

Building Partnerships, Empowering Lives

**CHARTER PING AN INSURANCE CORPORATION
ANNUAL REPORT 2016**



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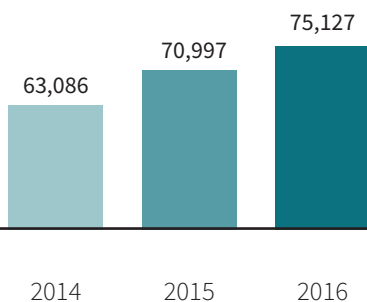
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FINANCIAL HIGHLIGHTS

MARKET (GWP)

In PHP Million

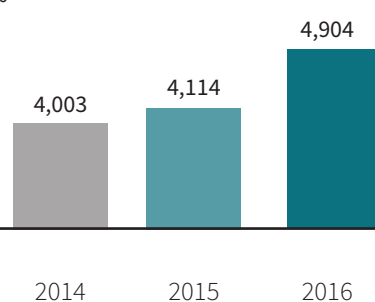
CAGR: 9.1%



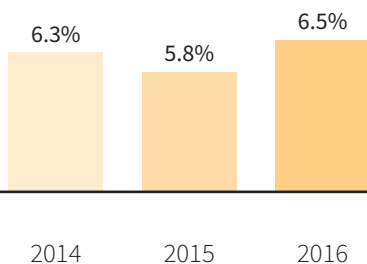
GWP

In PHP Million

CAGR: 10.7%

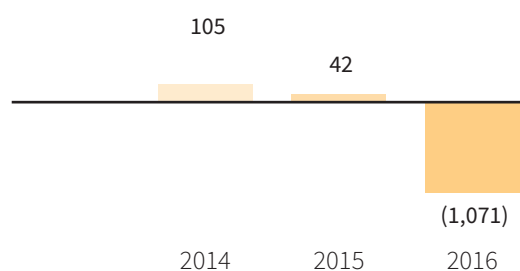


MARKET SHARE (GWP)



NET INCOME (PFRS)

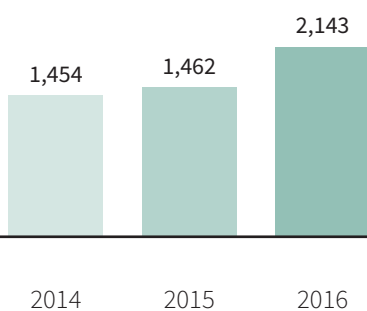
In PHP Million



TOTAL EQUITY

In PHP Million

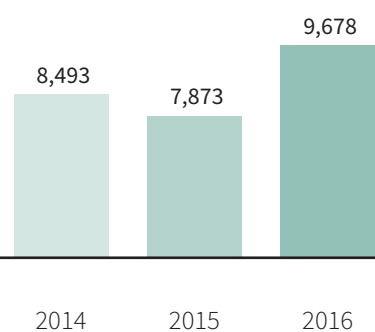
CAGR: 21.4%



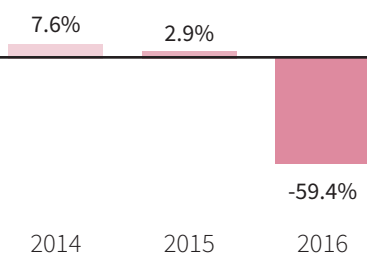
TOTAL ASSETS

In PHP Million

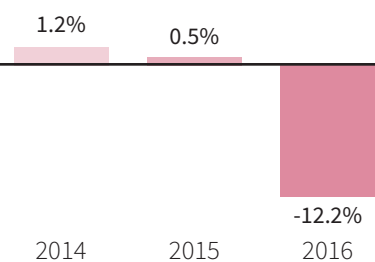
CAGR: 6.7%



RETURN ON EQUITY



RETURN ON ASSETS



Board of Directors

BOARD OF DIRECTORS



Vy Tonne So

HONORARY CHAIRMAN SINCE NOVEMBER 2006

79 years old, Filipino

- Honorary Chairman of CPAIC since 2006
- Director of CPAIC since November 2016
- Consultant, Metrobank and Trust Company since 2002
- Chief Executive Officer of General Insurance, AXA Asia since 2016
- Director, Federal Land Inc., since 2002
- Bachelor of Science in Electrical Engineering at the University of Sto. Tomas



Solomon S. Cua

CHAIRMAN SINCE APRIL 2016

61 years old, Filipino

- Chairman of AXA Philippines since 2010
- Chairman of Charter Ping An Insurance Corporation since April 2016
- Vice Chairman of First Metro Investment Corporation since 2005-2016
- Director of First Metro Investment Corporation since 2001-2016
- President/Director of Philippine Racing Club, Inc. since 2001-2012 / Vice Chairman since 2012
- Director of Grand Titan Holdings, Inc. since 2011
- Director of Metropolitan Bank, China 2014 – 2016
- Director of Philippine Newton Global Solutions, Inc. since 2012
- Director/Treasurer of Palm Integrated Commodities, Inc. since 2012
- President/Director of SC & SSC Holdings, Inc. since 2015
- Director of Profriends Developer, Inc. since 2016
- Undersecretary of Department of Finance from 1998 to 2000
- Graduated from the University of Melbourne with a degree of Bachelor of Arts in Economics & Mathematical Science
- Graduated from University of Queensland with a degree of Bachelor of Law
- Graduated from London School of Economics & Political Science with Masters in Law



Bienvenido E. Laguesma

VICE-CHAIRMAN SINCE APRIL 2016

66 years old, Filipino

- Senior Partner at Laguesma Magsalin Consulta & Gastardo Law Offices
- Director of First Metro Investment Corporation since April 2005
- Commissioner of the SSS since March 2011
- DOLE Secretary from 1998 to 2001
- Director at Philex Mining Corp. from February 27, 2013 to December 31, 2016
- Director of Apex Mining Co. Inc. since July 2012 until February 15, 2013
- Member of Philippine Advisory Board for Epixtar Corp. since May 11, 2005
- Public Sector Administration Course at the Royal Institute of Public Administration in London in 1985
- Bachelor of Laws degree from the Ateneo College of Law
- AB Political Science at the Lyceum of the Philippines



Rahul Hora

DIRECTOR/PRESIDENT & CEO SINCE APRIL 2016

43 years old, Indian

- President and Chief Executive Officer of AXA Philippines since April 2016
- Director of AXA Philippines since April 2016
- Director of Charter Ping An Insurance Corporation since 2016
- Graduated from St. Stephen's College with a degree in Bachelor of Science
- Post Graduate from Centre of Management Development with MBA Marketing



Alexander T. Chua

DIRECTOR SINCE APRIL 2014

44 years old, Filipino

- Director of Century Savings Bank Corporation since 2008
- Graduate of BSC-Management of Financial Institution at the De La Salle University on 1994



Claude Seigne

DIRECTOR SINCE APRIL 2016

57 years old, French

- Director, Charter Ping An Insurance Corporation (2016)
- Regional Chief Technical Officer, AXA Asia Regional Office, Singapore and Hong Kong (2010)
- Manager Group and Asia Reinsurance, AXA Cessions Paris (2005)
- Group Business Leader Large Accounts, SCOR Paris (2004)
- Asia Pacific Regional Manager Large Accounts Division, SCOR Singapore and Hong Kong (2000)
- Large Accounts Underwriter, SCOR Paris (1994)
- Production Manager, Hoechst, France (1988)
- Engineering Diploma and Master Degree (DEA) in Chemical Engineering, Ecole Nationale Des Industries Chimiques (ENSIC) Nancy, France
- Master of Physical Chemistry, University of Sciences - Nancy France



Jean Drouffe

DIRECTOR SINCE APRIL 2016

42 years old, French

- Director of AXA Philippines since April 2016
- Director of Charter Ping An Insurance Corporation since 2016
- AXA Insurance Singapore Pte Ltd since March 2016
- AXA Insurance Pte. Ltd. since 15 August 2016
- AXA Affin General Insurance Berhad since May 2016
- AXA AFFIN Life Insurance Berhad since July 2016
- Bharti AXA General Insurance Company Limited since January 2016
- Bharti AXA Life Insurance Company Limited since January 2016
- Charter Ping An Insurance Corporation since April 2016
- Philippine AXA Life Insurance Corporation since April 2016
- Chief Executive Officer, General Insurance, AXA Asia since 2016
- Graduated from ENSAE, France with Diploma in Economics, Statistics and Finance
- Graduated from Ecole Polytechnique, Paris with Diploma in Economics and Applied Mathematics



Jaime C. Laya

INDEPENDENT DIRECTOR SINCE APRIL 2016

78 years old, Filipino

- Chairman and President of Philtrust Bank
- Chairman of Escuela Taller de Filipinas Foundation, Inc.
- Independent Director of Charter Ping An Insurance Corporation since 2016
- Independent Director of GMA Holdings, Inc.
- Independent Director of GMA Network, Inc.
- Independent Director of Manila Water Co. Inc.
- Independent Director of Ayala Land, Inc.
- Trustee of Cultural Center of the Philippine, St. Paul's University – Quezon City, Ayala Foundation, Inc., Foundation Santiago, among others.
- Minister of Budget (1975-1981)
- Minister of Education, Culture and Sports (1984-1986)
- Governor of the Central Bank of the Philippines (1981-1984)
- Chairman of the National Commission for Culture and the Arts (1996-2001)
- Professor and Dean of Business Administration of the University of the Philippines (till 1978)
- Graduated from the University of the Philippines with a degree in B.S.B.A (Accountancy), 1957
- Graduated from Georgia Institute of Technology, MS in Industrial Management, 1960
- Graduated from Stanford University with Ph. D. in Financial Management, 1966



Lope M. Yuvienco

INDEPENDENT DIRECTOR SINCE APRIL 2016

72 years old, Filipino

- Independent Director of AXA Philippines since 2008
- Independent Director of Charter Ping An Insurance Corporation since 2016
- Graduated from the University of the Philippines with a degree in Bachelor of Science in Business Administration
- Graduated from the University of the Philippines with Masters in Business Administration

Dr. George S.K. Ty

SENIOR ADVISER TO THE BOARD

Angelica Reyes

CORPORATE SECRETARY

Jill Marie B. Lopez

ASST. CORPORATE SECRETARY

Benjamin S. Ty

ADVISER TO THE BOARD

Senior Management Team

SENIOR MANAGEMENT TEAM

RAHUL HORA

Director/President & CEO

CLAUDE P. SEIGNE

Chief General Insurance Officer

EMMANUEL R. QUE

Senior Management Advisor and Business Development

NICASIO F. ROLLAN III

Executive Vice President-Distribution

EDWIN V. SALVAN

Senior Vice President-Underwriting

PEILI CHANG

Chief Technical Officer

CORPORATE GOVERNANCE

Charter Ping An is committed to the highest standard of corporate governance.

CPAIC approved and adopted its revised Corporate Governance Manual (CGM) on 26 April 2017. The CGM seeks to bridge the gaps and strengthen the existing corporate governance structure of CPAIC. The CGM also embodies the corporate governance rules and regulations of the Insurance Commission (IC) and the Securities & Exchange Commission (SEC) and incorporates policies on the compliance system.

THE BOARD OF DIRECTORS

Board Composition

The Board is composed of 9 highly qualified business professionals. Of the 9, two are independent directors.¹

The Members of the Board collectively have the full range of skills needed for the effective and prudent operation of the Charter Ping An. Each director has skills that allow him or her to make an effective contribution to the Board deliberations and processes.

The Board will have at least two (2) independent directors.

Duties and Responsibilities of the Board

The Board of Directors has the overall responsibility for:

- governance of the Company including its strategic direction;
- reviewing and approving plans established by management;
- monitoring of performance against agreed plans;
- establishment and monitoring of internal controls and compliance with applicable legislative and regulatory requirements; and
- delegation of authority to management.

The directors consider that there are fundamental ethical values that underpin their role as directors and as members of its Board and committees. At all times, directors are expected to:

- act with integrity;
- be honest and open with each other;
- ensure whenever and wherever possible that they do not engage in any activities that may result in a conflict of interest with their duties to the Company and that cannot be appropriately managed;
- work co-operatively among themselves and with management in the best interests of the Company;
- recognise the separate roles and responsibilities of the Board and management;
- be diligent and continuously strive to improve the Company and Board operations and performance;
- observe the letter and the spirit of the constitution, laws, regulations and any policies under which the Company operates;
- have an active interest in and concern for the communities in which the Company operates; and
- avoid any behaviour that is likely to reflect badly on the Board or the Company.

Policy on Conflicts of Interest

Under Charter Ping An ' CGM, Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest except with the prior approval of the Board.

¹ On March 3, 2017, the Securities & Exchange Commission approved the increase of board membership into a total of eleven (11) directors

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Board Attendance

The Board holds regular meetings, at least six (6) times a year, on dates set at the beginning of every year. In 2016, the Board held six (6) meetings with attendance rate of 90.7%. Below is the record of attendance of the directors at the meetings:

	9-Feb-16	30-Mar-16	25-Apr-16	11-Jul-16	17-Oct-16	13-Dec-16
SOLOMON S. CUA / *MELENCIO C. MALLILLIN	Y	Y	Y	Y	Y	Y
BIENVENIDO E. LAGUESMA	Y	Y	Y	Y	Y	Y
RAHUL HORA / *BENJAMIN S. TY	Y	Y	Y	Y	Y	Y
ALEXANDER T. CHUA	Y	N	Y	Y	Y	Y
JEAN DROUFFE / *ROBERT T. YU	Y	Y	N	N	Y	Y
CLAUDE SEIGNE / *CARMELO MARIA L. BAUTISTA	Y	Y	N	N	Y	Y
JAIME C. LAYA / *NELSON G. SEE	Y	Y	Y	Y	Y	Y
LOPE YUVIENCO / *MELISSA DORIS L. GUIAO	Y	Y	Y	Y	Y	Y
VY TONEE SO	Y	Y	Y	Y	Y	Y
*Directors whose terms expired						

BOARD COMMITTEES

Charter Ping An exercises authority over specific aspects of its business through various Board Committees.

Executive Committee (EXCOM)

The EXCOM is currently composed of seven (7) directors which includes the Chairman of the Board, Vice-Chairman, and President and CEO. The EXCOM acts within the power and authority granted by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company.

Board Risk Management, Audit & Compliance Committee (BRMACC)

Charter Ping An BRMACC monitors and approves internal controls, risk management policies and procedures. BRMACC reviews and approves material or significant related-party transactions (RPTs). It monitors Charter Ping An business conduct and compliance with laws, regulations, Company policies and relevant codes of conduct.

Board Remuneration Committee and Board Nominations Committee

The Board Remuneration Committee and Board Nominations Committee appoint and if appropriate, terminate the contract of the Chief Executive Officer. They ensure the adequacy of succession planning and review the performance of the Chairman, the Board and its Committees.

Board Investment Committee (BIC)

The BIC approves material acquisitions and disposal of Company property.

RISK MANAGEMENT AND COMPLIANCE

Charter Ping An is in the business of risk, and risk management for our customers is one of its core competencies. Charter Ping An considers risks are owned by the respective business units and process owners. Therefore, everyone in Charter Ping An is expected to proactively manage the risks inherent in their respective areas.

Charter Ping An commits to comply with all insurance and consumer laws and regulations. In this regard, Charter Ping An shall continuously enhance its compliance programs that will assist its employees and the Board in identifying, measuring, monitoring and controlling compliance and business risks.

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Board Risk Management, Audit and Compliance Committee (BRMACC)

The BRMACC is mandated to assist the Board in overseeing the risk management and compliance of Charter Ping An.

The BRMACC's primary duties and responsibilities are as follows:

Compliance, Risk Management & Internal Control

To allow BRMACC to review and form an opinion on the effectiveness of the Company's compliance, risk management and internal control frameworks, the Committee –

- a. Considers management's and/or internal / external auditors' assessments of the effectiveness of the internal control and risk management processes including any weaknesses or other issues revealed by investigations of the causal factors behind events such as internal frauds, significant legal actions and reported operational failures, as well as the results of reviews performed by bodies such as internal and external audit, compliance, management control functions, and regulators.
- b. Reviews regular updates from management on significant complaints, external and internal fraud.
- c. Obtains regular updates from management, Compliance and Legal on significant regulatory compliance matters, the effectiveness of systems for monitoring compliance and any instances of non-compliance;
- d. Obtains regular updates from Legal on the status of material open litigation and other proceedings and the related reserves;
- e. Reviews periodically any significant complaints received;
- f. Reviews business risk profiles and periodic risk management statements;
- g. Reviews and monitors fraud and anti-money laundering policies of the Company;
- h. The scope of the systems of internal control, as reviewed by the BRMACC, includes internal control systems, including information technology security, that help ensure sound financial reporting and safeguarding of the Company's assets.

Financial Statements & Reporting Processes

To allow BRMACC to form an opinion on the integrity of the publicly reported results and disclosures made in the financial statements of Charter Ping An, BRMACC –

- a. Reviews recent professional and regulatory issues and pronouncements and their impact on the financial statements and reporting processes of the Company.
- b. Reviews the draft local GAAP financial statements to be submitted for approval to the Board to consider the quality, accuracy, completeness and clarity of the information provided and challenge, where necessary, the actions and judgments of management, particularly focusing upon:
 - i. Significant accounting policies or practices and any changes thereto.
 - ii. Compliance with Accounting Standards.
 - iii. Material decisions requiring a major element of judgment or significant estimates.
 - iv. The treatment and disclosure of any new complex and/or unusual transactions during the period.
 - v. Any significant adjustments resulting from external audit work or otherwise.
 - vi. Any qualifications or non-compliance with accounting standards or any listing, regulatory and/or legal requirements with regard to financial reporting.
 - vii. Any matters drawn to the attention of the Committee by the Company's external auditors.
- c. Considers the results of, and procedures for the receipt, retention and investigation of, any significant complaints received by the Company regarding accounting, internal controls over financial reporting, or auditing matters.

External Auditors

To allow the BRMACC to form an opinion on the effectiveness, performance and independence of the Company's external auditors, BRMACC –

- a. Reviews the external auditors' assignment plan, annual report and management letter.
- b. Reviews the breakdown of the fees paid to the external auditors by the Company.
- c. Considers the appointment, reappointment, dismissal or resignation of the external auditors and oversee the process for selecting the external auditors, making recommendations regarding their appointment, reappointment, or dismissal to the Board.

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Internal Auditors

To allow the Committee to form an opinion on the effectiveness, performance and independence of the Company's internal auditors, BRMACC –

- a. Reviews and approves the Company's internal audit plan, charter, and activities particularly with regard to it being adequately resourced and free from constraint by management.
- b. Reviews the major findings presented by internal audit and consider the appropriateness of management's response to them.
- c. Reviews the quarterly report on resolution of internal audit issues, requesting further management explanation where necessary for high priority issues that are overdue. d. Reviews a periodic independent assessment of the effectiveness of the internal audit function, including compliance with generally accepted auditing standards
- e. Considers the appointment, appraisal, resignation and dismissal of the Head of Audit with the AXA Asia Head of Audit.

Other Duties

BRMACC –

- a. Performs other activities according to the applicable regulatory requirements and the joint venture agreement between the shareholders;
- b. Performs other activities related to these terms of reference as requested by the Board;
- c. Reviews and assesses the adequacy of these terms of reference annually, requesting Board approval for proposed changes;
- d. Confirms annually that all responsibilities outlined in these terms of reference have been carried out; and
- e. Evaluates the performance of the Committee and its members on a regular basis.

Charter Ping An monitors and manages the risks inherent to its business through tools, programs and methods which include development of policies and processes, use of risk rating systems, establishment of limits, periodic reporting to the BRMACC, Key Risk Indicators, and review of strategies and performance of key functional areas or indicators, and Business Continuity Planning.

WHISTLE BLOWING POLICY

Charter Ping An adheres to its Whistleblower Policy which is designed to facilitate fair and thorough investigations of all reported instances of improper conduct through a mechanism that ensures that the person making the disclosure is protected from any potential reprisals or retaliatory actions. All reported incidents and any information given will be treated in confidence and every effort will be made not to reveal the identity of the person making the disclosure.

Reporting of any concerns or suspicions on possible violation of rights or unethical behavior may be made through the following details below:

Charter Ping An Insurance Corporation
Skyland Plaza, Senator Gil Puyat Avenue, Makati City
Tel. No.: +63 2 511 9800

Financial Statements

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Charter Ping An Insurance Corporation

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Charter Ping An Insurance Corporation (the Company), 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 to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for 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 *Auditor's 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.

AUDITOR'S 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 auditor's 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.

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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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON THE SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Charter Ping An Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO



Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-2 (Group A),

June 16, 2016, valid until June 16, 2019

Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-81-2015,

May 12, 2015, valid until May 11, 2018

PTR No. 5908748, January 3, 2017, Makati City

February 21, 2017

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31

	2016	2015
ASSETS		
Cash and cash equivalents	P 1,507,028,832	P 894,454,998
Short-term investments (Notes 4 and 25)	2,000,000	2,000,000
Insurance receivables - net (Notes 5 and 25)	1,658,080,506	1,781,562,202
Financial assets (Notes 6 and 25)		
Available-for-sale financial assets	3,121,224,133	1,614,036,318
Loans and receivables	33,058,691	42,205,882
Reinsurance assets (Notes 7, 12 and 25)	2,578,253,068	2,874,865,274
Deferred acquisition costs (Note 8)	354,789,596	358,712,921
Property and equipment - net (Note 9)	223,279,940	218,277,557
Assets held for sale (Note 10)	33,514,420	35,438,814
Net deferred tax assets (Note 22)	98,553,851	12,744,176
Other assets (Note 11)	67,905,202	38,628,779
TOTAL ASSETS	P 9,677,688,239	P 7,872,926,921
LIABILITIES & EQUITY		
Liabilities		
Insurance contract liabilities (Notes 12 and 25)	P 5,565,475,688	P 5,051,715,854
Insurance payables (Notes 13 and 25)	812,865,307	361,817,213
Accounts payable and accrued expenses (Notes 14 and 25)	914,190,650	768,104,725
Retirement benefit obligation (Note 21)	135,613,685	126,972,330
Deferred reinsurance commissions (Note 8)	106,230,458	102,693,627
Total Liabilities	7,534,375,788	6,411,303,749
Equity		
Capital stock (Note 15)	512,500,000	512,500,000
Contingency surplus (Note 15)	1,800,000,000	–
Additional paid-in capital	6,634,245	6,634,245
Revaluation reserve on:		
Available-for-sale financial assets (Note 6)	37,765,489	84,218,905
Property and equipment (Notes 2 and 9)	96,980,228	86,868,701
Remeasurement loss on retirement plan (Note 21)	(81,804,618)	(70,482,821)
Retained earnings (deficit)	(228,762,893)	841,884,142
Total Equity	2,143,312,451	1,461,623,172
TOTAL LIABILITIES AND EQUITY	P 9,677,688,239	P 7,872,926,921

STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31

	2016	2015
Gross earned premiums on insurance contracts	P 4,690,693,151	P 3,999,754,568
Reinsurers' share of gross earned premiums on insurance contracts	(2,712,590,558)	(2,003,372,680)
Net insurance earned premiums	1,978,102,593	1,996,381,888
Commission income (Note 8)	165,312,234	159,133,505
Interest income (Note 17)	99,603,857	78,891,684
Gain on sale of available-for-sale financial assets (Note 6)	33,672,292	17,679,247
Dividend income (Note 17)	5,137,164	4,649,379
Others (Note 17)	37,617,962	88,122,437
Other income	341,343,509	348,476,252
TOTAL INCOME	2,319,446,102	2,344,858,140
Gross insurance contract benefits and claims paid	1,868,020,926	2,184,773,182
Reinsurers' share of gross insurance contract benefits and claims paid	(591,778,441)	(1,291,554,064)
Gross change in insurance contract liabilities	300,214,306	(727,692,955)
Reinsurers' share of gross change in insurance contract liabilities	139,719,854	956,673,523
Net insurance benefits and claims (Notes 12 and 18)	1,716,176,645	1,122,199,686
Operating expenses (Note 19)	1,062,525,240	631,932,781
Commission expense (Note 8)	669,563,912	527,981,988
Interest expense (Notes 13 and 21)	7,452,249	5,990,549
Other Expenses	1,739,541,401	1,165,905,318
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES	3,455,718,046	2,288,105,004
INCOME (LOSS) BEFORE INCOME TAX	(1,136,271,944)	56,753,136
Current	19,590,801	24,932,231
Deferred	(85,215,710)	(10,531,785)
Income tax expense (benefit) (Note 22)	(65,624,909)	14,400,446
NET INCOME (LOSS)	(1,070,647,035)	42,352,690
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item that will be reclassified into profit or loss in subsequent periods:</i>		
Unrealized fair value losses on available-for-sale financial (Note 6)	(20,519,654)	(25,074,609)
Fair value loss on available-for-sale financial assets transferred to profit or loss (Notes 6 and 19)	(25,933,762)	(8,513,707)
<i>Items that will not be reclassified into profit or loss in subsequent periods:</i>		
Change in revaluation reserve on property and equipment, net of tax effect (Note 9)	10,111,527	8,216,835
Remeasurement losses on defined benefit obligation, net of tax effect (Note 21)	(11,321,797)	(9,298,356)
Total other comprehensive loss	(47,663,686)	(34,669,837)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P 1,118,310,721)	P 7,682,853

STATEMENTS OF CHANGES IN EQUITY

	Capital stock	Contingency surplus (Note 15)	Additional paid-in capital	Revaluation Reserves		Remeasurement loss on defined benefit obligation (Note 21)	Retained earnings (deficit)	Total
				Available-for- sale financial assets (Note 6)	Property and equipment (Note 9)			
As of January 1, 2016	P 512,500,000	P–	P 6,634,245	P 84,218,905	P 86,868,701	(P 70,482,821)	P 841,884,142	P 1,461,623,172
Capital contribution during the year	–	1,800,000,000	–	–	–	–	–	1,800,000,000
Net income for the year	–	–	–	–	–	–	(1,070,647,035)	(1,070,647,035)
Other comprehensive income (loss)	–	–	–	(46,453,416)	10,111,527	(11,321,797)	–	(47,663,686)
Total comprehensive income (loss)	–	–	–	(46,453,416)	10,111,527	(11,321,797)	(1,070,647,035)	(1,118,310,721)
As of December 31, 2016	P 512,500,000	P 1,800,000,000	P 6,634,245	P 37,765,489	P 96,980,228	(P 81,804,618)	(P 228,762,893)	P 2,143,312,451
As of January 1, 2015	P 512,500,000	P–	P 6,634,245	P 117,807,221	P 78,651,866	(P 61,184,465)	P 799,531,452	P 1,453,940,319
Net income for the year	–	–	–	–	–	–	42,352,690	42,352,690
Other comprehensive income (loss)	–	–	–	(33,588,316)	8,216,835	(9,298,356)	–	(34,669,837)
Total comprehensive income (loss)	–	–	–	(33,588,316)	8,216,835	(9,298,356)	42,352,690	7,682,853
As of December 31, 2015	P 512,500,000	P–	P 6,634,245	P 84,218,905	P 86,868,701	(P 70,482,821)	P 841,884,142	P 1,461,623,172

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(P 1,136,271,944)	P 56,753,136
Adjustments for:		
Interest income	(99,603,857)	(78,891,684)
Depreciation and amortization (Notes 9, 11 and 19)	37,187,447	30,296,555
Gain on sale of available-for-sale financial assets (Note 6)	(33,672,292)	(17,679,247)
Impairment loss on available-for-sale financial assets (Notes 6 and 19)	7,738,530	9,165,540
Impairment losses on insurance receivables and reinsurance assets-net (Notes 5, 12 and 19)	238,339,641	10,152,231
Impairment loss on loans and receivables (Notes 6 and 19)	1,858,102	–
Impairment loss on other assets (Notes 11 and 19)	2,724,982	–
Dividend income (Note 17)	(5,137,164)	(4,649,379)
Interest expense on insurance payables (Note 13)	951,266	775,004
Loss (gain) on sale of property and equipment (Notes 9 and 17)	101,618	(25,339)
Operating loss before working capital changes	(985,783,671)	5,896,817
Decrease (increase) in:		
Reinsurance assets	158,762,815	1,004,534,703
Insurance receivables	22,991,446	234,060,181
Deferred acquisition costs	3,923,325	(49,907,990)
Short-term investments	–	22,360,000
Assets held for sale	1,924,394	(16,951,602)
Loans and receivables	11,129,395	(308,394)
Other assets	(32,007,110)	4,172,166
Increase (decrease) in:		
Insurance contract liabilities	513,759,834	(613,317,549)
Insurance payables	451,048,094	(71,294,389)
Deferred reinsurance commissions	3,536,831	10,461,923
Retirement benefit obligation	(7,532,640)	2,483,302
Accounts payable and accrued expenses	146,085,925	30,592,429
Net cash generated from operations	287,838,638	562,781,597
Interest paid (Note 13)	(951,266)	(775,004)
Income tax paid	(19,590,801)	(42,274,214)
Net cash from operating activities	267,296,571	519,732,379
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Available-for-sale financial assets (Note 6)	746,645,953	270,761,581
Property and equipment (Note 9)	373,743	1,286,897
Acquisition of:		
Available-for-sale financial assets (Note 6)	(2,277,887,077)	(539,017,886)
Property and equipment (Notes 9 and 17)	(28,214,447)	(42,372,908)
Interest received	99,221,927	79,868,297
Dividends received	5,137,164	4,649,379
Net cash used in investing activities	(1,454,722,737)	(224,824,640)

(Forward)

Building Partnerships, Empowering Lives

YEARS ENDED DECEMBER 31

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Contingency surplus contribution	P 1,800,000,000	P–
NET INCREASE IN CASH AND CASH EQUIVALENTS	612,573,834	294,907,739
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	894,454,998	599,547,259
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P 1,507,028,832	P 894,454,998



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