses arising from changes in:			
Experience adjustments	**P 12,378,509**	(P 10,891,376)	(P 16,495,240)
Financial assumptions	**1,261,963**	(2,121,467)	(1,153,040)
Return on plan assets (excluding amounts included in net interest)	**(1,861,198)**	2,580,622	(10,254,097)
	P 11,779,274	(P 10,432,221)	(P 27,902,377)

Current service cost and settlement loss (gain) are presented as part of Salaries and employee benefits; while net interest expense and income are presented as Finance costs and as part of Interest income, respectively.

These accounts are presented in the statements of income under General and Administrative Expenses section (see Note 21.1).

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:

	2016	2015	2014
Discount rate	**4.3%**	4.7%	5.2%
Expected rate of salary increase	**5.0%**	5.0%	5.0%
Employee turn-over rate	**10.0%**	10.0%	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 26. 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 equity securities, debt securities, cash and cash equivalents, mutual fund and loans and receivables. 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 asset as at December 31:

		Impact on Defined Benefit Asset	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2016			
Discount rate	**+/- 1.0%**	**P 3,672,887**	**(P 4,222,609)**
Salary growth	**+/- 1.0%**	**(4,090,065)**	**3,694,696**
Turn-over rate	**+/-10.0%**	**505,374**	**(505,374)**
December 31, 2015			
Discount rate	+/- 1.0%	P 3,524,843	(P 4,004,555)
Salary growth	+/- 1.0%	(3,910,859)	3,563,741
Turn-over rate	+/-10.0%	342,911	(342,911)

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 sensitivity analysis in the preceding page, 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, 2016 and 2015 consists of debt and equity securities, although the Company also invests in cash equivalents, mutual fund and loans and 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 by P14,068,874 based on the latest actuarial valuation. Therefore, the Company is not expected to make any contribution to the plan during the next reporting period.

As at December 31, 2016 and 2015, the maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows.

	2016	2015
Within one year	**P 11,320,867**	P 2,792,086
More than one year to five years	**15,485,188**	24,999,112
More than five years to 10 years	**58,664,737**	54,261,495
More than 10 years to 15 years	**60,017,298**	66,952,207
More than 15 years to 20 years	**28,386,614**	69,180,359
	P 173,874,704	P 218,185,259

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years.

22. CURRENT AND DEFERRED TAXES

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

	2016	2015	2014
Current tax expense:			
Final tax at 20% and 7.5%	**P 35,152,163**	P 43,794,061	P 48,178,004
Regular corporate income tax (RCIT)	**10,099,405**	-	-
Excess of minimum corporate income tax (MCIT) over RCIT	**5,474,869**	9,988,928	4,675,876
	P 50,726,437	P 53,782,989	P 52,853,880

The reconciliation of the tax on pretax profit computed at the applicable statutory rates to tax expense in the statements of income is as follows:

	2016	2015	2014
Tax on pretax profit at 30%	**P 38,634,118**	P 69,874,929	P 18,372,034
Adjustment for income subjected to lower tax rates	**(27,597,830)**	(37,910,977)	(40,063,816)
Tax effects of:			
Movements in unrecognized deferred tax assets:			
Claims payable (IBNR losses – net)	**69,115,392**	(32,348,241)	(36,556,240)
Allowance for impairment	**10,238,367**	66,117,332	9,336,849
MCIT	**5,474,869**	9,988,928	4,675,876
Unamortized past service cost	**(4,465,701)**	3,543,589	9,842,405
Unrealized foreign currency gains	**(1,806,423)**	(1,091,791)	(2,027,082)
Accrued expense	**1,648,394**	(726,030)	739,394
Defined benefit asset	**-**	(8,932,147)	(8,622,017)
Balance forwarded	**P 91,241,186**	P 68,515,592	(P 44,302,597)

Forwarded balance	**P 91,241,186**	P 68,515,592	(P 44,302,597)
Utilization of deferred tax asset on net operating loss carry-over (NOLCO)	**(110,698,445)**	(83,468,550)	(8,921,779)
Non-deductible expenses	**83,945,587**	130,916,211	132,079,677
Non-taxable income	**(13,761,891)**	(62,180,264)	(26,001,421)
Tax expense reported in statements of income	**P 50,726,437**	P 53,782,989	P 52,853,880

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, 2016 and 2015:

	2016		2015	
	Tax Base	**Tax Amount**	Tax Base	Tax Amount
Deferred tax assets:				
Claims payable (IBNR losses – net)	**P 737,297,878**	**P 221,189,363**	P 506,913,237	P 152,073,971
Allowance for impairment	**729,153,843**	**218,746,153**	824,076,835	247,223,050
Unamortized past service cost	**90,679,038**	**27,203,711**	105,564,708	31,669,412
MCIT	**20,139,673**	**20,139,673**	14,664,804	14,664,804
Revaluation reserves on AFS financial assets	**6,429,323**	**1,928,797**	716,392	214,918
Accrued expense	**2,655,117**	**796,535**	3,757,851	1,127,355
NOLCO	**-**	**-**	368,994,815	110,698,445
	1,586,354,872	**490,004,232**	1,824,688,642	557,671,955
Deferred tax liabilities:				
Defined benefit asset	**(14,068,874)**	**(4,220,662)**	(32,419,064)	(9,725,719)
Unrealized foreign currency gains	**(23,272,462)**	**(6,981,739)**	(17,251,053)	(5,175,316)
	(37,341,336)	**(11,202,401)**	(49,670,117)	(14,901,035)
Net Unrecognized Deferred Tax Assets	**P 1,549,013,536**	**P 478,801,831**	P 1,775,018,525	P 542,770,920

In 2016, the Company fully utilized its NOLCO amounting to P368,994,815.

The Company is subject to MCIT which is computed at 2% of gross income, or RCIT, whichever is higher. In 2016, 2015 and 2014 the Company incurred MCIT which can be applied against future income tax payable as follows:

Year Incurred	Original Amount	Applied	Remaining Balance	Expiry
2016	P 5,474,869	P -	P 5,474,869	2019
2015	9,988,928	-	9,988,928	2018
2014	4,675,876	-	4,675,876	2017
	P 20,139,673	P -	P 20,139,673	

In 2016, 2015 and 2014, the Company claimed itemized deductions.

23. EQUITY

23.1 Capital Stock

As at December 31, 2016, 2015 and 2014, 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 Securities and Exchange Commission (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, 2016 and 2015, there are 280 holders of the listed shares. Such listed shares closed at P0.77 and P0.93 per share, as at those dates, respectively.

As at December 31, 2016 and 2015, 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 2016 and 2015.

23.2 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, provided there is no cumulative retained deficits, 10% of profit is set aside as additional reserve for contingencies. As at December 31, 2016, the Company appropriated P7,805,396 representing 10% of the net profit earned during the year.

23.3 Declaration of Cash Dividends

There was no declaration of cash dividends in 2016, 2015 and 2014. The total outstanding dividends payable amounted to P2,535,246 as at December 31, 2016 and 2015. These are presented as Dividends payable under Accounts Payable and Accrued Expenses account in the statements of financial position (see Note 15).

24. RELATED PARTY TRANSACTION

The Company's related parties include its 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.

24.1 Reinsurance Contracts with Related Parties

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

	2016		2015	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Premiums	**P 541,212,857**	**P 55,111,831**	P 441,285,032	P 26,257,936
Retrocessions	**50,315,806**	**12,081,620**	1,372,044	1,067,067
Commission income	**13,727,735**	-	22,200	-
Commission expenses	**141,579,744**	-	124,349,288	-
Losses incurred	**316,020,826**	**18,281,675**	278,600,661	461,947
Losses recoveries	**159,573,975**	**2,907,184**	2,970,573	1,562,648

As a result of the transactions in the above, reinsurance balances receivable from and payable to related parties are presented in the succeeding page.

	2016		2015	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from (to) ceding companies	**P 169,028,728**	**(P 4,153,044)**	P 222,331,936	P 20,216,776
Reinsurance recoverable on losses	**645,878,289**	-	95,866,745	489,795
Funds held by ceding companies	**65,893,989**	-	60,839,214	-
Outstanding loss reserves	**1,393,416,253**	**99,184**	1,212,866,352	4,458,459
Due to retrocessionaires	**29,440,991**	**9,579,163**	44,783,499	1,374,498
Funds held for retrocessionaire	**895,144**	-	164,777	-

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

The balance of Reinsurance balances receivable is presented net of P144,884,948 and P115,380,939 allowance for impairment as at December 31, 2016 and 2015, respectively. There are no other impairment losses recognized on other receivables.

24.2 Other Transactions

The Company's other transactions with related parties follow:

		2016		2015	
	Notes	**Amount of Transactions**	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholders					
Cash and cash equivalents	(a)	**P 6,460,064**	**P 172,234,029**	P 161,051,957	P 165,773,965
AFS financial assets	(b)	**(20,976,328)**	**46,096,879**	21,900,662	67,073,208
Loans and receivables	(c)	**6,098**	**93,940**	87,842	87,842
Interest income – bank accounts	(a)	**3,130,023**	**-**	546,854	-
Interest income – AFS financial assets	(b)	**1,715,388**	**-**	1,234,771	-
Gain on sale of AFS	(b)	**3,026,384**		-	-
Service fees	(d)	**(4,234,475)**	**-**	(3,718,236)	-
Related Parties Under Common Ownership					
Cash and cash equivalents	(a)	**477,966,851**	**1,040,787,314**	274,579,834	562,820,462
AFS financial assets	(b)	**(1,474,219)**	**35,052,462**	(82,890,836)	36,526,681
Loans and receivables	(c)	**(452,306)**	**115,648,506**	(1,291,390)	116,100,812
Interest income – bank accounts	(a)	**8,939,885**	**-**	570,998	-
Interest income – AFS financial assets	(b)	**7,261,722**	**-**	8,785,067	-
Gain on sale of AFS	(b)	**(2,336,466)**	**-**	**-**	**-**
Service fees	(d)	**(1,206,349)**	**-**	(1,203,272)	-

(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 19).

(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 19).

(c) Loans and Receivables

The Company has long-term negotiable certificate of deposit (LTNCD) and note receivables with certain related parties under common ownership. Relative to this, the Company recognized interest income which is presented as part of Interest income under Investment and Other Income account in the statements of income (see Note 19). The LTNCD and note receivables are unsecured and earn interest of 5.00% to 5.375% in 2016, 4.80% to 5.86% in 2015 and 5.00% to 5.50% in 2014. As at December 31, 2016 and 2015, management assessed that these receivables are not impaired.

(d) Investment Management and Custodianship

The Company has entered into "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 19) in the statements of income. There are no outstanding liabilities from these transactions as at December 31, 2016 and 2015.

24.3 Retirement Fund Investment Management

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

24.4 Transactions with Retirement Fund

As discussed in Note 21.2, 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 transactions with its retirement fund in 2016 while its only transaction in 2015 was a contribution in the amount of P32,141,298. The retirement fund does not hold any shares of stock of the Company as of December 31, 2016 and 2015.

24.5 Key Management Personnel Compensation

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

	2016	2015	2014
Short-term benefits	**P 46,619,979**	P 36,431,145	P 47,798,421
Post-employment benefits	**4,130,257**	1,568,764	3,610,068
	P 50,750,236	P 37,999,909	P 51,408,489

25. 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 makes 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.

26. EARNINGS PER SHARE

The earnings per share amounts are as follows:

	2016	2016	2015
Net profit available to common shareholders	**P 78,053,957**	P 179,133,440	P 8,386,232
Divided by the average number of outstanding common shares	**2,123,605,600**	2,123,605,600	2,123,605,600
	P 0.037	P 0.084	P 0.004

Diluted earnings per share is not determined since the Company does not have dilutive shares as at December 31, 2016, 2015 and 2014.

27. COMMITMENTS AND CONTINGENCIES

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

27.1 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, 2016 and 2015 is P1,351,365 and P1,992,110, respectively.

Rental expense recognized amounted to P3,082,152, P3,626,686, and P2,764,393 in 2016, 2015 and 2014, respectively, and is presented in the statements of income as Rental under General and Administrative Expenses section (see Note 21).

27.2 Legal Claims

The Company is currently involved in various legal proceedings. In consultation with the legal counsel, the related risk has been analyzed as to likelihood of occurrence and amount of future obligation. The Company believes that the outcome of these proceedings as of December 31, 2016 will not have a material adverse effect on the Company's financial position.

27.3 Deficiency Tax Assessments

The Company is in receipt of certain final deficiency tax assessment covering taxable period July 1, 2012 to December 31, 2012, pursuant to which the BIR has sought to investigate certain tax period against the Company and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Company's policy of addressing such actions in line with prudent business practice, the Company has engaged tax counsel in relation to this matter.

As of December 31, 2016, the final deficiency tax assessment is still under protest [see Note 32.1(h)]. Management believes that the Company has enough basis in law and evidence to support their claim; hence, no provisions were recognized in the financial statements.

27.4 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, 2016, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

28.1 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.

		2016		2015	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 920,425,229**	**P 920,425,229**	P 1,047,472,576	P 1,047,472,576
Reinsurance balances receivables	6	**1,445,939,323**	**1,445,939,323**	1,346,750,709	1,346,750,709
Funds at Lloyd's	13	**149,439,000**	**149,439,000**	-	-
Loans and receivables	8	**464,887,025**	**464,887,025**	306,791,128	306,791,128
		P 2,980,690,577	**P 2,980,690,577**	P 2,701,014,413	P 2,701,014,413
AFS financial assets:	7				
Debt securities		**P 3,689,501,733**	**P 3,689,501,733**	P 3,802,213,900	P 3,802,213,900
Equity securities		**2,136,666,156**	**2,136,666,156**	1,860,924,875	1,860,924,875
Investment in ARC		**31,335,823**	**31,335,823**	4,444,847	4,444,847
Various funds		**67,388**	**67,388**	60,791,966	60,791,966
		P 5,857,571,100	**P 5,857,571,100**	P 5,728,375,588	P 5,728,375,588

	Notes	2016 Carrying Values	2016 Fair Values	2015 Carrying Values	2015 Fair Values
Financial liabilities					
Financial liabilities at amortized cost:					
Reinsurance balances payable	14	**P 1,086,930,932**	**P 1,086,930,932**	P 1,060,266,539	P 1,060,266,539
Accounts payable and accrued expenses	15	**45,704,597**	**45,704,597**	30,638,647	30,638,647
		P 1,132,635,529	**P 1,132,635,529**	P 1,090,905,186	P 1,090,905,186

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 2.3 and 2.9 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.

28.2 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.

	Notes	**2016**	2015
Reinsurance balances receivable	6	**P 1,445,939,323**	P 1,346,750,709
Reinsurance balances payable	14	**1,086,930,932**	1,060,266,539

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, 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.

29.2 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, 2016 and 2015 (amounts in thousands Philippine Peso).

	Level 1	Level 2	Level 3	Total
December 31, 2016				
AFS financial assets	**P 5,808,385**	**P 17,850**	**P 31,336**	**P 5,857,571**
December 31, 2015				
AFS financial assets	P 5,643,610	P 80,321	P 4,445	P 5,728,376

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

	2016	2015
Balance at beginning of year	**P 4,445**	P 590,796
Foreign exchange gain	**2,700**	-
Fair value gain	**24,191**	-
Disposals	**-**	(562,960)
Transfers	**-**	(23,391)
Balance at end of year	**P 31,336**	P 4,445

The Company has no financial liabilities measured at fair value as at December 31, 2016 and 2015.

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, 2016 and 2015, 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 company's book value using the most recent available financial data.

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.

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 and is categorized within Level 2.

29.3 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.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 920,425,229	P -	P -	P 920,425,229
Reinsurance balances receivables	-	-	1,445,939,323	1,445,939,323
Loans and receivables	-		464,887,025	464,887,025
Funds at Lloyd's	-	-	149,439,000	149,439,000
	P 920,425,229	**P -**	**P2,060,265,348**	**P 2,980,690,577**
Financial liabilities:				
Reinsurance balances payable	P -	P -	P1,086,930,932	P 1,086,930,932
Accounts payable and other accrued expenses	-	-	45,704,597	45,704,597
	P -	**P -**	**P1,132,635,529**	**P 1,132,635,529**

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P1,047,472,576	P -	P -	P 1,047,472,576
Reinsurance balances receivables	-	-	1,346,750,709	1,346,750,709
Loans and receivables	-	-	306,791,128	306,791,128
	P1,047,472,576	P -	P 1,653,541,837	P 2,701,014,413
Financial liabilities:				
Reinsurance balances payable	P -	P -	P1,060,266,539	P 1,060,266,539
Accounts payable and other accrued expenses	-	-	30,638,647	30,638,647
	P -	P -	P1,090,905,186	P 1,090,905,186

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.

29.4 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, 2016 and 2015, the fair value of the investment properties is P5,880,000, classified as under Level 3 of the fair value hierarchy (see Note 13). 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.

30. 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:

30.1 Minimum Capitalization

Under Section 289 of the RA 10607 (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. Under the said circular letter, all existing reinsurance companies authorized to transact solely reinsurance business must have a networth of at least P2,250,000,000 by December 31, 2016. 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
P 2,500,000,000	December 31, 2019
3,000,000,000	December 31, 2022

As at December 31, 2016, the Company has complied with the minimum capital requirements.

30.2 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.

30.3 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 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.

30.4 Non-admitted Assets

Various assets, included on the enumeration of Section 203 of RA 10607 and subject to final determination of the Commissioner, are considered non-admitted assets for the purposes of determining the Company's financial condition. Details of these assets are presented below.

	2016	2015
Property and equipment – net	**P 27,801,445**	P 29,754,370
Deferred acquisition costs	**119,789,385**	147,743,688
Deferred reinsurance premiums	**394,816,767**	386,743,932
Other assets	**14,815,311**	18,098,380
	P 557,222,908	P 582,340,370

These assets are measured in accordance with PFRS and are included as part of total assets in the statements of financial position.

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	2016	2015
Current ratio	**2.47 : 1.00**	2.46 : 1.00
Asset-to-equity	**2.92 : 1.00**	2.74 : 1.00
Liability-to-equity	**1.92 : 1.00**	1.74 : 1.00

32. 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.

32.1 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 2016, the Company declared output VAT amounting to P15,252,268, which is set off against input VAT [see Note 32.1(b)], based on the following gross receipts:

	Tax Base	**Output VAT**
Exempt receipts	P 1,860,778,793	P -
Commission earned on retrocession	127,102,231	15,252,268
	P 1,987,881,024	**P 15,252,268**

Pursuant to RR No. 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 2016 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 2016 statement of income.

As at December 31, 2016, the Company also has deferred output VAT amounting to P38,842,259 pertaining to uncollected commission income from retrocessionaires (see Note 15).

(b) Input VAT

The movements in input VAT in 2016 are summarized below.

Balance at beginning of year	P	121,640,732
Services lodged under other accounts		44,090,570
Goods other than for resale or manufacture		449,187
Capital goods subject to amortization		875,171
Applied against output VAT	(	15,252,268)
Input VAT on exempt sales	(	9,437,172)
Balance at end of year	**P**	**142,366,220**

The balance of input VAT as at December 31, 2016 is recorded under Other Assets account in the 2016 statement of financial position (see Note 13).

As at December 31, 2016, the Company also has deferred input VAT amounting to P77,933,665 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 13).

(c) Taxes on Importation

The Company does not have any customs duties or tariff fees in 2016 since it does not have any importation.

(d) Excise Tax

The Company does not have excise tax in 2016 since it does not have any transactions which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

Total DST accrued and paid in 2016 amounted to P13,386 which pertains to car loan transactions of the Company. The Company is also 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, 2016. Reinsurance contracts are not subject to DST.

(f) Taxes and Licenses

The details of Taxes and licenses account for the year ended December 31, 2016 presented under General and Administrative Expenses section in the 2016 statement of income is broken down as follows (see Note 15):

Municipal license and permits	P	2,856,618
Fringe benefit tax		2,682,908
Registration		540,046
Real estate taxes		309,452
Documentary stamp tax		13,386
Miscellaneous		83,786
	P	**6,486,196**

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2016 are shown below.

Compensation and benefits	P	30,025,814
Expanded		5,609,404
Final		3,123,310
	P	**38,758,528**

(i) Deficiency Tax Assessments and Tax Cases

In 2016, the Company paid deficiency taxes in the amount of P25,063,361, including penalties and interest amounting to P13,727,172 and P11,336,189, respectively, on BIR assessment on VAT, withholding taxes, income tax and DST for the taxable year 2011.

The Company has final deficiency tax assessment on VAT amounting to P32,693,611 for the taxable period July 1, 2012 to December 31, 2012. As of December 31, 2016, the tax assessment is still under protest (see Note 27.3). Management believes that the Company has enough basis in law and evidence to support their claim; hence, no provisions were recognized in the financial statements. As at December 31, 2016, the Company does not have any other 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.

32.2 Requirements Under RR No. 19-2011

RR No. 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 2016 statement of income.

(a) Taxable Revenues

The Company's taxable revenues from rendering of services amounted to P1,822,104,385 for the year ended December 31, 2016.

(b) Deductible Cost of Services

Deductible cost of services for the year ended December 31, 2016 comprises the following:

Claims and losses	P 524,043,819
Increase in reserve of unearned reinsurance premiums	404,310,475
Commission expense	116,409,701
Salaries and allowances	29,225,006
Interest expense	799,978
	P 1,074,788,979

(c) Taxable Non-operating and Other Income

The details of taxable non-operating and other income in 2016, which are subject to regular tax rate are shown below.

Realized foreign currency gains	P 15,248,714
Interest income	14,528,257
Trading gain	582,618
Gain on sale of asset	46,199
Miscellaneous	992,504
	P 31,398,292

(d) Itemized Deductions

The amounts of itemized deductions for the year ended December 31, 2016 are as follows:

Bad debts	P	129,050,882
Salaries and allowances		86,075,758
Professional fees		25,442,867
Depreciation and amortization		18,604,857
Taxes and licenses		17,843,353
Other services		17,086,823
Amortization of past service cost		14,885,670
Communication, light and water		8,405,752
Other investment expenses		8,065,346
Repairs and maintenance		7,461,521
Directors' fees		5,461,986
Association dues		3,960,444
Meetings and conferences		3,630,124
Rental		3,117,197
Advertising and promotions		2,106,650
Office supplies		1,383,259
Insurance		1,009,743
Representation and entertainment		589,103
Miscellaneous		21,872,864
		376,054,199
Applied NOLCO		368,994,815
	P	**745,049,014**

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

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, 2016, on which we have rendered our report dated March 16, 2017. 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 the Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission, 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 W. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5908631, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 16, 2017

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Index to Supplementary Schedules
December 31, 2016

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
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, Inc.	801,590	56,752,572.00	56,752,572.00	458,746.80
Aboitiz Power Corporation	973,500	40,594,950.00	40,594,950.00	1,618,832.00
Alliance Global Group, Inc.	2,024,600	25,874,388.00	25,874,388.00	616,125.00
Ayala Corp. Class "B" Series 1 Pref.	100,000	54,500,000.00	54,500,000.00	2,625,000.00
Ayala Corporation	167,490	122,351,445.00	122,351,445.00	1,174,118.40
Ayala Land, Inc.	4,981,024	159,392,768.00	159,392,768.00	2,044,693.22
Bank of the Philippine Islands	519,109	46,096,879.20	46,096,879.20	1,715,388.30
BDO Unibank, Inc.	626,640	70,246,344.00	70,246,344.00	800,103.00
Cebu Air, Inc.	71,290	6,629,970.00	6,629,970.00	-
Cemex Holdings Philippines, Inc.	2,784,900	30,912,390.00	30,912,390.00	-
DMCI Holdings, Inc.	1,837,500	24,365,250.00	24,365,250.00	1,084,032.00
DoubleDragon Properties Corp	500,000	51,850,000.00	51,850,000.00	1,673,454.18
Energy Development Corporation	3,905,000	20,110,750.00	20,110,750.00	984,480.00
First Gen Corporation	1,389,400	30,566,800.00	30,566,800.00	488,110.00
First Gen Corporation - Preferred	156,000	17,784,000.00	17,784,000.00	1,248,000.00
First Gen Corporation - Series G Pre	200,000	24,200,000.00	24,200,000.00	1,556,160.00
First Phil. Holdings Corp.	7,360	499,744.00	499,744.00	7,360.00
Globe Telecom, Inc.	35,665	53,818,485.00	53,818,485.00	2,733,690.00
Globe Telecom, Inc. - Perpetual Pre	100,000	54,000,000.00	54,000,000.00	2,600,300.00
GT Capital Holdings, Inc.	45,780	58,140,600.00	58,140,600.00	141,210.00
GT Capital Holdings, Inc. - Series A	37,120	37,713,920.00	37,713,920.00	-
Int'l Container Terminal Services, Inc	547,530	39,394,783.50	39,394,783.50	513,167.20
JG Summit Holdings, Inc.	1,833,600	124,043,040.00	124,043,040.00	401,032.50
Jollibee Foods Corporation	252,560	48,996,640.00	48,996,640.00	401,840.60
Lopez Holdings Corporation	206,900	1,613,820.00	1,613,820.00	80,000.00
LT Group, Inc.	365,300	4,588,168.00	4,588,168.00	-
Manila Electric Company	252,410	66,888,650.00	66,888,650.00	3,958,746.00
Manila Water Company, Inc.	300,000	8,700,000.00	8,700,000.00	291,690.00
Max's Group, Inc.	696,000	17,400,000.00	17,400,000.00	80,345.17
Megaworld Corporation	9,825,400	35,076,678.00	35,076,678.00	434,192.86
Metro Pacific Investments Corporati	7,595,100	50,583,366.00	50,583,366.00	421,352.20
Metropolitan Bank and Trust Compa	806,943	58,584,061.80	58,584,061.80	541,773.00
Petron Corporation	2,254,600	22,433,270.00	22,433,270.00	170,940.00
Puregold Price Club, Inc.	258,800	10,093,200.00	10,093,200.00	-
Shakey's Pizza Asia Ventures, Inc.	145,600	1,674,400.00	1,674,400.00	-
Phil. Long Distance Telephone Co.	68,185	93,072,525.00	93,072,525.00	7,021,025.00
Phinma Energy Corp.	1,500,000	3,195,000.00	3,195,000.00	-
Robinson Land Corporation	1,078,850	28,050,100.00	28,050,100.00	163,494.00
Robinsons Retail Holdings, Inc.	344,000	25,542,000.00	25,542,000.00	216,720.00
San Miguel Corporation Series 2-B F	133,000	10,640,000.00	10,640,000.00	570,445.32
San Miguel Corporation Series 2-C F	133,000	10,693,200.00	10,693,200.00	598,500.00
San Miguel Corporation Series 2-D F	67,000	5,092,000.00	5,092,000.00	223,980.57
San Miguel Pure Foods Perpetual Pr	50,000	51,400,000.00	51,400,000.00	1,414,225.00
Semirara Mining and Power Corpora	37,690	4,899,700.00	4,899,700.00	494,680.00
Security Bank Corporation	8,130	1,544,700.00	1,544,700.00	5,000.00
SM Investments Corporation	296,548	194,238,940.00	194,238,940.00	3,505,698.76
SM Prime Holdings, Inc.	3,545,600	100,517,760.00	100,517,760.00	800,607.00
Universal Robina Corporation	694,350	113,526,225.00	113,526,225.00	1,617,556.50
Asian Reinsurance Corp	980	31,335,822.59	31,335,822.59	
Makati Sports Club "A"	1	400,000.00	400,000.00	
Benguet Consolidated	18	61.92	61.92	
Heritage Park - Garden	4	880,000.00	880,000.00	
Orchard Golf Club - C	1	280,000.00	280,000.00	
Batangas Venture(BAC)	2,200,000	845,724.97	845,724.97	
Phil. Hotel C (Hot)	750	96,971.77	96,971.77	
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	
Shell Co. (SHEP)	660	1,905,974.40	1,905,974.40	
Sold				398,053.86
SUB-TOTAL FOR STOCKS		**2,168,001,979.08**	**2,168,001,979.08**	**47,894,868.44**

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
BONDS				
Fixed Rate Treasury Notes				
FXTN 10-60	1,029,221,213.00	966,877,544.14	966,877,544.14	37,309,268.86
FXTN 7-58	30,540,000.00	29,641,982.96	29,641,982.96	742,291.67
	1,059,761,213.00	**996,519,527.10**	**996,519,527.10**	**38,051,560.53**
ROP BONDS				
ROP 24	102,637,350.00	123,011,411.11	123,011,411.11	4,350,794.67
RCBC 2017	8,785,600.00	9,972,861.48	9,972,861.48	509,191.38
PCORPM	10,163,250.00	12,959,848.21	12,959,848.21	909,752.86
PCORPM	10,163,250.00	12,959,848.21	12,959,848.21	909,752.86
SMIC 2019	8,376,000.00	10,251,515.40	10,251,515.40	405,676.15
SMC US$	20,469,000.00	24,445,729.75	24,445,729.75	1,172,837.67
FGEN CSUFN	21,654,500.00	26,646,219.03	26,646,219.03	1,553,026.40
RCBC US$ Senior Notes	23,445,000.00	25,079,600.18	25,079,600.18	829,342.29
MATURED				
TOTAL DOLLAR BONDS	**205,693,950.00**	**245,327,033.36**	**245,327,033.36**	**10,640,374.28**
(BPI Managed)				
FXTN 7-56	60,000,000.00	60,473,390.87	60,473,390.87	1,959,407.45
FXTN 7-57	60,000,000.00	59,159,247.28	59,159,247.28	1,012,614.85
FXTN 7-58	95,000,000.00	92,206,561.26	92,206,561.26	1,619,790.44
FXTN 5-73	30,000,000.00	29,584,224.29	29,584,224.29	697,278.67
FXTN 10-54	15,632,706.00	16,561,277.31	16,561,277.31	872,164.84
FXTN 10-60	109,464,475.00	102,833,813.98	102,833,813.98	5,204,807.53
FXTN 20-17	149,000,000.00	191,183,499.27	191,183,499.27	6,007,096.20
FXTN 25-11	127,344,100.00	121,779,336.26	121,779,336.26	8,036,435.46
RTB 10-05	20,000,000.00	18,531,868.68	18,531,868.68	196,388.89
MATURED				4,059,769.19
	666,441,281.00	**692,313,219.20**	**692,313,219.20**	**29,665,753.50**
(RCBC Managed)				
FXTN 7-51	18,499,000.00	18,763,373.68	18,763,373.68	739,998.87
FXTN 5-73	23,000,000.00	22,681,238.62	22,681,238.62	818,724.95
FXTN 7-56	18,000,000.00	18,142,017.26	18,142,017.26	602,380.61
FXTN 7-57	30,000,000.00	29,579,623.64	29,579,623.64	713,903.13
FXTN 7-58	22,000,000.00	21,353,098.40	21,353,098.40	336,542.46
FXTN 10-59	50,000,000.00	48,143,501.63	48,143,501.63	1,632,171.11
FXTN 10-60	10,000,000.00	9,394,263.66	9,394,263.66	172,621.88
RTB 15-1	20,000,000.00	22,125,502.00	22,125,502.00	1,002,204.71
RTB 10-04	25,000,000.00	23,098,498.41	23,098,498.41	399,487.44
MATURED/SOLD				2,350,743.09
	216,499,000.00	**213,281,117.30**	**213,281,117.30**	**8,768,778.25**
Mandatory Reserves				
FXTN 10-60	500,000,000.00	469,713,183.10	469,713,183.10	18,125,000.00
	500,000,000.00	**469,713,183.10**	**469,713,183.10**	**18,125,000.00**
CORPORATE BONDS				
AC Bond - 2023	25,000,000.00	25,000,000.00	25,000,000.00	473,666.67
AEV Serries A	50,000,000.00	50,000,000.00	50,000,000.00	2,236,100.00
AEV Serries B	50,000,000.00	50,000,000.00	50,000,000.00	2,502,800.00
ALI Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,812,500.00
EDC Bond	60,000,000.00	60,000,000.00	60,000,000.00	2,494,980.00
Filinvest Dev't. Corp(FDC)	20,000,000.00	20,000,000.00	20,000,000.00	1,229,160.00
FLI	50,000,000.00	50,000,000.00	50,000,000.00	2,678,350.00
FLI	50,000,000.00	50,000,000.00	50,000,000.00	2,428,100.00
FLI Bond	20,000,000.00	20,000,000.00	20,000,000.00	1,254,620.00
Globe Bond	73,000,000.00	73,000,000.00	73,000,000.00	4,197,500.00
JGS-BOND	50,000,000.00	50,000,000.00	50,000,000.00	2,615,850.00
PCOR 21 R19	75,000,000.00	75,000,000.00	75,000,000.00	533,760.00
Rockwell 2021	50,000,000.00	50,000,000.00	50,000,000.00	2,546,600.00
San Miguel Brewery	76,550,000.00	76,550,000.00	76,550,000.00	4,631,275.00
SM 23 R21	72,000,000.00	72,000,000.00	72,000,000.00	226,996.00
SMB-BOND	70,000,000.00	70,000,000.00	70,000,000.00	4,620,000.00
SMC Global Power Holdings Corpora	45,000,000.00	45,000,000.00	45,000,000.00	923,482.50
SMIC	50,000,000.00	50,000,000.00	50,000,000.00	3,000,000.00
SMIC	80,000,000.00	85,797,652.86	85,797,652.86	4,640,440.03
SMPH	50,000,000.00	50,000,000.00	50,000,000.00	2,254,750.00
MATURED				3,342,837.12
	1,066,550,000.00	**1,072,347,652.86**	**1,072,347,652.86**	**51,643,767.32**

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
SUB-TOTAL FOR INVESTMENT IN BONDS	**3,714,945,444.00**	**3,689,501,732.92**	**3,689,501,732.92**	**156,895,233.88**
Special Purpose Trust	**3,190,000.00**	**67,388.00**	**67,388.00**	**-**
TOTAL AVAILABLE FOR SALE		**5,857,571,100.00**	**5,857,571,100.00**	**204,790,102.32**
LOANS AND RECEIVABLE				
NOTES RECEIVABLES				
SMPH	96,000,000.00	96,000,000.00	96,000,000.00	5,629,156.65
SMART 2017	96,000,000.00	96,000,000.00	96,000,000.00	5,142,857.78
SMPH	48,000,000.00	48,000,000.00	48,000,000.00	2,060,600.00
RCBC LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,625,000.00
RCBC LTNCD	15,000,000.00	15,070,069.02	15,070,069.02	610,688.43
EWB LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,500,000.00
RCBC Tier 2	50,000,000.00	50,000,000.00	50,000,000.00	2,687,500.00
MATURED/SOLD	-	-	-	
SUB-TOTAL NOTE RECEIVABLE	**405,000,000.00**	**405,070,069.02**	**405,070,069.02**	**21,255,802.86**
ACCRUED INTEREST RECEIVABLE		40,048,288.66	40,048,288.66	
ACCOUNTS RECEIVABLE		13,116,569.71	13,116,569.71	
LOANS RECEIVABLE		5,731,348.18	5,731,348.18	
TREASURY BILLS				
TOTAL LOANS AND RECEIVABLE		**463,966,275.57**	**463,966,275.57**	**21,255,802.86**
OTHER ASSET				
FUNDS AT LLOYDS		149,439,000.00	149,439,000.00	
TOTAL OTHER ASSET		**149,439,000.00**	**149,439,000.00**	**-**
GRAND TOTAL FINANCIAL ASSETS		**6,470,976,375.57**	**6,470,976,375.57**	**226,045,905.18**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders' (Other than Related Parties)
December 31, 2016

					Deductions		Ending Balance		
	Name of employee	Designation	Bal. at beg. of period	Additions	Amounts collected	Amounts Written off	Current	Non-Current	Balance at end of period
A. Emergency Loans									
1	Arcangel, Tristan Russell T.	Rank & File	12,779.10	-	12,779.10	-	-	-	-
2	Asuncion, Rino Antonio Carino	Manager	-	50,000.00	50,000.00	-	-	-	-
3	Avila, Lylibeth	Rank & File	7,781.90	20,000.00	19,939.62	-	6,082.63	-	7,842.28
4	Castillo, Jocelyn	Rank & File	7,781.91	20,000.00	23,415.56	-	4,366.35	-	4,366.35
5	Cruz, Bethzayda	Rank & File	7,781.90	-	7,781.90	-	-	-	-
6	Lacson, Jeffrey	Vice President	-	80,000.00	65,992.95	-	14,007.05	-	14,007.05
7	Lopez, Marvin	Manager	17,335.92	50,000.00	67,335.92	-	-	-	-
8	Magtalas, Ivy I.	Manager	48,033.97	25,000.00	48,033.97	-	25,000.00	-	25,000.00
9	Malana, Jackilyn	Rank & File	7,957.74	20,000.00	10,526.40	-	17,628.95	-	17,431.34
10	Paz, Anjo Raval	Rank & File	882.05	-	882.05	-	-	-	-
11	Relota, Eireen	Rank & File	-	20,000.00	16,498.23	-	3,501.77	-	3,501.77
12	Salesa, Mario	Rank & File	6,082.66	20,000.00	26,082.66	-	-	-	-
13	Tumangday, Raul	Senior Manager	-	50,000.00	1,966.03	-	48,033.97	-	48,033.97
14	Velasquez, Rolly	Asst. Manager	6,468.86	-	6,468.86	-	-	-	-
15	Yamat, Jennifer	Rank & File	6,934.75	20,000.00	17,935.84	-	8,625.49	-	8,998.91
			129,820.76	375,000.00	375,639.09	-	127,246.21	-	129,181.67
C. Car Facility Loan									
1	Asuncion, Rino Antonio Carino	Manager	347,182.41		347,182.41			-	-
2	Benito, Noli Mario	Vice President	342,583.94		-			342,583.94	342,583.94
3	Besabe, Blesilda Santos	Senior Asst. Vice President	558,636.26		105,074.08			453,562.18	453,562.18
4	Camince, Enrico	Manager	411,414.56		71,858.29			339,556.27	339,556.27
5	Cornelio, Jennifer Aning	Manager	375,962.20		375,962.20			-	-
6	De Leon, Dino Angeles	Asst. Vice President	550,197.04		105,775.73			444,421.31	444,421.31
7	Dela Paz, M.	Manager	367,177.81		75,536.25			291,641.56	291,641.56
8	Fidelino, Karen	Asst. Vice President	462,642.42		113,055.32			349,587.10	349,587.10
9	Fong, Allan	Senior Manager	173,183.30		173,183.30			-	-
10	Hife, Jennifer	Manager	342,300.48		342,300.48			-	-
11	Geronimo, Editha B.	Asst. Vice President	100,235.90		100,235.90			-	-
12	Gomez, Hannah Lee	Manager	396,913.64		73,063.94			323,849.70	323,849.70
13	Karo, Maria Perpetua Palmyra Tan	Asst. Vice President	558,636.26		558,636.26			-	-
14	Lacson, Jeffrey	Senior Asst. Vice President	502,764.40		247,504.28			255,260.12	255,260.12
15	Lopez, C. Marvin	Manager	369,138.38		369,138.38			-	-
16	Lorenzo, Cherry Lou R.	Asst. Vice President	-	586,800.00	32,254.95			554,545.05	554,545.05
17	Lucos, Honarata S.	Asst. Vice President	100,235.90		100,235.90			-	-
18	Magtalas, Ivy I.	Manager	-	420,000.00	23,086.36			396,913.64	396,913.64
19	Merida, Anelisa Trinidad M.	Asst. Vice President	-	600,000.00	16,380.51			583,619.49	583,619.49
20	Papa, Regina	Senior Asst. Vice President	28,857.63	600,000.00	53,510.52			575,347.11	575,347.11
21	Ramos, Regina S.	Vice President	43,741.94		43,741.94			-	-
22	Salonga, Daisy Cua	Senior Asst. Vice President	117,343.86		117,343.86			-	-
23	Tanjuakio, Viktor	Vice President	342,583.94		82,631.78			259,952.16	259,952.16
24	Tumangday, Raul	Senior Manager	-	470,370.00	39,043.05			431,326.95	431,326.95
			6,491,732.27	2,677,170.00	3,566,735.69	-	-	5,602,166.58	5,602,166.58
D. Receivables on Insurance coverage of Co. Car (Officers share)									
1	Asuncion, Rino Antonio Carino	Manager	2,001.64	10,515.03	12,516.67		-		-
2	Benito, Noli Mario	Vice President	9,400.64	-	9,400.64				-
3	Besabe, Blesilda Santos	Senior Asst. Vice President	11,021.12	16,914.65	18,773.70		9,162.07		9,162.07
4	Camince, Enrico	Manager	12,853.79	11,116.50	13,780.16		10,190.13		10,190.13
5	Cornelio, Jennifer Aning	Manager	6,591.41	-	6,591.41				-
6	De Leon, Dino Angeles	Asst. Vice President	5,921.44	10,839.29	11,341.12		5,419.61		5,419.61
7	Dela Paz, M.	Manager	4,401.02	15,089.26	15,717.99		3,772.29		3,772.29
8	Fidelino, Karen	Asst. Vice President	9,044.90	12,318.91	13,151.30		8,212.51		8,212.51
9	Fong, Allan	Senior Manager	9,624.27	-	9,624.27				-
10	Geronimo, Editha B.	Asst. Vice President	9,156.10	-	9,156.10				-
11	Gomez, Hannah Lee	Manager	7,605.92	9,949.83	11,897.56		5,658.19		5,658.19
12	Hife, Jennifer	Manager	3,877.03	-	3,877.03				-
13	Karo, Maria Perpetua Palmyra Tan	Asst. Vice President	11,021.12	-	11,021.12				-
14	Lacson, Jeffrey	Vice President	938.16	11,257.26	11,890.86		304.56		304.56
15	Lopez, C. Marvin	Manager	4,457.34	12,247.92	16,705.26				-
16	Lorenzo, Cherry Lou R.	Asst. Vice President	-	11,789.61	3,929.84		7,859.77		7,859.77
17	Lucos, Honarata S.	Asst. Vice President	8,881.90	-	8,881.90				-
18	Magtalas, Ivy I.	Manager	-	14,397.07	5,398.91	-	8,998.16		8,998.16
19	Merida, Anelisa Trinidad M.	Asst. Vice President	-	16,204.94	3,376.05	-	12,828.89		12,828.89
20	Papa, Regina	Senior Asst. Vice President	2,864.28	-	2,864.28				-
21	Ramos, Regina S.	Vice President	5,581.29	-	5,581.29				-
22	Salonga, Daisy Cua	Senior Asst. Vice President	3,935.47	-	3,935.47				-
23	Tanjuakio, Viktor	Vice President	7,920.80	11,196.10	11,186.30		7,930.60		7,930.60
24	Tumangday, Raul	Senior Manager	-	14,242.98	5,934.60		8,308.38		8,308.38
			137,099.64	178,079.35	226,533.83	-	88,645.16	-	88,645.16
	GRAND TOTAL		**6,758,652.67**	**3,230,249.35**	**4,168,908.61**	**-**	**215,891.37**	**5,602,166.58**	**5,819,993.41**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2016

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

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule D - Intangible Assets/Other Assets
December 31, 2016

	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	RMS LIFE MODULE CUSTOMISATION	1,461,814	1,725,271	-	-		3,187,085
2	ARIMA Insurance Software	5,797,105		4,269,245			1,527,860
3	RMS Dashboard Software	763,698		190,924			572,774
4	RMS GL INTERFACE	470,151		-			470,151
5	RMS TRANSACTION REPORT	329,724		74,655			255,069
6	RMS CAT Accumulation Report	215,895		-			215,895
7	SAP Software Licences	-					-
8	Custom System Dev't-RADSL	168,000		168,000			-
9	OS Ticket System(HelpDesk System	63,750		63,750			-
10	RMS Licences - RiskLink	2,959,523		2,959,523			-
11	MS Office Home & Business 2016	-	47,492	47,492			-
	Sub-Total	**12,229,660**	**1,772,763**	**7,773,589**	**-**	**-**	**6,228,834**
B	**Other Assets**						
1	Funds at Lloyds	-	149,439,000				149,439,000
2	Creditable Expanded withholding Tax	146,664,603	16,633,282	15,574,274			147,723,611
3	Input VAT	121,640,732	45,414,928	9,437,172	15,252,268		142,366,220
4	Deferred Input Vat	71,502,770	47,407,827		40,976,932		77,933,665
5	Defined benefit asset	32,419,064		6,570,916	11,779,274		14,068,874
6	Deferred Withholding VAT (GSIS)	9,202,886					9,202,886
7	Prepayments	5,069,321	7,762,079	5,069,321			7,762,079
8	Deferred expanded withholding tax	3,833,170	16,777,758		13,299,299		7,311,630
9	Investment properties	2,829,909		5,000			2,824,909
10	Deposit	799,399	25,004				824,403
11	Creditable Withholding Vat	-	774,360				774,360
12	Security Fund	192,888	451,037				643,925
	Sub-Total	**394,154,742**	**284,685,276**	**36,656,683**	**81,307,773**	**-**	**560,875,562**
	GRAND TOTAL	**406,384,402**	**286,458,038**	**44,430,272**	**81,307,773**	**-**	**567,104,396**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule E - Long-term Debt
December 31, 2016

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 PHILS.
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related
December 31, 2016

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

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2016

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)

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule H- Capital Stock
December 31, 2016

	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 COR	Common	265,200	NIL			265,200
16	CONSOLIDATED INSURANCE CO., INC.	Common	144,600	NIL			144,600
17	COOPERATIVE INSURANCE SYSTEM OF THE	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 CORPORA	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 I	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 CORPORA	Common	313,300	NIL			313,300
29	GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700	NIL			544,700
30	HYDEE MANAGEMENT & RESOURCE CORPO	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 CORPORA	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	1,604,392,898	NIL	820,182,498	1,327,001	782,883,399
49	PCD NOMINEE CORP. (F) - TREASURY	Common	58,349,000	NIL			58,349,000
50	PCD NOMINEE CORP. (NF)	Common	3,972,600	NIL			3,972,600
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 GENERAL INSURANCE CORP.	Common	750,000	NIL			750,000
58	PHILIPPINE REMNANTS CO., INC.	Common	399,300	NIL			399,300
59	PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200	NIL			11,075,200
60	PLARIDEL SURETY & INSURANCE COMPANY	Common	162,500	NIL			162,500
61	PNB GENERAL INSURERS CO., INC.	Common	1,000	NIL			1,000
62	REPUBLIC SURETY & INSURANCE COMPANY	Common	542,300	NIL			542,300
63	RITA LEGARDA., INC.	Common	13,700	NIL			13,700

	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
64	RIVARA, INC.	Common	8,700	NIL			8,700
65	SM SAVINGS & LOAN ASSOCIATION	Common	70,000	NIL			70,000
66	SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700	NIL			4,152,700
67	STERLING INSURANCE CO., INC.	Common	2,453,900	NIL			2,453,900
68	STERLING INSURANCE COMPANY, INC.	Common	300,000	NIL			300,000
69	STRONGHOLD INSURANCE CO., INC.	Common	2,817,600	NIL			2,817,600
70	SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700	NIL			305,700
71	SUSANA REALTY	Common	600	NIL			600
72	TABACALERA INSURANCE CO. INC.	Common	1,278,700	NIL			1,278,700
73	THE PREMIER INSURANCE & SURETY CORP(	Common	2,456,100	NIL			2,456,100
74	TIMES SURETY & INSURANCE CO., INC.	Common	7,500	NIL			7,500
75	TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100	NIL			696,100
76	UNION BANK OF THE PHILIS.	Common	5,000	NIL			5,000
77	UNION INSURANCE SOCIETY OF CANTON LT	Common	2,197,300	NIL			2,197,300
78	UNITED INSURANCE CO., INC	Common	2,006,600	NIL			2,006,600
79	UNITED LIFE ASSURANCE CORP.	Common	2,518,100	NIL			2,518,100
80	UTILITY ASSURANCE CORP.	Common	1,837,900	NIL			1,837,900
81	VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500	NIL			3,545,500
82	VISAYAN SURETY & INSURANCE CORPORAT	Common	200,000	NIL			200,000
83	WORLDWIDE INSURANCE & SURETY COMPA	Common	100	NIL			100
84	ZENITH INSURANCE CORPORATION	Common	805,800	NIL			805,800
85	ADELITA VERGEL DE DIOS	Common	171,500	NIL			171,500
86	AFRICA, ISABELO P.	Common	100	NIL			100
87	ALICIA S. CRUZ	Common	6,400	NIL			6,400
88	ALMEDA, VALERIANO &/OR TITA JANE	Common	40,000	NIL			40,000
89	ALVENDIA, JOSE P.	Common	100	NIL			100
90	ANDRES E. SIOCHI	Common	11,700	NIL			11,700
91	ANGELITA U. REYES	Common	2,800	NIL			2,800
92	ANSALDO, GODINEZ &CO INC.FAO: MARK V.	Common	254,000	NIL			254,000
93	ANTONIO P. MADRIGAL	Common	4,200	NIL			4,200
94	ANTONIO ROXAS CHUA	Common	1,089,500	NIL			1,089,500
95	ANTONIO S. ROXAS-CHUA JR.	Common	24,900	NIL			24,900
96	ARAGON, BIENVENIDO M.	Common	200	NIL			200
97	AYUSTE JR., RAFAEL G.	Common	100,000	NIL		100,000	-
98	BANZON JR., JOSE G.	Common	54,000	NIL			54,000
99	BASCO, AMERFIL V.	Common	11,800	NIL			11,800
100	BELTRAN, AURELIO M.	Common	100	NIL			100
101	BERNARDO, ROMEO L.	Common	100	NIL		100	-
102	BETTY RC YAO	Common	13,400	NIL			13,400
103	BUENO, FRANCIS EDWIN I.	Common	100	NIL			100
104	CABANGON CHUA, ANTONIO L.	Common	100	NIL			100
105	CABREZA, JOCELYN DE GUZMAN	Common	1	NIL		1	-
106	CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPH	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
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	-

	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
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 ERNEST	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
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

	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
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. A	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	SALUDARES, NORA MALUBAY	Common	1	NIL		1	-
246	SALVADOR, BIENVENIDO C.	Common	100	NIL			100
247	SAUCO, NORBERTO V.	Common	100	NIL			100
248	SEVERINO T. ROXAS-CHUA	Common	13,400	NIL			13,400
249	SUDHAKAR, RANIPETA RANI	Common	100	NIL			100
250	SUNGA, PETER EDWIN J. SUNGA &/OR ROSA	Common	300,000	NIL			300,000
251	SUNGA, PROSPERO S. SUNGA &/OR CLARIT/	Common	375,000	NIL			375,000
252	SUSANA B. ORTIGAS	Common	1,100	NIL			1,100
253	TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300	NIL			92,300
254	TAN, LOZANO A.	Common	100,000	NIL			100,000
255	TANCO, EUSEBIO H.	Common	100	NIL			100
256	TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000	NIL			29,000
257	TEODORO, MONICA P.	Common	967	NIL			967
258	TIU, ALFONSO SY	Common	6,000	NIL			6,000
259	TRINIDAD, ARMANDO C.	Common	100	NIL			100
260	TURNER, PHILIP &/OR ELNORA	Common	1,000	NIL			1,000
261	UNSON JR., ALEJANDRO F.	Common	100	NIL			100
262	UNSON JR., EDMUNDO L.	Common	100	NIL			100
263	UNSON, MA. ANICIA F.	Common	100	NIL			100
264	UY JR., CARLOS F.	Common	100	NIL			100

	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
265	UY, ALVIN CHRIS SY	Common	6,000	NIL			6,000
266	UY, FRANCISCO A.	Common	100,000	NIL			100,000
267	VALENCIA, JESUS SAN LUIS	Common	2,100	NIL			2,100
268	VERGARA, ROBERT G.	Common	1,000	NIL			1,000
269	VICENTE A.S. MADRIGAL	Common	1,600	NIL			1,600
270	VICENTE B. VILLARAMA JR.	Common	2,800	NIL			2,800
271	VICENTE M. BAYOT	Common	1,100	NIL			1,100
272	VICTORIANO G. BELIZARIO	Common	300	NIL			300
273	VILLAMAYOR, ANTONIO S.	Common	100	NIL			100
274	VILLANUEVA, NICERATA C.	Common	6,000	NIL			6,000
275	WONGAIHAM, ANTHONY T.	Common	200	NIL			200
276	WU, JOLI CO	Common	344,100	NIL		344,100	-
277	YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000	NIL			50,000
278	YAO, BONIFACIO N.	Common	100	NIL			100
279	YAO, WILSON A.	Common	30,000	NIL			30,000
280	YUCHENGCO, YVONNE S.	Common	100	NIL		100	-
	Total		**2,123,605,600**		**1,150,473,098**	**1,789,453**	**971,343,049**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
31st floor BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2016

The Company has a positive balance of retained earnings as at December 31, 2016 and a negative balance (deficit) as at December 31, 2015. Presented below is an analysis for purposes of this reconciliation requirement.

Unappropriated Retained Earnings at Beginning of Year		(P 64,402,298)
Less Prior Years' Outstanding Reconciling Items, net of tax		(3,639,300)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		(68,041,598)
Net Profit Realized during the Year		
Net profit per audited financial statements	P 78,053,957	
Unrealized foreign exchange gain	(6,021,409)	72,032,548
Other Transactions During the Year		
Appropriated for contingencies		(7,805,396)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**(P 3,814,446)**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

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, 2016

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	♋		
	Amendments 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	♋		
	Amendments 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			♋
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			♋
PFRS 3 (Revised)	Business Combinations			♋
PFRS 4	Insurance Contracts	♋		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	♋		
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts** *(effective January 1, 2018)*			♋
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	♋		
	Amendments 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			♋
	Amendments to PFRS 10: Transition Guidance			♋
	Amendments to PFRS 10: Investment Entities			♋
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			♋
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			♋
PFRS 11	Joint Arrangements			♋
	Amendments to PFRS 11: Transition Guidance			♋
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			♋

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			♋
	Amendments to PFRS 12: Transition Guidance			♋
	Amendments to PFRS 12: Investment Entities			♋
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			♋
PFRS 13	Fair Value Measurement	♋		
PFRS 14	Regulatory Deferral Accounts			♋
PFRS 15	Revenues from Contract with Customers* *(effective January 1, 2018)*			♋
PFRS 16	Leases* *(effective January 1, 2019)*			♋
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	♋		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	♋		
	Amendments to PAS 1: Disclosure Initiative	♋		
PAS 2	Inventories			♋
PAS 7	Statement of Cash Flows	♋		
	Amendments to PAS 7: Disclosure Initiative* *(effective January 1, 2017)*			♋
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	♋		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	♋		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* *(effective January 1, 2017)*			♋
PAS 16	Property, Plant and Equipment	♋		
	Amendments to PAS 16: Bearer Plants			♋
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	♋		
PAS 17	Leases	♋		
PAS 18	Revenue	♋		
PAS 19 (Revised)	Employee Benefits	♋		
	Amendments 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	♋		
	Amendments: 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			♋
	Amendments to PAS 27: Investment Entities			♋
	Amendments to PAS 27: Equity Method in Separate Financial Statements			♋
PAS 28 (Revised)	Investments in Associates and Joint Ventures			♋
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			♋
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			♋
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	♋		
	Amendments to PAS 32: Classification of Rights Issues	♋		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	♋		
PAS 33	Earnings Per Share	♋		
PAS 34	Interim Financial Reporting	♋		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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	♋		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	♋		
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	♋		
	Amendments to PAS 39: Eligible Hedged Items	♋		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	♋		
PAS 40	Investment Property	♋		
PAS 41	Agriculture			♋
	Amendments to PAS 41: Bearer Plants			♋
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 2016 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.