AFP GENERAL INSURANCE CORPORATION

(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

FINANCIAL STATEMENTS December 31, 2016 and 2015



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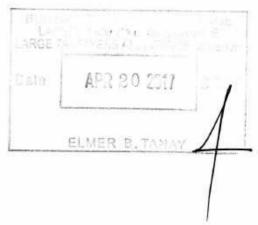
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders AFP General Insurance Corporation AFPGEN Building Col. Bonny Serrano Road cor. EDSA Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AFP General Insurance Corporation ("the Company") (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

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 the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 audit 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.



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 PFRSs, 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 PSAs 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, they 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 PSAs, 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.

Date

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 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 audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 33 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

IC Accreditation No. SP-2014/024-R, valid until August 26, 2017

CPA License No. 0095177

SEC Accreditation No. 1387-A, Group A, valid until April 30, 2017

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2016

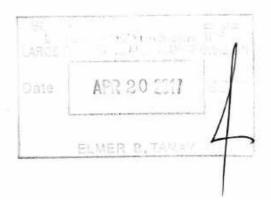
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Issued October 18, 2016; valid until October 17, 2019

PTR No. 5904925MD

Issued January 3, 2017 at Makati City

March 29, 2017 Makati City, Metro Manila





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The Board of Directors and Stockholders AFP General Insurance Corporation AFPGEN Building Col. Bonny Serrano Road cor. EDSA Quezon City

We have audited the accompanying financial statements of AFP General Insurance Corporation (the "Company") (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) as at and for the year ended December 31, 2016, on which we have rendered our report dated March 29, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares of stock.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

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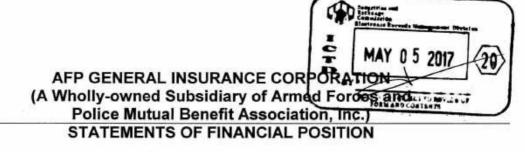
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March 29, 2017 Makati City, Metro Manila



		D	ecember 31
	Note	2016	2015 (As restated - Note 31)
ASSETS			
Cash and cash equivalents	7	P40,088,429	P29,837,571
Insurance receivables - net	8	143,393,454	57,452,067
Available-for-sale (AFS) financial assets - net	9	320,726,722	322,852,884
Held-to-maturity (HTM) investments	10	67,646,062	68,324,020
Deferred reinsurance premiums	11	11,085,968	3,945,399
Deferred acquisition costs	12	22,467,112	6,289,446
Investment properties	13	21,289,000	22,024,000
Property and equipment - net	14	25,605,330	32,695,779
Deferred tax assets - net	25	19,028,324	23,401,465
Other assets	15	18,876,671	25,324,467
		P690,207,072	P592,147,098
Liabilities	ormen:		
Insurance contract liabilities	17	P135,107,236	P48,415,684
Reserve for unearned premiums	18	96,003,131	49,021,006
Deferred reinsurance commissions	19	1,976,247	750,952
Accounts payable and accrued expenses	16	39,806,772	38,966,359
Retirement benefit liability	24	889,138	6,197,299
Total Liabilities		273,782,524	143,351,300
Equity			
Capital stock	27	250,000,000	250,000,000
Contributed surplus		500,000	500,000
Additional paid-in capital		173,140,704	173,140,704
Revaluation reserves for AFS financial assets	9	(53,472,021)	(55,116,240
Retirement benefits reserve		(5,747,216)	(10,335,802
Retained earnings		52,003,081	90,607,136
Total Equity	5	416,424,548	448,795,798
		P690,207,072	P592,147,098

See Notes to the Financial Statements.



AFP GENERAL INSURANCE CORPORATION (A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ende	d December 31
			2015
			(As restated -
	Note	2016	Note 31
UNDERWRITING INCOME			
Direct premiums written	5, 20	P155,825,589	P86,034,270
Premiums assumed	5, 20	38,819,997	37,193,060
Gross premiums		194,645,586	123,227,330
Premiums ceded	5, 20	(18,407,142)	(8,472,513)
Premiums retained		176,238,444	114,754,817
Increase in reserve for unearned premium - net			
of change in deferred reinsurance premiums	20	(39,841,556)	(22,401,842)
Net premiums earned		136,396,888	92,352,975
Reinsurance commissions earned	19	2,769,161	2,722,064
GROSS UNDERWRITING INCOME		139,166,049	95,075,039
UNDERWRITING DEDUCTIONS			
Losses and claims - net	22	55,319,626	19,898,022
Commissions	12	18,804,717	7,015,928
Other underwriting expenses	22	14,765,275	14,618,302
		88,889,618	41,532,252
NET UNDERWRITING INCOME		50,276,431	53,542,787
INVESTMENT AND OTHER INCOME	21	15,280,742	15,919,479
INCOME AFTER INVESTMENT AND OTHER	-	,,.	15,515,115
INCOME		65,557,173	69,462,266
GENERAL AND ADMINISTRATIVE EXPENSES	23	97,136,322	88,908,392
LOSS BEFORE INCOME AND FINAL TAX		(31,579,149)	(19,446,126)
TAXES		((1-11-1-1
Current income tax		391,273	596,358
Deferred income tax expense (benefit)		4,373,141	(1,491,869)
Final tax		2,260,492	873,397
	25	7,024,906	(22,114)
NET LOSS		(38,604,055)	(19,424,012)
	-	(00,004,000)	(10,424,012)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to profit or loss	•	(0.040.045)	(05 000 705)
Net change in fair value of AFS financial assets	9	(2,948,615)	(65,680,765)
Net change in fair value of AFS financial assets	•	4 500 004	45 557 440
transferred to profit or loss	9	4,592,834	15,557,449
		1,644,219	(50,123,316)
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) on retirement			
	24	4,588,586	(2,453,014)
benefits, net of tax			
OTHER COMPREHENSIVE INCOME (LOSS)			
		6,232,805	(52,576,330)

See Notes to the Figureial Statements.

AFP GENERAL INSURANCE CORPORATION

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A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital Stock (Note 27)	Contributed Surplus	Additional Paid-in Capital	Reserves for AFS Financial Assets (As restated - Note 9 and 31)	Retirement Benefits Reserve (Note 24)	Retained Earnings (As restated - Note 31)	Total Equity
Balance at January 1, 2015	P250,000,000	P500,000	P173,140,704	(P4,992,924)	(P7,882,788)	P110,031,148	P520,796,140
Other Comprehensive loss, as previously reported Effect of restatement	17	3 3	(* . .	(65,654,990) 15,531,674	(2,453,014)	E/6,8	(68,108,004)
Other Comprehensive loss, as restated		i	٠	(50,123,316)	(2,453,014)		(52,576,330)
Net loss for the year, as previously reported Effect of restatement		1 1	93. V.	3 3	8 4	(3,892,338)	(3,892,338) (15,531,674)
Net loss for the year, as restated		*	5	ı	*	(19,424,012)	(19,424,012)
Total comprehensive loss, as restated		ï		(50,123,316)	(2,453,014)	(19,424,012)	(72,000,342)
Balances at December 31, 2015	250,000,000	200,000	173,140,704	(55,116,240)	(10,335,802)	90,607,136	448,795,798
Other comprehensive gain Remeasurement Net loss for the year	3 5 5 E	* * *	* * *	1,644,219	4,588,586	(38,604,055)	1,644,219 4,588,586 (38,604,055)
Total comprehensive gain (loss)	4	٠	#####	1,644,219	4,588,586	(38,604,055)	(32,371,250)
Balance at December 31, 2016	P250,000,000	P500,000	P173,140,704	(P53,472,021)	(P5,747,216)	P52,003,081	P416,424,548

See Notes to the Financial Statements.

AFP GENERAL INSURANCE CORPORATION (A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

STATEMENTS OF CASH FLOWS

		Years Ende	d December 31
	Note	2016	2015 (As restated - Note 31)
CASH FLOWS FROM OPERATING			
ACTIVITIES			
Loss before income tax		(P31,579,149)	(P19,446,126)
Changes in:			(
Reserve for unearned premiums net of			
changes in deferred reinsurance premiums	20	39,841,556	22,401,842
Deferred reinsurance commissions	19	1,225,295	(808,090)
Deferred acquisition costs	12	(16,177,666)	(4,762,459)
Adjustments for:			A. 1
Depreciation	14, 23	9,834,331	9,191,597
Interest income	21	(6,829,331)	(3,945,946)
Dividend income	9, 21	(4,629,652)	(5,863,492)
(Gain) loss on sale of AFS financial assets	9, 21	(1,476,109)	1,181,341
Retirement expense (benefit)	24	(719,575)	2,137,969
Amortization of premium (discount) on HTM		10	
investments	10	677,958	(1,222,213)
Operating loss before working capital changes	1105	(9,832,342)	(1,135,577)
Decrease (increase) in:			A
Insurance receivables		(85,941,387)	12,488,111
Other assets		5,567,771	(6,063,972)
Increase (decrease) in:			****
Losses and claims payable		79,100,817	(56,730,988)
Accounts payable and accrued expenses		1,436,771	14,542,026
Due to reinsurers		7,590,735	(3,284,505)
Funds held for reinsurers			(24,300,000)
Net cash used in operations		(2,077,635)	(64,484,905)
Income taxes paid		(2,856,850)	(1,834,317)
Net cash used in operating activities		(4,934,485)	(66,319,222)
CASH FLOWS FROM INVESTING ACTIVITIES		92. 0250000000000000000000000000000000000	
Interest received		6,766,704	3,603,189
Dividends received		5,181,031	5,890,770
Acquisitions of:			
AFS financial assets and HTM investments	9, 10	(72,800,262)	(296,798,034)
Property and equipment	14	(2,743,882)	(6,946,023)
Proceeds from sale of:			
AFS financial assets and HTM investments	0.625	78,046,752	306,023,539
Investment property	13	735,000	1,470,000
Net cash provided by investing activities		15,185,343	13,243,441

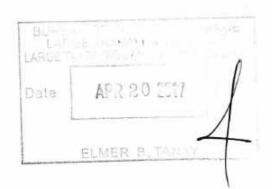
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Years	Ended	December	- 31

		rears Lilue	d December 31
	Note	2016	2015 (As restated - Note 31)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		P10,250,858	(P53,075,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		29,837,571	82,913,352
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P40,088,429	P29,837,571

See Notes to the Financial Statements.



AFP GENERAL INSURANCE CORPORATION (A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

AFP General Insurance Corporation (the "Company") was incorporated and registered with the Securities and Exchange Commission (SEC) in the Philippines on March 1, 1979. The Company is engaged in the business of motor car, fire, marine, fidelity and surety insurance, and on all other forms of non-life insurance authorized by law.

Certificate of Authority (CA) No. 2013/108-R was granted to the Company by the Philippine Insurance Commission (IC) to transact in non-life insurance (fire, marine, casualty and surety) business until December 31, 2015. The IC renewed the Company's license with CA No. 2016/69-R, valid until December 31, 2018.

On January 1, 2016, the Company was granted a Certificate of Accreditation and Authority to issue Compulsory Insurance Coverage for Agency-Hired Overseas Filipino Workers valid until December 31, 2016.

The Company is a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association Inc. (AFPMBAI), a non-stock corporation.

The Company's principal and registered office is located at AFPGEN Building, Col. Bonny Serrano Road corner EDSA, Quezon City.

The accompanying financial statements of the Company as at and for the year ended December 31, 2016 have been reviewed, approved and authorized for issue by the Board of Directors (the "BOD") on March 29, 2017.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

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

Available-for-sale (AFS) financial assets Fair value Investment properties Fair value	
Retirement benefit liability Present value of the defined obligation less fair value of pl	

Functional Currency

The financial statements of the Company are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded-off to the nearest peso, unless otherwise indicated.

3. Summary of Significant Accounting Policies

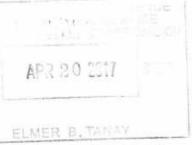
The accounting policies set out below have been applied consistently to all the years presented in the financial statements, except for the changes in accounting policies as explained below:

Adoption of New or Revised Standards and Amendments to Standards and Interpretations
The Company has adopted the following amendments to standards and
interpretations starting January 1, 2016 and accordingly, changed its accounting
policies. Except as otherwise indicated, the adoption of these amendments to
standards interpretations did not have any significant impact on the Company's
financial statements.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets). The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements) addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.
 - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
 - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income (OCI) can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
 - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.



Insurance Contract

Insurance contract is an agreement whereby one party called the insurer undertakes, for a consideration paid by the other party called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Product Classification

The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Insurance contracts can also transfer financial risks. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

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

Underwriting Income

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

Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relates to the unexpired periods of the policies at the reporting date is accounted for as "Reserve for unearned premiums" account and presented under "Insurance liabilities" in the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at each reporting date is accounted for as "Deferred reinsurance premiums" and shown in the assets section of the statements of financial position. The net changes in these accounts between reporting dates are credited to or charged against income as "Increase in reserve for unearned premium - net of change in deferred reinsurance premiums" account in the statements of comprehensive income.

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

Commission Income and Deferred Reinsurance Commission

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

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Claim Cost Recognition

Losses and claims consist of benefits and claims paid to policyholders. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR) at each reporting date. At each reporting date, prior year claim estimates are reassessed for adequacy and changes made are charged to provision. Claim provisions are not discounted for the time value of money.

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

Commission Expense and Deferred Acquisition Costs (DAC)

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

The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition costs" in the assets section of the statement of financial position.

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

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

Reinsurance

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

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

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expense in the same manner as they would be if the reinsurance was considered direct business, taking into account the product classification of the assumed business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are accounted in a manner consistent with the associated reinsurance contract.

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed APR 20 Direinsurance.

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

Receivables and Payables Related to Insurance Contracts

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

Insurance Contract Liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Short-term Insurance Contract Liabilities

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

Provision for Claims Reported and IBNR Claims

These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The liability is derecognized when the contract is discharged, cancelled or has expired.

Reserve for Unearned Premiums

The portion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as reserve for unearned premiums. The change in the reserve for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Liability Adequacy Test

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

Financial Instruments

Date of Recognition

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

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APR 20 2017

- 5 -

Settlement Date. Purchases and sales shall be recorded on the settlement date when the exchange of the asset takes place, from which, generally, the asset starts to accrue returns for its acquirer. In the case of financial assets measured at fair value, any change in their value between the contracting date and the settlement date shall be accounted for in accordance with the accounting policy that is described for the portfolio to which the asset belongs. The Company shall apply the settlement date for securities representing debt (fixed-income) acquired in secondary securities markets.

Trade Date. Purchases and sales made by the entity are accounted for on the trade date when the purchase commitment is undertaken, irrespectively of interest not starting to accrue until the asset is transferred. Consequently, the Company shall apply the contracting date for equity instruments acquired in secondary securities markets.

Initial Recognition

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

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

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

As at December 31, 2016 and 2015, the Company does not have any financial assets or financial liabilities at FVPL.

AFS Financial Assets

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

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss, interest accretion and foreign currency differences on AFS financial assets which are all recognized in profit or loss, are reported as part of OCI. When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less allowance for impairment, if any. When AFS financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is recognized as an account in profit or loss where the management holds more than one investment.

APR 20

-6-

As at December 31, 2016 and 2015, this category includes quoted and unquoted equity investments.

HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of interest income in profit or loss. Gains and losses are recognized in profit or loss when HTM investments are derecognized. Any impairment loss of such investment are recognized in profit or loss.

Where the Company sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. Management would then be unable to categorize financial instruments as HTM investments for the next two years in the financial statements.

As at December 31, 2016 and 2015, the HTM investments consist of government securities.

Loans and Receivables

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

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

Financial assets under this category classified as loans and receivables include cash and cash equivalents, insurance receivables, other receivables and short-term investment (included under "Other assets" account).

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

Other Financial Liabilities

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



After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of interest expense for the period.

This category includes the Company's losses and claims payable, due to reinsurers, funds held for reinsurers and accounts payable and accrued expenses (excluding government and taxes payable).

Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations from an active market (bid price for financial assets and ask price for financial liabilities), without any deduction for transaction costs. When quoted prices from an active market are not available, the price of the most recent market transactions for similar instruments normally provides objective evidence of fair value provided that there has not been a significant change in the economic circumstances since the time of the transaction.

For all other financial instruments, fair value is determined by using the appropriate valuation techniques. Valuation techniques include the discounted cash flow approach, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

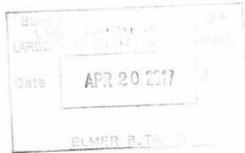
"Day 1" Profit

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

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or a group of financial asset is impaired.

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



AFS Financial Assets Carried at Fair Value

In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is objective evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in OCI shall be remove from equity and recognized in profit or loss. Impairment loss on equity securities are not reversed through profit or loss. Increase in fair value after impairment is recognized directly in equity as "Net change in fair value of financial assets".

In the case of AFS debt investments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the EIR on the reduced carrying amount of the asset and is recorded as part of interest income for the period. If, in a subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss to the extent that the resulting carrying value of the financial asset does not exceed its carrying value had no impairment loss been recognized.

AFS Financial Assets Carried at Cost

If there is an objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

HTM Investments

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

- a. significant financial difficulty of the issuer or obligor;
- b. breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

Loans and Receivables

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

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If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The carrying amount of an impaired loan through the use of an allowance account and the amount of loss is recognized in profit or loss. If, in a subsequent period, the amount of the allowance for impairment decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to profit or loss, to the extent that the resulting carrying value of the asset does not exceed its carrying value had no impairment loss been recognized.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, credit and payment status and term. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

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

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

Financial Liability

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



Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, thus the related assets and liabilities are presented on a gross basis in the statements of financial position.

Investment Properties

Properties held for long-term rental yields or for capital appreciation or for both, is classified as investment properties. These properties are initially measured at cost, which include transaction costs, but exclude day-to-day servicing costs. Replacement costs are capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured.

Subsequent to initial recognition, investment properties are stated at fair value which reflect the market conditions at the end of reporting date. Any gain or loss resulting from change in the fair value is immediately recognized in profit or loss. The fair value of investment properties are based on property appraisal reports determined by appraisers on the basis of market value approach.

Expenditures incurred after the investment properties have put into operations, such as repairs and maintenance costs, are charged to operations in the year in which the costs are incurred.

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

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

Property and Equipment

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Initially, an item of property and equipment is measured at cost less accumulated depreciation and any impairment in value. The initial cost of an item of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are charged to profit or loss in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

			Number of Years
BUREN		Building and improvements	30
LARG	E [0.0053100]	Furniture, fixtures and office equipment	5
ARGE	MINERSON, STATE	Electronic data processing (EDP) equipment	3
		Transportation equipment	5
Date	APR 20 2017		

The depreciation method and useful lives for items of property and equipment are reviewed and adjusted, if appropriate, at each reporting date.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment loss, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Impairment of Non-financial Assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against profit or loss in the period in which it arises, unless the asset is carried at revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

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

Equity

Capital Stock

Capital stock is determined using the nominal value of shares that have been issued.

Contributed Surplus

Contributed surplus represents contributions from the stockholder of the Company in compliance with the requirements of the Insurance Code.

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Additional Paid-in Capital

Additional paid-in capital represents the excess paid by the stockholder over the par value of the stocks issued. Additional paid-in capital arises from issuing either preferred or common shares of stock.

Revaluation Reserve for AFS financial assets

The revaluation reserve for AFS financial assets comprises gains and losses arising from the revaluation of AFS financial assets.

Retirement Benefits Reserve

Retirement benefit reserve pertains to the cumulative actuarial gains and losses arising from experience adjustment, change in financial assumptions and change in demographic assumptions.

Retained Earnings

Retained earnings include all current and prior period results as disclosed in the statements of comprehensive income.

Income and Expenses Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Cost and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred. Revenue and expenses are measured at the fair value of the consideration received or receivable or (expense), respectively, excluding taxes. The following specific criteria must also be met before revenue is recognized:

Interest Income

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

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

Dividend Income

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

Realized Gains and Losses

Realized gains and losses include gains and losses on the sale of AFS financial assets, which are calculated as the difference between net sales proceeds and the net carrying value.

Realized gains and losses are recognized in profit or loss when the sales transaction occurred.

APR 20 2017

Leases

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

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

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

Company as a Lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the rent income. Contingent rents are recognized as revenue in the period in which they are earned.

Company as a Lessee

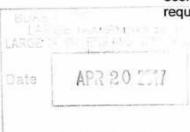
Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as expenses in profit or loss on a straight-line basis over the lease term.

Retirement Benefits

The Company has a funded, noncontributory, defined benefit retirement plan covering all regular full-time employees.

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

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



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

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

Bonus Plans

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

Short-term Employee Benefits

Short-term employee benefits are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. These are measured on an undiscounted basis and are expensed as the related service is provided.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss.

Current Income Tax

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

Deferred Income Tax

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

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

The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

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

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in OCI.

Final Tax

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

Related Parties

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

Provisions

Provisions are recognized only when the Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Date

Any event after the reporting date that provides additional information about the Company's financial position at reporting date (adjusting event) is reflected in the financial statements. Any event after the reporting date that is not an adjusting event is disclosed when material to the financial statements.



Standards Issued but Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2017

Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows). The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - (e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities).

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes). The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.



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

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

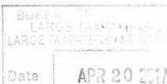
The Company is assessing the potential impact on its financial statements resulting from the application of PFRS 9.

In September 2016, the IASB issued Applying IFRS 9, with IFRS 4, *Insurance Contracts* (Amendments to IFRS 4) to address concerns arising from the different effective dates of IFRS 9 and the forthcoming insurance contracts Standard. Those amendments include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial assets.

Applying PFRS 9 with PFRS 4 (Amendments to PFRS 4). The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39 if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4. and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

The amendments permitting the temporary exemption is for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9.

Transfers of Investment Property (Amendments to PAS 40, Investment Property) amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - (i.e., an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer).



- 18 -

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

Effective January 1, 2019

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

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

4. Critical Judgments and Estimates

The preparation of the financial statements in accordance with PFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts in the financial statements and accompanying notes. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from estimates.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.



Judgments

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

(a) Classifying Financial Instruments

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

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets are classified as loans and receivables, financial assets at FVPL, and AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

(b) HTM Investments

The Company follows guidance in PAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making the judgment, the Company evaluates its intention and ability to hold its investments up to maturity.

If the Company fails to keep these investments to maturity other than for specific circumstances explained in PAS 39, it will be required to reclassify the whole class as AFS financial assets. The investments would therefore be measured at fair value, not amortized cost.

(c) Realizability of Deferred Tax Assets

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

As at December 31, 2016 and 2015, deferred tax assets amounted to P19.0 million and P23.4 million, respectively (see Note 25).



(d) Contingencies

The Company is currently involved in various legal proceedings. The estimate of the probable cost for the resolution of these claims has been developed in consultation with the legal counsels and based on analysis of potential results. The Company believes that the outcome of legal proceedings will not have adverse effect on the Company's statements of financial position.

Estimates

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

(a) Claims Liability Arising from Insurance Contracts

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate cost of claims is a complex process and can be evaluated with the aid of the adjuster's estimates.

The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major uncertainties may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related insurance balances.

The primary technique adopted by management in estimating the cost of notified and IBNR claims is that using subsequent settlement trends which normally does not exceed P3.0 million. Insurance contract liabilities are not discounted for the time value of money.

As at December 31, 2016 and 2015, losses and claims payable amounted to P124.5 million and P45.4 million, respectively (see Note 17). In 2016 and 2015, provision for IBNR claims amounted to P3.0 million (see Note 17).

(b) Valuation of Investment Properties

The fair market value of these properties is based on the assessment of an independent appraiser. The values of the real estate properties were arrived at using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity. The technique of this approach requires establishing of comparable property by reducing the reasonable comparative sales and listings to a common denominator. This is done by adjusting differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.



(c) Estimated Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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.

In addition, estimation of the useful lives of the property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by the changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and computer software would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

As at December 31, 2016 and 2015, property and equipment, net of accumulated depreciation, amounted to P25.6 million and P32.7 million, respectively (see Note 14).

(d) Estimation of Allowance for Impairment of Insurance Receivables and Other Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts 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 third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

As at December 31, 2016 and 2015, allowance for impairment loss of insurance receivables and other receivables amounted to P7.9 million and P3.2 million, respectively (see Notes 8 and 15). The carrying value of insurance receivables as of December 31, 2016 and 2015 amounted to P143.4 million and P57.5 million, respectively, and other receivables amounted to P18.9 million and P25.3 million, respectively (see Notes 8 and 15).

(e) Impairment of AFS financial assets and HTM Investments

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2016 and 2015, allowance for impairment on AFS financial assets amounted to P9.3 million (see Note 9) and nil for HTM investments.

As at December 31, 2016 and 2015, the aggregate carrying values of AFS financial assets and HTM investments amounted to P388.4 million and P391.2 million, respectively (see Note 9 and 10).

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(f) Impairment of Non-financial Assets

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

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

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

In 2016 and 2015, no impairment loss was recognized for the Company's nonfinancial assets.

As at December 31, 2016 and 2015, the carrying values of the Company's non-financial assets follows:

	Note	2016	2015
Investment properties	13	P21,289,000	P22,024,000
Property and equipment	14	25,605,330	32,695,779
		P46,894,330	P54,719,779

(g) Estimating Retirement Benefit Liability

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

As at December 31, 2016 and 2015, the present value of defined benefit obligation amounted to P18.1 million and P19.9 million, respectively (see Note 24).

5. Management of Capital, Insurance and Financial Risks

Governance Framework

The Company is exposed to insurance risk and a variety of financial risks which results from its operating and investing activities. The Company's risk management involves the close cooperation of the Company's BOD in developing policies on insurance, credit, liquidity, and market risks, as more fully described below.

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

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The Company has established risk management function with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organization structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed. Lastly, a Company policy framework which sets out the risk appetite of the Company's operations has been put in place. Each committee has a member of senior management which is charged with overseeing compliance with the policy throughout the Company.

The BOD has approved the Company risk management policies and meets regularly to approve any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specify reporting requirements.

Regulatory Framework

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

The operations of the Company are subject to the regulatory requirements of the IC and the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions [e.g., net worth and risk-based capital (RBC) requirements]. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise (see Note 32).

Capital Management Framework

The Company has developed an internal risk management framework for identifying risks to which the Company as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risks applied to a number of tests (both financial and non-financial) on the capital position of the business.

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- 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 Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the IC and the amount computed under the RBC model.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact of surplus of new business, profitability of inforce business and other major corporate initiatives that will affect capitalization levels.

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The IC is interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Company is satisfactorily managing the affairs for policyholders' benefits.

There were no changes made to its capital base, objectives, policies and processes from previous years.

The Company regards the following as the capital it manages as of December 31:

2016	2015 (As restated - Note 31)
P250,000,000	P250,000,000
500,000	500,000
173,140,704	173,140,704
(53,472,021)	(55,116,240)
(5,747,216)	(10,335,802)
52,003,081	90,607,136
P416,424,548	P448,795,798
	P250,000,000 500,000 173,140,704 (53,472,021) (5,747,216) 52,003,081

The additional paid-in capital is attributable to the capital infusion from the Parent Company in 2014 amounting to P173.1 million. Such capital infusion was made in order for the Company to meet the net worth requirements for the Overseas Filipino Workers (OFW) business.

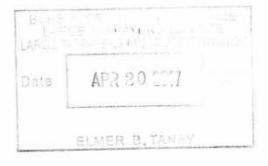
The risks and ways on how the Company manages insurance and financial risks are set out below:

Insurance Risk

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

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

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



The Company's premiums per line of risk are as follows:

	For the Year Ended December 31, 2016				
Line of Risk	Direct Premiums Written	Premiums Assumed	Premiums Ceded	Retention	
Fire	P15,736,119	P21,223,715	P6,583,837	P10,719,786	
Motor car	59,492,805	2,644,370	3,538,181	57,933,163	
Bonds	30,983,180	2,165,347	400,000	32,748,527	
Marine cargo	2,417,524	291,601	1,607,493	1,031,969	
OFW	35,578,495			35,578,495	
Miscellaneous	11,617,466	12,494,964	6,277,631	38,226,504	
	P155,825,589	P38,819,997	P18,407,142	P176,238,444	

	For the Year Ended December 31, 2015				
Line of Risk	Direct Premiums Written	Premiums Assumed	Premiums Ceded	Retention	
Fire	P12,910,441	P19,306,097	P6,020,869	P26,195,669	
Motor car	30,179,276	13,855,663	347,327	43,687,612	
Bonds	16,726,842	1,094,134	1,099,737	16,721,239	
Marine cargo	108,159	76,985		185,144	
OFW	14,933,806	-	-	14,933,806	
Miscellaneous	11,175,746	2,860,181	1,004,580	13,031,347	
	P86,034,270	P37,193,060	P8,472,513	P114,754,817	

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

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

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

Reinsur Shar Gross Claims Cla Liabilities Liabili	rere'
	re of
Fire P81,903,991 P63,290,	,880 P18,613,11 ⁴
Motor car 13,156,277 428,	3,473 12,727,804
Bonds 24,012,000 2,804,	,800 21,207,200
Miscellaneous 5,422,075 500,	,000 4,922,075
P124,494,343 P67,024,	,153 P57,470,190

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December 31, 2015

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

Terms and Conditions

The major classes of general insurance written by the Company include motor, fire marine insurance and bonds. Risks under these policies usually cover a twelvementh duration.

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

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

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

Key Assumptions

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

Sensitivity Analysis

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

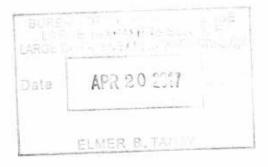


Claims Development Table

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

		Gross	Insurance Contr	ract Liabilities for	2016	
Accident Year	2012 and Prior Years	2013	2014	2015	2016	Total
Estimate of ultimate claims costs at the				333343		
	075 007 533	D424 4FF 0C4	D000 004 704	D440 004 F07	D445 646 656	D440 C4C 000
end of accident year One year later	P75,807,532 44,078,684	P134,455,064 157,195,532	P286,884,781 64,506,330	P148,821,587 12,054,150	P110,646,838	P110,646,838 12,054,150
Two years later	41,109,117	54,172,603	670,934	12,054,150		670.934
Three years later	20,183,057	17,399,455	070,554			17,399,455
Four years later	24,315,547	11,000,400	<u> </u>	1		24,315,547
Current estimate of			20020-2200-	25-75000-25-0	C-02-00004050	
cumulative claims	24,315,547	17,399,455	670,934	12,054,150	110,646,838	165,086,924
Cumulative payments to date	-	126,781	303,635	9,606,108	30,556,057	40,592,581
Net liability recognized in the statements of						
financial position	P24,315,547	P17,272,674	P367,299	P2,448,042	P80,090,781	P124,494,343
		Gros	s Insurance Cont	ract Liabilities for 2	015	
Accident Year	2011 and Prior Years	2012	2013	2014	2015	Total
Estimate of ultimate claims costs at the						
end of accident year	P44,080,929	P47,438,166	P90,376,380	P129.689.249	P87,318,862	P87.318.862
One year later	28,369,366	23,574,042	116,086,415	10,333,727		10,333,727
Two years later	20,504,642	21,404,167	33,989,546	1-1-4-1-7-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	2	33,989,546
Three years later	19,704,950	674,010	500/400/400			674,010
Four years later	19,509,047			-		19,509,047
Current estimate of			535500000000000000000000000000000000000	7.74 (E.S. 185. 185. 185. 185. 1		VOTORS IN EVEN NO.
				40 000 707	87,318,862	
cumulative claims Cumulative	19,509,047	674,010	33,989,546	10,333,727	07,310,002	151,825,192
cumulative claims Cumulative payments to date	19,509,047 49,107	674,010 174,010	33,989,546 20,512,146	9,263,786	76,432,617	151,825,192
Cumulative	00000000000000000000000000000000000000		10000000000000000000000000000000000000	r personal anno		V. Talah I. In S. Vid All

Losses and claims payable of P124.5 million and P45.4 million as at December 31, 2016 and 2015, respectively, includes an estimated IBNR of P3.0 million. Recoveries from reinsurers amounted to P67.0 million and P13.7 million for 2016 and 2015, respectively. Hence, net losses and claims payable as at December 31, 2016 and 2015 amounted to P57.5 million and P31.7 million, respectively (see Notes 8 and 17).



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

	Net Insurance Contract Liabilities for 2016						
Accident Year	2012 and Prior Years	2013	2014	2015	2016	Total	
Estimate of ultimate claims costs at the							
end of accident year	P11,188,410	P39,251,271	P136,915,899	P36,375,652	P27,408,479	P27,408,479	
One year later	8,234,902	76,089,909	38,910,419	2,418,115		2,418,115	
Two years later	15,320,616	18,295,681	565,927			565,927	
Three years later	8,410,305	9,146,241			3	9,146,241	
Four years later	24,014,352					24,014,352	
Current estimate of							
cumulative claims	24,014,352	9,146,241	565,927	2,418,115	27,408,479	63,553,114	
Cumulative payments			44644446466		Control of the Contro	. visetimotories	
to date	-	91,079	198,628	220,881	5,572,336	6,082,924	
Liability recognized in the statements of							
financial position	P24,014,352	P9,055,162	P367,299	P2,197,234	P21,836,144	P57,470,190	
		380000	22: 1	Virginii de			
		Net I	nsurance Contra	ct Liabilities for 2	2015		
A solders Wass	2011 and	2010	2010		2045	75.444	
Accident Year	Prior Years	2012	2013	2014	2015	Total	
Estimate of ultimate							
claims costs at the						190000000000000000000000000000000000000	
end of accident year	P10,463,305	P7,994,205	P31,016,369	P60,825,990	P468,838	P468,838	
One year later	3,194,205	4,867,451	60,769,293	20,614,738	•	20,614,738	
Two years later Three years later	3,367,451	8,410,308 1,500,000	9,885,376	-		9,885,376	
Four years later	6,910,308 6,910,305	1,500,000		- 5	- 5	6,910,305	
	0,810,305	-				6,810,303	
Current estimate of			20222022	12012000000		1200 200 200	
cumulative claims	6,910,305	1,500,000	9,885,376	20,614,738	468,838	39,379,257	
Cumulative payments to date	4,105,505	1,000,000		2,539,240		7 044 745	
	4,105,505	1,000,000	-	2,539,240	-	7,644,745	
Liability recognized in the statements of							
financial position	P2.804.800	P500,000	P9.885.376	P18.075.498	P468.838	P31,734,512	
inianolai position	F 2,004,000	1 000,000	r a,000,070	F 10,070,400	F 400,030	F01,/04,014	

Financial Risk

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

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

Credit Risk

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

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

APR 20 2017

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Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track record and which are allowed to participate in the Company's reinsurance programs.

In respect of investment securities, the Company limits its exposure by setting maximum limits of portfolio securities with a single or group of issuers. The Company also makes use of institutions with high credit-worthiness.

The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counter parties which are set by reference to their long term ratings.

With respect to credit risk arising from its financial assets, which comprise of cash and cash equivalents, insurance receivables, HTM investments and loans and receivables, the Company's maximum exposure is equal to the total carrying amount of these instruments.

Generally, the maximum credit risk exposure of financial assets is presented net of allowance of impairment loss, as summarized below:

	Note	2016	2015
Cash and cash equivalents*	7	P39,697,026	P29,563,571
Insurance receivables**	8	76,369,301	43,793,053
HTM investments	10	67,646,062	68,324,020
Other assets***		3,221,456	4,795,470
		P186,933,845	P146,476,114

^{*}Excludes cash on hand

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparty, and to geographical and line risk segments. The Company's policy is to deal only with creditworthy counterparties.

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit grading of counterparties.

December 31, 2016				
10.000000000000000000000000000000000000	-20/2001		1000	
Investment High Grade	Non- investment Grade Satisfactory	Past Due but not Impaired	Past Due and Impaired	Total
P39,697,026	Р-	Р-	Р-	P39,697,026
	18,736,998	65,490,817	(7,858,514)	76,369,301
67,646,062		100 mm - 100 mm		67,646,062
	6,371,811		(3,150,355)	3,221,456
P107,343,088	P25,108,809	P65,490,817	(P11,008,869)	P186,933,845
	Investment High Grade P39,697,026 - 67,646,062	Neither Past Due nor Impaired Non-investment Grade High Grade Satisfactory P39,697,026 P - 18,736,998 67,646,062 - 6,371,811	Neither Past Due nor Impaired Non- investment Grade Due but not Impaired P39,697,026 P - P - 18,736,998 65,490,817 67,646,062 - 6,371,811 -	Neither Past Due nor Impaired Non- investment Past Pa

^{*}Excludes cash on hand

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^{**}Excludes reinsurance recoverable on unpaid losses

^{***}Includes employee receivables, accrued interest receivable, dividend receivable and other accounts receivable

^{**}Excludes reinsurance recoverable on unpaid losses

^{***}Includes employee receivables, accrued interest receivable, dividend receivable and other accounts receivable

December 31	DOLE

		st Due nor aired			
	Investment High Grade	Non- investment Grade Satisfactory	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P29,563,571	P -	P -	P -	P29,563,571
Insurance receivables**		8,236,632	43,414,935	(7,858,514)	43,793,053
HTM investments	68,324,020				68,324,020
Other assets***		7,945,825	-	(3,150,355)	4,795,470
	P97,887,591	P16,182,457	P43,414,935	(P11,008,869)	P146,476,114

^{*}Excludes cash on hand

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

Investment High Grade

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

Non-investment Grade - Satisfactory

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

The carrying amounts of the following certain insurance receivables represent the maximum credit exposure, which are aged as follows:

Premiums Receivable	Note	2016	2015
Current		P10,528,985	P5,049,908
Past due 1 - 30 days		10,350,574	6,203,819
Past due 31 - 60 days		14,566,968	5,181,734
Past due 61 - 90 days		9,984,103	5,349,216
Past due over 90 days		28,202,427	25,806,222
	8	P73,633,057	P47,590,899
Due from Ceding Companies	Note	2016	2015
Current up to 1 year		P1,062,049	P2,123,684
Past due over 1 - 3 years		1,855,865	364,766
Past due over 3 - 5 years		21,702	47,427
Past due over 5 years		509,178	461,751
	8	P3,448,794	P2,997,628

Management believes that there is no significant credit risk on reinsurance recoverable on paid and unpaid losses since these are due and demandable per reinsurance contract.

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- 31 -

^{**}Excludes reinsurance recoverable on unpaid losses

^{***}Includes employee receivables, accrued interest receivable, dividend receivable and other accounts receivable

Liquidity Risk

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

The Company manages its liquidity needs by carefully monitoring schedules of debt servicing payments of long-term financial liabilities as well as cash outflows due on a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company maintains cash to meet its liquidity requirements for up to 60 days. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

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

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligation, or for the issuance contract liabilities, based on the estimated timing of net cash flows:

		December 31, 2016					
	Less than 1 Year	1-2 Years	>2-3 Years	>3-5 Years	Over 5 Years	No Term	Tota
Financial Assets							
Cash and cash equivalents	P40,088,429	Р-	Р.	P -	P -	Р.	P40,088,429
Insurance receivables*	75,001,940	1,367,361		000 000	- 100 mg		76,369,30
AFS financial assets	Charles Contract	ALCONOMICS.	•	•	-	329,990,515	329,990,515
HTM Investments	10,000,000		-	47,646,062	10,000,000		67,646,062
Other assets**	1,843,248		1,378,208	2.76			3,221,450
Total Financial Assets	126,933,617	1,367,361	1,378,208	47,646,062	10,000,000	329,990,515	517,315,76
Financial Liabilities							
Accounts payable and							
accrued expenses***	24,892,462	92,933			636,557		25,621,95
Losses and claims payable	77,097,176	2,448,042	367,299	17,262,675	27,319,151	18.7	124,494,34
Due to reinsurers	9,471,043	C-West Williams			3 PARK (1970 1971 1		9,471,043
Funds held for reinsurers		1,141,850					1,141,85
Total Financial Liabilities	111,460,681	3,682,825	367,299	17,262,675	27,955,708		160,729,18
Net Liquidity Surplus	P15,472,936	(P2,315,464)	P1,010,909	P30,383,387	(P17,955,708)	P329,990,515	P356,586,57

*Excludes reinsurance recoverable on unpaid losses

"Includes accrued interest receivable, dividend receivable and other receivables
"Excludes government payables"

Date APR 20 2017

	December 31, 2015						
	Less than 1 Year	1-2 Years	>2-3 Years	>3-5 Years	Over 5 Years	No Term	Tota
Financial Assets							
Cash and cash equivalents	P29,837,571	P -	P -	P -	Р-	P -	P29,837,571
Insurance receivables *	30,604,221	2,070,304	7,076,047		4,042,481		43,793,053
AFS financial assets	332,116,677	324500 GEORGE	1.03624.010000000				332,116,677
HTM Investments	10,000,000		48,324,020		10,000,000		68,324,020
Other assets**	4,267,812	3,678,013		-			7,945,825
Total Financial Assets	406,826,281	5,748,317	55,400,067		14,042,481		482,017,146
Financial Liabilities							
Accounts payable and accrued							
expenses***	9,206,183	1,184,590		32	32		10,390,773
Losses and claims payable	7,810,679	1,202,706	16,920,201			19,459,940	45,393,526
Due to reinsurers	1,412,932	467,376	10.000,000,000,000			and and the same of the same o	1,880,308
Funds held for reinsurers	1,141,850		-	2		<u> </u>	1,141,850
Total Financial Liabilities	19,571,644	2,854,672	16,920,201	ě		19,459,940	58,806,457
Net Liquidity Surplus	P387,254,637	P2,893,645	P38,479,866	Р-	P14,042,481	(P19,459,940)	P423,210,689

^{*}Excludes reinsurance recoverable on unpaid losses

Market Risk

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

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

The Company manages market risk by evenly distributing capital among investment instruments and sectors.

The Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposure to the IC, regular monitoring and review of the Company's investments performance and upcoming investment opportunities for pertinent and changing environment.

Interest Rate Risk

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures to interest rate risk comprise the following:

	December 31, 2016				
	7-1 AV FACES (1944)		Due in		
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years	
Financial Assets					
Cash in banks	0.25% to 4.50%	P39,697,026	Р-	Р-	
HTM investments	3.375% to 7%	10,000,000	47,646,062	10,000,000	

Date APR 20 III

- 33 -

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[&]quot;Includes accrued interest receivable, dividend receivable and other receivables

^{***}Excludes government payables

	December 31, 2015					
	260 0000	Due in				
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years		
Financial Assets						
Cash in banks	0.25% to 5%	P29,563,571	P -	Р-		
HTM investments	3.875% to 7%	10,000,000	48,324,020	10,000,000		

Any increase by 100 basis points (1%) in interest rates, with all other variables held constant, will increase net income by P1.1 million and P1.0 million for the years ended December 31, 2016 and 2015, respectively. The decrease in same basis points will reduce the net income by the same amount.

In 2016 and 2015, the Company determined the reasonably possible change in interest rate based on the historical change in weighted average yield rates of outstanding investments of the Company.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to currency risk is minimal having no material transaction in foreign currency and financial assets or liabilities denominated in foreign currency.

Price Risk

The Company's price risk exposure at year end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market price, principally, AFS financial assets. Total AFS financial assets subject to price risk pertains to quoted equity securities amounting to P320.6 million and P322.7 million in 2016 and 2015, respectively (see Note 9).

A 5% increase in stock prices would have increased the carrying value of these investments by P16.0 million and P16.1 million as at December 31, 2016 and 2015, respectively. An equal change in the opposite direction would have decreased the carrying values of these investments by an equal but opposite amount.

The Company determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Company holds as of the reporting dates.

6. Fair Value Measurement

Financial Instruments

The carrying values of the Company's financial instruments such as cash and cash equivalents, insurance receivables, other receivables, accounts payable and accrued expenses, losses and claims payable, due to reinsurers and funds held for reinsurers approximate their fair values at each reporting date due to short term nature.

The fair values of the AFS financial assets are based on published price quotations in active market.

The fair values of quoted equity investments were determined by reference to quoted market or broker bid prices at the close of business as of reporting dates. Investments in unquoted equity investments for which no reliable basis for fair value measurement is available are carried at cost, net of any allowance for impairment losses.

APR 20 2017

The Company measures fair values of AFS financial assets using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

The tables below analyze AFS financial assets measured at fair value at the end of the reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	As of December 31, 2016						
	Level 1	Level 2	Level 3	Total			
Financial Assets AFS financial assets	P320,558,732	P320,558,732 P - P - P320,6					
	As of December 31, 2015						
	Level 1	Level 2	Level 3	Total			
Financial Assets AFS financial assets	P322,684,894	Р-	Р-	P322,684,894			

There were no transfers from different level of fair value measurements in 2016 and 2015.

Non-financial Instruments

Investment properties are stated at fair value. These have been categorized under Level 2 of the fair value hierarchy.

7. Cash and Cash Equivalents

This account at December 31 consists of:

	2016	2015
Cash on hand	P391,403	P274,000
Cash in banks	18,685,451	29,563,571
Time deposits	21,011,575	#1
	P40,088,429	P29,837,571

Cash in banks consist of peso and foreign currency-denominated savings and current accounts. Peso savings and current accounts earn annual interest ranging from 0.25% to 5.00% and from 0.25% to 5.00% in 2016 and 2015, respectively, while foreign currency-denominated account earns annual interest of 0.50% in 2016 and 2015, respectively. On the other hand, time deposit accounts earn interest ranging from 1.38% to 2.50% in 2016.

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Interest income earned on these deposits amounted to P0.2 million and P0.2 million in 2016 and 2015, respectively (see Note 21).

8. Insurance Receivables

This account at December 31 consists of:

	2016	2015
Premiums receivable	P73,633,057	P47,590,899
Due from ceding companies	3,448,794	2,997,628
Reinsurance recoverable on paid losses	7,145,964	1,063,040
Reinsurance recoverable on unpaid losses	67,024,153	13,659,014
	151,251,968	65,310,581
Less allowance for impairment losses	7,858,514	7,858,514
	P143,393,454	P57,452,067

The Company's insurance receivables have been reviewed for indicators of impairment. Certain insurance receivables were found to be impaired and provided with allowance for impairment loss.

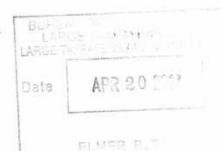
9. Available-for-Sale (AFS) Financial Assets

This account at December 31 consists of:

	2016	2015
Quoted equity shares	P320,558,732	P322,684,894
Unquoted equity shares	9,431,783	9,431,783
	329,990,515	332,116,677
Less allowance for impairment losses	9,263,793	9,263,793
	P320,726,722	P322,852,884

The roll forward analysis of the account is as follows:

	2016	2015 (As restated - Note 31)
Balance at January 1	P322,852,884	P383,383,046
Purchases/Reclassification	62,800,262	249,798,034
Cost of financial assets disposed/matured	(66,570,643)	(260, 204, 880)
Net change in fair value transferred to profit or	Marchaelle Carterina est	
loss	4,592,834	15,557,449
Net change in fair value	(2,948,615)	(65,680,765)
	P320,726,722	P322,852,884



The reconciliation of revaluation reserves for AFS financial assets is as follows:

	2016	2015 (As restated - Note 31)
Balance at January 1	(P55,116,240)	(P4,992,924)
Net change in fair value transferred to profit or		
loss	4,592,834	15,557,449
Net change in fair value	(2,948,615)	(65,680,765)
	(P53,472,021)	(P55,116,240)

The effect on actual earnings of changes in fair value of equity investments will depend on the market prices of these investments at the time of sale.

The Company realized gain (loss) on sale of equity investments amounting to P1.5 million and (P1.2 million) in 2016 and 2015, respectively (see Note 21).

Dividend income earned from these investments amounted to P4.6 million and P5.9 million in 2016 and 2015, respectively (see Note 21).

10. Held-to-Maturity Investments

The roll forward analysis of the account is as follows:

	2016	2015
Balance at beginning of year	P68,324,020	P67,101,807
Purchases	10,000,000	47,000,000
Cost of financial assets disposed/matured	(10,000,000)	(47,000,000)
Amortization of premium (discount)	(677,958)	1,222,213
	P67,646,062	P68,324,020

Held-to-maturity investments pertain to government securities deposited with the Bureau of Treasury as security for the benefit of the policyholders and creditors of the Company in accordance with the provisions in the Insurance Code of the Philippines. These securities bear fixed interest rates ranging from 3.4% to 7.0% and from 3.9% to 7.0% in 2016 and 2015, respectively.

Interest earned from government securities amounted to P2.4 million and P3.8 million in 2016 and 2015, respectively (see Note 21).

The maturity profile of total investments in government securities as at December 31 is as follows:

	2016	2015
Within one year	P10,000,000	P10,000,000
Between 1 year to 5 years	47,646,062	48,324,020
More than 5 years	10,000,000	10,000,000
	P67,646,062	P68,324,020

The fair value of the HTM investments as at December 31, 2016 and 2015 amounted to P68.9 million and P70.4 million, respectively.

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- 37 -

11. Deferred Reinsurance Premiums

Deferred reinsurance premiums pertain to the unexpired portion of insurance premiums ceded out as at reporting date. The details and movements of this account are as follows:

	Note	2016	2015
Balance at January 1		P3,945,399	P6,180,934
Premiums ceded for the year Premiums ceded related to expired		18,407,142	8,472,513
periods	20	(11,266,573)	(10,708,048)
Increase (decrease) in deferred reinsurance premium	20	7,140,569	(2,235,535)
Balance at December 31		P11,085,968	P3,945,399

12. Deferred Acquisition Costs

The details and movements of this account for the years ended December 31 are as follows:

	2016	2015
Balance at January 1	P6,289,446	P1,526,987
Commissions deferred for the year	34,982,383	11,778,387
Commissions expensed for the year	(18,804,717)	(7,015,928)
Balance at December 31	P22,467,112	P6,289,446

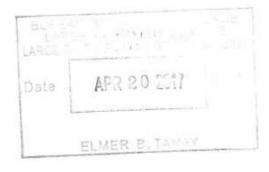
13. Investment Properties

The Company's investment properties represent real estate properties that the Company holds for capital appreciation.

The movement of this account is as follows:

	2016	2015
Balance at January 1	P22,024,000	P23,494,000
Cost of disposal	(735,000)	(1,470,000)
	P21,289,000	P22,024,000

As at December 31, 2016 and 2015, the fair market value of investment properties amounted to P21.3 million and P22.0 million, respectively. This is categorized under the Level 2 of the fair value hierarchy.



14. Property and Equipment

A reconciliation of the carrying amount of the property and equipment is as follows:

		For the Year Ended December 31, 2016			
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment	Transportation Equipment	Total
Cost					
Balance at January 1	P33,388,214	P4,764,964	P18,765,884	P6,142,393	P63,061,455
Additions		253,043	1,767,446	723,393	2,743,882
Retirements		190	•	(1,400,000)	(1,400,000
Balance at December 31	33,388,214	5,018,007	20,533,330	5,465,786	64,405,337
Accumulated Depreciation	975 PFF 2 PFF 2 PFF 4 1 1				
Balance at January 1	(15,725,533)	(3,268,955)	(7,223,108)	(4,148,080)	(30,365,676
Depreciation for the year	(1,761,570)	(820,816)	(6,257,905)	(994,040)	(9,834,331
Retirements		-		1,400,000	1,400,000
Balance at December 31	(17,487,103)	(4,089,771)	(13,481,013)	(3,742,120)	(38,800,007
	P15,901,111	P928,236	P7,052,317	P1,723,666	P25,605,330
		For the Yea	ar Ended Decen	nber 31, 2015	
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment (As restated - Note 31)	Transportation Equipment	Total (As restated - Note 31)

	For the Teal Effect December 31, 2013				
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment (As restated - Note 31)	Transportation Equipment	Total (As restated - Note 31)
Cost			733-243-333-33		
Balance at January 1	P33,388,214	P4,649,391	P15,376,222	P5,530,205	P58,944,032
Additions		115,573	5,776,450	1,054,000	6,946,023
Reclassification			6,065,867		6,065,867
Retirements/disposals	121		(8,452,655)	(441,812)	(8,894,467
Balance at December 31	33,388,214	4,764,964	18,765,884	6,142,393	63,061,455
Accumulated Depreciation					
Balance at January 1	(13,963,963)	(2,407,710)	(3,778,793)	(3,852,214)	(24,002,680
Depreciation for the year	(1,761,570)	(861,245)	(5,831,103)	(737,679)	(9,191,597
Retirements/disposals	200 to 100 to 100 to 200 to 100 to 10	14-1-15	2,386,788	441,813	2,828,601
Balance at December 31	(15,725,533)	(3,268,955)	(7,223,108)	(4,148,080)	(30,365,676
	P17,662,681	P1,496,009	P11,542,776	P1,994,313	P32,695,779
					The second secon

15. Other Assets

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This account at December 31, consists of:

2016	2015
P10,110,092	P9,062,491
	1,094,187
	3,660,396
	2,559,743
621,692	559,065
116,250	667,629
49,993	49,993
1,442,181	10,821,318
22,027,026	28,474,822
3,150,355	3,150,355
P18,876,671	P25,324,467
	P10,110,092 4,679,362 3,521,764 1,485,692 621,692 116,250 49,993 1,442,181 22,027,026

Loss reserve withheld by ceding companies pertains to a portion of the reinsurance premium withheld by ceding companies under treaty agreements as reserve for losses.

Other receivables pertain to deferred output value-added tax (VAT), prepaid documentary stamp tax and charges payable by brokers and agents.

16. Accounts Payable and Accrued Expenses

This account at December 31 consists of:

	2016	2015
Accounts payable	P16,668,774	P27,118,193
Commission payable	11,835,448	3,110,573
Output vat payable - net	5,445,052	5,673,449
Accrued and other expenses	3,286,423	170,692
Taxes payable	1,841,585	1,619,268
Deposits in trust	636,557	636,557
Claims fund payable	92,933	41,269
Income tax payable		596,358
	P39,806,772	P38,966,359

Accounts payable consists of stale checks, unidentified deposits and other payables to government agencies.

Deposits in trust pertain to deposits received by the Company for office rentals as well as security deposits from bond policy issuances.

Accrued and other expenses pertains to accrual of utilities, services and other employee benefits.

17. Insurance Contract Liabilities

This account at December 31 consists of:

	2016	2015
Losses and claims payable	P124,494,343	P45,393,526
Due to reinsurers	9,471,043	1,880,308
Funds held for reinsurers	1,141,850	1,141,850
	P135,107,236	P48,415,684

The details of and movements in losses and claims payable is accounted as follows:

		2016			2015	
	Losses and Claims Payable	Reinsurance Recoverable	Net	Losses and Claims Payable	Reinsurance Recoverable	Net
Balance at January 1 Claims incurred	P45,393,526	P13,659,014	P31,734,512	P102,124,514	P54,757,350	P47,367,164
during the year Claims paid during	110,606,869	58,290,848	52,316,021	20,398,560	3,504,143	16,894,417
the year	(34,509,657)	(4,925,709)	(29,583,948)	(80, 133, 153)	(44,602,479)	(35,530,674)
IBNR	3,003,605		3,003,605	3,003,605		3,003,605
Balance at December 31	P124,494,343	P67,024,153	P57,470,190	P45,393,526	P13,659,014	P31,734,512

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- 40 -

18. Reserve for Unearned Premiums

The details and movements of this account are as follows:

	Note	2016	2015
Balance at January 1		P49,021,006	P28,854,699
Premiums written	20	194,645,586	123,227,330
Premiums earned	20	(147,663,461)	(103,061,023)
Increase in reserve for unearned premium	20	46,982,125	20,166,307
Balance at December 31		P96,003,131	P49,021,006

19. Deferred Reinsurance Commissions

The details of and movements of this account are as follows:

	2016	2015
Balance at January 1	P750,952	P1,559,042
Reinsurance commissions deferred for the year	3,994,456	1,913,974
Reinsurance commissions earned for the year	(2,769,161)	(2,722,064)
Balance at December 31	P1,976,247	P750,952

20. Net Premiums Earned

			2016		
	Direct Business	Assumed	Gross Premiums	Ceded (Note 11)	Net Premiums Earned
Premiums written Increase (decrease) in reserve for unearned	P155,825,589	P38,819,997	P194,645,586	(P18,407,142)	P176,238,444
premiums - net	(46,275,909)	(706,216)	(46,982,125)	7,140,569	(39,841,556)
	P109,549,680	P38,113,781	P147,663,461	(P11,266,573)	P136,396,888
			2015		
	Direct Business	Assumed	Gross Premiums	Ceded (Note 11)	Net Premiums Earned
Premiums written Increase in reserve for unearned premiums -	P86,034,270	P37,193,060	P123,227,330	(P8,472,513)	P114,754,817
net	(19,718,102)	(448,205)	(20,166,307)	(2,235,535)	(22,401,842)
	P66,316,168	P36,744,855	P103,061,023	(P10,708,048)	P92,352,975



21. Investment and Other Income

This account consists of:

Note	2016	2015 (As restated - Note 31)
	P4,186,591	P -
10	2,435,683	3,764,300
7	207,057	181,646
	6,829,331	3,945,946
9	4,629,652	5,863,492
9	1,476,109	(1,181,341)
	12,935,092	8,628,097
29	1,493,456	1,296,035
30000	852,194	5,995,347
	2,345,650	7,291,382
	P15,280,742	P15,919,479
	10 7 9 9	P4,186,591 10 2,435,683 7 207,057 6,829,331 9 4,629,652 9 1,476,109 12,935,092 29 1,493,456 852,194 2,345,650

22. Underwriting Deductions

The Company's losses and claims net of reinsurer's share consists of the following:

	2016	2015
Gross insurance contract claims paid	P34,509,657	P80,133,153
Reinsurers' share of insurance contract claims	and the real of the proof professional and	
paid	(4,925,709)	(44,602,479)
Gross change in insurance contract liabilities	79,100,817	(56,730,988)
Reinsurer's share of change in insurance		
contract liabilities	(53,365,139)	41,098,336
Losses and claims - net	P55,319,626	P19,898,022

On the other hand, the Company's other underwriting expense amounting to P14.8 million and P14.6 million in 2016 and 2015, respectively, pertains to cost incurred by the Company in the conduct of underwriting services such as cost for inspection, printing and share of the expenses from assumed business.



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23. General and Administrative Expenses

This account consists:

	Note	2016	2015
Salaries and employee benefits	24	P44,456,424	P41,752,546
Depreciation and amortization	14	9,834,331	9,191,597
Representation and entertainment		5,132,358	4,675,226
Transportation and travel		3,822,458	4,245,991
Directors' fees and allowances	26	3,727,843	3,858,823
Professional fees		3,471,563	3,370,939
Advertising and promotions		3,405,561	3,050,266
Repairs and maintenance		3,930,143	2,790,832
Communication and postage		3,202,015	2,677,228
Service fees		2,417,418	1,342,249
Taxes and licenses	33	2,411,075	1,851,940
Light and water		1,624,062	1,336,662
Printing, stationery and office supplies		1,333,344	1,852,184
Association and pool dues		449,785	517,322
Rent expense		563,213	402,180
Insurance		308,212	210,510
Meetings and conferences		260,635	390,384
Sales incentives		861,806	173,322
Others		5,924,076	5,218,191
		P97,136,322	P88,908,392

24. Salaries and Employee Benefits

Expenses recognized are presented below:

	Note	2016	2015
Salaries and wages		P25,340,351	P23,129,777
Allowances and bonuses		18,374,250	15,221,997
Retirement (benefit) expense		(719,575)	2,137,969
Social security costs		1,461,398	1,262,803
	23	P44,456,424	P41,752,546

Employee Benefits

The Company has funded, noncontributory, defined benefit retirement plan covering all of its regular full-time employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is at December 31, 2016. Valuations are obtained on a periodic basis.

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

APR 20 [

- 43 -

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The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, As Amended. The Control and administration of the retirement plan is vested in the BOD. The retirement plan's accounting and administrative functions are undertaken by the Company's Retirement Funds Office.

The reconciliation of the net retirement benefit liability recognized in the statements of financial position is as follows:

	2016	2015
Defined benefit obligation	P18,120,904	P19,853,720
Fair value of plan assets	17,231,766	13,656,421
	P889,138	P6,197,299

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

	2016	2015
Balance at January 1	P19,853,720	P14,689,763
Current service cost	2,386,596	2,111,327
Interest expense	992,686	705,109
Actuarial (gain) loss from:	Salter A Table 1	W. 10 24 T. 10 25 15
Financial assumptions	201,193	(492,765)
Experience adjustment	(4,822,703)	2,872,357
Benefits paid	(490,588)	(32,071)
Balance at December 31	P18,120,904	P19,853,720

The movements in the fair value of plan assets are as follows:

2016	2015
P13,656,421	P14,134,739
682,821	678,467
3,416,036	-
(32,924)	(1,124,714)
(490,588)	(32,071)
P17,231,766	P13,656,421
	P13,656,421 682,821 3,416,036 (32,924) (490,588)

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

	2016	2015
Current service cost	P2,386,596	P2,111,327
Interest expense on defined benefit obligation	992,686	705,109
Reversal of accrual	(3,416,036)	2008/84 (Jepse)
Interest income on plan assets	(682,821)	(678,467)
	(P719,575)	P2,137,969

The components of retirement benefit recognized in OCI are as follows:

	2016	2015
Actuarial gain (loss) due to decrease in		
defined benefit obligation	P4,621,510	(P2,379,592)
Remeasurement loss on plan assets	(32,924)	(1,124,714)
	P4,588,586	(P3,504,306)

The Company's plan assets consist of the following:

	2016	2015
Cash and cash equivalents	P1,181,492	P2,979,831
Fixed income	12,971,092	10,676,590
Others	3,079,182	#/
	P17,231,766	P13,656,421

There is no expected contribution to the defined benefit retirement plan in 2017.

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

	2016	2015
Discount rate	4.78%	5.00%
Future salary growth	5.00%	5.00%

Assumptions regarding future mortality have been based on the adjusted 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from January 1, 1977 to December 31, 1981.

Sensitivity Analysis

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

	Defined Benefit Obligation		TIN 시간 및 경영화 및 전환 기계 및 전환 기계 및 전환 기계 및		
	Increase	Decrease	Increase	Decrease	
Discount rate (0.50% movement) Future salary growth (0.50%	5.28%	4.28%	4.78%	4.78%	
movement)	5.00%	5.00%	5.50%	4.50%	

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

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

Asset-Liability Matching (ALM) Strategy

The Company does not perform any ALM Study. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in compliance with the Bangko Sentral ng Pilipinas (BSP) requirements. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. Moreover, based on the financial statement provided, the allocation of net assets consists of 6.86% of cash, 75.27% of fixed income and 17.87% of other assets in 2016 and 21.82% of cash and 78.18% of fixed income in 2015.



Maturity profile of the benefit payments:

	2016					
	Carrying Amount	Contractual Flows	0-5 Years	6-10 Years	11-15 Years	16 Years and Up
Defined Benefit Obligation	P18,120,904	P276,458,428	P2,385,661	P7,819,296	P43,215,540	P223,037,931
			2	2015		
	Carrying Amount	Contractual Flows	0-5 Years	6-10 Years	11-15 Years	16 Years and Up
Defined Benefit Obligation	P19,853,720	P130,949,046	P3,570,369	P10,036,657	P27,979,401	P89,362,619

25. Income Tax Expense

Under Philippine tax laws, the Company is subjected to corporate income taxes, percentage and other taxes. Income taxes paid consist of Regular Corporate Income Tax (RCIT) or MCIT, whichever is higher, and a final withholding tax (FWT) on gross interest income from government securities, deposits and other deposit substitutes. These income taxes together with other deferred tax benefits are presented in the statements of income and expenses as "Income tax expense (benefit)." Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

The RCIT is 30%. Interest allowed as deductible expense is reduced by an amount equivalent to 33% of interest income subjected to final tax. The regulations also provide for MCIT of 2% of gross income and allow utilization of NOLCO. The MCIT and NOLCO may be applied against the Company's' income tax liability and regular taxable income, respectively, over a three-year period from the year of incurrence.

The reconciliation of income tax (benefit) expense computed at the statutory income tax rate to the income tax (benefit) expense shown in the statements of comprehensive income is as follows:

)4	2016	(As restated - Note 31)
Loss before income tax	(P31,579,149)	(P19,446,126)
Income tax computed at statutory tax rate Tax effects of:	(P9,473,745)	(P5,833,838)
Expired NOLCO	10,438,563	5. - 0.
Reversal of DTA (DTL)	5,547,351	(3,718,727)
Final tax	2,260,492	873,397
Income subjected to final tax	(2,048,799)	(1,183,786)
Non-deductible expenses	1,440,431	1,621,086
Dividend income	(1,388,896)	(1,759,047)
Expired MCIT	692,342	
Income subject to capital gains tax	(442,833)	354,402
Unrecognized DTA	MANAGERIAN	9,624,399
	P7,024,906	(P22,114)

APR 20 777

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

	2016	2015
Recognized in Profit and Loss		
NOLCO	P11,195,155	P13,424,918
Allowance for impairment loss:	CELL CONTROLS PRODUCTION	III ACTION OF THE STREET
Insurance and other receivables	3,302,679	3,302,679
AFS financial assets	2,779,138	2,779,138
Accrued expenses-net	1,144,208	
Retirement liability	215,871	641,392
MCIT	391,273	1,292,602
Deferred acquisition costs - net		(1,661,548)
Unrealized gain on investment properties	959	(807,345)
Amount Charged to Profit and Loss	19,028,324	18,971,836
Recognized in OCI		
Retirement benefit reserves		4,429,629
	P19,028,324	P23,401,465

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

Year Incurred	Year of Expiry	Additions	Expiry/Used	NOLCO
2013	2016	P34,795,209	P34,795,209	P -
2014	2017	9,954,518	_	9,954,518
2015	2018	30,093,472	121	40,047,990
2016	2019	37,317,182	-	77,365,172

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

Year Incurred	Year of Expiry	Additions	Expiry/Used	Excess MCIT
2013	2016	P692,342	P692,342	Р-
2014	2017	600,260	:9 = 5	600,260
2015	2018	596,358	; <u>≠</u> 3	1,196,618
2016	2019	391,273	-	1,587,891

The Company opted to use the itemized method of deduction for its income tax returns in 2016 and 2015.

In 2015, the Company did not recognize deferred tax assets from NOLCO and MCIT amounting to P9.0 million and P0.6 million, respectively.

In 2016, the Company recognized deferred tax assets from NOLCO and MCIT amounting to P11.2 million and P0.4 million, respectively. Management believes based on the Company's financial projection that this future deductible item may realize as future taxable income may be sufficient to realize related tax benefit.

Further, the Company derecognized NOLCO and MCIT in 2014 amounting to P3.0 million and P0.6 million, respectively.



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26. Related Party Transactions

The Company's related parties include AFPMBAI, and the Company's Key Management Personnel (KMP). Significant related party transactions are summarized below:

a. KMP of the Company are in managerial to top executive position. The summary of compensation of KMP is as follows:

	2016	2015
Salaries and other short-term employee		
benefits	P7,288,943	P6,097,662
Pension and other post-employment benefits	350,041	237,259
	P7,638,984	P6,334,921

b. Transactions with related party consist mainly of the following activities:

Year	Note	Amount of the Transaction	Terms	Conditions
2016		P2,278,185	Cash basis; non- interest bearing	Unsecured; no impairment
2015		1,233,351	Cash basis; non- interest bearing	Unsecured; no impairment
				199
2016	23	3,727,843		
2015	23	3,858,823		
2016		P6,006,028		
2015		P5,092,174		
	2016 2015 2016 2015 2016	2016 2015 2016 23 2015 23 2016	Year Note Transaction 2016 P2,278,185 2015 1,233,351 2016 23 3,727,843 2015 23 3,858,823 2016 P6,006,028	Year Note Transaction Terms 2016 P2,278,185 Cash basis; non-interest bearing 2015 1,233,351 Cash basis; non-interest bearing 2016 23 3,727,843 2015 23 3,858,823 2016 P6,006,028

27. Equity

Capital Stock

The details of this account as at December 31 are as follows:

	Number	lumber of Shares Amount		
	2016	2015	2016	2015
Authorized - P1,000 par value	250,000	250,000	P250,000,000	P250,000,000
Issued and outstanding	250,000	250,000	P250,000,000	P250,000,000

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

The Company's income tax relating to reserve for unearned premiums on its policies in force is calculated based on the 24th method, in accordance with the provisions of Republic Act No. 10607, otherwise known as "The Insurance Code, As Amended."

Previously, the Company's income tax relating to reserve for unearned premiums is equal to 40% of the gross premiums, less returns and cancellations, received on policies or risks having no more than a year to run.

APR 20 2017

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29. Lease Commitment

The Company, as a lessor, leases a portion of its building to various tenants. The lease may be renewed under mutually acceptable terms and conditions.

Future minimum rental income as at December 31, 2016 and 2015 are as follows:

	2016	2015
Not later than one year	P1,493,456	P1,296,035
Later than one year and not later than five years	1,509,437	
Total	P3,002,893	P1,296,035

Total rent income amounting to P1.5 million and P1.3 million in 2016 and 2015, respectively, are presented as part of other income under the "Investment and other income" account in the statements of comprehensive income (see Note 21).

30. Contingencies

As at December 31, 2016, the Company is contingently liable to the following lawsuits and claims:

- The Company has various legal proceedings on insurance claims-related and resigned employee claims, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Company.
- On April 22, 2010, the Company filed petition in the Court of Tax Appeal in Quezon City for the cancellation of tax assessment for the year 2006 based on the Formal Letter of Demand received from BIR on April 6, 2010. As at December 31, 2016 and 2015, the Company recognized a liability for certain portion of the tax deficiencies to which the Management believes they are liable as part of "Accounts payable and accrued expenses" account in the statements of financial position.
- On December 11, 2013, the Company received a copy of the Notice of Disallowance (ND) issued by the Commission on Audit (COA) to Armed Forces of the Philippines (AFP) informing the latter that the amount of P5.75 million representing premiums paid by the AFP to the Company for the insurance of AFP's properties was disallowed in audit because the insurance of the properties of AFP with the Company is not in accordance with RA No. 656 dated June 16, 1951. Such transaction pertains to the Fire Insurance of General Headquarters (GHQ) Unified Commands/ AFPWSSUs buildings for 2013. On March 12, 2014, the Company submitted an appeal memorandum to COA for the petition of ND to clarify the validity of insurance contract with AFP.

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

AFR 20 177

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

31. Prior Period Adjustment and Reclassification

The Company restated its 2015 financial statements to correct the error in the recognition of the gain on sale and revaluation of AFS financial assets in 2015. The restatement has no effect on total comprehensive income and total equity.

The Company also reclassified the software cost from intangible assets to property and equipment to conform with the 2016 presentation.

The following table summarizes the changes in 2015 made to the financial statements:

	December 31, 2015			
	As Previously Reported	Adjustments	As Restated	
STATEMENT OF FINANCIAL POSITION		-		
Property and equipment - net	P24,572,855	P8,122,924	P32,695,779	
Intangible assets - net	8,122,924	(8,122,924)	-	
Revaluation reserves for AFS	S (4)	\$100.00		
financial assets	(70,647,914)	15,531,674	(55,116,240)	
Retained earnings	106,138,810	(15,531,674)	90,607,136	

	December 31, 2015			
<u> </u>	As Previously Reported	Adjustments	As Restated	
STATEMENT OF COMPREHENSIVE INCOME				
Investment and other income	P31,379,395	(P15,459,916)	P15,919,479	
General and administrative expenses	88,836,634	71,758	88,908,392	
Net loss	(3,892,338)	(15,531,674)	(19,424,012)	
Other comprehensive loss	(65,654,990)	15,531,674	(50,123,316)	

32. Regulatory Requirements

Net Worth Requirements

Under the Insurance Code, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

	Net Worth	Compliance Date
	P250,000,000	On or before June 30, 2013
	550,000,000	On or before December 31, 2016
	900,000,000	On or before December 31, 2019
	1,300,000,000	On or before December 31, 2022
-		

Date APR 20 117

As at December 31, 2015, the Company has complied with the net worth requirements based on internal calculations.

In order to comply with the net worth requirement, AFPMBAI is in the process of infusing P275 million as additional capital. On December 15, 2016, a request for an extension to IC is submitted by AFPMBAI with a commitment to assist the Company to comply with the new net worth requirement. On February 1, 2017, AFPMBAI has invested a cash capital amounting to P18.8 million. On February 8, 2017, the IC has replied to the request indicating that the determination and verification of compliance is upon submission of the Company's 2016 annual statement. The Company's target date of compliance is at the end of the second quarter of 2017.

Risk-based Capital Requirements

IC Memorandum Circular (IMC) No. 7-2006 provides for the risk-based capital framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investments and insurance risks. Every non-life insurance company is required annually to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as networth divided by the RBC requirement. Networth shall include the Company's paid-up capital, additional paid-in capital, contributed and contingency surplus and retained earnings. Revaluation and fluctuation reserve accounts shall form part of networth only to the extent authorized by the IC.

RBC requirement is calculated based on a formula contained in IMC 7-2006. Specific instructions are provided for the computation of data that will be incorporated in the RBC requirements. The RBC requirements classified instruments and insurance risks into: R1 - Fixed Income Securities, R2 - Equity Securities, R3 - Credit Risk, R4 - Loss Reserves and R5 - Net Written Premiums.

As at December 31, 2016 and 2015, the Company has complied with the RBC ratio requirement based on its internal computation.

Limitation on Dividend Declaration

Section 201 of the Insurance Code provides that no domestic insurance corporation shall declare or distribute dividends on its outstanding stock unless it has met the minimum paid-up capital and net worth requirements and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

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

As at December 31, 2016 and 2015, the Company complied with the above limitation on dividend declaration.



New Regulatory Requirements

On June 10, 2015, the IC issued Circular Letter (CL) No. 2015-31 which seeks to discuss the transition period and full implementation details for the new regulatory requirements, specifically for Financial Reporting Framework (FRF), Valuation on Non-life Insurance Policy Reserves, and Risk Based Capital Quantitative Impact Study (RBC 2-QIS). The new regulatory requirements shall take effect after the transition period, the purpose of which is to allow the insurance industry to assess the collective impact of implementing FRF, reserving, and RBC 2-QIS simultaneously. This will also allow the IC an opportunity to engage the industry in a meaningful dialogue and obtain feedback prior to the full implementation date on June 30, 2016.

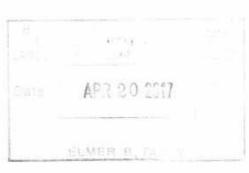
IC CL No. 2015-29 provides that FRF includes the economic valuation of assets and liabilities based on internally accepted accounting, actuarial and insurance core principles. It will be used on the statutory quarterly and annual reporting for net worth requirements as approved by IC.

IC CL No. 2015-32 provides that the reserves for a non-life insurance policy shall be composed of Premiums liability and Losses and claims payable determined using best estimate assumptions, and appropriate margin for adverse deviation for expected future experience. This new valuation standards is intended to cover both direct and assumed reinsurance business, whether treaty or facultative, of non-life insurance companies.

As at December 31, 2016, the Company is evaluating the impact of FRF and the new valuation standards on its financial statements.

IC CL No. 2015-30 provides that pursuant to Section 194 of the Amended Insurance Code (R.A. 10607), the IC is conducting a review of the current RBC Framework contained in Insurance Memorandum Circular No. 6-2006 and 7-2006 both dated October 5, 2006. Hence, all life and non-life insurance and professional reinsurance companies are required to participate in parallel runs for the RBC 2-QIS.

As at December 31, 2016, the Company is compliant with RBC 2-QIS based on internal calculations. The final RBC 2-QIS ratio can be determined only after the accounts of the Company have been examined by IC.



33. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following are the tax information required for the taxable year ended December 31, 2016 based on RR No. 15-2010:

A. Value Added Tax (VAT)

1.	Output VAT	P9,974,821
	Account title used:	
	Basis of the Output VAT:	
	Vatable sales	P83,123,508
	Exempt sales	41,173,454
		P124,296,962
2.	Input VAT	- I Poul Augustain
	Balance at January 1	P731,177
	Current year's domestic purchases:	
	Services lodged under cost of goods sold	6,001,245
	Claims for tax credit/refund and other adjustments Application against output vat payable	2,839,539
	Balance at December 31	P9,571,961
Wit	hholding Taxes	
_	Tax on compensation and benefits	P4,699,957
	Creditable withholding taxes	4,041,194
		4.041.134
	Final withholding taxes	
	Final withholding taxes Expanded withholding taxes	2,260,492
		2,260,492 4,554,045
All		2,260,492 4,554,045
	Expanded withholding taxes Other Taxes (Local and National)	2,260,492 4,554,045
	Expanded withholding taxes	2,260,492 4,554,045
	Other Taxes (Local and National) her taxes paid during the year recognized under "Taxes and licenses" account under General and	2,260,492 4,554,045
	Other Taxes (Local and National) her taxes paid during the year recognized under	2,260,492 4,554,045 P15,555,688
	Other Taxes (Local and National) her taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	2,260,492 4,554,045 P15,555,688
	Other Taxes (Local and National) ther taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses Real estate taxes	2,260,492 4,554,045 P15,555,688 P37,108 941,352 1,432,615
	Other Taxes (Local and National) ther taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses Real estate taxes License and permit fees	2,260,49 4,554,04 P15,555,68 P37,10 941,35

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E. Tax Cases

On January 12, 2010, the Company received the Preliminary Assessment Notice from the BIR regarding the 2006 deficiency tax amounting to P25.6 million including surcharge, interest and compromise. On April 6, 2010, the Company received a Formal Letter of Demand from the BIR's pursuant to Letter of Authority dated May 7, 2008. On April 22, 2010, a protest and objection of the Formal letter of Demand was sent to BIR indicating that the Company is not liable for the said deficiency taxes or the same is much lower than the BIR's final assessment. On the same date, the Company filed petition in the Court of Tax Appeals - Quezon City for the cancellation of tax assessment based on the abovementioned letter of demand from the BIR. The Third Division of the Court of Tax Appeals rendered its original decision dated March 13, 2014 granting Company's petition for Review. However, the same division rendered an amended decision dated September 1, 2014, which partly granted respondent BIR's motion for partial reconsideration (Re: Decision dated March 13, 2014) and modified its decision dated March 13, 2014 as well as denied Company's motion for reconsideration. As a consequence of the above mentioned amended decision dated September 1, 2014 and the decision dated March 13, 2014, the Company filed a case to the Court of Tax Appeals En Banc for the reversal and setting aside of the aforesaid decisions.

The Company received a copy of the Decision dated January 5, 2016 of the Court of Tax Appeals En Banc which partially granted the Petition for Review dated September 23, 2014. On September 6, 2016, the Company received the Comment from the Commissioner of Internal Revenue (CIR) for the dismissal of the Petition for Review dated February 29, 2016. The Company also submitted the reply regarding the contest of the CIR on September 30, 2016.

In view of the above, the Company elevated the said Decision of the CTA En Banc by way of Petition of Review on Certiorari under Rule 45 of the Rules on Civil Procedure to the Supreme Court.



AFP General Insurance Corporation

INTERPRE	FINANCIAL REPORTING STANDARDS AND TATIONS of December 31, 2015	Adopted	Not Adopted	Not Applicable
Framework Statements	for the Preparation and Presentation of Financial Framework Phase A: Objectives and qualitative	·		
PFRSs Prac	ctice Statement Management Commentary			1
MONTH BALLAND	Financial Reporting Standards		T	
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			1
E	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			1
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			~
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			1
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			~
	Amendments to PFRS 1: Government Loans			1
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First- time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			~
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			1
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			1
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			~
PFRS 2	Share-based Payment			1
	Amendments to PFRS 2: Vesting Conditions and Cancellations			~
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			~
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			1
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			*
PFRS 3	Business Combinations			~
(Revised)	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			~
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			~
PFRS 4	Insurance Contracts	1		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			-
9	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts	1		

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INTERPRE	E FINANCIAL REPORTING STANDARDS AND TATIONS s of December 31, 2015	Adopted	Not Adopted	Not Applicabl
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			1
y.P	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			~
PFRS 6	FRS 6 Exploration for and Evaluation of Mineral Resources			~
PFRS 7	Financial Instruments: Disclosures	1		
	Amendments to PFRS 7: Transition	1		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	1		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	1		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	~		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	1		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	1		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			1
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			1
PFRS 8	Operating Segments			1
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			1
PFRS 9	Financial Instruments	1		
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			1
PFRS 9 (2014)	Financial Instruments		1	
PFRS 10	Consolidated Financial Statements			1
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			~
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			1
*	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			~
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			1
PFRS 11	Joint Arrangements			1
Ye.	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			*
30 2017	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			4

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INTERPRE	E FINANCIAL REPORTING STANDARDS AND TATIONS s of December 31, 2015	Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			~
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			~
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			1
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			~
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard			1
PFRS 13	Fair Value Measurement	1		2 9917
674) (Berney 850)	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	1		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	~		
PFRS 14	Regulatory Deferral Accounts			~
PFRS 15	Revenue from Contracts with Customers			1
PFRS 16	Leases		1	*
Philippine	Accounting Standards			
PAS 1	Presentation of Financial Statements	1		
(Revised)	Amendment to PAS 1: Capital Disclosures	1		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			1
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	1		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	*		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	1		
	Amendments to PAS 1: Disclosure Initiative	1		
PAS 2	Inventories			1
PAS 7	Statement of Cash Flows	~		
	Amendments to PAS 7: Disclosure Initiative		1	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	~		
PAS 10	Events after the Reporting Period	1		
PAS 11	Construction Contracts			1
PAS 12	Income Taxes	1		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	1		
Manual I	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	~		

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INTERPRET	FINANCIAL REPORTING STANDARDS AND ATIONS of December 31, 2015	Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	1		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			~
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			~
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	~		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			4
PAS 17	Leases	1		
PAS 18	Revenue	1	St	
PAS 19 (Amended)	Employee Benefits	1		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	1		
	Annual Improvements to PFRSs 2012 - 2014 Cycle; Discount rate in a regional market sharing the same currency - e.g. the Eurozone			~
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			1
PAS 21	The Effects of Changes in Foreign Exchange Rates			1
	Amendment: Net Investment in a Foreign Operation			1
PAS 23 (Revised)	Borrowing Costs			1
PAS 24	Related Party Disclosures	1		
(Revised)	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	1		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			1
PAS 27	Separate Financial Statements			1
(Amended)	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			1
	Amendments to PAS 27: Equity Method in Separate Financial Statements			~
PAS 28 (Amended)	Investments in Associates and Joint Ventures			1
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			~
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			1
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			~
PAS 29	Financial Reporting in Hyperinflationary Economies			~

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INTERPRE	E FINANCIAL REPORTING STANDARDS AND TATIONS of December 31, 2015	Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	1	THE PERSON NAMED IN	The Samuel State
PAS 32	Amendments to PAS 32 and PAS 1: Puttable Financial			-
	Instruments and Obligations Arising on Liquidation			
	Amendment to PAS 32: Classification of Rights Issues			1
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	1		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			1
PAS 33	Earnings per Share			1
PAS 34	Interim Financial Reporting			1
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			1
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			1
PAS 36	Impairment of Assets	1		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	~		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	1		
PAS 38	Intangible Assets			1
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			~
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			1
PAS 39	Financial Instruments: Recognition and Measurement	1		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	1		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			1
	Amendments to PAS 39: The Fair Value Option			1
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			~
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	1		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	1		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			1
	Amendment to PAS 39: Eligible Hedged Items			1
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			1
PAS 40	Investment Property	1		
yeo s	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter- relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)		1	
-	Amendments to PAS 40: Transfers of Investment Property		1	

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5

INTERPRE	E FINANCIAL REPORTING STANDARDS AND TATIONS s of December 31, 2015	Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			1
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			4
Philippine	Interpretations		Î	
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	1		
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			1
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			~
IFRIC 10	Interim Financial Reporting and Impairment			1
IFRIC 12	Service Concession Arrangements			1
IFRIC 13	Customer Loyalty Programmes			1
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			1
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			~
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			1
IFRIC 17	Distributions of Non-cash Assets to Owners			1
IFRIC 18	Transfers of Assets from Customers			1
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			1
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			1
IFRIC 21	Levies			1
IFRIC 22	Foreign Currency Transactions and Advance Consideration			~
SIC-7	Introduction of the Euro			1
SIC-10	Government Assistance - No Specific Relation to Operating Activities			1
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	1		
SIC-29	Service Concession Arrangements: Disclosures.			1
SIC-31	Revenue - Barter Transactions Involving Advertising Services			1
SIC-32	Intangible Assets - Web Site Costs			1

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INTERPRE	E FINANCIAL REPORTING STANDARDS AND TATIONS s of December 31, 2015	Adopted	Not Adopted	Not Applicable
Philippine	Interpretations Committee Questions and Answers			The Parties of the Pa
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			1
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			~
PIC Q&A 2007-01- Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			1
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			~
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)		100	~
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			~
PIC Q&A 2008-01- Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations			
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			~
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			1
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	1		
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	1		
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	-		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non- current classification of a callable term loan			1
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			1
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			~
PIC Q&A 2011-03	Accounting for Inter-company Loans			~
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			1
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			1
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			1
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			1
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			~
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			1
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			-

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INTERPRE	FINANCIAL REPORTING STANDARDS AND TATIONS of December 31, 2015	Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			~
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			1
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			1
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity	~		
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre- Completion Contracts			~

Legend:

Adopted - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not Adopted - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not Applicable - means the standard or interpretation is not relevant at all to the operations of the entity.





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www.kpmg.com.ph

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ph-inquiry@kpmg.com.ph



REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders AFP General Insurance Corporation AFPGEN Building, Col. Bonny Serrano Road cor. EDSA Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AFP General Insurance Corporation (the "Company") (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) as at and for the year ended December 31, 2016, and have issued our report thereon dated March 29, 2017.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Schedule of Philippine Financial Reporting Standards is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such 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.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

IC Accreditation No. SP-2014/024-R, valid until August 26, 2017

CPA License No. 0095177

SEC Accreditation No. 1387-A, Group A, valid until April 30, 2017

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2016

D. M. M.

Issued October 18, 2016; valid until October 17, 2019

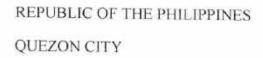
PTR No. 5904925MD

Issued January 3, 2017 at Makati City

March 29, 2017

Makati City, Metro Manila

ACKNOWLEDGEMENT





BEFORE ME, a Notary Public of Quezon City personally appeared the following with their Competent Evidence of Identity No. to wit:

COMNPETENT EVIDENCE OF

DATE/PLACE OF ISSUE

IDENTITY

MGEN EDGARDO RENE C SAMONTE

TIN NO: 127-951-868

AFP (RET)

LTGEN ALAN R. LUGA AFP (RET)

TIN NO: 127-304-955

NOEMI O. SABLAYA

TIN NO: 107-770-643

Known to me and to me known to be the same persons who executed the foregoing instrument pertaining to an Earnest money Agreement of a real estate property and they acknowledged before me that the same is their own free voluntary act and deed.

This instrument consists of Two (2) pages including the page wherein this Acknowledgement is written and signed by the parties and their instrumental witnesses.

WITNESS MY HAND AND SEAL, this ____ day of __MAR _ 2 _ 9, _ 7017 _ at Quezon City, Philippines.

Doc No Page No

Book No //

Series of 2017

Until Decembar 31, 2017

AFFGEN Bldg, Col Borny Serrano Road Cor. EDSA, Camp Aguinaldo, Quezon City FTR No. 6926332A/Rizal/January 6, 2017

IEP No. 1988015/QC/January 9, 1X, 7

Roll No. 34883



AFP General Insurance Corporation

AFPGen Bldg. EDSA cor. Bonny Serrano Road, Camp Aguinaldo, Quezon City, Metro Manila

Trunkline No.: (02) 911.9888 Fax Nos.: 911.3149 • 421.2286

Website: www.afpgen.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of AFP General Insurance Corporation (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for year ended December 31, 2016 and the accompanying Annual Income Tax Return is in accordance with the books and records of Company, complete and correct in all material respects. Management likewise affirms that:

- the Annual Income Tax Return has been prepared in accordance with the (a) provisions of the National Internal Revenue Code, As Amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue:
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- the Company has filed all applicable tax returns, reports and statements required (c) to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature MGEN EDGARDO RENE C SAMONTE

Chairman of the Board

TIN: 127-951-868 Signature -LTGEN ALAN R LUGA, AFP (RET) President and Chief Executive Officer

TIN: 127-304-955

Signature NOEMI O SABLAYA

Chief Finance Officer TIN: 107-770-643

Signed this MAR 2 9 2017



ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES QUEZON CITY



BEFORE ME, a Notary Public of Quezon City personally appeared the following with their Competent Evidence of Identity No. to wit:

COMNPETENT EVIDENCE OF

DATE/PLACE OF ISSUE

MGEN EDGARDO RENE C SAMONTE

AFP (RET)

TIN NO: 127-951-868

IDENTITY

LTGEN ALAN R. LUGA AFP (RET)

TIN NO: 127-304-955

NOEMI O. SABLAYA

TIN NO: 107-770-643

Known to me and to me known to be the same persons who executed the foregoing instrument pertaining to an Earnest money Agreement of a real estate property and they acknowledged before me that the same is their own free voluntary act and deed.

This instrument consists of Two (2) pages including the page wherein this Acknowledgement is written and signed by the parties and their instrumental witnesses.

WITNESS MY HAND AND SEAL, this ____ day of __MAR _ 2 _ 9, __2017 _ at Quezon City, Philippines.

Page No & Book No

Series of 2017

ATTY. CHRIST THE PILLOS

Until December 31, 2017

AFPGEN Bldg. Col Bonny Serrano Road

Cor. EDSA, Camp Aguinaldo, Quezon City/

PTR No. 6926332A/Rizal/January 8, 2017

LBP No. 1980015/QC/January 8, 2017

Rall No. 35033



AFP General Insurance Corporation

AFPGen Bldg. EDSA cor. Bonny Serrano Road, Camp Aguinaldo, Quezon City, Metro Manila Trunkline No.: (02) 911.9888 Fax Nos.: 911.3149 • 421.2286

Website: www.afpgen.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of AFP General Insurance Corporation (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for year ended December 31, 2016 and the accompanying Annual Income Tax Return is in accordance with the books and records of Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, As Amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue:
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- the Company has filed all applicable tax returns, reports and statements required (c) to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature MGEN EDGARDO RENE C SAMONTE

Chairman of the Board TIN: 127-951-868

Signature

NOEMI O SABLAYA Chief Finance Officer TIN: 107-770-643

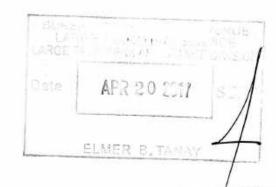
Signed this MAR 2 9 2017

Signature

LTGEN ALAN R LUGA, AFP (RET)

President and Chief Executive Officer

TIN: 127-304-955



COVER SHEET

For AUDITED FINANCIAL STATEMENTS

																		- 1	-		3.0		OII I			_	_	_	_
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Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

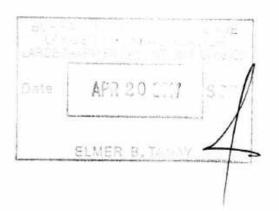
2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

REPUBLIC OF THE PHILIPPINES DEPARTMENT OF FINANCE BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-910-081-000
Name	: AFP GENERAL INSURANCE CORPORATION
RDO	: 125
Form Type	: 1702
Reference No.	: 121700019623347
Amount Payable (Over Remittance)	: -3,649,921.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2016
Date Filed	: 04/12/2017
Tax Type	: IT

[BIR Main | eFPS Login | User Menu | Help]





Reference No : 121700019623347 Date Filed : April 12, 2017 10:49 AM Batch Number : 1712518902

For BIR

BCS/

III BUE BAYA EGAS BUEST

Republika ng Pilipina Kagawaran ng Panan Kawanihan ng Rentas	alapi	require	Annual In or Corporation, Parl Taxpayer Subject Or d information in CAPI opies MUST be filed v	IN TO REGULAR	er Non-Individual Income Tax Rate Iark applicable boxe		BIR Form No. 1702-RT June 2013 Page 1
1 For Calendar Fiscal Year Ended (MM/20YY) 2016	3 Amended Return		Short Period Return?	5 Alphanumeri IC055	c Tax Code (ATC) Minimum Corpora	ate Income Tax	(MCIT)
		Pa	rt I - Background In	formation			
6 Taxpayer Identification Number	(TIN) 000	- 910	- 081 - 000		7	RDO Code 12	5
8 Date of Incorporation/Organizati	on (MM/DD/YYYY)				03/22/1979		
9 Registered Name (Enter only 1	letter per box using (CAPITAL	LETTERS)				
AFP GENERAL INSURANCE CO	RPORATION						
10 Registered Address (Indicate of AFP GEN BLDG B. SERRANO R		_	JEZON CITY				
11 Contact Number		112 Ems	ail Address				
9128418		_	spina@afpgen.com				
13 Main Line of Business		cunaes	spina@aipgen.com			14 PSIC Co	do
NON-LIFE INSURANCE						6703	00
16 Total Income Tax Due (Overpa	wment\ /Fmm Part IV	item dd)	Part II - Total	Tax Payable	(Do N	OT enter Centa	vos) 391,273
Company of the Compan							4,041,194
17 Less: Total Tax Credits/Payme 18 Net Tax Payable (Overpaymen	A STATE OF THE STA		Part IV Hom 461				(3,649,921)
19 Add: Total Penalties (From Part		(7) (Fluin	ran iv ilem 40)				(0,045,521)
20 TOTAL AMOUNT PAYABLE (TOTAL CONTRACTOR OF THE PROPERTY OF THE PROPER	of Itom 1	8 part 10) (From Part II)	/ Item 51)			(3,649,921)
21 If Overpayment, mark "X" one							(0,0.10,00.1)
O To be refunded O To be is					redit next vear/quar	ter	
We declare under the penalties of perjury, that National Internal Revenue Code, as amended,	this annual return has been	made in goo	d faith, verified by us, and to	the best of our knowledg	e and belief, is true and co	med pursuant to the	provisions of the
Signature over printed name of Pres					ver printed name of Treas		rer
Title of Signatory					No	umber of pages	filed 8
22 O Community Tax Certificate	(CTC) Number	SEC Re	g No. 85234		ate of Issue (DD/YYYY)	10/18/1977	
24 Place of Issue MAND	ALUYONG				25 Amount, if CTC		0
			Part III - Details of P				
Details of Payment De 26 Cash/Bank Debit Memo	rawee Bank/Agency		lumber	Date (MM/DD/	rrry)	Amo	unt 0
27 Check							0
28 Tax Debit Memo							0
29 Others (Specify Below)							
							0
Machine Validation/Revenue Offic	ial Receipts Details (if not filed	d with an Authorized	Agent Bank)	Stamp of rece Receipt (RO's	iving Office/AAI Signature/Bani	3 and Date of k Teller's Initial)

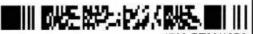
52 Special Allowable Itemized Deductions (30% of Item 36)

BIR Form No. **Annual Income Tax Return** 1702-RT June 2013 Taxpayer Identification Number (TIN) Registered Name -910 -081 AFP GENERAL INSURANCE CORPORATION Part IV - Computation of Tax (Do NOT enter Centavos) 176.238.445 30 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 6) 31 Less: Cost of Sales/Services (From Schedule 2 Item 27) 161,789,623 14,448,822 32 Gross Income from Operation (Item 30 Less Item 31) 33 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4) 5,114,812 34 Total Gross Income (Sum of Items 32 & 33) 19,563,634 Less: Deductions Allowable under Existing Law 35 Ordinary Allowable Itemized Deductions (From Schedule 64,077,875 36 Special Allowable Itemized Deductions (From Schedule 0 5 Item 5) 37 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D) 0 38 Total Itemized Deductions (Sum of Items 35 to 37) 64,077,875 OR [in case taxable under Sec 27(A) & 28(A)(1)] 39 Optional Standard Deduction (40% of Item 34) 0 40 Net Taxable Income (Item 34 Less Item 38 OR 39) (44,514,241) 41 Income Tax Rate 42 income Tax Due other than MCIT (Item 40 x Item 41) 43 Minimum Corporate Income Tax (MCIT) (2% of Gross Income in Item 34) 391,273 44 Total Income Tax Due (Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) 391,273 4.041.194 45 Less: Total Tax Credits/Payments (From Schedule 7 Item 12) (To Part II Item 17) 46 Net Tax Payable (Overpayment) (item 44 Less Item 45) (To Part II Item 18) (3,649,921) 47 Surcharge 0 48 Interest 0 49 Compromise 0 50 Total Penalties (Sum of Items 47 to 49) (To part II Item 19) 51 Total Amount Payable (Overpayment) (Sum Item 46 & 50) (To Part II Item 20) (3,649,921)

53 Add: Special Tax Credits (From Schedule 7 Item 9)					
54 Total Tax Relief Availment (Sum of Items 52 & 53)					
Part VI - Information - Ex	ternal Auditor/Accred	lited Tax Agent			
55 Name of External Auditor/Accredited Tax Agent					
RG MANABAT AND COMPANY					
	56 TIN	000 - 470	- 727 - 000		
57 Name of Signing Partner (If External Auditor is a Partnership)					
DINDO MARCO M DIOSO					
	58 TIN	912 - 365	- 765 - 000		
59 BIR Accreditation No.	60 Issue Date (MM/L	DD/YYYY)	61 Expiry Date (MM/DD/YYYY)		
08 -001987 -030 -2016	10/18/2016		10/18/2019		

Part V - Tax Relief Availment

(Do NOT enter Centavos)



BIR Form No. Annual Income Tax Return 1702-RT Page 3 - Schedules 1 & 2 June 2013 Taxpayer Identification Number (TIN) **Registered Name** AFP GENERAL INSURANCE CORPORATION Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary) 1 Sale of Goods/Properties 2 Sale of Services 176,238,445 3 Lease of Properties 176,238,445 4 Total (Sum of Items 1 to 3) 5 Less: Sales Returns, Allowances and Discounts 176,238,445 6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 30) Schedule 2 - Cost of Sales (Attach additional sheet/s, if necessary) Schedule 2A - Cost of Sales (For those Engaged in Trading) 0 1 Merchandise Inventory - Beginning 0 2 Add: Purchases of Merchandise 0 3 Total Goods Available for Sale (Sum of Items 1 & 2) 0 Less: Merchandise Inventory, Ending 0 5 Cost of Sales (Item 3 Less Item 4) (To Schedule 2 Item 27) Schedule 2B - Cost of Sales (For those Engaged in Manufacturing) 0 6 Direct Materials, Beginning 0 7 Add: Purchases of Direct Materials 0 8 Materials Available for Use (Sum of Items 6 & 7) 0 Less: Direct Materials, Ending 10 Raw Materials Used (Item 8 Less Item 9) 0 0 11 Direct Labor 0 12 Manufacturing Overhead 0 13 Total Manufacturing Cost (Sum of Items 10, 11 & 12) 0 14 Add: Work in Process, Beginning 15 Less: Work in Process, Ending 0 16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15) 17 Finished Goods, Beginning 0 0 18 Less: Finished Goods, Ending 19 Cost of Goods Manufactured and Sold (Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)

Schedule 2C - Cost of Services (For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)						
20 Direct Charges - Salaries, Wages and Benefits	33,058,448					
21 Direct Charges - Materials, Supplies and Facilities	0					
22 Direct Charges - Depreciation	0					
23 Direct Charges - Rental	0					
24 Direct Charges - Outside Services	70,084,902					
25 Direct Charges - Others	58,646,273					
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)	161,789,623					
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)	161,789,623					

27 Research and Development

29 Salaries and Allowances

28 Royalties

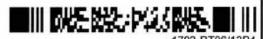
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10,611,235

Annual Income Tax Return

Page 4 - Schedules 3 & 4

BIR Form No. 1702-RT

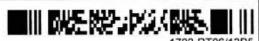


June 2013 Taxpayer Identification Number (TIN) Registered Name

000 -910 -081 -000 AFP GENERAL INSURANCE CORPORATION	
Schedule 3 - Other Taxable Income Not Subjected to Final Tax (Attach additional she	eet/s, if necessary)
1 RENT INCOME	1,493,456
2 OTHER INCOME	852,194
3 COMMISSION INCOME	2,769,162
4 Total Other Taxable Income Not Subjected to Final Tax (Sum of Items 1 to 3) (To Part IV Item 33)	5,114,812
Schedule 4 - Ordinary Allowable Itemized Deductions (Attach additional sheet/s,	, if necessary)
1 Advertising and Promotions	2,356,956
Amortizations (Specify on Items 2, 3 & 4)	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	56,200
7 Commissions	0
8 Communication, Light and Water	4,826,077
9 Depletion	0
10 Depreciation	9,834,330
11 Director's Fees	4,106,336
12 Fringe Benefits	0
13 Fuel and Oil	0
14 Insurance	308,212
15 Interest	0
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	0
20 Office Supplies	1,333,344
21 Other Services	2,417,418
22 Professional Fees	3,035,088
23 Rental	563,213
24 Repairs and Maintenance - (Labor or Labor & Materials)	3,930,143
25 Repairs and Maintenance - (Materials/Supplies)	0
26 Representation and Entertainment	5,132,358

Annual Income Tax Return Page 5 - Schedules 4, 5 & 6

BIR Form No. 1702-RT



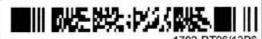
June 2013 Taxpayer Identification Number (TIN) Registered Name

Taxpayer Identification Num	ber (TIN)	Registered Name		
000 -910 -081	-000	AFP GENERAL INSU	RANCE CORPORATION	
Schedule	4 - Ordinary A	llowable Itemized Ded	uctions (Continued fro	m Previous Page)
30 Security Services				0
31 SSS, GSIS, Philhealth, HDMF and	d Other Contributio	ns		408,246
32 Taxes and Licenses				2,411,075
33 Tolling Fees				0
34 Training and Seminars				436,475
35 Transportation and Travel				3,822,458
Others (Specify below; Add addition	nal sheet(s), if nece	essary)		
66 SALES INCENTIVES				861,806
37 ASSOCIATION AND MEMBERS	HIP DUES			449,785
88 MEETINGS AND CONFERENCE	ES			260,635
39 OTHER EXPENSES				6,916,485
40 Total Ordinary Allowable Itemiz	ed Deductions (S	um of Items 1 to 39) (To Pa	rt IV Item 35)	64,077,875
		able Itemized Deduction		hootle if nacassani)
	scription	able itellized beducit	Legal Basis	Amount
1	scription		Legai basis	0
				0
				0
				0
•	- Carrier Sandrick Control	annesses a series and a series a	UKBURA S	
5 Total Special Allowable Itemized	Deductions (Sum	of Items 1 to 4) (To Part IV	Item 36)	0
Sc	chedule 6 - Con	nputation of Net Opera	ting Loss Carry Over	(NOLCO)
1 Gross Income (From Part IV Item 3	34)			19,563,634
2 Less: Total Deductions Exclusive of		tion Under Special Law		64,077,875
3 Net Operating Loss (To Schedule		our ottaer opeour can		(44,514,241)
Schedu	le 6A - Comput	ation of Available Net	Operating Loss Carry	Over (NOLCO)
	Net Opera	ting Loss		B) NOLCO Applied Previous Year
Year Incurred		A) Amount		B) NOECO Applied Frevious Tear
4 2016			44,514,241	0
5			0	0
			0	0
			0	0
Continuation of Schedule 6A	(Item numbers	continue from the table :	35/	
C) NOLCO Expired	-	NOLCO Applied Current Ye		et Operating Loss (Unapplied)
1	0		0	44,514,241
	0		0	0
				0
	0		0	
[]	0		0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV	Item 37)		0	

Annual Income Tax Return

Page 6 - Schedules 7, 8 & 9

BIR Form No. 1702-RT June 2013



Taxpayer Identification Number (TIN) Registered Name

000 -910 -081 -000 AFP GENERAL INSURANCE CORPORATION

1 Prior Year's Excess Credits Other Than MCIT	3,913,037
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year (From Schedule 8 Item 4F)	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	128,157
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits (To Part V Item 53)	0
Other Credits/Payments (Specify)	
10	0
11	0
12 Total Tax Credits/Payments (Sum of Rems 1 to 11) (To Part IV Item 45)	4,041,194

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0		
2		0		0
3		0		0

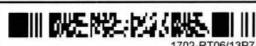
	 D) Excess MCIT Applied/Used for Previous Years 	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	 G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1		0	0	0
2	(0	0	0
3		0	0	0
4	Total Excess MCIT Sum of Column for	items 1F to 3F) (To Schedule 7 Item 4)	0	

Schedule 9 - Reconciliation of Net Income per Books Against Tax	able Income (Attach additional sheet/s, if necessary)
1 Net Income/(Loss) per books	(44,514,241)
Add: Non-deductible Expenses/Taxable Other Income	
2	0
3	0
4 Total (Sum of Items 1 to 3)	(44,514,241)
Less: A) Non-taxable Income and Income Subjected to Final Tax	1 10 10 10 10
5	0
6	0
B) Special Deductions	
7	0
8	0
9 Total (Sum of Hems 5 to 8)	0
10 Net Taxable Income (Loss) (Item 4 Less Item 9)	(44,514,241)

Annual Income Tax Return

Page 7 - Schedules 10 & 11

BIR Form No. 1702-RT



June 2013 Taxpayer Identification Number (TIN) Registered Name

ianha	yer identific	ation radinger () ha	Registered Name	Name			
000 -910 -081 -000 AFP GENERAL INSURANCE CORPORATION							
			Schedule 10 - BALANCE SHEET				
			Assets				
1 Curre	ent Assets			236,163,287			
2 Long	-Term Invest	ment	409,561,784				
3 Prop	erty, Plant ar	nd Equipment - Net		25,605,330			
4 Long	-Term Recei	vables		0			
5 Intan	gible Assets			0			
6 Other Assets			18,876,671				
7 Tota	l Assets (Sun	of Items 1 to 6)		690,207,072			
			Liabilities and Equity				
8 Curre	ent Liabilities			215,063,288			
9 Long	-Term Liabili	ties		0			
10 Def	ferred Credits			0			
11 Oth	er Liabilities			0			
12 Tot	al Liabilities	(Sum of Items 8 to 11)		215,063,288			
13 Cap	oital Stock			250,000,000			
14 Add	ditional Paid-i	n Capital		173,140,704			
15 Ret	ained Earnin	gs		52,003,080			
16 Tot	al Equity (Sur	m of Items 13 to 15)		475,143,784			
			A CONTRACTION OF THE CONTRACT				

17 Total Liabilities and Equity (Sum of Items 12 & 16)					690,207,072		
Schedule 11- Stockholders On column 3 enter the amount of capital co	Partners ontribution and		ers Info		(Top 20 Stockholders, partners or Mementage this represents on the entire ownership)	ibers)	
REGISTERED NAME			TIN		Capital Contribution	% to Total	
AFPMBAI	000	- 248	- 475	- 000	249,988,000	99.88	
EDGARDO RENE SAMONTE	000	- 127	- 304	- 955	1,000	0.01	
ALAN LUGA	000	- 127	- 951	- 868	1,000	0.01	
PRIMITIVO GOPO	000	- 187	- 689	- 953	1,000	0.01	
RENE RAOUL DC HONASAN	000	- 127	- 246	- 402	1,000	0.01	
ROY GALIDO	000	- 139	- 317	- 297	1,000	0.01	
ANTONIO MANGOROBAN JR	000	- 212	- 097	- 745	1,000	0.01	
JOB YUCOCO	000	- 124	- 201	- 217	1,000	0.01	
TITO ALVIN ANDAL	000	- 179	- 215	- 163	1,000	0.01	
JOSE LUIS MORENO	000	- 123	- 034	- 548	1,000	0.01	
CORAZON BUMANGLAG	000	- 115	- 321	- 977	1,000	0.01	
JOSE NAVARRO	000	- 121	- 501	- 339	1,000	0.01	
REGINA FAJOTINA	000	- 120	- 396	- 686	1,000	0.01	
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Annual Income Tax Return Page 8 - Schedules 12 & 13			BIR Form No. 1702-RT June 2013	 W 左	学。22.(製表 間 1702-RT06/13P8		
Taxpayer Identification Number (TIN)		Regi	Registered Name				
000 -910 -	081 -000	AFP (SENERAL INSURANCE	AL INSURANCE CORPORATION			
Sch	edule 12 - Supplem	ental Info	ormation (Attach ac	dditional sheet/s, it	f necessary)		
l) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt		B) Actual Amount/Fair Market Value/Net Capital Gains		C) Final Tax Withheld/Paid		
1 Interests	8,3	8,305,439		8,305,439	2,260,492		
2 Royalties		0		0	0		
3 Dividends	4,6	4,629,652		0	0		
4 Prizes and Winnings		0		0	0		
II) Sale/Exchange of Re	al properties		A) Sale	e/Exchange #1	B) Sale/Exchange #2		
5 Description of Property 6 OCT/TCT/CCT/Tax De	(e.g. land, improver	ent, etc.)	ry oan	S/Excitating # 1	b) odio/exoratigo #2		
7 Certificate Authorizing I	The second secon	On the same of the					
8 Actual Amount/Fair Ma		al Gains					
9 Final Tax Withheld/Paid	d						
III) Sale/Exchange of Sh 10 Kind/PS/CS)/Stock Co 11 Certificate Authorizing 12 Number of Shares 13 Date of Issue (MM/DD 14 Actual Amount/Fair Mark 15 Final Tax Withheld/Pa	ertificate Series No. Registration (CAR) (CAR) (CAR) (CAR) (CAR)			e/Exchange #1	B) Sale/Exchange #2		
V) Other Income (Spec	ify)		A) Ott	ner Income #1	B) Other Income #2		
16 Other Income Subject to Final Tax Under Sections 57 (A)/127/others of the Tax Code, as amended (Specify)							
17 Actual Amount/Fair Mark	ains						
18 Final Tax Withheld/Pa	nid						
19 Total Final Tax Withh	neld Paid (Sum of Iter	ms 1C to 4	IC, 9A, 9B, 15A, 15E	3, 18A & 18B)	2,260,492		
	Schedule 13 - 0	Gross Inc	ome/Receipts Exe	mpt from Income	Tax		
1 Return of Premium (Act	ual Amount/Fair Mark	(et Value)			0		
i) Personal/Real Properties Received thru Gifts, Bequests, and Devices 2 Description of Property (e.g. land, improvement, etc.)			A) Personal	//Real Properties #	es #1 B) Personal/Real Properties #2		

3 Modes of Transfer (e.g Donation)		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		
II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
II) Other Exempt Income/Receipts 6 Other Exempt Income/Receipts Under	A) Other Exempt Income #1	B) Other Exempt Income #2

8 Total Income Receipts Exempt From Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B)	0

7 Actual Amount/Fair Market Value/Net Capital Gains