

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

FWD.COM.PH

Company's Telephone Number

888-8393

Mobile Number

No. of Stockholders

6

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Manish Jain

Email Address

manish.jain@fwd.com

Telephone Number/s

888-8393

Mobile Number

CONTACT PERSON'S ADDRESS

19F W Fifth Ave. Bldg. 5th Ave. cor. 32nd Street, Bonifacio Global City, Taguig City

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.





STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

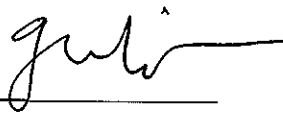
The management of **FWD LIFE INSURANCE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the year ended December 31, 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


Julian McQueen Lipman
Chairman of the Board


Peter Karl Grimes
Chief Executive Officer


Manish Kumar Jain
Chief Financial Officer

Signed this _____

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
FWD Life Insurance Corporation
19/F W Fifth Avenue Bldg.
5th Avenue, Corner 32nd Street
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FWD Life 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).

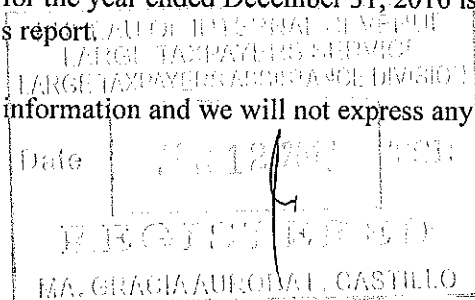
Basis for Opinion

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.

Other Information

Management is responsible for the other information. The other information comprises the information included in Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The Annual Report for the year ended December 31, 2016 is expected to be made available to us after the date of this auditor's report.

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



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

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

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

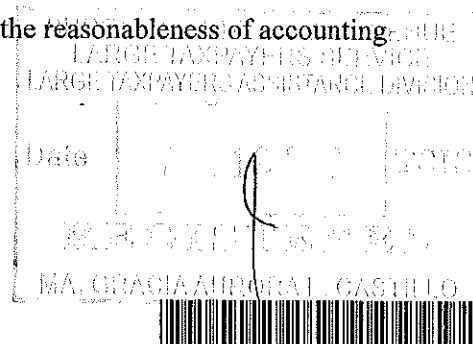
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

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 30 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 FWD Life 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

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

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

June 16, 2016, valid until June 16, 2019

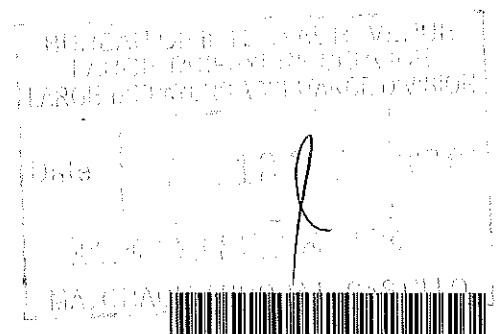
Tax Identification No. 178-486-666

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

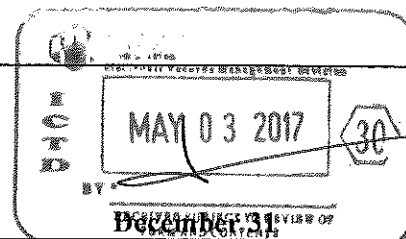
May 12, 2015, valid until May 11, 2018

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

March 24, 2017

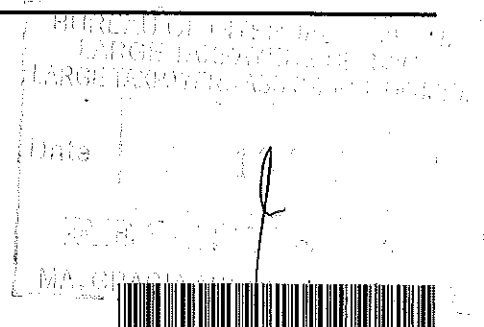


FWD LIFE INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION



	Notes	2016	2015
ASSETS			
Cash and Cash Equivalents	4	P551,171,625	P499,876,897
Short-term Investments	5	—	56,800,000
Financial Assets:			
Available-for-sale (AFS) financial assets	6,26	1,007,475,085	539,975,469
Financial assets at fair value through profit and loss (FVPL)	6,7,26	214,571,439	219,038,160
Assets held to cover unit-linked liabilities	6,7	3,405,976,122	1,575,982,581
Loans and receivables	6	41,022,760	28,265,699
Accrued Income	8	9,957,583	2,910,273
Property and Equipment - net	9	176,249,050	118,883,038
Prepaid Assets	10,27	394,874,473	349,835,068
Intangible Assets - net	11	310,401,848	285,050,320
Other Assets	12	28,791,265	8,492,430
TOTAL ASSETS		P6,140,491,250	P3,685,109,935
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities - net	13	P58,556,124	P3,974,343
Unit-linked liabilities	6,7	3,405,976,122	1,575,982,581
Insurance payables	14	37,317,451	10,669,438
Accounts payable and accrued expenses	15,26	479,191,565	244,724,557
Taxes payable	16	34,717,273	27,768,113
Pension liability	22	13,217,480	8,999,161
Payable to related parties	24,26	171,866,945	83,065,476
		4,200,842,960	1,955,183,669
Equity			
Capital stock	17	1,000,000,000	1,000,000,000
Additional paid-in capital	17	327,599,568	327,599,568
Contributed surplus	17	1,335,000,000	1,585,000,000
Contingency surplus	17	1,550,000,000	—
Actuarial gain on pension obligation	22	5,449,391	—
Deficit		(2,262,158,909)	(1,180,227,173)
Unrealized fair value loss on available-for-sale (AFS) financial assets	6	(16,241,760)	(2,446,129)
		1,939,648,290	1,729,926,266
TOTAL LIABILITIES AND EQUITY		P6,140,491,250	P3,685,109,935

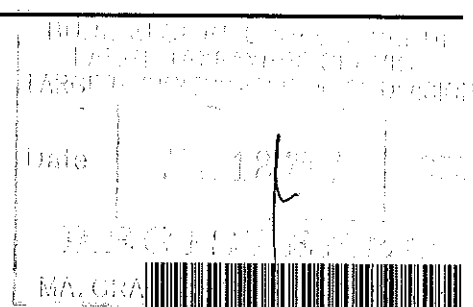
See accompanying Notes to Financial Statements.



FWD LIFE INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Notes	2016	2015
REVENUE			
Gross insurance premiums	18	₱3,024,648,482	₱2,280,368,517
Reinsurers' share of gross insurance premiums	18	(8,918,192)	(2,544,216)
Insurance premiums - net of reinsurance	18	3,015,730,290	2,277,824,301
Investment income	19	35,638,479	21,921,566
Management fee income	19	36,970,645	10,810,946
Other income		2,258,671	495,993
Other revenues		74,867,795	33,228,505
Total revenue		3,090,598,085	2,311,052,806
BENEFITS, CLAIMS, EXPENSES AND LOSSES			
Gross benefits and claims	20	59,684,864	10,426,261
Reinsurers' share in benefits and claims		(400,000)	—
Gross increase in insurance contract liabilities	13	55,096,724	3,979,669
Reinsurers' share of gross increase in insurance contract liabilities		(514,943)	(47,387)
Increase in unit-linked liabilities	7	1,829,635,968	1,574,607,482
Net insurance expense		1,943,502,613	1,588,966,025
General and administrative expenses	21	1,067,163,739	758,381,985
Commission expense and agency related expenses	21	1,015,549,716	513,274,651
Fair value loss on fair value through profit and loss assets held to cover unit-linked liabilities	7	137,525,097	240,526,981
Loss on sale of available for sale financial assets	6	1,737,805	—
Foreign currency exchange losses	23	118,777	209,407
Total operating expenses		2,222,095,134	1,512,393,024
Total expenses		4,165,597,747	3,101,359,049
LOSS BEFORE INCOME TAX		1,074,999,662	790,306,243
Provision for income tax	25	6,932,074	3,596,737
NET LOSS		1,081,931,736	793,902,980
OTHER COMPREHENSIVE LOSS			
Item that will be reclassified to profit or loss in subsequent periods:			
Unrealized fair value loss on AFS financial assets	6	(12,057,826)	(2,404,678)
TOTAL COMPREHENSIVE LOSS		₱1,093,989,562	₱796,307,658

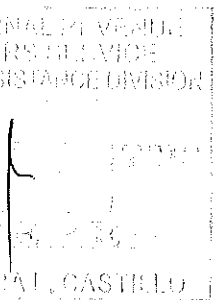
See accompanying Notes to Financial Statements.



FWD LIFE INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

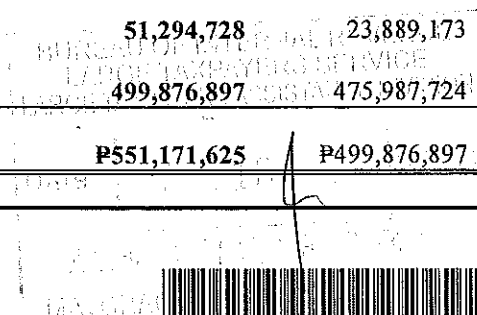
	Capital Stock (Note 17)	Additional Paid in Capital (Note 17)	Contributed Surplus (Note 17)	Contingency Surplus (Note 17)	Actuarial Gain on Pension Obligation	Deficit	Unrealized Fair Value Loss on AFS Financial Assets (Note 6)	Total Equity
At January 1, 2016	₱1,000,000,000	₱327,599,568	₱1,585,000,000	₱-	₱-	(₱1,180,227,173)	(₱2,446,129)	₱1,729,926,266
Unrealized fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(12,057,826)	(12,057,826)
Actuarial gain on pension obligation	-	-	-	-	5,449,391	-	-	5,449,391
Loss included in the statement of profit and loss	-	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(1,737,805)	(1,737,805)
Total comprehensive loss	-	-	-	-	5,449,391	(1,081,931,736)	-	(1,081,931,736)
Additional contribution	-	-	1,050,000,000	-	-	-	(13,795,631)	(1,090,277,976)
Infusion as contingency surplus	-	-	-	250,000,000	-	-	-	1,050,000,000
Transfer from contributed surplus to Contingency Surplus	-	-	(1,300,000,000)	1,300,000,000	-	-	-	250,000,000
At December 31, 2016	₱1,000,000,000	₱327,599,568	₱1,335,000,000	₱1,550,000,000	₱5,449,391	(₱2,262,158,909)	(₱16,241,760)	₱1,939,648,290
At January 1, 2015	₱1,000,000,000	₱327,599,568	₱475,000,000	₱-	₱-	(₱386,324,193)	(₱41,451)	₱1,416,233,924
Unrealized fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(2,404,678)	(2,404,678)
Net loss for the year	-	-	-	-	-	(793,902,980)	-	(793,902,980)
Total comprehensive loss	-	-	-	-	-	(793,902,980)	(2,404,678)	(796,307,658)
Additional contributed surplus during the period	-	-	1,110,000,000	-	-	-	-	1,110,000,000
At December 31, 2015	₱1,000,000,000	₱327,599,568	₱1,585,000,000	₱-	₱-	(₱1,180,227,173)	(₱2,446,129)	₱1,729,926,266

See accompanying Notes to Financial Statements.



FWD LIFE INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(P1,074,999,662)	(P790,306,243)
Adjustments for:			
Net change in insurance contract liabilities	13	54,581,781	3,932,282
Increase in unit-linked liabilities	7	1,829,993,541	1,574,607,482
Depreciation and amortization	9	62,221,069	41,844,609
Amortization of prepaid assets	10	186,091,410	84,480,980
Amortization of intangible assets	11	38,304,156	20,144,295
Loss on sale of available-for-sale financial asset		1,737,805	—
Fair value loss on fair value through profit and loss asset and assets held to cover unit-linked liabilities	7	137,525,097	240,526,981
Interest income	19	(31,722,475)	(17,928,767)
Operating income before working capital changes		1,203,732,722	1,157,301,619
Increase in:			
Loans and receivables	6	(10,246,429)	(24,258,693)
Financial assets at fair value through profit and loss	6,7,26	4,466,721	5,354,036
Assets held to cover unit-linked liabilities	7,26	(1,967,518,638)	(1,815,134,463)
Prepaid assets	10	(233,641,447)	(409,106,784)
Intangible assets	11	—	(300,000,000)
Other assets	12	(20,298,835)	782,932
Accounts payable and accrued expenses	15	225,467,847	169,507,811
Insurance payables	14	26,648,013	10,132,367
Pension liability	22	18,666,871	8,999,161
Payable to related party	24	88,801,469	18,872,036
Taxes payable	16	6,949,160	14,124,480
Cash used in operations		(656,972,546)	(1,163,425,498)
Income taxes paid		(6,932,074)	(3,596,737)
Net cash used in operating activities		(663,904,620)	(1,167,022,235)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale financial assets	6,26	(972,251,425)	(287,351,331)
Property and equipment	9	(119,587,081)	(37,429,733)
Intangible assets		(63,655,684)	(5,194,615)
Proceeds from maturity or disposal of:			
Short-term investments	5	56,800,000	392,427,626
Available-for-sale financial assets	6,26	486,495,000	—
Interest received		27,398,538	18,459,461
Net cash generated from (used in) investing activities		(584,800,652)	80,911,408
CASH FLOWS FROM FINANCING ACTIVITIES			
Additions to:			
Contributed surplus	17	800,000,000	1,110,000,000
Contingency surplus	17	500,000,000	—
Cash generated from financing activities		1,300,000,000	1,110,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		51,294,728	23,889,173
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		499,876,897	475,987,724
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		P551,171,625	P499,876,897



FWD LIFE INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

FWD Life Insurance Corporation (the “Company”) was incorporated and domiciled in the Philippines and is registered with the Securities and Exchange Commission (SEC) on November 19, 2013. The registered principal office of the Company at 19th floor W Fifth Avenue Bldg., 5th Avenue, Corner 32nd Street, Bonifacio Global City, Taguig City. The Company is a wholly-owned subsidiary of FWD Group Financial Services Pte. Ltd (the Parent Company) which is a Singapore company in a private investment group.

The Company was organized to primarily engage in and carry on the business of life insurance and to undertake and write insurance upon lives of individuals and every insurance appertaining thereto or connected therewith, including reinsurance; to make contracts for insurance and re-insurance for all risks, hazards, guarantees and contingencies to which life, accident or health insurance is applicable, to indemnify against legal liability, to compute endowments and grant, purchase or dispose annuities; to procure or acquire re-insurance of its risks; to issue policies stipulated to be with or without participation in profits and to purchase for its own benefit or for its obligations any policy of insurance, and perform such other powers related to or incidental to the business of life insurance.

On April 2, 2014, the Company was granted a Certificate of Authority by the Insurance Commission (IC) to operate as a life insurance company. The Company started its commercial operations on September 15, 2014.

On September 15, 2014, the Company and Security Bank Corporation (SBC) signed an agreement which appoints SBC to sell exclusively the life insurance products of the Company. The agreement was filed on November 11, 2014 with the Bangko Sentral ng Pilipinas (BSP) and the IC for their respective approvals. On December 22, 2014, SBC received the approval of BSP through its Resolution No. 2073 (see Note 25). On January 12, 2015, the Company received the approval of the agreement from IC.

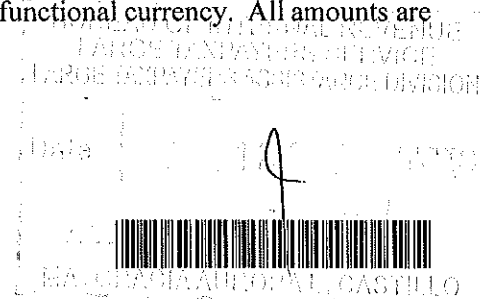
On July 17, 2014, the Company received IC approval to sell VUL products. On April 6, 2015, the Company received IC approval to sell traditional products, on which the first policy was issued on April 23, 2015. The Company currently sells both variable life and traditional life products.

The financial statements of the Company were approved and authorized for issuance by the Board of Directors (BOD) on March 24, 2017.

2. Significant Accounting Policies

Basis of Preparation and Presentation

The financial statements of the Company have been prepared on the historical cost basis, except for available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is the Company’s presentation and functional currency. All amounts are rounded to the nearest Peso unless otherwise indicated.



Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with the previous financial year except for adoption of the following new and amended standards and interpretations which became effective January 1, 2016. The adoption of these new and amended standards and interpretations have no material impact on the Company's financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- 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*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
 - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Future Changes in Accounting Policies

The Company will adopt the following new and amended standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Company's financial statements.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity 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 (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.



Application of amendments will result in additional disclosures in the 2016 financial statements of the Company.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, 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. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

The Company is assessing the potential effect of the amendments on its financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Company is assessing the potential effect of the amendments on its financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.



The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The Company is assessing which approach it will use and the potential impact of the chosen approach in its financial statements.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company is assessing the potential effect of the amendments on its financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses.

The Company is assessing the potential effect of the amendments on its financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.



- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Company is currently assessing the impact of adopting PFRS 16.



Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Product Classification

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. 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 risk.

Investment contracts are those contracts that transfer significant financial risk and insignificant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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 this 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.

Insurance contracts are classified with or without a Discretionary Participation Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the :
 - performance of a specified pool of contracts or a specified type of contract,
 - realised and or unrealised investment returns on a specified pool of assets held by the issuer, or
 - the profit or loss of the Company, fund or other entity that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract or when the



host insurance contract itself is measured as financial assets or liabilities at FVPL. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of an internal investment fund meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract.

Based on the Company guidelines, all products in its portfolio meet the definition of insurance contracts, including unit-linked products which have certain features that make use of funds specifically segregated for the benefit of unit-linked policyholders.

Cash and Cash Equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and in banks, including time deposits, which are not restricted as to use.

Short-term Investments

These are placements in time deposits and other money market instruments with original maturities of more than three months but less than one year and which are not restricted as to use.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company follows the trade accounting where an asset to be received and liability to be paid are recognized on the trade date and derecognition of an asset that is sold and the recognition of a receivable from the buyer is recognized on the trade date.

Initial Recognition and Measurement

Financial assets

Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets designated upon initial recognition as at FVPL are designated at the date of initial recognition only if the criteria under PAS 39 are satisfied. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at FVPL.

The Company's financial assets are of the nature of loans and receivables, AFS financial assets and financial assets at FVPL.

Financial liabilities

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities at FVPL are designated at the date of initial recognition and only if the criteria of PAS 39 are satisfied. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, include directly attributable transaction costs.



The Company's financial liabilities are of the nature of financial liabilities at FVPL and other financial liabilities.

'Day 1' profit or loss

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 or loss) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is 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 or loss amount.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets designated upon initial recognition at FVPL are designated only if the criteria under PAS 39 are satisfied.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

The Company evaluates its financial assets at FVPL (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify them. The reclassification from financial assets at FVPL to loans and receivables, AFS financial assets or HTM investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

The Company's financial assets at FVPL pertains to the Company's seed capital on its unit-linked investment funds. The unit-linked investment funds set by the Company underlying the unit-linked insurance contracts are designated as at FVPL. This is consistent with the valuation basis of the reserve for variable units held by policyholders.

AFS financial assets

AFS financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income in the "Unrealized fair value loss on AFS financial assets" in equity until the investment is de-recognized, at which time the cumulative gain or loss is recognized in profit or loss, or until the investment is determined to be



impaired, where the cumulative loss is reclassified to profit or loss. For AFS financial debt securities, the difference between their cost and par value is amortized using the effective interest rate method. Interest and dividends earned while holding the AFS financial assets are reported as interest income and dividend income, respectively, in profit or loss as part of investment income.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term are still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intent to do so in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the HTM category is permitted only when the Company has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the AFS category, the fair value amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

The Company's AFS financial assets pertain to investment in bonds and government securities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization and the loss arising from impairment are included in investment income in profit or loss.

Financial liabilities

Financial liabilities at FVPL

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial liabilities designated upon initial recognition at fair value through profit or loss are so designated only if the criteria of PAS 39 are satisfied. Gains or losses on liabilities held for trading are recognized in profit or loss.

The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

The Company's financial liabilities at FVPL pertain to its unit-linked liabilities.

Other financial liabilities

Other financial liabilities are stated at amortized cost, with any difference between net proceeds and redemption value recognized in the profit or loss over the period using the effective interest method.



Fair Value Measurement

The Company measures its debt and equity instruments classified as AFS financial assets and financial assets at FVPL at the end of each reporting period. Fair value is the price that would be received in the sale of an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1 - based on quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company's management determines the policies and procedures for both the recurring fair value measurement and for non-recurring measurement. At each reporting date, the management analyses the movement in the value of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policy. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

De-Recognition of Financial Instruments

Financial assets

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

- the right to receive cash flows from the asset has expired; or
- the Company has transferred its right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and



- either (a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 repay.

Financial liabilities

Financial liabilities and insurance payables are de-recognized when the obligation under the liability is discharged or cancelled, or has expired.

When 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 de-recognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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 assets and settle the liabilities simultaneously.

Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event 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 a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists 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 an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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 a collective assessment of impairment.



If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through direct write off or through the use of an allowance and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been realized.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

AFS financial assets carried at fair value

For AFS financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in the profit or loss.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Company generally considers the number of months the cost of an AFS investment is below its fair value and also the ratio of fair value over cost in determining an impairment provision. In addition, the Company evaluates other factors, such as the share price volatility. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments classified as AFS are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. Impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss.



Insurance Receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of insurance receivables are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss. Insurance receivables are derecognized when the de-recognition criteria for financial assets have been met.

Prepayments

Prepayments, including prepaid developmental fees and prepaid access fee, represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract.

Property and Equipment

Property and equipment are measured at cost less any subsequent accumulated depreciation, amortization and impairment losses. The cost of an asset consists of its purchase price, restoration cost and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation and amortization are computed on a straight-line method based on their estimated useful lives of the assets as follows:

Motor vehicles	5 years
Leasehold improvements	5 years or lease term whichever is shorter
Electronic data processing equipment	3 years
Office equipment	3 years
Furniture and fixtures	3 years

Leasehold improvements are amortized over the improvement's useful life of five years, or when shorter, the term of the relevant lease.

The useful life and depreciation and amortization methods are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from these assets.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the profit or loss.



Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment in value, if any. Intangible assets, consisting mainly of access rights, and software (not an integral part of its related hardware), are capitalized at cost. These costs are amortized on a straight-line basis over their estimated useful lives ranging from 3 to 15 years. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated formally by the Company. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value, less costs to dispose, 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 determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss on an asset is reversed only if there has been a change in the estimate used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Insurance Contract Liabilities

Life insurance contract liabilities

Life insurance contract liabilities represent the accumulated total liability for policies in force as of the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. These are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts, other than investment linked contracts, is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by IC, subject to the minimum liability adequacy test.



For investment linked contracts, contract liabilities are directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value). The costs of asset management fee inclusive of applicable taxes assessed against customers' account balances are presented in the profit or loss as part of "Other Revenue".

Life insurance contract with fixed and guaranteed terms

A liability for contractual benefits that are expected to be incurred in the future is recorded under "Insurance contract liabilities" in the statement of financial position when the premiums are recognized. The liability is determined as the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used. The liability is based on mortality, morbidity and investment income assumptions that are established at the time the contract is issued. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be not more than 6% compound interest and mortality and morbidity rates to be in accordance with the standard table of mortality and morbidity. Reserves are computed per thousand of sum insured and depend on the issue age and policy duration.

Unit-linked insurance contracts

The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payments to units of internal investment funds (unit-linked funds) set up by the Company with the consideration received from the policyholders. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products.

Premiums received from the issuance of unit-linked insurance contracts are recognized as premium revenue. These are separated to fund assets from which the Company withdraws administrative and cost of insurance charges in accordance with the policy provisions of the unit-linked insurance contracts. After deduction of these charges together with applicable surrender fees, the remaining amounts in the fund assets are equal to the surrender value of the unit-linked policies, and could be withdrawn anytime. The assets and liabilities of the unit-linked funds have been segregated and reflected in "Assets held to cover unit-linked liabilities" and "Unit-linked liabilities" in the statement of financial position. Income or loss arising from the unit-linked funds are classified under "Investment income" and is reflected in the profit or loss.

Investments under assets held to cover unit-linked liabilities are valued at market price. Changes in the assets held to cover unit-linked liabilities due to investment earnings or market value fluctuations result to the same corresponding change in the unit-linked liabilities. Such changes in fund value are presented as part of "Investment income" on the Company's profit or loss. As of end of the reporting period, unit-linked liabilities are computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying funds.

The account value of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the account value of each unit-linked insurance contract in the fund is equal to the total number of outstanding units multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by the total number of outstanding units.



Liability adequacy test

Liability adequacy tests are performed semi-annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against the statement of income initially by establishing a provision for losses arising from the liability adequacy tests.

Equity

Capital stock

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Additional paid-in capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Contributed surplus

Contributed surplus represents the contribution of the stockholders of the Company, in addition to the paid-up capital stock, in order to comply with the pre-licensing and capital requirements as provided under the Code.

Contingency surplus

Contingency surplus represents contributions of the stockholders to cover any unexpected deficiency in the Margin of Solvency (MOS) as required under the Insurance Code.

Deficit

Deficit represent accumulated net losses of the Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Premium income

Gross recurring premiums from life insurance contracts are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date from which the policy becomes effective. For regular premium contracts, receivables are recorded at the date when payments are due.

Investment income

Interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate.

Management fee income

Unit-linked funds are charged for fund management and administration. These fees are recognized as revenue under management fee income account in the period in which the related services are rendered.



Other income

Other income is recognized in the profit or loss as it accrues.

Benefits and Expenses

Expenses, in general, are recognized in the profit or loss in the period these are incurred.

Benefits and claims

Life insurance benefit claims reflect the cost of all claims arising during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Benefits recorded are then accrued as liabilities.

For unpaid benefits, a provision is made for the estimated cost of all claims but not settled at the reporting date, net of reinsurance recoveries, using the information available at the time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on the Company's experience and historical data. These actual claims are those reported immediately following the reporting date, whether paid or unpaid, but wherein the date of loss occurred on or before the reporting date. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

General and administrative expenses

General and administrative expenses are costs attributable to administrative and other business activities of the Company. These are recognized as expense in the period these are incurred.

Commission and agency related expenses

Commission and agency related expenses are charged against operations when the insurance contracts are entered into and related premiums are recognized. Commissions are paid to agents and financial executives for selling individual and group policies. Rates applied on collected premiums vary depending on the type of product and payment terms of the contract.

Leases

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

Where a reassessment 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 lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.



Foreign Currency-denominated Exchange Transactions and Translations

Transactions in currencies other than Philippine Peso are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing at the end of each reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of transaction and are not subsequently restated.

Foreign exchange gains or losses are considered as taxable income or deductible expense, respectively, only upon realization.

Income Tax

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable 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 all or part of the deferred tax assets to be recovered.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are likewise recognized in other comprehensive income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply 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 of end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to profit or loss for the period.

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.



Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognized as a separate asset only when the reimbursement is probable. The Company recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Provision are reviewed at each reporting date and adjusted to reflect the current best estimates.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the expected future expenditures required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Contingencies

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Employee Benefits

Long-term incentives

Certain employees of the Company are eligible for long-term incentives based on the duration of their service to the Company as defined in their employment contracts. The Company is liable to make such payments in the event that the employee meets the circumstances specified in those employment contracts.

Short-term employee benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Company during the reporting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Pension Obligation

The Company operates a funded, non-contributory defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit (PUC) valuation method.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.



Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment or the date that the Company recognizes related restructuring costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The net defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate) less the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to creditors of the Company nor can they be paid directly to the Company. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any net defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Events after the Reporting Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements of the Company.

Product classification

The Company has determined that the traditional and unit-linked insurance policies (that link the payments on the contract to units of insurance investment fund) have significant insurance risk and, therefore meet the definition of an insurance contract and should be accounted for as such.

Operating lease- the Company as lessee

The Company has entered into lease agreements related to various properties for its head office premises and branch offices. Based on an evaluation of the terms and conditions of the lease agreements, there will be no transfer of ownership of assets to the Company at the end of the lease term. The lessors retain all significant risks and rewards of ownership of these properties and so the Company accounts for the agreements as operating leases (Refer to Note 27).

Recognition of income taxes

Significant management judgment on the future tax treatment of certain transactions is required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied



interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

Impairment of AFS financial assets

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than twelve (12) months for quoted equity investments.

In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The carrying values of AFS assets as of December 31, 2016 and 2015 amounted to ₱1,007.48 million and ₱539.98 million, respectively (see Note 6).

Impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

There were no impairment indicators identified on the Company's property and equipment and intangible assets as of December 31, 2016 and 2015, respectively. The carrying values of property and equipment and intangible assets are disclosed in Note 9 and Note 11, respectively.

Liability adequacy testing

The Company evaluates the adequacy of its insurance contract liabilities at least semi-annually. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed on a portfolio of contracts in accordance with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

The judgments exercised in liability adequacy testing affect amounts recognized in the financial statements such as commission and other acquisition related expenses, insurance contract benefits and liabilities.

Estimates and Assumptions

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

Fair values of financial assets and liabilities

Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. The use of different pricing models and assumptions could produce materially different estimates of fair value.



In determining the fair values, management evaluates the normal volatility in the share price, the financial health of the investee, and the industry and sector performance, like changes in operational and financial cash flows. Any indication of deterioration in the above factors can have a negative impact on the fair value. The fair values of financial assets and liabilities are shown in Note 26.

Claims liability arising from insurance contracts

The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

Estimates are made as to the expected number of deaths, illnesses and injuries for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard mortality and morbidity tables as required by the Code. The estimated number of deaths, illnesses and injuries determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in turn is monitored against current and future premiums.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The carrying value of the insurance contract liabilities amounted to ₱58.56 million and ₱3.97 million as of December 31, 2016 and 2015, respectively (see Note 13).

Estimation of allowance for impairment losses

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtors, the debtor's payment behaviour and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired.

As of December 31, 2016 and 2015, there are no impairment indicators identified on the Company's loans and receivables. The carrying value of loans and receivables amounted to ₱41.02 million and ₱28.27 million as of December 31, 2016 and 2015, respectively (see Note 6).

Estimated useful lives of property and equipment and intangible assets and prepaid assets

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



The depreciable amount of intangible assets and the prepaid assets shall be allocated on a systematic basis over their useful lives. The amortization method shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Company. These methods include the straight-line method and the unit of production method (UOP). On the other hand, software (not an integral part of its related hardware) which is included as part of intangible assets, are capitalized at cost and amortized over their estimated useful lives of 3 years.

In this regard, UOP method of amortization which is based on quantifiable and reliable source (Actual over Target production) will be used for the subsequent measurements of the Prepaid Expense Asset, while the Intangible Assets will be amortized using a straight-line method on its economic life of fifteen (15) years.

As of December 31, 2016 and 2015, the carrying values of property and equipment amounted to ₱176.25 million and ₱118.88 million, respectively (see Note 9) and the carrying values of intangible assets amounted to ₱310.40 million and ₱285.05 million, respectively (see Note 11).

Employee benefits

The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets, salary increase rate, mortality rate, disability rate and turnover rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The cost of defined benefit plan and the present value of the pension obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date.

The present value of pension obligation amounted to ₱13.22 million as of December 31, 2016. The carrying value of retirement benefit accrued amounted to ₱9.00 million as of December 31, 2015 (see Note 22).

Deferred tax assets

Deferred tax assets are computed for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Company did not recognize deferred tax assets as of December 31, 2016 and 2015 since management believes that the benefits will not be realized prior to their expiry dates.

Contingencies

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



4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	₱135,000	₱216,505
Cash in banks	85,070,457	51,801,098
Cash equivalents	465,966,168	447,859,294
	₱551,171,625	₱499,876,897

Cash in banks earns interest at the prevailing bank deposit rates that ranged from 0.25% p.a. to 0.75% p.a. in 2016 and in 2015. Cash equivalents are made for varying periods not exceeding three months depending on the immediate cash requirements of the Company, and earned interest at the prevailing short-term deposit rates that ranged from 0.30% p.a. to 2.05% p.a. in 2016 and 0.375% p.a. to 2.375% p.a. in 2015. Interest income earned in 2016 and 2015 amounted to ₱7.36 million and ₱5.09 million, respectively (see Note 19).

5. Short-term Investments

Short-term investments consist of time deposits with maturity of more than three months but less than one year from date of placement amounting to nil and ₱56.80 million as of December 31, 2016 and 2015, respectively. The annual interest rate is 0.80% p.a. in 2016 and 2.05% p.a. in 2015. Interest income earned in 2016 amounted to ₱0.53 million and ₱2.57 million in 2015 (see Note 19).

6. Financial Assets

The Company's financial assets are summarized as follows:

	2016	2015
Available-for-sale (AFS) financial assets	₱1,007,475,085	₱539,975,469
Financial assets at fair value through profit or loss (FVPL)	214,571,439	219,038,160
Assets held to cover unit-linked liabilities	3,405,976,122	1,575,982,581
Loans and receivables	41,022,760	28,265,699
	₱4,669,045,406	₱2,363,261,909

AFS financial assets

This account consists of:

	Carrying value		Fair value	
	2016	2015	2016	2015
Government debt securities	₱930,056,712	₱542,421,598	₱918,434,815	₱539,975,469
Corporate debt securities:	93,660,133	—	89,040,270	—
	₱1,023,716,845	₱542,421,598	₱1,007,475,085	₱539,975,469



AFS financial assets

The carrying values of AFS financial assets has been determined as follows:

	2016	2015
At January 1	₱539,975,469	₱253,926,176
Additions	972,251,425	287,351,331
Disposals	(488,232,805)	—
Fair value losses	(13,795,631)	(2,404,678)
Amortization of discount (premium)	(2,723,373)	1,102,640
At December 31	₱1,007,475,085	₱539,975,469

Investments in bonds at amortized cost amounted to ₱1,023.72 million and ₱542.42 million as of December 31, 2016 and 2015, respectively, bear interest ranging from 2.125% p.a. to 7.00% p.a. in 2016 and 2.70% p.a. to 3.90% p.a. in 2015. Interest earned on bonds, classified as AFS financial assets, amounted to ₱23.83 million in 2016 and ₱10.27 million in 2015 (see Note 19).

In 2017, the Company incurred a loss on the disposal of its investment in bonds amounting to ₱1.74 million. As of December 31, 2016 and 2015, AFS financial assets amounting to ₱250.00 million are deposited with the IC in accordance with the provisions of the Code as security for the benefit of policyholders and creditors of the Company.

The rollforward analyses of unrealized fair value loss on AFS financial assets follow:

	2016	2015
At January 1	₱2,446,129	₱41,451
Transfer to profit and loss	1,737,805	—
Unrealized fair value loss	12,057,826	2,404,678
At December 31	₱16,241,760	₱2,446,129

“Unrealized fair value loss on AFS financial assets” records the difference between the amortized cost and fair value of AFS debt securities.

Financial assets at FVPL

Financial assets at FVPL represent the seed capital of the Company in its three VUL Funds at initial amount of ₱220.00 million. The carrying amount of financial assets at FVPL amounted to ₱214.57 million and ₱219.04 million in 2016 and 2015, respectively (see Note 7).

Loans and receivables

This account consists of:

	2016	2015
Fund management fee receivable (Note 19)	₱13,826,113	₱2,515,587
Receivable from VUL funds	13,084,280	23,969,700
Receivables from agents (see Note 10)	7,540,598	480,000
Employee loans and advances	4,565,644	957,802
Receivable from related parties (Note 24)	1,956,054	331,324
Premium due and uncollected	50,071	11,286
	₱41,022,760	₱28,265,699

Fund management fee receivable pertains to unpaid fees relating to VUL funds of the Company and is accrued daily and collected from the funds on a monthly basis.



Receivables from VUL funds consists of uncollected proceeds from withdrawals of cost of insurance (COI) and cost of rider (COR).

Receivable from agents pertain to amounts to be recovered from agents resulting from clawback of prepaid developmental fees paid for failure to meet the contractual obligations as stated in contract and cost of lost tablets, cost of trainings and memberships.

Employee loans and advances are non-interest bearing and are settled through payroll deductions.

The Company classifies its non-linked and unit-linked financial assets at fair value as follows:

2016

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
AFS financial assets	₱1,007,475,085	₱-	₱-	₱1,007,475,085
Financial assets at FVPL (Note 7)	214,571,439	-	-	214,571,439
Assets held to cover unit-linked liabilities (Note 7)				
	3,405,976,122	-	-	3,405,976,122
	₱4,628,022,646	₱-	₱-	₱4,628,022,646

2015

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
AFS financial assets	₱539,975,469	₱-	₱-	₱539,975,469
Financial assets at FVPL (Note 7)	219,038,160	-	-	219,038,160
Assets held to cover unit-linked liabilities (Note 7)				
	1,575,982,581	-	-	1,575,982,581
	₱2,334,996,210	₱-	₱-	₱2,334,996,210

For the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

7. Unit-Linked Funds

The total unit-linked funds of the Company are allocated as follows:

2016

BPI Funds

	Balanced Fund	Equity Fund	Fixed Income	Total
Financial assets at FVPL (Note 6)	₱82,414,118	₱47,397,772	₱84,759,549	₱214,571,439
Assets held to cover unit-linked liabilities (Note 6)				
	122,513,110	385,432,762	101,091,735	609,037,607
	₱204,927,228	₱432,830,534	₱185,851,284	₱823,609,046



SBC Funds

	FWD Peso Stable Fund	FWD Peso Bond Fund	FWD Peso Growth Fund	FWD Peso High Dividend Equity	Total
Assets held to cover unit-linked liabilities (Note 6)	₱278,901,670	₱159,678,830	₱1,456,635,279	₱901,722,736	₱2,796,938,515
TOTAL					₱3,620,547,561

2015

BPI Funds

	Balanced Fund	Equity Fund	Fixed Income	Total
Financial assets at FVPL (Note 6)	₱84,327,767	₱ 48,787,347	₱85,923,046	₱219,038,160
Assets held to cover unit-linked liabilities (Note 6)	3,089,360	66,787,734	240,899	70,117,993
	₱87,417,127	₱115,575,081	₱86,163,945	₱289,156,153

SBC Funds

	FWD Peso Stable Fund	FWD Peso Bond Fund	FWD Peso Growth Fund	FWD Peso High Dividend Equity	Total
Assets held to cover unit-linked liabilities (Note 6)	₱133,937,184	₱54,419,357	₱886,122,564	₱431,385,483	₱1,505,864,588
TOTAL					₱1,795,020,741

The unit-linked funds' net asset values consist of the following:

2016

BPI Funds	Balanced Fund	Equity Fund	Fixed Income	TOTAL
ASSET				
Cash and cash equivalents	₱36,395,471	₱41,617,335	₱36,133,437	₱114,146,243
Debt securities	136,064,615	—	147,505,174	283,569,789
Equity securities	26,174,900	381,712,576	—	407,887,476
Accrued income	1,774,430	364,858	1,949,211	4,088,499
Other receivables	5,242,633	12,936,379	744,085	18,923,097
TOTAL ASSETS	₱205,652,049	₱436,631,148	₱186,331,907	₱828,615,104
LIABILITIES				
Amounts payable on redemption of units	₱190,535	₱2,639,618	₱60,282	₱2,890,435
Other payables	534,286	1,160,996	420,341	2,115,623
TOTAL LIABILITIES	724,821	3,800,614	480,623	5,006,058
NET ASSET VALUE	₱204,927,228	₱432,830,534	₱185,851,284	₱823,609,046

SBC Funds	FWD Peso Stable Fund	FWD Peso Bond Fund	FWD Peso Growth Fund	FWD Peso High Dividend Equity	TOTAL
Other Investments - Feeder Fund	₱278,901,670	₱159,678,830	₱1,456,635,279	₱901,722,736	₱2,796,938,515
NET ASSET VALUE	₱278,901,670	₱159,678,830	₱1,456,635,279	₱901,722,736	₱2,796,938,515

2015

BPI Funds	Balanced Fund	Equity Fund	Fixed Income	TOTAL
ASSETS				
Cash and cash equivalents	₱9,717,501	₱6,421,195	₱9,912,365	₱26,051,061
Debt securities	60,450,557	—	75,510,273	135,960,830
Equity securities	16,689,578	108,972,415	—	125,661,993
Accrued income	679,210	92,589	869,997	1,641,796
Other receivables	75,439	405,402	27,448	508,289
TOTAL ASSETS	₱87,612,285	₱115,891,601	₱86,320,083	₱289,823,969



BPI Funds	Balanced Fund	Equity Fund	Fixed Income	TOTAL
LIABILITIES				
Amounts payable on redemption of units	₱19,032	₱84,575	₱5,971	₱109,578
Other payables	176,126	231,945	150,167	558,238
TOTAL LIABILITIES	195,158	316,520	156,138	667,816
NET ASSET VALUE	₱87,417,127	₱115,575,081	₱86,163,945	₱289,156,153

SBC Funds	FWD Peso Stable Fund	FWD Peso Bond Fund	FWD Peso Growth Fund	FWD Peso High Dividend Equity	TOTAL
ASSET					
Other Investments - Feeder Fund	₱133,937,184	₱54,419,357	₱886,122,564	₱431,385,483	₱1,505,864,588
NET ASSET VALUE	₱133,937,184	₱54,419,357	₱886,122,564	₱431,385,483	₱1,505,864,588

The movements in the unit-linked fund's net assets follow:

	2016	2015
At January 1	₱1,795,020,741	₱225,767,295
Contributions	2,211,683,665	1,857,809,364
Redemptions	(248,631,748)	(48,028,937)
Fair value loss	(137,525,097)	(240,526,981)
At December 31	₱3,620,547,561	₱1,795,020,741

Investment in debt securities in the unit-linked funds bear interest ranging from 3.5% p.a. to 8.00% p.a. in 2016 and 2.13% p.a. to 8.00% p.a. in 2015.

In 2015, the Company has launched additional Variable Unit Linked (VUL) Funds for its unit-linked products. Unlike the first 3 funds that were launched by the Company in September 2014 where the funds are invested in direct securities, the new funds are invested in SBC's existing Unit Investment Trust Funds (UITF), as follows: FWD Peso Stable Fund invested in SBC Asset Variety Fund, FWD Peso Bond Fund invested in SBC Bond Fund, FWD Peso Growth Fund invested in SBC Equity Fund, and FWD Peso High Dividend Equity Fund invested in SBC High Dividend Fund.

All financial assets at FVPL represent seed capital invested by the Company in VUL funds while assets held to cover unit-linked liabilities represent policyholders' money invested into these funds.

Breakdown of the fair value loss pertaining to net loss of unit-linked funds in 2016 and 2015 are as follow:

	2016	2015
Dividend income	₱4,550,081	₱1,727,574
Interest income	9,417,776	5,805,653
Unrealized loss on investments	(119,162,199)	(237,976,362)
Realized gain on investments	8,594,424	2,702,221
Total loss	(96,599,918)	(227,740,914)
Management fees	(36,970,645)	(10,810,946)
Other operating expenses	(1,768,300)	(802,856)
Total expenses	(38,738,945)	(11,613,802)
Net loss before final tax	(135,338,863)	(239,354,716)
Provision for final tax	(2,186,234)	(1,172,265)
Unit-linked loss after final tax	(₱137,525,097)	(₱240,526,981)



8. Accrued Income

This pertains to the interest accrued from time deposit placements amounting to ₱0.42 million and ₱0.28 million as of December 31, 2016 and 2015, respectively, and interest accrued from AFS bonds amounting to ₱9.54 million and ₱2.63 million as of December 31, 2016 and 2015, respectively.

9. Property and Equipment - net

The roll forward analyses of this account follows:

2016

	EDP Equipment	Office Equipment	Motor vehicles	Leasehold Improvements	Furniture and Fixtures	Total
Cost						
At January 1	₱94,834,528	₱4,116,179	₱9,139,572	₱63,681,327	₱2,410,816	₱174,182,422
Additions	46,828,141	2,681,633	423,258	63,282,621	6,371,428	119,587,081
At December 31	141,662,669	6,797,812	9,562,830	126,963,948	8,782,244	293,769,503
Accumulated depreciation						
At January 1	34,460,098	1,284,677	2,748,813	16,639,426	166,370	55,299,384
Depreciation	39,682,222	1,774,217	1,834,969	17,134,448	1,795,213	62,221,069
At December 31	74,142,320	3,058,894	4,583,782	33,773,874	1,961,583	117,520,453
Net Book Value	₱67,520,349	₱3,738,918	₱4,979,048	₱93,190,074	₱6,820,661	₱176,249,050

2015

	EDP Equipment	Office Equipment	Motor vehicles	Leasehold Improvements	Furniture and Fixtures	Total
Cost						
At January 1	₱70,085,392	₱1,976,029	₱5,517,588	₱59,173,680	₱-	₱136,752,689
Additions	24,749,136	2,140,150	3,621,984	4,507,647	2,410,816	37,429,733
At December 31	94,834,528	4,116,179	9,139,572	63,681,327	2,410,816	174,182,422
Accumulated depreciation						
At January 1	8,233,383	164,733	981,265	4,075,394	-	13,454,775
Depreciation	26,226,715	1,119,944	1,767,548	12,564,032	166,370	41,844,609
At December 31	34,460,098	1,284,677	2,748,813	16,639,426	166,370	55,299,384
Net Book Value	₱60,374,430	₱2,831,502	₱6,390,759	₱47,041,901	₱2,244,447	₱118,883,038

Depreciation expense charged to operations amounted to ₱62.22 million and ₱41.84 million in 2016 and 2015, respectively, and is reported under "General and administration expenses" in the Statements of Comprehensive Income (see Note 21).

10. Prepaid Assets

The rollforward analyses of this account follow:

2016

	SBC Access fee	Developmental fees	Prepayments	Total
At January 1	₱241,124,294	₱73,962,157	₱34,748,617	₱349,835,068
Additions	-	174,820,414	58,821,033	233,641,447
Reclassification to receivable from agents - net of amortization ₱3,870,278 (Note 6)	-	(2,510,632)	-	(2,510,632)
Amortization (Note 21)	(70,985,843)	(72,813,580)	(42,291,987)	(186,091,410)
At December 31	₱170,138,451	₱173,458,359	₱51,277,663	₱394,874,473



2015

	SBC Access fee	Developmental fees	Prepayments	Total
At January 1	₱-	₱17,279,456	₱7,929,808	₱25,209,264
Additions	300,000,000	74,372,385	34,734,399	409,106,784
Amortization (Note 21)	(58,875,706)	(17,689,684)	(7,915,590)	(84,480,980)
At December 31	₱241,124,294	₱73,962,157	₱34,748,617	₱349,835,068

Prepaid access fee pertains to refundable portion of the Exclusive Access fees stated in the Distribution Agreement (DA) between the Company and SBC, in case of early termination of the DA and non-achievement of the Annualized New Premium (ANP) targets stated in the DA. This is amortized based on unit of production method (UOP) and presented under commission expense and agency related expenses in the statements of comprehensive income.

Prepaid developmental fees paid to agency leaders are to be used exclusively in building and maintaining an agency organization for the purpose of selling solely the Company's products. This is to be amortized based on the agents' contractual obligation to the Company as indicated in the agreement (see Note 27). Amortization expense is reported under commission expense and agency related expenses in the statements of comprehensive income (see Note 21). Failure to meet the contractual obligations indicated in the agreement, the Company is authorized by the agents to clawback the unamortized amount of prepaid development fees paid. This will be converted to receivable from the agent and will be reported under "Loans and receivables" (see Note 6). In 2016, the amount converted to receivable from agent amounted to ₱2.51 million.

Prepayments consist mainly of property rental advances, software maintenance fee advances and license fees with terms over one year.

11. Intangible Assets - net

The rollforward analyses of this account follow:

2016

	SBC Access fee	Software	Total
Cost			
At January 1	₱300,000,000	₱5,194,615	₱305,194,615
Additions	-	63,655,684	63,655,684
At December 31	300,000,000	68,850,299	368,850,299
Accumulated Amortization			
At January 1	20,000,000	144,295	20,144,295
Amortization (Note 21)	20,000,000	18,304,156	38,304,156
At December 31	40,000,000	18,448,451	58,448,451
Net book value	₱260,000,000	₱50,401,848	₱310,401,848



2015

	SBC Access fee	Software	Total
Cost			
At January 1	₱-	₱-	₱-
Additions	300,000,000	5,194,615	305,194,615
At December 31	300,000,000	5,194,615	305,194,615
Accumulated Amortization			
At January 1	-	-	-
Amortization (Note 21)	20,000,000	144,295	20,144,295
At December 31	20,000,000	144,295	20,144,295
Net book value	₱280,000,000	₱5,050,320	₱285,050,320

SBC access fee pertains to the non-refundable portion of Exclusive Access Fees paid to SBC on January 22, 2015. This is not a direct compensation for the production, but rather a purchase of a right and amortized until the estimated economic life of DA which is fifteen (15) years.

Software includes system applications purchased from third parties.

12. Other Assets

This account consists of:

	2016	2015
Rental deposits	₱21,826,379	₱8,315,241
Sundry deposits	6,376,213	173,015
Creditable withholding tax	518,584	4,174
Security fund	70,089	-
	₱28,791,265	₱8,492,430

Rental deposits include security and reservation deposits. These items were transacted by the Company with W Fifth Building for its Head Office, Limketkai Sons, Inc. for CDO branch office, Asian I-Office Properties Inc. for Cebu branch office, Development Bank of the Philippines for Baguio branch office, MDI Group Holdings, Inc. for SGA BGC branch office, BDO Unibank Inc. for Makati branch office and Bormaheco Incorporated for Davao branch office (see Note 27).

Sundry deposits pertain mainly to construction bonds refundable from contractors upon completion of construction period.

Security fund pertains to contribution of the Company to the Security Fund - Life Account as required by the Insurance Commission on all insurance companies authorized to do business in the Philippines.

13. Insurance Contract Liabilities - net

Liability for contractual benefits that are expected to be incurred in the future is recorded under insurance contract liabilities when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of future net premiums.



For unit-linked insurance contracts, liabilities represent unearned cost of insurance charges on unit-linked basic life policies and riders.

Insurance contract liabilities - net consist of:

	2016	2015
Legal policy reserves	₱55,366,890	₱2,521,902
Policy and contract claims reserve	3,189,234	1,452,441
	₱58,556,124	₱3,974,343

Details of the legal policy reserves follow:

	2016	2015
Gross legal policy reserves		
Life insurance contracts	₱2,353,633	₱486,547
Unit-linked insurance contracts	53,528,200	2,082,710
	55,881,833	2,569,257
Reinsurer's share in legal policy reserves		
Unit-linked insurance contracts	404,538	—
Life insurance contracts	110,405	47,387
	514,943	47,387
Insurance contract liabilities - net	₱55,366,890	₱2,521,870

The movements during the year in legal policy reserves are as follows:

	2016			2015		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of Liabilities	Net
At January 1	₱2,569,289	₱47,387	₱2,521,902	₱42,061	₱—	₱42,061
Tabular net premiums or considerations	760,318	—	760,318	493,943	—	493,943
Tabular interest	28,752	—	28,752	5,932	—	5,932
Other increases	55,746,497	467,556	55,278,941	2,109,663	47,387	2,062,276
	59,104,856	514,943	58,589,913	2,651,599	47,387	2,604,212
Tabular cost	79,037	—	79,037	72,199	—	72,199
Reserves released by death	21,483	—	21,483	—	—	—
Reserves released by other terminations	3,122,503	—	3,122,503	10,111	—	10,111
	3,223,024	—	3,223,024	82,310	—	82,310
At December 31	₱55,881,833	₱514,943	₱55,366,890	₱2,569,289	₱47,387	₱2,521,902

The movements during the year in policy and contract claims reserve are as follows:

	2016	2015
At January 1	₱1,452,441	₱—
Provision during the year	1,736,793	1,452,441
At December 31	₱3,189,234	₱1,452,441

In October 2014, IC issued Circular Letter (CL) No. 2014-42-A (Valuation Standards for Life Insurance Policy Reserves) providing guidelines on the change in the valuation basis from Net Premium Valuation to Gross Premium Valuation and at the same time, the need to submit parallel run results pertaining to the said change in valuation basis. IC issued another circular letter (CL No. 2015-31) in June 2015 stating that full implementation of the new valuation basis will be



on June 30, 2016. Based on these circulars, the Company has submitted last October 2015 and February 2016 the transition requirements to assess the impact of implementing the new reserving basis using data as of December 31, 2014 and June 30, 2015, respectively.

14. Insurance Payables

Insurance payables consist of premiums received for which the policy contract has yet to be issued amounting to ₱37.32 million and ₱10.67 million as of December 31, 2016 and 2015, respectively.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2016	2015
Accruals for:		
Commissions	₱182,343,841	₱112,938,845
Suppliers' invoices	127,077,009	46,021,435
Employee incentives	95,071,048	68,735,663
Unit linked purchases	50,300,860	4,630,065
Reinsurance payable	10,399,943	2,430,676
Deferred rental payable	8,251,416	3,338,839
Commissions payable	5,451,489	4,218,807
Others	295,959	2,410,227
	₱479,191,565	₱244,724,557

Accrued commissions include agency and bancassurance channel related operating expenses, such as commissions, bank fees, variable pay, bonuses and incentives. These are normally settled within one year.

Accrued suppliers' invoices include unpaid invoices for agency and operating related expenses, utilities and capital expenditures and are normally settled within one year.

Accrued employee incentives represent estimated amount of short-term incentives (STI) and long-term incentives (LTI). STI is payable within the year while LTI is payable after three (3) years.

Accrued unit-linked purchases pertain to subscriptions to be transferred to unit-linked funds. These are non-interest bearing and are payable the following month.

Reinsurance payable pertains to premiums due to reinsurers which are non-interest bearing.

Deferred rental payable pertains to the lease rate differential adjustment to align lease expense with the PAS 17, *Leases*.

Commissions payable pertain to sales force commissions which are non-interest bearing and payable weekly.

Other payables include deposits paid by the agents for their IC licensing fee, trust fees and payments due to Philhealth, SSS and HDMF which are to be remitted the following month.



16. Taxes Payable

This account consists of:

	2016	2015
Final withholding tax	₱10,414,468	₱9,247,926
Expanded withholding tax	9,858,991	8,339,450
Withholding tax on compensation	6,435,781	4,593,511
Withholding VAT payable	5,304,301	4,526,279
Premium tax payable	2,703,732	1,060,947
	<u>₱34,717,273</u>	<u>₱27,768,113</u>

Taxes payable are normally settled the following month.

17. Equity

Capital Stock

This account consists of common shares of stock as of December 31, 2016 and 2015 as follows:

Authorized - 1,000,000,000 shares, ₱1 par value	
Issued and outstanding - 1,000,000,000 shares	₱1,000,000,000
	<u>₱1,000,000,000</u>

The Company has only one class of common shares which carry no right to fixed income.

On April 11, 2016, the BOD approved the increase in authorized capital stock from ₱1,000.00 million to ₱5,000.00 million.

On June 17, 2016, the BOD approved the subscription by the Parent Company of 1,000,000,000 common shares at par value of ₱1 per share for the aggregate subscription price of ₱1,000.00 million and the subscription payment of ₱250.00 million payable in cash, in compliance with the 25% subscription and payment rule under Section 38 of the Corporation Code of the Philippines. This is recorded as Contingency Surplus.

Contributed Surplus

The BOD approved the infusion of additional contributed surplus amounting to ₱1,050.00 million and ₱1,110.00 million in 2016 and in 2015, respectively.

Contingency Surplus

The BOD approved the infusion of additional contingency surplus amounting to ₱250.00 million in 2016. Reclassification from Contributed Surplus to Contingency Surplus amounting to ₱1,300.00 million was also made in 2016 to cover any unexpected deficiency in the Margin of Solvency as required under the Insurance Code.



18. Insurance Premiums - net

The net insurance premiums consists of:

	2016	2015
Premium revenue arising from contracts issued		
Unit-linked insurance contracts	₱3,019,149,712	₱2,279,143,487
Life insurance contracts	5,498,770	1,225,030
	3,024,648,482	2,280,368,517
Premium revenue ceded to reinsurers		
on contracts issued		
Unit-linked insurance contracts	(8,641,078)	(2,511,522)
Life insurance contracts	(277,114)	(32,694)
	(8,918,192)	(2,544,216)
Net insurance premiums earned	₱3,015,730,290	₱2,277,824,301

19. Investment and Management Fee Income

This account consists of:

	2016	2015
Interest income on		
AFS financial assets (Note 6)	₱23,830,468	₱10,269,091
Cash and cash equivalents (Note 4)	7,357,367	5,092,195
Short-term investments (Note 5)	534,640	2,567,481
Management fee on seed capital	3,916,004	3,992,799
	₱35,638,479	₱21,921,566

Interest income pertains to the interest earned on bonds and time deposits.

Management fee income pertains to fees earned for managing the VUL funds. Management fees amounting to ₱36.97 million and ₱10.81 million earned in 2016 and 2015 respectively, pertains to the fees earned on the policyholder's portion of the fund asset value. The fees range from 1.6% - 1.88% of fund asset value (see Note 27).

20. Benefits and Claims

Insurance Benefits and claims incurred consist of:

	2016	2015
Death and hospitalization benefits	₱10,140,666	₱1,252,298
Surrenders	49,544,198	9,173,963
Gross insurance benefits and claims	59,684,864	10,426,261
Reinsurers' share in benefits and claims	400,000	—
	₱59,284,864	₱10,426,261



21. Operating Expenses

General and administrative expenses consists of:

	2016	2015
Salaries, wages and employees benefits (Note 22)	₱463,586,909	₱303,976,707
Marketing expenses	136,472,826	84,706,215
Professional fees	93,074,348	105,947,535
Information technology costs (Note 24)	89,510,400	91,933,803
Building rental and related expenses (Note 27)	69,365,446	40,851,373
Depreciation (Note 9)	62,221,069	41,844,609
Taxes, licenses and fees	39,827,253	11,544,581
Transportation and travel	26,319,956	25,088,582
Supplies	24,222,500	19,504,067
Communication, light and water	20,492,711	12,597,282
Amortization (Note 11)	18,304,156	144,295
Distribution training	12,026,487	11,062,402
Entertainment	4,604,972	5,802,754
Others	7,134,706	3,377,780
	₱1,067,163,739	₱758,381,985

Commission expense and agency-related expenses consists of:

	2016	2015
Commission expense	₱525,413,369	₱255,455,868
Commission-related expenses (CRE) (Note 27)	308,612,344	152,657,021
Amortization of:		
Prepaid access fee (Note 10)	70,985,843	58,875,706
Intangible asset (Note 11)	20,000,000	20,000,000
Prepaid developmental fees (Note 10)	72,813,580	17,689,654
Distribution operation expenses	17,724,580	8,596,402
	₱1,015,549,716	₱513,274,651

Commission-related expenses consist mainly of bonuses such annual performance bonus and annual over-achievement bonus given to bancassurance agents, and incentives and allowances given to agents for the issuance of policy contracts (see Note 27).

22. Employee Benefits

The Company has a non-contributory defined contribution plan, covering all employees from the start of the date of employment which requires contributions to be made to a separately administered retirement fund. The plan is effective January 1, 2016, awaiting approval from the Bureau of Internal Revenue (BIR), which was formally applied on the 4th quarter of 2016. Under the plan, the Company makes contributions on behalf of the employees but it allows employees to participate in the plan by way of voluntary contributions.

The Company also has a non-contributory defined benefit retirement plan, covering all employees from the start date of employment.



Upon normal retirement, the employee shall be entitled to a lump sum benefit equal to the following:

- 1) One hundred percent (100%) of individual account balance in the defined benefit plan attributable to employee voluntary contributions as of the most recent valuation date prior to normal retirement date and adjusted for subsequent contributions, if any,
- 2) And the higher of:
 - a) One hundred percent (100%) of individual account balance in the defined benefit plan attributable to employer voluntary contributions as of the most recent valuation date prior to normal retirement date and adjusted for subsequent contributions, if any,
 - b) One hundred percent (100%) of employee's monthly salary for every year of service or the minimum statutory requirement at the time of the employee's retirement whichever is higher.

The Company recognized pension expense relating to its defined benefit plan included in the statement of comprehensive income which consists of:

	2016
Current service cost	P2,176,953
Net interest expense	815,091
Transition liability	15,674,827
	<u>P18,666,871</u>

As of December 31, 2016, the present value of the obligation as shown in the statement of financial position amounted to P13.22 million. The carrying value of retirement benefit accrued amounted to P9.00 million as of December 31, 2015. In 2016, there were no contributions made by the Company and its employees relating to its defined benefit plan.

The reconciliation of the present value of the pension benefit obligation follows:

	2016
At beginning of the year	P-
Additional transition liability	15,674,827
Interest expense	815,091
Current service cost	2,176,953
Actuarial gain on obligation	(5,449,391)
At end of the year	<u>P13,217,480</u>

	2016
Experience adjustment	(P3,425,024)
Change in financial assumptions	(2,024,367)
	<u>(P5,449,391)</u>

The principal actuarial assumptions used in determining net pension cost for the Company's retirement plan are shown below:

	2016
Salary increase rate	8.00%
Discount rate	5.60%
Expected average remaining working lives	15 years



The following tables demonstrate the sensitivity to a reasonably possible change in discount rates and salary increase for the next financial year, with all other variables held constant, of the Company's total comprehensive income using the projected unit cost (PUC) method:

	Change in Assumptions	Impact on total comprehensive income
Discount rate	+0.50%	₱10,915,474
	-0.50%	15,775,446
Salary rate	+0.50%	15,624,398
	-0.50%	11,022,596

The table below summarizes the maturity profile of the Company's benefit liabilities based on the remaining period at the end of the reporting period.

Year	2016
1-5 years	₱7,633,155
6-10 years	6,628,310
11-15 years	22,255,101
16 years and up	667,565,587
	₱704,082,153

23. Foreign Currency Exchange Losses

This account consists of realized foreign currency exchange losses amounting to ₱118,777 and ₱209,407 as of December 31, 2016 and 2015, respectively.

24. Related Party Disclosures

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are 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 and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Related party transactions consist of the following:

Category	2016		2015		Terms	Conditions
	Amount	Outstanding Balances	Amount	Outstanding Balances		
Receivable from Affiliates						
FWD Vietnam	₱835,432	₱835,432	₱-	₱-	Interest-free, settlement in cash; annual	Unsecured
Other Affiliates	789,298	1,120,622	331,324	331,324	Interest-free, settlement in cash; annual	Unsecured
		₱1,956,054		₱331,324		



Category	2016		2015		Terms	Conditions
	Amount	Outstanding Balances	Amount	Outstanding Balances		
Payable to Affiliates:						
FWD Pens Management Holdings Ltd. (a) (Note 21)	₱89,510,400	₱170,671,247	₱91,933,803	₱81,160,847	Interest-free, settlement in cash; annual	Unsecured
Valdimir Pte. Ltd. (b)	1,169,645	1,195,698	1,891,604	1,904,629	Interest-free, settlement in cash; annual	Unsecured
		₱171,866,945		₱83,065,476		

In the normal course of business, the Company has various transactions with its related companies as follows:

- The amount due to FWD Group Management Holdings Ltd. is in respect of expenditure incurred on behalf of the Company and comprised mainly of the costs of purchasing and installing IT systems of the Company.
- The amount due to Valdimir Pte. Ltd. is in respect of brand licensing agreement for the Company's use of the FWD brand name. This is based in the Company's production for the year.
- The outstanding receivable from affiliates pertains to travel-related expenses incurred by Company officers and will be recovered upon charge-back to FWD Vietnam and Others/Affiliates.

Outstanding balances are non-interest bearing, unsecured and will be settled in cash on an annual basis. No guarantees had been received or given.

Remunerations of Key Management Personnel

The Company's key management personnel include all management committee officers. The summary of compensation of key management personnel is as follows:

	2016	2015
Salaries and other short-term employee benefits	₱184,327,914	₱110,376,288
Other long-term benefits	19,534,848	14,825,722
Pension expense	401,476	—
	₱204,264,238	₱125,202,010

25. Income Taxes

The provision for current income tax of ₱6.93 million and ₱3.60 million for 2016 and 2015, respectively, represents the final tax on interest income.

Reconciliation between provision for income tax and the income tax at statutory income tax rate follows:

	2016	2015
Loss before income tax	₱1,074,999,662	₱790,306,243
Provision for income tax at statutory tax rate	(322,499,899)	(237,091,873)
Tax effects of:		
Interest income subjected to final tax	(3,401,680)	(359,644)
Non-deductible expenses	42,813,202	—
Expired 2013 NOLCO	3,999,664	—
Change in unrecognized deferred tax assets	286,020,787	241,048,254
Effective income tax	₱6,932,074	₱3,596,737



Under Republic Act No. 8424, the Company is subject to regular corporate income tax (RCIT) of 30% or 2% Minimum Corporate Income Tax (MCIT), whichever is higher. However, the Company is not required to file MCIT beginning on the 4th taxable year immediately following the taxable year in which such corporation commenced its business operations.

Details of the Company's NOLCO that can be claimed as deduction from future taxable profit are as follows:

Year Incurred	NOLCO	Tax Effect	Year of Expiry
2016	₱881,489,739	₱264,446,922	2019
2015	307,695,940	92,308,782	2018
2014	310,963,801	93,289,140	2017
	₱1,500,149,480	₱450,044,844	

NOLCO pertaining to 2013 amounting to ₱13.33 million expired in 2016.

Deferred Tax Assets

The Company did not recognize deferred tax assets amounting to ₱551.44 million and ₱267.05 million as of December 31, 2016 and 2015, respectively, from the following temporary differences since management believes that the benefits will most likely not be realized prior to their expiry dates.

	2016	2015
NOLCO	₱1,500,149,480	₱631,991,953
Accrued expenses	313,327,473	253,398,617
Provision for staff retirement fund	13,217,480	
Provision for IBNR reserves	3,189,235	1,452,441
Deferred rent payable	8,251,416	3,338,839
	₱1,838,135,084	₱890,181,850

Deferred tax assets are recognized only to the extent probable that its taxable income will be available against which the deferred tax assets can be used. The Company will reassess the unrecognized deferred tax assets on the above deductible temporary differences and will recognize deferred tax assets to the extent that it has become probable that future taxable income would allow the deferred tax assets to be recovered.

26. Capital Management and Management of Insurance and Financial Risk

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align 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 vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

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

Capital Management Framework

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 regulators and the amount computed under the RBC Requirement Model.

Fixed capitalization requirements

Pursuant to the provision of Section 194 of the New Insurance Code (“the Code”), no new life or non-life insurance business will be licensed in the Philippines unless it has paid-up capital of One Billion Pesos (₱1,000,000,000).

The Code also provided the new capitalization requirement of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance:

Net worth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

In 2016, the Company fully complied with the externally imposed capital requirements.

Unimpaired capital requirement

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

RBC requirements

IMC No. 6-2006 provides for the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.



The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that:

- a. The RBC ratio is less than 125% but is not below 100%,
- b. The RBC ratio has decreased over the past year, and
- c. The difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%.

The following table shows how the RBC ratio was determined by the Company based on its calculations:

	2016	2015
Net worth	₱1,107,198,223	₱1,015,452,123
RBC requirement	58,565,798	45,561,216
RBC Ratio	1891%	2229%

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

On June 10, 2015, IC issued Circular letter (CL) No. 2015-29 (Financial Reporting Framework (FRF) under Section 189 of the Amended Insurance Code (Republic Act No. 10607) providing guidelines on the implementation of Section 189, which provides for the financial reporting framework of all insurance and reinsurance companies to ensure the transparent and consistent application of accounting principles. It also includes the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles. The financial reporting framework is not the same as the financial reporting framework used for general purpose financial statements for the public and filed to other regulators and will be used on the statutory quarterly and annual reporting for net worth requirements as approved by IC.

During 2016, Pursuant to Section 194 of the Amended Insurance Code (R.A. 10607), the IC conducted a review of RBC-2 Framework contained in IMC 6-2006 and IMC 7-2006, both dated 05 October 2006.

On April 29, 2016, IC issued CL No. 2016-26 superseding IC No. 2014-42-A to align with the changes in the Risk Based Capital (RBC) Framework under the Regulatory Alignment Program. This shall be used in the full implementation of the Financial Reporting Framework, Reserving and Amended Risk Based Capital (RBC-2) Framework. The circular also stated that for the December 31, 2015 parallel run, both the net premium valuation and the revised valuation standards shall apply.

As of the latest submission using data as of September 30, 2016, the guaranteed cash value as at valuation date of the traditional products is ₱31,995 and most of the policies have negative gross premium valuation reserves. Under Section II.4 of CL No. 2016-26, the impact will be an amount equal to the negative reserves which must be appropriated to the Company's unassigned surplus.



On December 28, 2016, IC issued CL No. 2016-66 superseding IC No. 2016-26, effective January 1, 2017. On the same date, IC also issued CL No. 2016-69 providing the implementation requirements for FRF, Valuation Standards for Insurance Policy Reserves and RBC-2 Framework. This circular provided relaxed requirements for initial year implementation on Margin of Adverse Deviation and RBC-2 framework.

On December 28, 2016, IC issued CL No. 2016-65 superseding IC No. 2015-29, effective January 1, 2017, which provided updated guidelines on FRF.

IC issued CL No. 2016-68 wherein the IC has adopted a three pillar risk-based approach to solvency under RBC-2 framework: (a) Pillar 1 includes the quantitative requirements in relation to the calculation of capital requirements and recognition of eligible capital; (b) Pillar 2 covers the governance and risk management requirement that consist of a supervisory review process which may include a supervisory adjustment to capital; and (c) Pillar 3 comprises the disclosure requirements designed to encourage market discipline. In addition, IC issued CL No. 2016-69 which states RBC2 shall take effect beginning January 1, 2017. This CL also provided for relaxed requirements for initial implementation for RBC2 as follows:

<u>Year of implementation</u>	<u>Level of sufficiency</u>
2017	95 th percentile
2018	97.5 th percentile
2019	99.5 th percentile

Product Design and Pricing Risk

Product design risk refers to potential defects in the development of a particular insurance product. The Company manages product design risk through its product approval process where products are reviewed against pricing, design and operational risk parameters. All new products and product enhancements are reviewed and approved by the Group Office and are certified by the Company's Chief Actuary.

Product pricing phase starts with reinsurance negotiation, assumption-setting, preparation of product approval report, review and sign-off by the Group Office of pricing model, key product metrics based on target range set by Group, and risk assessment and mitigation measures consistent with the risk management policy of Group. Approved products are then filed with IC and BSP (for Bancassurance products).

The Company closely monitors the performance of new products and actively manages the product portfolio to minimize risks in the in-force book and new products.

Insurance Risk

Nature of Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency and severity of claims and actual benefit amount at the time of claim, and subsequent development of long-term claims.

The variability of risks is improved by diversification of the risk of loss. A large diversified portfolio of insurance contracts is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines, as well as the use of reinsurance arrangements.



For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. These risks currently do not vary significantly in relation to the location of the risks insured by the Company while undue concentration by amounts could have an impact on the severity of benefit payments.

Terms and conditions

The Company principally writes life insurance where the life of policyholder is insured against death, illness, injury or permanent disability, usually for a pre-determined amount. Life insurance contracts currently offered by the Company are mainly unit-linked, accident and health and group life insurance products. Unit-linked products differ from conventional policies in that a pre-determined percentage of each premium is allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed, guaranteed terms and fixed future benefits.

The Company has an objective to control and manage insurance risk, and to maintain a strong capital base to safeguard the Company's ability to continue as a going-concern. The Company manages insurance risk through the following mechanism:

- The use and maintenance of sophisticated management information systems that provide up to date, accurate and reliable data on risk exposure at any point in time;
- Actuarial models based on industry past experience and sound actuarial formulations;
- Guidelines for concluding insurance contracts and assuming insurance risks;
- Pro-active compliance of claims handling procedures to investigate and adjust claims, thereby ensuring payment of valid claims;
- Reinsurance to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and
- Eventually, diversification strategy will be implemented to ensure that underwritten risks are well-diversified in terms of type and amount of risk, industry and geography.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, and cease to pay premiums. Thus, the insurance risk is subject to the behaviour and decisions of the policyholders.

The Company's concentration of insurance risk, before and after reinsurance, in relation to the type of insurance contract is as follows:

	2016	2015
Variable unit-linked		
Gross	₱19,283,923,326	₱7,860,331,016
Net	16,264,556,189	5,985,784,953
Term insurance		
Gross	395,745,950	122,745,950
Net	260,022,975	66,872,975
Group life		
Gross	418,640,577	—
Net	364,016,030	—
Total		
Gross	20,098,309,853	7,983,076,966
Net	16,888,595,194	6,052,657,928



The risks associated with the life and accident and health products are underwriting risk and investment risk.

Underwriting Risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss arising from the policyholders' death experience being different than expected.
- Morbidity risk - risk of loss arising from the policyholder's health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising from the policyholder behavior (lapses and surrenders) being different than expected.

The Company's underwriting strategy is designed to ensure that risks are evaluated and rate appropriately. This is largely achieved through the use of health questionnaires and medical screening in order to ensure that pricing takes account of current health conditions family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at a yield below that required to meet future policy liabilities. To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company utilizes dynamic asset allocation strategies consistent with its risk appetite framework to manage investment risk and to ensure sustainable investment returns.

Financial Instruments

The following table sets forth the carrying values and fair values of non-linked and unit-linked financial assets recognized:

December 31, 2016

	Non-Linked		Unit Linked	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	₱551,171,625	₱551,171,625	₱114,146,242	₱114,146,242
Receivables	41,022,760	41,022,760	18,923,097	18,923,097
Accrued income	9,957,583	9,957,583	4,088,499	4,088,499
AFS financial assets				
Government securities	1,007,475,085	1,007,475,085	—	—
Financial assets at FVPL				
Government securities	—	—	283,569,789	283,569,789
Equity securities	—	—	407,887,476	407,887,476
Unit investment trust fund	—	—	2,796,938,516	2,796,938,516
Total financial assets	₱1,609,627,053	₱1,609,627,053	₱3,625,553,619	₱3,625,553,619



December 31, 2016

	Non-Linked		Unit Linked	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities:				
Other financial liabilities				
Insurance payables	₱37,717,475	₱37,717,475	₱—	₱—
Accounts payables and accrued expenses	479,191,565	479,191,565	2,115,625	2,115,625
Due to related parties	171,866,945	171,866,945	—	—
Amounts payable on redemption	—	—	2,890,434	2,890,434
Total financial liabilities	₱688,775,985	₱688,775,985	₱5,006,059	₱5,006,059

December 31, 2015

	Non-Linked		Unit Linked	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	₱499,876,897	₱499,876,897	₱26,051,061	₱26,051,061
Short-term investments	56,800,000	56,800,000	—	—
Receivables	28,265,699	28,265,699	508,288	508,288
Accrued income	2,910,273	2,910,273	1,641,796	1,641,796
AFS financial assets				
Government securities	539,975,469	539,975,469	—	—
Financial assets at FVPL				
Government securities	—	—	135,960,830	135,960,830
Equity securities	—	—	125,661,993	125,661,993
Unit investment trust fund	—	—	1,505,864,588	1,505,864,588
Total financial assets	₱1,127,828,338	₱1,127,828,338	₱1,795,688,556	₱1,795,688,556
Financial liabilities:				
Other financial liabilities				
Insurance payables	₱10,669,438	₱10,669,438	₱—	₱—
Accounts payables and accrued expenses	244,724,557	244,724,557	(558,238)	(558,238)
Due to related parties	83,065,476	83,065,476	—	—
Amounts payable on redemption	—	—	(109,578)	(109,578)
Total financial liabilities	₱338,459,471	₱338,459,471	(₱667,816)	(₱667,816)

Fair values of financial assets and financial liabilities are estimated as follows:

- Due to the short-term nature of cash and cash equivalents, short-term investments, receivables, accrued income, insurance payables, accrued payables and accrued expenses, due to related parties, and amounts payable on redemption, their carrying values reasonably approximate their fair values at year end.
- The fair value of financial assets at FVPL and AFS financial assets that are actively traded in organized financial markets is determined by reference to quoted market prices (PDST R2/BSP 813 Reference rate for bonds and PSE closing price for equities), at the close of business on the reporting date, or the last trading day as applicable.

Financial Risk

The Company is exposed to financial risk through its financial assets and financial 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 Company has established a risk management function with terms of reference and with responsibility for developing policies on market, credit, liquidity, insurance and operational risk. The investment policies define the Company's limit structure to ensure the appropriate quality and diversification of assets, in accordance with the Code.

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 credit risk policy which focuses on minimizing credit risk exposures. The credit risk policies are set as follows:

- a. Concentration limit - The Company sets maximum exposure to an individual issuer and to a particular sector.
- b. Counterparty ratings - The Company reviews and recommends financial institutions that will complement over-all investment objectives and service requirements.

Reporting of credit risk exposures, monitoring compliance with credit risk policy and review of credit risk policy is done on a regular basis.

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 records which are allowed to participate in the Company's reinsurance programs. The Company also set maximum exposure for deposit products of accredited banks which will be the equivalent to the maximum allocation for the said instruments.

As of December 31, 2016 and 2015, the Company's maximum exposure to credit risk from its financial assets (loans and receivables, AFS financial assets and financial assets at FVPL) is equal to their carrying amount. In addition, there is no significant concentration of credit risk identified. The gross maximum exposure to credit risk of the Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the criteria in PAS 32, *Financial Instruments: Presentation*. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, the Company has no past due or impaired financial assets. As such, the disclosure requirement of PFRS 7, *Financial Instruments: Disclosure*, regarding the aging of past due accounts are no longer presented.

Credit quality of financial assets

It is the Company's policy to maintain accurate and consistent risk ratings across the financial assets. The Company utilizes an internal credit rating system based on its assessment of the quality of the financial assets.

The Company uses conventions which have been adapted to conform to the various ratings as follows:

Standard and Poor's	Moody's	Reported as
AAA	AAA	AAA
AA+ to AA-	Aa1 to Aa3	AA
A+ to A-	A1 to A3	A
BBB+ to BBB-	Baa1 to Baa3	BBB
BB+ and below	Ba1 and below	Below investment grade



The tables below show the credit quality of the Company's financial assets as of December 31:

2016

Non-linked

	A	BBB	BB	Not Rated	Total
Financial Assets:					
Loans and receivables:					
Cash and cash equivalents	₱863,310	₱36,072,823	₱47,037,980	₱1,231,344	₱85,205,457
Short-term investments	-	377,866,168	88,100,000	-	465,966,168
Receivables	-	-	-	41,022,760	41,022,760
Accrued income	-	-	-	9,957,584	9,957,584
AFS financial assets					
Government securities	-	1,007,475,085	-	-	1,007,475,085
	₱863,310	₱1,421,414,076	₱135,137,980	₱52,211,688	₱1,609,962,054

Unit-linked

	A	BBB	BB	Not Rated	Total
Financial Assets:					
Loans and receivables:	₱114,146,242	₱-	₱-	₱-	₱114,146,242
Cash and cash equivalents	-	-	-	-	-
Receivables	-	-	-	18,923,097	18,923,097
Accrued income	-	-	-	4,088,499	4,088,499
Financial assets as FVPL:					
Government securities	-	283,569,789	-	-	283,569,789
Equity securities	-	-	-	407,887,476	407,887,476
Unit investment trust fund	-	-	-	2,796,938,516	2,796,938,516
	₱114,146,242	₱283,569,789	₱-	₱3,227,837,588	₱3,625,553,619

2015

Non-linked

	A	BBB	BB	Not Rated	Total
Financial Assets:					
Loans and receivables:					
Cash and cash equivalents	₱2,291,496	₱293,568,719	₱203,580,703	₱435,979	₱499,876,897
Short-term investments	-	-	56,800,000	-	56,800,000
Receivables	-	-	-	28,265,699	28,265,699
Accrued income	-	-	-	2,910,273	2,910,273
AFS financial assets					
Government securities	-	539,975,469	-	-	539,975,469
	₱2,291,496	₱833,544,188	₱260,380,703	₱31,611,951	₱1,127,828,338

Unit-linked

	A	BBB	BB	Not Rated	Total
Financial Assets:					
Loans and receivables:					
Cash and cash equivalents	₱26,051,061	₱-	₱-	₱-	₱26,051,061
Receivables	-	-	-	508,288	508,288
Accrued income	-	-	-	1,641,796	1,641,796
Financial assets as FVPL:					
Government securities	-	135,960,830	-	-	135,960,830
Equity securities	-	-	-	125,661,993	125,661,993
Unit investment trust fund	-	-	1,505,864,588	-	1,505,864,588
	₱26,051,061	₱135,960,830	₱1,505,864,588	₱127,812,077	₱1,795,688,556



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 a counterparty failing on repayment of a contractual obligation; or the insurance liabilities falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and operating expenses. The Company manages liquidity by forecasting cash flow requirements. Investments are made in assets with maturities or interest payments which are matched against expected pay-outs of claims benefits (i.e., amount and duration of assets are matched against amount and duration of liabilities). In addition, significant outflows due to operating expenses (e.g., salaries, bonuses, IT expenditures, etc.) are scheduled based on an agreed budget timeline.

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 amounts and maturities in respect of insurance liabilities are thus based on management's best estimate based on actuarial techniques and past experience.

The table below summarizes the maturity profile of the Company's financial assets and liabilities based on the remaining period at the end of the reporting period. Most of the Company's financial assets are used to support its insurance contract liabilities which are not shown in the table below. Refer to Note 13 for additional information on the Company's insurance contract liabilities as well as to the Insurance Risks Section.

December 31, 2016

Non-linked

	Up to a year	Maturity Breakdown				Total
		1-3 years	3-5 years	Over 5 years	No term	
Financial assets:						
Loans and receivables:						
Cash and cash equivalents	₱85,205,457	₱-	₱-	₱-	₱-	₱85,205,457
Short-term investments	465,966,168	-	-	-	-	465,966,168
Receivables	41,022,760	-	-	-	-	41,022,760
Accrued income	9,957,583	-	-	-	-	9,957,583
AFS financial assets						
Government securities	83,235,265	204,492,253	719,747,567	-	-	1,007,475,085
Total financial assets	₱685,387,233	₱204,492,253	₱719,747,567	₱-	₱-	₱1,609,627,053
Other financial liabilities:						
Accounts payable and accrued expenses	(₱464,548,110)	(₱8,897,529)	(₱5,745,926)	₱-	₱-	(₱479,191,565)
Insurance payable	(37,717,475)	-	-	-	-	(37,717,475)
Due to related parties	(171,866,945)	-	-	-	-	(171,866,945)
Total financial liabilities	(₱674,132,530)	(₱8,897,529)	(₱5,745,926)	₱-	₱-	(₱688,775,985)

Unit-linked

	Up to a year	Maturity Breakdown				Total
		1-3 years	3-5 years	Over 5 years	No term	
Financial assets:						
Loans and receivables:						
Cash and cash equivalents	₱114,146,242	₱-	₱-	₱-	₱-	₱114,146,242
Receivables	18,923,097	-	-	-	-	18,923,097
Accrued income	4,088,499	-	-	-	-	4,088,499
Financial assets at FVPL						
Government securities	-	13,621,355	25,109,364	244,839,070	-	283,569,789
Equity securities	-	-	-	-	407,887,476	407,887,476
Other Investment:						
Feeder Fund (UITF)	-	-	-	-	2,796,938,516	2,796,938,516
Total financial assets	₱137,157,838	₱13,621,355	₱25,109,364	₱244,839,070	₱3,204,825,992	₱3,625,553,619



	Maturity Breakdown					
	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial liabilities:						
Other financial liabilities:						
Amount payable on redemption	(₱2,890,434)	₱-	₱-	₱-	₱-	(₱2,890,434)
Other payables	(2,115,625)	-	-	-	-	(2,115,625)
Total financial liabilities	(₱5,006,059)	₱-	₱-	₱-	₱-	(₱5,006,059)

December 31, 2015

Non-linked

	Maturity Breakdown					
	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Loans and receivables:						
Cash and cash equivalents	₱499,876,897	₱-	₱-	₱-	₱-	₱499,876,897
Short-term investments	56,800,000	-	-	-	-	56,800,000
Receivables	28,265,699	-	-	-	-	28,265,699
Accrued income	2,910,273	-	-	-	-	2,910,273
AFS financial assets						
Government securities	339,322,059	200,653,410	-	-	-	539,975,469
Total financial assets	₱927,174,928	₱200,653,410	₱-	₱-	₱-	₱1,127,828,338
Financial liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	(₱236,816,805)	(₱4,941,908)	(₱2,965,844)	₱-	₱-	(₱244,724,557)
Insurance payable	(10,711,890)	-	-	-	-	(10,711,890)
Due to related parties	(83,065,476)	-	-	-	-	(83,065,476)
Total financial liabilities	(₱330,594,171)	(₱4,941,908)	(₱2,965,844)	₱-	₱-	(₱338,501,923)

Unit-linked

	Maturity Breakdown					
	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Loans and receivables:						
Cash and cash equivalents	₱26,051,061	₱-	₱-	₱-	₱-	₱26,051,061
Receivables	508,288	-	-	-	-	508,288
Accrued income	1,641,796	-	-	-	-	1,641,796
Financial assets at FVPL						
Government securities	1,952,535	9,244,467	13,395,629	111,368,199	-	135,960,830
Equity securities	-	-	-	-	125,661,993	125,661,993
Other investment:						
Feeder Fund (UITF)	-	-	-	-	1,505,864,588	1,505,864,588
Total financial assets	₱30,153,680	₱9,244,467	₱13,395,629	₱111,368,199	₱1,631,526,581	₱1,795,688,556
Financial liabilities:						
Other financial liabilities:						
Amount payable on redemption	(₱109,578)	₱-	₱-	₱-	₱-	(₱109,578)
Other payables	(558,238)	-	-	-	-	(558,238)
Total financial liabilities	(₱667,816)	₱-	₱-	₱-	₱-	(₱667,816)

Market Risk

- *Currency risk*

Currency risk is the risk that the value of the Company's financial instruments will decrease resulting from changes in the foreign currency exchange rates. The Company's financial assets are predominantly denominated in the same currencies as its insurance and other financial liabilities, which serves to mitigate the foreign currency exchange risks on its intercompany payables.

- *Equity price risk*

Equity price risk is the risk that the fair value of equities will decrease resulting from changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risks arising from equity investments. Equity investments are held for the Company's variable unit linked funds. Exposure is being managed through equity asset class allocation target and range defined in the Investment Policy of the funds and is being monitored on a monthly basis.



The effect on profit or loss (as a result of a change in fair value of instruments held in the unit-linked assets) due to a reasonably possible change in indices, with all other variables held constant, is as follows:

2016

	Change in Equity Price (%)	Effect on profit or loss Increase (Decrease)
Equity securities	10%	₱40,788,748
	-10%	(₱40,788,748)

2015

	Change in Equity Price (%)	Effect on profit or loss Increase (Decrease)
Equity securities	10%	₱12,566,199
	-10%	(₱12,566,199)

The Company determined the reasonably possible change in equity pricing percentage changes in the fair value for the past three years.

• *Interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments classified as AFS financial assets and financial assets at FVPL in particular are exposed to such risk. The Company's investment policy manages interest rate risk by aiming to match the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The amount, duration and yield to maturity of assets are matched against the amount and duration of the liabilities.

The Company's exposure to interest rate risk arises from its investment in government bonds for the VUL funds. Exposure is being managed through asset class allocation and ranges defined in the Investment Policy of the funds. Limit is also imposed on the tenor distribution for the fixed income portfolio.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates for the next financial year, with all other variables held constant, of the Company's total comprehensive income follows:

2016

Change in Interest Rates (%)	Effect on total comprehensive income
10%	₱8,676,588
-10%	(₱8,676,588)

2015

Change in Interest Rates (%)	Effect on total comprehensive income
10%	₱4,312,802
-10%	(₱4,312,802)



The Company determined the reasonably possible change in interest rate using the percentage changes in floating rates for the past (4) quarters for the year ended December 31, 2016.

27. Commitments

Operating Lease Commitments

Company as lessee

The Company entered into commercial leases on certain offices for its head office and branches. These leases have terms ranging between 1 to 5 years with renewal terms included in the contracts. Certain lease contracts also include escalation clauses. Renewals are at the option of the Company. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rental payments under non-cancellable operating leases are as follows:

	2016	2015
Within one year	₱39,376,786	₱28,845,272
After one year but not more than five years	113,162,535	74,482,342
	₱152,539,321	₱103,327,614

The Company has an existing five (5) year lease term agreement for its head office with W Fifth Building, commencing on June 1, 2014 to May 31, 2019, renewable at the option of the Company for another 3 years term subject to mutually agreeable terms by parties. The rental charges shall be subject to 6% escalation each year over the five-year term of the lease.

The Company entered also into lease agreements pertaining to its offices in other locations, details follow:

Office Location	Contract Start Date	Lessor	Escalation Rate
Cagayan de Oro	January 21, 2015	Limketkai Sons, Inc.	10% starting on the second year
Cebu	October 21, 2015	Asian I-Office Properties Inc.	7% beginning June 2016
Baguio	April 17, 2016	Development Bank of the Philippines	5% starting on the second year
SGA BGC	May 1, 2016	MDI Group Holdings Inc.	6% starting on the second year
Makati	June 1, 2016	BDO Unibank Inc.	5% starting on the second year
Davao	July 18, 2016	Bormaheco Incorporated	5% starting on the second year

Developmental Fees

The Company entered into Deeds of Undertaking (DOU) with the agency leaders to assist in building and maintaining of the agencies for the purpose of exclusively selling the Company's life insurance products. The remaining developmental fees shall be released monthly based on the first year commissions (FYC) requirement as defined in the DOU. In the event that the FYC requirement is not met in any given month, the pay-out of the monthly developmental fees will be suspended (see Note 10).

Developmental fee commitments are as follows:

	2016	2015
Within one year	₱166,620,634	₱74,372,385
After one year but not more than five years	275,000,001	213,626,328
	₱441,620,635	₱287,998,713



Distribution Agreement

On September 15, 2014, FWD Life and Security Bank Corporation (SBC) signed a Distribution Agreement (DA) under which SBC will sell exclusively FWD Life products. The terms of the Agreement provides for payment by FWD Life of an Upfront Fee and Exclusive Access Fee amounting to a total of ₱600 million in consideration for FWD Life's exclusive access to the distribution network. The DA also provides for payment of Initial Milestone Fee (IMF), if the cumulative ANP reaches the target of ₱3.886 billion and Subsequent Milestone Fee (SMF), if the cumulative ANP reaches the target of ₱16.854 billion.

Amortization of the ₱300 million Intangible Asset shall be amortized on its economic life of fifteen (15) years while the amortization of the Prepaid Asset for the remaining ₱300 million shall be expressed in terms of Unit of Production (UOP), at the rate of 7.7% of actual ANP production.

The bancassurance agents are given annual performance bonus and over-achievement bonus under the DA with SBC. Annual performance bonus is given in the event that the ANP generated from eligible sales during the year achieves the annual performance target of the bancassurance agent for the financial year. Annual over-achievement performance bonus is provided to bancassurance agents in the event that the ANP generated from eligible sales during the year achieves the annual over-achievement performance target.

Management Fee Income

The Company entered into a Discretionary Investment Management Agreement with BPI wherein the Company availed of the services of BPI as investment manager relative to the management and investment of the funds of the Company for its unit-linked products. Currently, the Company has 3 Funds that are managed by BPI.

The Company also entered into a Participating Trust Agreement with SBC wherein the Company agrees to participate in the Unit Investment Trust Fund established by SBC for the purpose of providing investment opportunities for higher investment yields through a diversified portfolio of investments for the Company's unit-linked products. Currently, the Company has participation in 4 Funds.

Management fees ranging from 1.92%-2.20% of the Net Asset Value are collected from the fund wherein FWD's share ranges from 1.60%-1.88%. Management fees are collected on a monthly and quarterly basis from the funds managed by BPI and SBC, respectively.

28. Contingencies

The Company has not been involved in any lawsuit arising from the normal course of carrying out its insurance business.

29. Events After the Reporting Date

On February 28, 2017, the Company received additional contingency surplus infusion from the Parent Company amounting to ₱500 million.



30. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

The following supplementary information under RR 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Output VAT

Details of the Company's output VAT declared are as follows:

Fee income:	
Management fee income on assets held to cover unit-linked liabilities	₱39,057,660
Output VAT rate	12%
	₱4,686,919

Documentary stamp tax

The Company's documentary stamp tax paid or accrued in 2016 follows:

Source	Payment
Documentary stamp tax for SEC registration fees	₱6,500,000
Life insurance premiums/coverage	655,530
Other documents	138,355
Total	₱7,293,885

Other taxes and licenses

This includes all local taxes including licenses and permit fees under the account "Taxes and Licenses" and under "General and Administration" expenses.

<i>Local Taxes</i>	
Business registration fees	₱2,320,575
Real property tax	207,711
Community tax certificate	13,628
<i>National Taxes</i>	
Percentage taxes	20,785,032
SEC registration fees	8,080,510
Insurance commission license	1,008,671
Notarial fee	102,010
BIR annual registration	2,500
Other taxes	12,731
Total	₱32,533,368

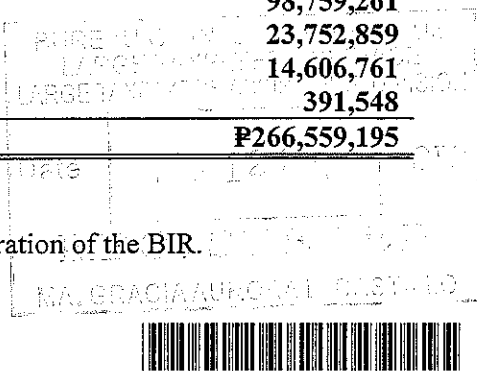
Withholding taxes

Details of the Company's withholding taxes paid or accrued during the year are as follows:

Tax on compensation and benefits	₱129,048,766
Expanded withholding tax	98,759,261
Final withholding tax	23,752,859
Final withholding vat	14,606,761
Fringe benefit tax	391,548
	₱266,559,195

Tax assessments

The Company has no pending tax case outside the administration of the BIR.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
FWD Life Insurance Corporation
19/F W Fifth Avenue Bldg.
5th Avenue, Corner 32nd Street
Bonifacio Global City, Taguig City

We have examined the financial statements FWD Life Insurance Corporation (the Company) as of December 31, 2016, on which we have rendered the attached report dated March 24, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company is a wholly owned subsidiary of FWD Group Financial Services Pte. Ltd and therefore, has only one stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

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

March 24, 2017

MA. GRACIA AUSTRIAL CASTILLO



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
FWD Life Insurance Corporation
19/F W Fifth Avenue Bldg.
5th Avenue, Corner 32nd Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of FWD Life Insurance Corporation (the Company) for the period ended December 31, 2016 and 2015 and have issued our report thereon dated March 24, 2017. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all the effective standards and interpretations under Philippine Financial Reporting Standards as of December 31, 2016 is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Bernalitte 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

March 24, 2017



FWD LIFE INSURANCE CORPORATION
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING
STANDARDS (PFRS)**
AS OF DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First- time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4	Not Early Adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	Not Early Adopted		
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9: Financial Instruments	✓		
	Amendments to PFRS 9: Classification and Measurement (2010 version)	✓		
	Amendments to PFRS 9: Hedge Accounting			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 9: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS12: Investment Entities			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Investment Entities	✓		
	Amendments to PFRS 13: Short-term receivable and payables		✓	
	Amendments to PFRS 13: Portfolio Exception		✓	
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiatives	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative	Not Early Adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Not Early Adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19	Employee Benefits (Revised)	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
PAS 28 (Amended)	Investments in Associates			✓
	Investments in Associates and Joint Ventures			✓
	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			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments		✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities			✓
	Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			✓
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Not Early Adopted		
	Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
	Amendments to PAS 40, Investment Property, Transfers of Investment Property			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies		✓	
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC-12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

