MALAYAN GROUP OF INSURANCE COMPANIES

A YGC Member

Sustainability:
the core of our business

2013

ANNUAL REPORT

Table of Contents

03	Financial Highlights
04	Message from Ambassador Alfonso T. Yuchengco
05	YGC Chairman's Business Affiliations
06	Report to Stakeholders
12	Financial Review
16	Consolidated Assets
17	Insurance Risk Portfolio
18	Financial Reports
154	Board of Directors
157	Principal Officers
158	Directory of Subsidiaries, Offices and Branches
160	Products and Services
161	Vision, Mission and Core Values

About the Cover

The theme of this year's annual report, "Sustainability: the core of our business" reflects the company's role in offering a shade of warmth to Filipinos. Our business has come of age, like a sturdy tree whose roots are deep and its trunk wide.

Financial Highlights

MICO Equities, Inc. and Subsidiaries

IN US DOLLARS	2013	2012	Percent (%)
Premiums Earned	$ 59,497,246	$ 64,290,899	-7%
Net Undewriting Income	5,587,099	7,279,288	-23%
Investments and Other Income	19,246,565	17,395,435	11%
General expenses	22,353,848	21,575,105	4%
Provision for Income Tax	824,574	665,451	24%
Net Income	1,655,243	2,434,168	-32%

AT YEAR END			
Total Assets	694,373,326	532,360,287	30%
stockholders' Equity	239,626,675	255,921,794	-6%
Unearned Premiums	88,703,004	65,250,528	36%
Reserve for Losses and Loss Expenses	251,573,620	117,902,965	113%
Investments	265,780,385	278,226,788	-4%

IN PHILIPPINE PESOS	2013	2012	Percent (%)
Premiums Earned	₱ 2,524,444,365	₱ 2,727,837,127	-7%
Net Undewriting Income	237,058,380	308,857,270	-23%
Investments and Other Income	816,624,068	738,081,359	11%
General expenses	948,464,815	915,423,062	4%
Provision for Income Tax	34,986,339	28,234,803	24%
Net Income	70,231,294	103,280,764	-32%

AT YEAR END			
Total Assets	₱ 30,826,703,808	₱ 23,634,134,949	30%
stockholders' Equity	10,638,226,221	11,361,648,051	-6%
Unearned Premiums-gross	3,937,969,842	2,896,797,206	36%
Reserve for Losses and Loss Expenses-gross	10,674,168,084	5,234,302,126	104%
Investments	11,799,320,201	12,351,878,245	-4%

CONVERSION RATES

Balance sheet Accounts ₱ 44.395 = US$ 1.00

Profit and Loss Accounts ₱ 42.4296 = US$ 1.00

MESSAGE OF AMBASSADOR ALFONSO T. YUCHENGCO

It has been my pleasure to witness Malayan Insurance grow into the company that it is now. From its humble beginnings in Manila when it was first established by my father, Don Enrique Yuchengco, in 1930, to the time I took its reins during the 50's, the magical run has continued to this day.

Indeed, Malayan Insurance has been an instrument of deep service to the Filipino all these years.

I reflect on the massive success of this endeavor, and I could not but feel a deep sense of gratitude and accomplishment, knowing that each day of our operation means another day of providing peace and security to individuals and to our numerous business partners.

As our company grew, I have the pleasure to see it accomplish feats of unparalleled achievement, in the non-life insurance industry in this 2013 Annual Report. I am happy to note several key initiatives we have undertaken that truly separate Malayan Insurance from the rest.

Thus, it is fitting that our theme for this year's Annual Report is sustainability because when one reflects on the secret of our success it is none other than our ability to sustain our operation by finding various ways and means to provide excellent service to our clients. This means utilizing all available resources, technologies or processes that will benefit our clients, the country, and taking into consideration the impact of our operation on the environment.

For the many blessings of success and good fortune and for the many years of sustained leadership, I wish to thank our faithful clients, our loyal business partners, and our valued agents and brokers, as well as those who have collaborated with us to help build a strong Malayan Insurance all these 83 years.

Wherever the winds of change blow, Malayan Insurance keeps itself abreast, utilizing practices that create the most impact in the lives of our clients, and by doing so, growing our business into a strong, mature tree whose extensive branches offer a shade of protection to anyone under it.

AMBASSADOR ALFONSO T. YUCHENGCO
CHAIRMAN - MICO Equities, Inc.

Business Affiliations

Ambassador Alfonso T. Yuchengco
Chairman, MICO Equities, Inc.

GOVERNMENT POSITIONS:

Under the Administration of
President Gloria Macapagal Arroyo
- Presidential Adviser on Foreign Affairs with Cabinet Rank (January 19, 2004 – June 2010)
- Member, Consultative Commission to Propose Revision to the 1987 Constitution (August 2005 – March 2006)
- Philippine Permanent Representative to the United Nations with the rank of Ambassador (November 2001 – December 2002)
- Presidential Special Envoy to Greater China, Japan and Korea (2001)

Under the Administration of
President Joseph Ejercito Estrada
- Presidential Assistant on APEC Matter with Cabinet Rank (1998-2000)

Under the Administration of
President Fidel V. Ramos
- Ambassador Extraordinary & Plenipotentiary of the Republic of the Philippines to Japan (1995-1998)
- Chairman, Council of Private Sector Advisers to the Philippine Government on the Spratly Issue (Marine and Archipelagic Development Policy Task Group) (1995-1998)
- Member, Philippine Centennial Commission (1998)

Under the Administration of
President Corazon C. Aquino
- Ambassador Extraordinary & Plenipotentiary of the Republic of the Philippines to the People's Republic of China (PROC) (1986-1988)

AFFILIATIONS – PRIVATE SECTORS

- Bachelor of Science in Commerce–Far Eastern University, Philippines – 1946
- Certified Public Accountant (CPA) - 1947
- Master of Science – Columbia University, New York (2007)
- Pan Malayan Management and Investment Corporation (PMMIC) Chairman of the Board and Chief Executive Officer
- Rizal Commercial Banking Corporation Honorary Chairman of the Board
- MICO Equities Inc. (holding company of Malayan Group of Insurance Companies) Chairman of the Board
- Malayan Insurance Co., Inc. Member of the Board of Directors
- Malayan Insurance Co. (HK) Ltd. Chairman of the Board
- Malayan Securities Corporation Member of the Board of Directors
- GPL Holdings, Inc. Chairman of the Board
- Sunlife Grepa Financial Inc. Member of the Board of Directors
- House of Investments, Incorporated Members of the Board of Directors
- Malayan Colleges, Inc. Chairman of the Board of Trustees
- Malayan Colleges Laguna, Inc. Chairman of the Board
- EEI Corporation Chairman of the Board of Trustees
- RCBC Realty Corporation Chairman of the Board
- RCBC Land, Inc. Member of the Board of Directors
- AY Foundation, Chairman of the Board
- Philippine Integrated Advertising Agency, Inc. Chairman of the Board
- Yuchengco Center, De La Salle University, Philippines, Chairman of the Board
- Yuchengco Museum, Chairman of the Board
- Y Realty Corporation, Chairman of the Board
- YGC Corporate Services, Inc. Chairman of the Board
- Waseda Institute for Asia Pacific Studies Member of the International Advisory Board
- Ritsumeikan Asia Pacific University Member of the Advisory Board
- University of Alabama Member, International Business Advisory Board Culverhouse College of Commerce & Business Administration
- University of San Francisco, (Mclaren School of Business), USA Trustee Emeritus
- Columbia University, Business School, New York, USA - Member, Board of Overseers
- Asian Bankers Association, Chairman Emeritus
- Master of Business Administration (MBA) Juris Doctor (JD) dual degree program of De La Salle University, Professional Schools Inc. Graduate School of Business and Far Eastern University Institute of Law Chairman of the Board
- University of St. La Salle, Roxas City Member, Board of Trustees
- Pacific Forum, Honolulu, Hawaii Member, Board of Governors
- International Insurance Society (IIS) Member of the Board of Directors and Former Chairman of the Board
- Bantayog ng mga Bayani (Pillars of Heroes Foundation), Chairman of the Board
- Philippine Constitutional Association (PHILCONSA), Chairman Emeritus
- Blessed Teresa of Calcutta Awards Vice-Chairman of the Board of Judges
- Bayanihan Foundation (Bayanihan Folk Arts Foundation, Inc.) Philippine Women's University, Chairman of the Board of Trustees
- Confederation of Asia-Pacific Chambers of Commerce and Industries (CACCI) Chairman, Advisory Board and Former Chairman of the Board
- The Asia Society, New York Trustee Emeritus
- Honda Cars Kaloocan, Inc. Chairman of the Board
- Enrique T. Yuchengco, Inc., Chairman of the Board
- Luisita Industrial Park Corporation Chairman of the Board
- Compania Operatta ng Pilipinas, Inc. (Philippine Opera Company) Honorary Chairman of the Board

GOVERNMENT AWARDS:

Distinguished Service Award
Department of Foreign Affairs
February 24, 2012

Philippine Legion of Honor
With the Degree of Grand Commander
Presented by President Gloria Macapagal-Arroyo
June 29, 2010

First Recipient of the Order of Lakandula
with the rank of Bayani (Grand Cross)
Presented by President Gloria
Macapagal-Arroyo, Republic of the Philippines
(November 20, 2003)

Order of Sikatuna with the Rank of Datu
Presented by President Fidel V. Ramos
Republic of the Philippines (1998)

Grand Cordon of the Order of the Rising Sun
Presented by His Majesty, the Emperor of Japan.
The highest honor ever given by
the Emperor to a foreigner (1998)

Knight Grand Officer of Rizal
Presented by the Knights of Rizal
Republic of the Philippines (1998)

Order of the Sacred Treasure,
Gold and Silver Star
Awarded by His Majesty,
The Emperor of Japan (1993)

Outstanding Manilan in Diplomacy
City of Manila (1995)

Outstanding Citizen in the Field of Business
City of Manila (1976)

NON-GOVERNMENT AWARDS:

Outstanding Lam-An Townmates Award
Philippine Lam-An Association Inc.
November 19, 2012

Icons of the Industry
Philippine Insurers and Reinsurers Association
(PIRA, Inc.)
October 18, 2012

Business Icons of the Decade Award
Presented by Biz News Asia
November 25, 2011

Rizal Award
Presented by Aliw Awards
November 8, 2011

Distinguished Service Award
Presented by the Confideration of Asia-Pacific
Chambers of Commerce and Industry
October 23, 2011

First Recipient of the F.A.I.R. Hall of Fame
Presented by the Federation of Afro-Asian
Insurers & Reinsurers (FAIR)
October 5, 2011

Leadership Award
Presented by the Philippine Constitution
Association (PILCONSA)
Septemder 26, 2011

Lifetime Achievement Award
Asia Insurance Industry Awards
(October 17, 2010)

Philconsa Maharlika Award
Presented by the Philippine Constitution
Association (2010)

Hall of Fame Awardee
Far Eastern University (December 13, 2003)

Outstanding Alumni Awardee
Far Eastern University (May 2003)

Lifetime Achievement Award
Dr. Jose P. Rizal Awards for Excellence
(June 2002)

KNP Pillar Award
Kaluyagan Nen Palaris, Pangasinan
(December 2006)

Parangal San Mateo
Philippine Institute of Certified Public
Accountants Foundation, Inc.
(October 2001)

The Outstanding Filipino Awardee
TOFIL 2000

Gold Medallion
Confederation of Asia-Pacific Chambers
of Commerce & Industry (CACCI) (2000)

First Asean to be Elected to the
"Insurance Hall of Fame",
International Insurance Society, Inc. (1997)

First Recipient of the Global
Insurance Humanitarian Award
University of Alabama (USA) (2008)

Hall of Fame Award
Philippine Institute of Certified Public
Accountants (PICPA) (1997)

Outstanding Certified Public Accountant
(CPA) in International Relations
Philippine Institute of Certified Public
Accountants (PICPA) (1996)

CEO EXCEL Award
International Association of Business
Communicators (2009)

Medal of Merit
Philippines-Japan Society (1995)

Outstanding Service to Church & Nation
De La Salle University (1993)

Management Man of the Year
Management Association of the Philippines
(1992)

Distinguished La Sallian Award for
Insurance & Finance
De La Salle University (1981)

First Asian to Receive International
Insurance Society (IIS) Founders' Gold Medal
Award of Excellence
International Insurance Society (1979)

Presidential Medal of Merit
Far Eastern University (1978)

Most Outstanding JCI Senator
in the Field of Business and Economics
XXXIII Jaycee Chamber International (JCI)
World Congress (1978)

Insurance Man of the Year
Business Writers Association of
the Philippines (1955)

Most Distinguished Alumnus
Far Eastern University (1955)

REPORT TO STAKEHOLDERS

Helen Y. Dee
CHAIRPERSON

The year that just ended presented tremendous challenges and opportunities for the non-life insurance industry.

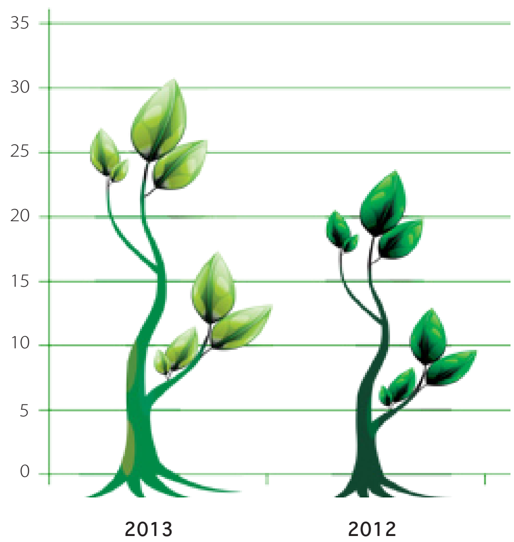
In 2013, the Philippines suffered the most destructive typhoon and one of the most damaging earthquakes in its history, dampening the positive impact of a robust Philippine economy, experienced earlier during the year. Competition has remained fierce; thus stressing the need for pricing and process efficiencies, together with service and product differentiations, became necessary factors to be considered to overcome problems, affecting the industry. The increasing empowerment and expectations of the consumers encouraged the company to strengthen its operations, effect innovations and make investments in technology.

Amid such challenging environment, Malayan stayed on the course, just as it has done for over 80 years, by adhering to its management philosophy of building sustainable value for its stakeholders.

It gives us pleasure to report that Malayan delivered another respectable performance in 2013.

MARKET HIGHLIGHTS

The Philippines' real gross domestic product (GDP) grew by 7.2%, making it the second best-performing country in Asia in 2013. This was a remarkable achievement despite the devastations brought about by super typhoon Yolanda (Haiyan), the magnitude 7.2 earthquake in Bohol, and other calamities during the year. Total insured losses and total



TOTAL ASSETS
In Billion Pesos

economic losses reached US$2.0 billion and US$13.2 billion, respectively, from the said typhoon and earthquake alone.

The country's economic performance was buoyed by the industry and services sectors, as well as consumer spending. Provided profit margin pressures to the financial industry, however, caused the lingering slowdown in both the local and global economies, including the country's major trading partners. The local economy took a hit in the first quarter of 2014, due to the twin effects of typhoon Yolanda and the Bohol earthquake. However, reconstruction and rebuilding in these areas would be expected to push our economic performance higher towards the latter part of 2014.

Investment upgrades from three major credit rating agencies, Fitch, S&P and Moody's, were the first ever to validate the country's strong economic fundamentals and outlook. Also, notable improvements in the country's ranking in various global competitiveness reports indicated that the country was moving in the right direction as it prepares for the ASEAN Economic Community (AEC) in 2015.

While the robust economic growth provided opportunities for growth of insurable exposures, insurance companies faced challenging market conditions. Fierce cut-throat competition, a by-product of the large number of competing insurers in the market, continued the predatory pricing which resulted to unprofitable underwriting.

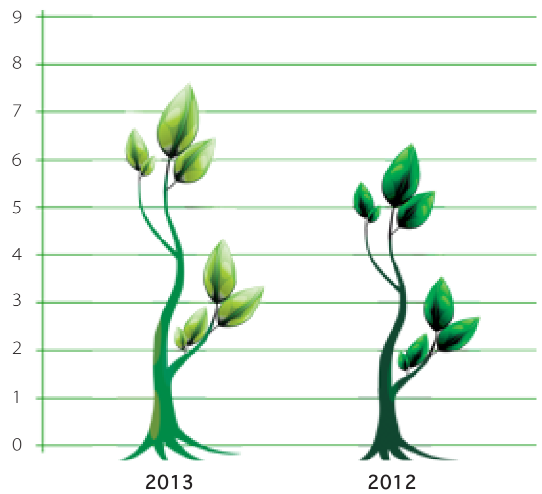
Inflation remained benign in 2013. It averaged at 2.9%, due to stable world oil and food prices. However, it started to pick up towards the latter part of the year, as the effects of weaker Philippine Peso put strain on imported oil, power generation and food prices. The Banko Sentral ng Pilipinas (BSP) was expected to tighten 2014 monetary policies, which would provide unwanted additional pressures on the already tight profit margins in the insurance industry.

INSURANCE INDUSTRY DEVELOPMENTS

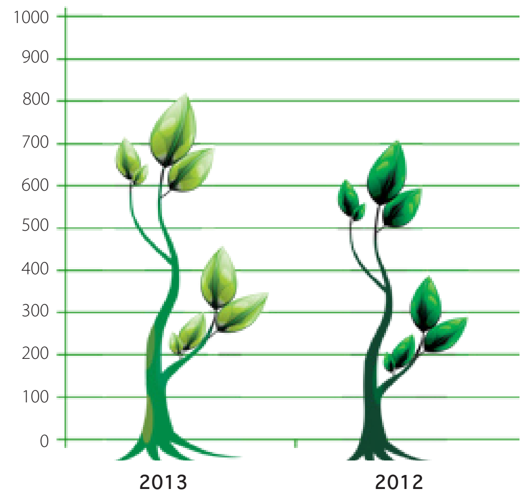
President Benigno S. Aquino III signed into law the bill amending the country's 38 year old Insurance Code last August 2013. The new code raises the required capital of each insurer. The increase in capital will pave the way to a stronger insurance sector that will have the greater capability to compete with foreign counterparts. The capitalization requirements will be increased on a staggered basis from a minimum net worth of Php250 million to Php1.3 billion by 2022. Malayan is ahead of the curve as it has already registered a net worth of Php8.8 billion at the close of the year in review.

The amended code also aims to address issues like the need to increase product diversity, to be innovative to meet the challenges of a more sophisticated market, to expand our available investment instruments, and the need to diversify our distribution channels. This is now the best time for the industry to be prepared for a more competitive and globalized landscape that will be ushered in by the Asian Economic Conference (AEC) in 2015.

There is an ongoing concerted effort among the Department of Finance (DOF), the Insurance Commission (IC), and the insurance companies in crafting the strategy and work programs to prepare the insurance industry for the AEC.



GROSS PREMIUM WRITTEN
In Billion Pesos



INVESTMENT & OTHER INCOME
In Million Pesos

Foremost of these issues are: the need to address those which are related to our competitive advantages and which the industry can capitalize on, the need to put in place the safety nets, and the need to address the barriers of entry for the new or existing markets.

In 2013, industry-wide Gross Premiums Written (GPW) grew by a sluggish rate of 1 percent to Php58 billion compared to that of 2012, despite the thriving Philippine economy. Also during the year, the non-life sector was challenged by stiff pricing competitions, unfavourable economic structure, and high taxation on the premium. Looking at the country's demographic condition, the Philippines has a very young population and high concentration of wealth among the relatively few; such that many individuals remain financially challenged and cannot afford insurance protection. Investment activities have also been found wanting due to under investment in infrastructure, power plants, and utilities.

Prompted by the very drastic effects of the twin disasters -- typhoon Yolanda and the Bohol earthquake, the government and the non-life insurance sector are working together to develop the Earthquake Protection Insurance Corporation (EPIC) to protect the small and medium enterprises (SMEs) and residential sectors, that are the two most vulnerable and affected sectors from natural calamities. Capitalization will come from both public and private sectors. Target date of operations will be in 2015.

Also being developed is the US$1 billion parametric disaster insurance facility called Philippine Risk and Insurance Scheme for Municipalities (PRISM), which is spearheaded by the United Nations Office for Disaster Risk Reduction (UNISDR), and Munich Re and Willis Re. The facility aims to provide timely payouts that can be used for rescue, relief, recovery or rebuilding, depending on the needs assessment, thus enabling local government units to recover from disasters and function more effectively and efficiently. PRISM can be a cornerstone to a broader national catastrophe risk management program for the country.

The year 2014 will be a more challenging year for the insurance industry given that the Philippines continues to rank high as one of the most disaster-prone countries in the world.

Nevertheless, every cloud has a silver lining. The continued economic growth and the rise of the middle class in the emerging Asia will lead to higher insurance products demands which are estimated to continue and rise in the next decade. However, certain issues need to be addressed as well, like the regulatory environment, especially in light of the coming ASEAN integration, which is also changing rapidly, with many regulators imposing sophisticated capital and risk management measures. These will have potential impact on the market landscape. As competition grows, insurers need to emphasize heavily on differentiation in order to gain market share while maintaining margins. Differentiation can come in the form of service or product innovations, or both.

The use of various distribution channels will increase reach to a wider spectrum and may reduce overall costs. Due to the uniqueness of each market, insurers will need to be flexible and innovative in selecting their methods of distribution to gain market share.

Combined ratios in the Philippines have been generally high due to undisciplined pricing which has been exacerbated by catastrophe losses, as well as high commission and expense levels. Insurers have to maintain disciplined underwriting principles, such that the top line is not achieved at the expense of the bottom line.

The Philippines has the highest micro-insurance penetration in Asia, where Filipinos who have been covered have grown more than five-fold since 2008. This favourable trend is a bright spot in the Philippine insurance landscape, and it stands out among ASEAN peers and emerging Asian markets attempting to capture this relatively untapped market. Potential markets remain high given that about 27 million Filipinos live below the poverty line and about 51% of the population live in rural areas.

Going forward, micro-insurance offers a potential market for the Philippine insurers to demonstrate its strength in the ASEAN region. It must be commercially viable to be sustainable, with continued partnerships by the private and the government sectors, as well as assistance from international organizations and markets.

FINANCIAL HIGHLIGHTS

Despite the difficulty brought about by the disasters of 2013, Malayan sustained its number one spot again in the Philippine non-life landscape for 43 straight years in terms of GPW. Malayan exhibited growth in GPW by 11% to Php7.7 billion in 2013 from Php6.9 billion in 2012.

Growth in 2013 came primarily from the Fire and Lightning line which grew by 16%, Personal Accident by 5%, and Miscellaneous Casualty/Engineering also by 5%.

Fire and Lightning accounted for 56% of total premiums, followed by Casualty/Engineering for 13%, and Motor Car for 12%.

Despite the growth in gross premiums, Net Retained Premiums declined by 17% from Php2.9 billion in 2012 to Php2.4 billion in 2013. This was due to a change in treaty structure which included Fire Quota Share and increase in Excess of Loss reinstatement premiums on account of the catastrophic event losses particularly from Typhoon Yolanda and Bohol earthquake losses.

Because of the drop in Net Retained Premiums, Premiums Earned decreased also by 7% from Php2.7 billion to Php2.5 billion.

Net Underwriting Income decreased by 22% from Php309 million in 2012 to Php240 million in 2013, because of the impact of increased reinstatement premiums and cessions to the Quota Share treaty on the Premiums Earned for the year.

Investment income, however, increased by 11% from Php738 million in 2012 to Php817M in 2013. The increase was mainly due to unrealized foreign exchange gain on the revaluation of foreign currency denominated assets.

Malayan recorded a Net Income of Php73 million, down from the Php104 million reported in the previous year.

Malayan's total assets increased by 30% to Php30.7 billion in 2013 from Php23.6 billion in 2012, primarily due to increase in reinsurance assets corresponding to the reinsurers' share of outstanding claims and incurred-but-not-reported claims (IBNRs).

Despite the strong growth of Malayan's assets, net worth declined by 6% to Php9.6 billion in 2013 from Php10.3 billion in 2012. The revaluation reserve on the financial assets decreased by 16% due to lower valuations of our financial assets, which were affected by the negative market sentiments affecting the country in the last half of 2013.

CORPORATE DEVELOPMENTS

A.M. Best, the world's most authoritative insurance ratings agency, re-affirmed Malayan's stable financial strength and credit ratings. The ratings agency re-affirmed the B++ (good) financial strength rating and the bbb+ issuer credit rating, reflecting solid risk-adjusted capitalization, prominent business profile and reputation in the country's insurance market, and consistently favourable investment performance. A.M. Best also took great emphasis on the significance of Malayan's performance in covering operational risks despite losses sustained from the several catastrophic events that occurred in 2013 and the Thailand flooding in 2011.

Malayan is also one of the few ISO-rated non-life insurance companies in the country. Last December 2013, Malayan was again re-affirmed of its ISO 9001:2008 rating. The affirmation is indicative of Malayan's sustained drive to demonstrate its ability to provide products; meeting customer needs; and its ability to address regulatory requirements to enhance customer satisfaction through the effective application of the system; and to consistently seek out continuous improvements of the system to exceed customer expectations.

SUSTAINABILITY THROUGH SYNERGIES

Malayan formed a formal alliance with Philamlife to serve as provider of non-life insurance products to the latter's more than 1,000 active non-life agents. Malayan has set up a special unit under the Direct and Dealership unit to handle the requirements of Philamlife.

Also, Malayan has teamed up with Global Pinoy Remittance Services (GPRS) to offer personal accident and burial assistance micro-insurance coverage to our less-privileged countrymen. The Philippine demographics, with high rural and low income population, highlights the potential for micro-insurance to grow; and Malayan and its subsidiary, Bankers Assurance Corporation (BAC), are ever-ready to ride the tide. Among the Asian nations, the Philippines has taken the lead in developing micro-insurance products.

SUSTAINABILITY THROUGH ENTERPRISE RISK MANAGEMENT

To mitigate the impact of natural disasters and manage the company's risks, Malayan has instituted a number of catastrophe management initiatives, such as the Coriolis Project, Spatial Key, and Catalytics.

The Coriolis Project allows the simulation of a typhoon path to identify policies, which may have potential claims, and may come up with realistic estimates of the losses. It also provides predictive analysis and tools, which help Malayan to act proactively during a typhoon and provide the value-added service of advanced warnings for an incoming or surging typhoon.

Spatial Key is a model that allows online viewing and simulation of catastrophic events. It also offers real-time viewing of exposures and policies to those who will be affected by the catastrophic events, based on event outcomes.

Catalytics is a simulation and loss prediction software that assists in quantifying the risks and losses associated with earthquakes and floods. The model estimates the potential range of losses using a comprehensive events database and catastrophic events simulation engine. Since it started in 2011, it has helped Malayan in estimating its probable maximum losses from earthquake exposures in addition to what Malayan gets from the brokers using other software. Since it is used to simulate earthquake losses, it is another tool used by the underwriters to evaluate earthquake exposures for individual risks.

As part of our Enterprise Risk Management System, Malayan, with the assistance of Tokio Marine Asia (TMA), started the development of an Internal Capital Model, as well as the Risk Appetite Statement.

Malayan started with the Fire line, while the developments for Personal Accident and Motor Car lines are still ongoing. Development of the other lines will follow. The Internal Capital Model, once completed, should help Malayan in its strategic planning, product pricing, capital setting and allocation, claims management, and reinsurance optimization.

SUSTAINABILITY THROUGH INNOVATION

When Malayan celebrated its 83rd anniversary last February 2013, it launched its Webstore located at the Malayan website. The store allows clients to interface online rather than interact with a front liner in processing their policies. The Malayan online store is the first insurance shop in the country capable of online transactions, giving Malayan a new distribution channel for its clients with a broader access to excellent products.

Malayan introduced another first in the non-life insurance industry – a mobile app for mobile phone users. This mobile app initially caters to the Motor Car line, where clients can report and file motor car claims via their mobile phones or tablets immediately at the scene of the accident. It is also equipped with a branch and repair shop locator including key emergency contact numbers.

ANOTHER FEATHER ON THE CAP

Malayan took home the Outstanding in Sustainability Award given by the Philippine Insurers and Reinsurers Association (PIRA) at the 2013 PIRA Awards Night last October 2013. Malayan's E-Policy Program bagged the award for its far-reaching effects in the preservation of the environment and mitigation of carbon footprint through savings incurred by the conversion of paper and ink policies into digital format. It also helped Malayan improve its service of delivering policies and endorsements to clients at any location, at any given time and circumstance.

In 2013, Malayan introduced a process innovation that strengthened product brand and recognition among customers, while winning the YGC's Wow! Minds@Work Best Process Improvement Network (PIN) Project of the Year Award.

The process innovation called "Issuance of Electronic Confirmation of Cover by Malayan Insurance via e-mail to Cebu Pacific customers", bested several entries from other YGC companies for immediate impact and relative simplicity. The process involved sending an email to Cebu Pacific clients, who bought Malayan's Travel Sure program and the email contains the electronic Confirmation of Cover (e-COC). This ensures that customers are aware that their travel policies are from Malayan Insurance. In addition, the database of clients can be used as basis for cross-selling other products.

Malayan's Facebook store was also named as a finalist under the category for Outstanding in Innovation. The Facebook store is a one-of-a-kind store in the Asia Pacific region. The only one that sells non-life insurance.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY – PAYING IT FORWARD

In collaboration with YGC Earth Care Program, employee volunteers from Malayan trekked the slopes of Barangay San Andres, Rizal, to inspect the trees planted by Malayan volunteers three years earlier. The group reported the excellent conditions of the trees. Through this program, it hopes to envision the glory of the once lush forest in this part of the Sierra Madre region.

TUNNEL VISION TOWARDS BUSINESS SUSTAINABILITY

Eighty-three years was by no means an accident, nor was it by chance. Blood, sweat and tears poured out, culture nourished, and passion for excellence sustained. All of these were started from our very founder, Don Enrique Yuchengco, passed on to Ambassador Alfonso Yuchengco, and continued by the present leaders of Malayan, and further strengthened by the venerable relationships, moulded for and with our Clients and Partners.

Malayan Insurance has weathered the calamities and chalenges of 2013, emerging with strength and stability because of these stronger partnerships with our agents, brokers, reinsurers and business affiliates. Experiences of the prior years have taught us the importance of our customers and company stakeholders, as well as the meaning of founder Don Enrique T. Yuchengco's motto that the relationship between insurer and insured is one of trust. We are deeply grateful to our clients, partners, employees and shareholders for keeping their trust in Malayan; that in our line of business, we are able to contribute to nation-building all these 83 years.

HELEN Y. DEE
CHAIRPERSON
Malayan Insurance Co., Inc.

YVONNE S. YUCHENGCO
PRESIDENT
Malayan Insurance Co., Inc.

Financial Review

Malayan Insurance employee volunteers went up the mountains of Sierra Madre in Brg. San Andres, Tanay Rizal for the YGC Earth Care Tree Planting Inspection.

The year 2013 marked another milestone year for Malayan Insurance Company, Inc. (MICO) and the Philippine non-life insurance industry as both experienced remarkable growth in performance. MICO realized growth in Gross Premiums Written (GPW) by 9.5 percent, thus keeping in pace with the Philippine's 7.2 percent Gross Domestic Product (GDP) growth. Malayan's GPW in 2013 was at Php 7.6 billion, higher by Php. 658 million, from the previous year's Php 6.9 billion.

Growth in the Philippine's economy and in the Philippine non-life insurance industry in 2013 was very significant due to the number of catastrophic events that plagued the country and caused enormous and significant losses in the insurance industry. Major losses brought about by Typhoon Haiyan / Yolanda, the New Divisoria Mall fire, the earthquake in Bohol province, and the August "Habagabt" or monsoon rains / floods, ran into billions of pesos for the entire Philippine insurance industry.

Sustainable growth was the common driving factor in Malayan Insurance's 2013 Gross Premiums Earned (GPE) performance, which was realized at 6 percent or Php. 6.9 billion, punctuated by a 17 percent growth in its Net Income of Php. 54.5 million, up from Php. 46.5 million, recorded in 2012.

MICO stockholder's equity remained robust at Php 7.7 billion, in spite of losses and claims, brought by the calamities in 2013.

MICO's reinsurance share in the GPE reached 35 percent from Php. 3.9 billion in 2012 to Php. 4.5 billion in 2013. In terms of overall assets, MICO gained a remarkable 20 percent increase from Php. 22 billion in 2012 to Php. 27.4 billion during the year in review.

Gross insurance contract benefits and paid claims rose to Php. 3.0 billion, up by 21.3 percent from 2.4 billion in 2012. The reinsurer's share of claims paid amounted to 1.6 billion which means MICO paid Php. 1.5 billion in claims. Commission expense, on the other hand, rose to Php. 925 million or 7.4 percent from the previous year's figure.

RECOGNITION AND AWARDS

The strong topline performance of Malayan Insurance came at the heels of exhibiting continuing excellence in the nonlife sector.

AM Best reaffirmed anew the Malayan Insurance's stable financial strength credit ratings with a B++

Malayan Insurance officers and staff join clients and agents during the inauguration of its newly opened branch in Dumaguete.

(Good) financial strength and a bbb+ issuer credit rating. AM Best recognized that MICO has solid risk-adjusted capitalization, a prominent business brand and profile in the country's non-life insurance market, and consistently favorable investment performance. A.M. Best noted that through its 80 years of operations, MICO's risk-adjusted capitalization resulted in sustained stability, despite the company's losses from the catastrophic events in 2013 and the Thailand flooding in 2011. A.M. Best further noted the contributions provided by MICO's strong investment portfolio, as the Company has consistently posted satisfactory investment results to deliver a net profit every year in the past five years.

2013 was also marked by several new distribution tie-ups for retail insurance products and microinsurance programs, thus contributing to the balanced portfolio strategy being pursued by MICO management. A new branch office was opened in Dumaguete City, Negros Oriental, to support the Visayan region's growing tourism, technology, and business process outsourcing industries. Malayan's Dagupan City branch in Pangasinan province celebrated its 25th year anniversary of service to the business sector of Northern Luzon. With the celebration, it emphasized and reiterated MICO's sustained contributions to the province's progress and to the nation's economic growth.

Malayan Insurance was likewise recognized by peers in the Philippine general insurance industry during the 3rd Philippine Insurers and Reinsurers Association (PIRA) Awards.

Malayan Insurance was cited for the e-Policy Program's far-reaching effects in increasing efficiencies and reducing business costs, while embracing new technology. The e-Policy program also allowed MICO to strengthen compliance with Anti-Money Laundering Act (AMLA) and the Data Privacy Act. PIRA acknowledged that "MICO's earth-friendly program is a paragon of sustainability."

On the corporate social responsibility front, Malayan Insurance donated 1,000 copies of Jose Rizal's Noli Me Tangere to the Malabon National High School as a participant of the Buhay Rizal Book Donation program of the Yuchengco Group of Companies (YGC).

Malayan's Employee volunteers of MICO also conducted its regular inspection of trees planted in 2011 and 2012 in the Malayan sponsored YGC Centennial forest along the Laiban Dam in Barangay San Andres, Tanay, Rizal province, as part of the company's advocacy for a sustainable environment. To cap the year, Malayan Insurance and AY Foundation conducted a medical and dental mission for the residents of Barangay San Andres, along with 6 medical doctors and

Executive Vice President Antonio M. Rubin is joined by student beneficiaries of Noli Me Tangere books at the Malabon National High School.

Shown in photo are FNAC's bank referor employees and FNAC executives who took part in FNAC's trip incentive program.

17 dentists. The medical mission was a community relations activity for the company's partners in the YGC Centennial forest project.

In 2013, the City of Manila also conferred the most Outstanding Manileño Award to Malayan Insurance's President, Ms. Yvonne S. Yuchengco in recognition of her achievements and role in the development of business in the City of Manila.

Not only did Malayan Insurance conquer new heights in 2013, its subsidiaries – the First Nationwide Assurance Corporation (FNAC) and the Bankers Assurance Corporation (BAC) – have all posted significant achievements in 2013 as well.

THE FIRST NATIONWIDE ASSURANCE CORPORATION (FNAC)

FNAC continued to grow in 2013 with a 25 percent increase in its Gross Premiums Earned from Php. 108.5 million in 2012 to Php 136.1 million in 2013. The increase could be attributed to FNAC's focused and aggressive marketing strategies on its bancassurance products through its bank partner, Rizal Commercial Banking Corporation (RCBC). Meanwhile, the expansion of RCBC – from 220 branches to 247 branches in 2013 – in the provincial areas helped FNAC gain new grounds and with it, new markets for its bancassurance products.

Moreover, the Company's 2013 net income of Php. 14.5 million is 44 percent lower than the 2012 net income of Php. 25.9 million due to 2013 catastrophe losses and adjustment reserve losses from previous years.

FNAC's year 2013 total Net worth of Php. 705 million is 7 percent lower compared to year 2012's Php. 760 million.

FNAC's improvement in operations is a result of the company's continued effort to strengthen its core sales conduits by expanding its marketing coverage and improving its "My Series" product lines.

Bankers Assurance Corporation and 1Pinoy ink a micro-insurance deal.

BANKERS ASSURANCE CORPORATION (BAC)

The Bankers Assurance Corporation (BAC) made headways in 2013 when it fostered partnerships with numerous Microfinance Institutions (MFI) and Mutual Benefit Associations (MBA) which generated new microinsurance businesses for BAC.

A number of co-branded products for these microinsurance partnerships were also developed to address the risk priorities of clients and members of these institutions and organizations.

Steadfast to the Malayan Group's unwavering commitment to innovative insurance products, BAC led the way in forging key partnerships with AIA Philippine affiliate Philippine American Life and General Insurance Company (Philam Life) and International SOS (ISOS) to offer the Pinoy Assist compulsory insurance product to our overseas Filipino workers. The product was a result of the enactment of Republic Act 10022 in November 2010.

Bankers Assurance Corporation likewise collaborated with Microensure and Munich Re to develop weather index insurance products, offered to MFIs. It utilized the latest technology for weather data and modeling.

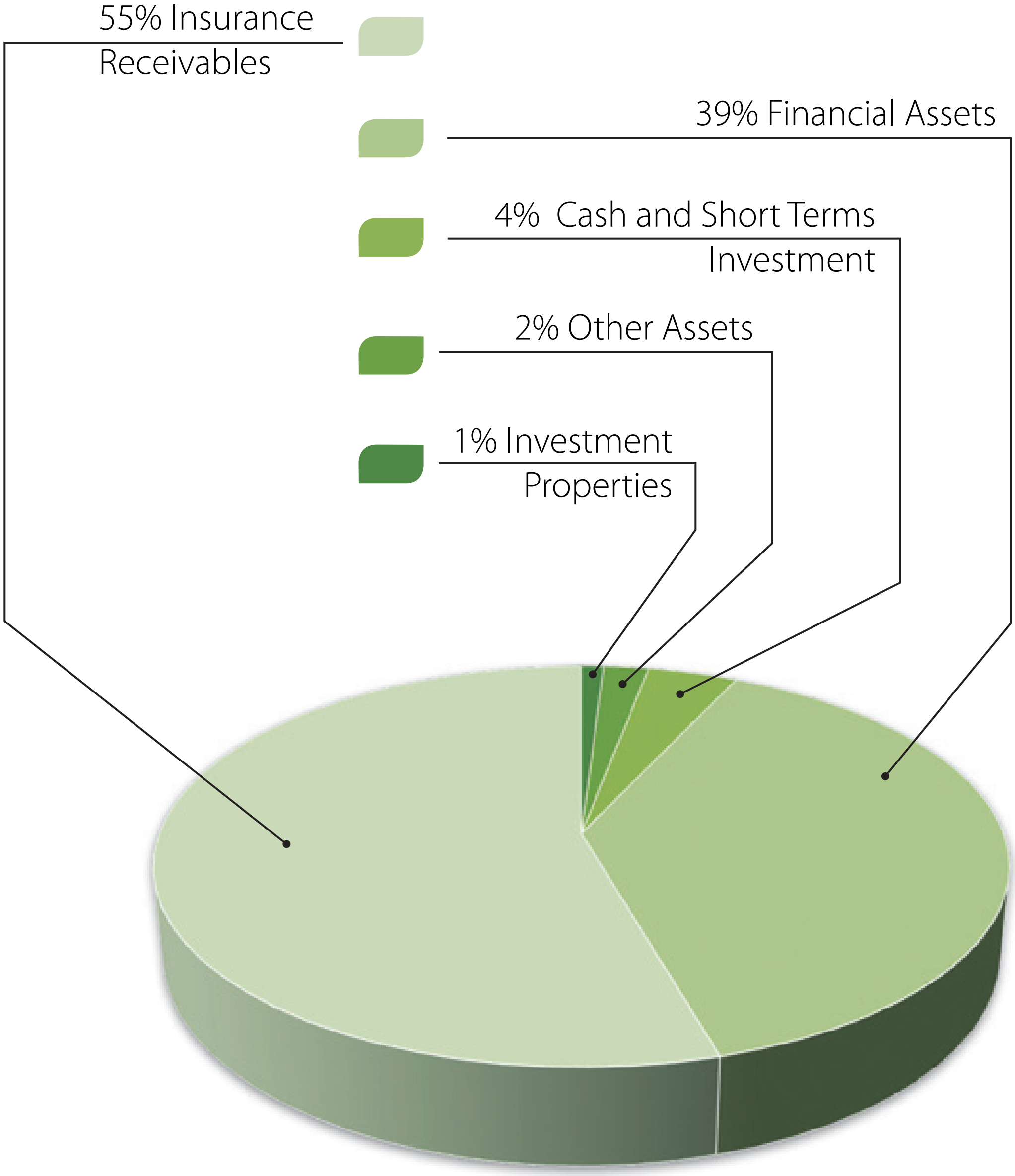
BAC's Gross Premiums Earned (GPE) of Php. 39 million is 12 percent lower than the previous year's Php. 44 million. The decline is due to the gross change in provision for unearned premiums that amounted to Php. 27 million.

Although its GPE experienced a contraction, the company in 2013 broke the billion peso mark as it recorded an asset base of Php. 1.12 billion, up 16 percent from 2012' Php. 967 million.

BAC celebrated its 58th founding anniversary in September, 2013. It started its operations in 1955 as the Bankers and Manufacturers Assurance Corporation (BMAC); however, in 1980, BMAC and Zurich Insurance Co. of Switzerland entered into a joint venture and the company's name was changed to Malayan Zurich Insurance Co. After the exit of Zurich from the Philippine market in 2006, MZIC was renamed Bankers Assurance Co. (BAC) and was designated as a cooperative partner of Zurich Insurance in the Philippines.

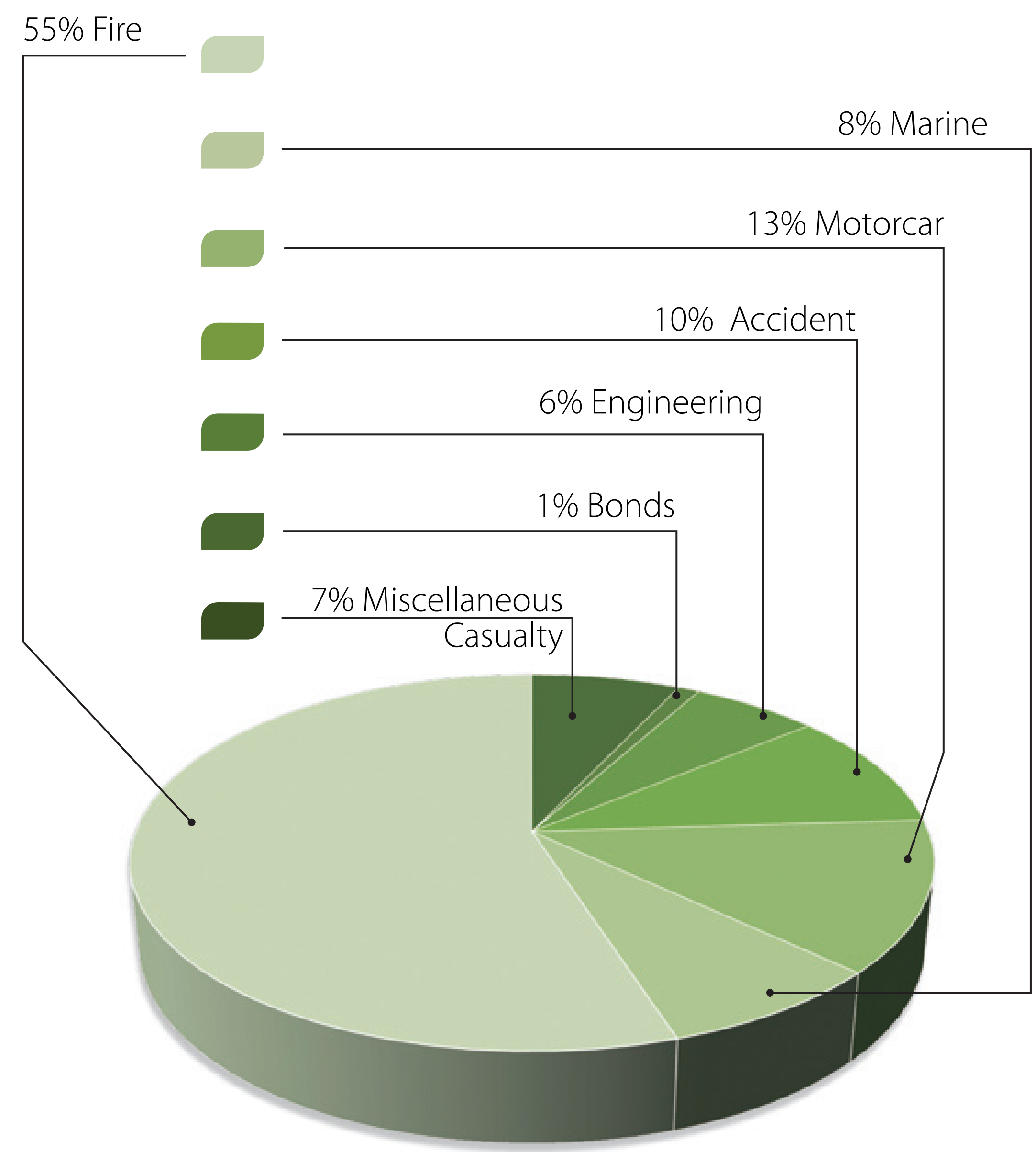
Consolidated Assets

MICO Equities, Inc. and Subsidiaries



Insurance Risk Portfolio

MICO Equities, Inc. and Subsidiaries



MICO EQUITIES, INC. and SUBSIDIARIES
STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENT

The management of MICO EQUITIES, INC. and Subsidiaries is responsible for the preparation and fair representation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ALFONSO T. YUCHENGCO
CHAIRMAN OF THE BOARD

YVONNE S. YUCHENGCO
PRESIDENT

MICHELLE DEE SANTOS
TREASURER

ALEGRIA R. CASTRO
CONTROLLER

MICO EQUITIES, INC. and SUBSIDIARIES
Independent Auditors' Report

The Stockholders and the Board of Directors
MICO Equities, Inc.

We have audited the accompanying consolidated financial statements of MICO Equities, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MICO Equities, Inc. and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225212, January 2, 2014, Makati City

June 20, 2014

MICO EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January
	2013	2012 (As restated - Note 2)	2012 (As restated - Note 2)
ASSETS			
Cash and Cash Equivalents (Notes 4, 26, 27 and 28)	**₱1,150,786,478**	₱1,469,356,945	₱1,896,811,975
Short-term Investments (Notes 5, 26, 27 and 28)	**41,200,136**	38,021,248	11,099,040
Insurance Receivables - net (Notes 6, 26 and 27)	**5,466,355,619**	3,378,656,755	2,813,798,273
Financial Assets (Notes 7, 26, 27 and 28)			
Available-for-sale financial assets	**10,058,753,333**	10,857,169,577	9,063,830,701
Financial assets at fair value through profit or loss	**250,563,638**	217,541,191	224,561,299
Loans and receivables - net	**1,490,003,229**	1,277,167,477	432,531,764
Accrued Income (Notes 8, 26, 27 and 28)	**54,413,416**	55,514,117	46,376,162
Deferred Acquisition Costs (Notes 9 and 29)	**411,587,921**	337,840,897	273,845,906
Reinsurance Assets (Notes 10, 14, 26 and 29)	**10,940,174,620**	5,165,862,592	3,671,503,544
Investment Properties - net (Note 11)	**28,273,467**	108,901,090	88,467,387
Property and Equipment - net (Notes 12 and 29)	**295,528,464**	230,419,496	244,857,940
Deferred Tax Assets (Note 24)	**118,775,626**	78,718,066	104,277,229
Other Assets (Notes 13 and 29)	**399,017,090**	418,965,498	351,665,109
	₱30,705,433,037	₱23,634,134,949	₱19,223,626,329
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities (Notes 14 and 26)	**₱14,232,798,246**	₱8,538,253,890	₱6,853,074,788
Insurance payables (Notes 15, 26 and 27)	**3,755,773,028**	2,370,288,917	1,609,674,066
Accounts payable, accrued expenses and other liabilities (Notes 16, 26 and 27)	**1,673,326,992**	1,102,354,268	1,011,849,749
Income tax payable	**174,731**	133,579	–
Deferred reinsurance commissions (Note 9)	**196,312,462**	106,783,983	114,520,762
Pension liability (Note 17)	**206,260,676**	154,672,262	164,122,629
	20,064,646,135	12,272,486,899	9,753,241,994
Equity (Note 29)			
Equity attributable to equity holders of the Parent Company			
Capital stock - P=100 par value	**600,000,000**	600,000,000	₱600,000,000
Revaluation reserve on available-for-sale financial assets (Note 7)	**4,004,361,218**	4,771,487,147	3,131,432,419
Other revaluation reserve (Note 18)	**23,466,647**	23,466,647	23,466,647
Remeasurement gain (loss) in pension obligation	**(125,807,175)**	(92,959,704)	(103,558,098)
Cumulative translation adjustments	**(38,061,009)**	(119,542,562)	(78,627,747)
Retained earnings (Note 18)	**5,184,198,932**	5,116,944,567	5,017,229,059
	9,648,158,613	10,299,396,095	8,589,942,280
Non-controlling interests	**992,628,289**	1,062,251,955	880,442,055
	10,640,786,902	11,361,648,050	9,470,384,335
	₱30,705,433,037	₱23,634,134,949	₱19,223,626,329

See accompanying Notes to Consolidated Financial Statements.

MICO EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2013	2012 (As restated - Note 2)
INCOME		
Gross premiums earned	**₱7,057,609,476**	₱6,556,259,565
Reinsurers' share of gross premiums earned	**4,530,604,433**	3,828,422,437
Net premiums earned (Notes 14 and 19)	**2,527,005,043**	2,727,837,128
Investment and other income - net (Note 20)	**843,285,394**	866,304,540
Commission income (Note 9)	**275,137,883**	242,243,182
Other income	**1,118,423,277**	1,108,547,722
Total income	**3,645,428,320**	3,836,384,850
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance contract benefits and claims paid (Notes 14 and 21)	**2,778,620,370**	2,357,591,648
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 14 and 21)	**(1,282,950,798)**	(667,227,177)
Gross change in insurance contract liabilities (Note 21)	**5,042,857,924**	1,320,885,921
Reinsurers' share of gross change in insurance contract liabilities (Note 21)	**(5,017,386,975)**	(1,320,931,725)
Net insurance contract benefits and claims	**1,521,140,521**	1,690,318,667
Commission expense (Note 9)	**926,841,984**	856,537,947
Other underwriting expenses (Note 9)	**114,541,363**	114,366,425
General and administrative expenses (Note 22)	**948,464,814**	915,064,519
Investment and other expense (Note 20)	**26,661,325**	128,223,181
Other expenses	**2,016,509,486**	2,014,192,072
Total benefits, claims and other expenses	**3,537,650,007**	3,704,510,739
INCOME BEFORE INCOME TAX	**107,778,313**	131,874,111
PROVISION FOR INCOME TAX (Note 24)	**34,986,340**	28,234,803
NET INCOME (Note 25)	**₱72,791,973**	₱103,639,308
Attributable to:		
Equity holders of the Parent Company	**₱67,254,365**	₱99,715,508
Non-controlling interests	**5,537,608**	3,923,800
	₱72,791,973	₱103,639,308

See accompanying Notes to Consolidated Financial Statements.

MICO EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012
NET INCOME	**₱72,791,972**	₱103,639,308
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to profit or loss in subsequent periods:		
Net fair value changes on available-for-sale financial assets - net of tax effect (Note 7)	**(838,948,142)**	1,828,875,080
Items that will not be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment	**81,481,553**	(40,914,815)
Remeasurement gain on net pension obligation, net of tax effect (Note 10)	**(36,186,532)**	10,964,143
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱720,861,149)**	₱1,902,563,716
Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	**(₱651,237,483)**	₱1,709,453,816
Non-controlling interests	**(69,623,666)**	193,109,900
	(₱720,861,149)	₱1,902,563,716

See accompanying Notes to Consolidated Financial Statements.

MICO EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent								
	Capital Stock (Note 18)	**Revaluation Reserve on Available-for-sale Financial Assets** (Note 7)	**Other Revaluation Reserve** (Note 18)	**Remeasurement gain (loss) in pension obligation** (Note 2)	**Cumulative Translation Adjustments**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total**
				For the year ended December 31, 2013					
Balance at beginning of year, as previously reported	**₱600,000,000**	**₱4,771,487,147**	**₱23,466,647**	**₱–**	**(₱119,542,562)**	**₱5,096,394,636**	**₱10,371,805,868**	**₱1,070,594,233**	**₱11,442,400,101**
Effect of change in accounting policy (Note 2)	**–**	**–**	**–**	**(92,959,704)**	**–**	**20,549,931**	**(72,409,773)**	**(8,342,278)**	**(80,752,051)**
Balance at beginning of year, as restated	**600,000,000**	**4,771,487,147**	**23,466,647**	**(92,959,704)**	**(119,542,562)**	**5,116,944,567**	**10,299,396,095**	**1,062,251,955**	**11,361,648,050**
Net income	**–**	**–**	**–**	**–**	**–**	**64,693,686**	**64,693,686**	**5,537,608**	**70,231,294**
Other comprehensive income (loss)	**–**	**(767,125,929)**	**–**	**(32,847,471)**	**84,042,233**	**–**	**(715,931,167)**	**(75,161,274)**	**(791,092,441)**
Total comprehensive income (loss)	**–**	**(767,125,929)**	**–**	**(32,847,471)**	**84,042,233**	**64,693,686**	**(651,237,482)**	**(69,623,666)**	**(720,861,147)**
Balance at end of year	**₱600,000,000**	**₱4,004,361,218**	**₱23,466,647**	**(₱125,807,175)**	**(₱35,500,329)**	**₱5,181,638,253**	**₱9,648,158,614**	**₱992,628,289**	**₱10,640,786,903**
				For the year ended December 31, 2012					
Balance at beginning of year, as previously reported	₱600,000,000	₱3,131,432,419	₱23,466,647	₱–	(₱78,627,747)	₱4,998,868,776	₱8,675,140,095	₱889,508,625	₱9,564,648,720
Effect of change in accounting policy (Note 2)	–	–	–	(103,558,099)	–	18,360,283	(85,197,816)	(9,066,570)	(94,264,386)
Balance at beginning of year, as restated	600,000,000	3,131,432,419	23,466,647	(103,558,099)	(78,627,747)	5,017,229,059	8,589,942,279	880,442,055	9,470,384,334
Net income	–	–	–	–	–	99,715,508	99,715,508	3,923,800	103,639,308
Other comprehensive income	–	1,640,054,728	–	10,598,395	(40,914,815)	–	1,609,738,308	189,186,100	1,798,924,408
Total comprehensive income	–	1,640,054,728	–	10,598,395	(40,914,815)	99,715,508	1,709,453,816	193,109,900	1,902,563,716
Cash dividends declared	–	–	–	–	–	–	–	(11,300,000)	(11,300,000)
Balance at end of year	₱600,000,000	₱4,771,487,147	₱23,466,647	(₱92,959,704)	(₱119,542,562)	₱5,116,944,567	₱10,299,396,095	₱1,062,251,955	₱11,361,648,050

See accompanying Notes to Consolidated Financial Statements

MICO EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱105,217,634**	₱131,874,111
Adjustments for:		
Translation gain	**84,042,232**	(40,914,815)
Depreciation and amortization (Note 22)	**75,055,910**	54,135,980
Impairment loss on AFS financial assets (Notes 7 and 20)	**11,337,336**	2,181,316
Interest expense on reinsurance funds held (Note 20)	**1,415,843**	1,541,166
Fair value gain on financial assets at fair value through profit or loss (Note 20)	**(15,676,767)**	(13,495,788)
Foreign exchange adjustment	**(41,464,325)**	31,178,118
Unrealized foreign currency exchange loss - net (Note 20)	**(211,613,733)**	139,866,485
Dividend income (Note 20)	**(266,718,139)**	(286,144,668)
Interest income (Note 20)	**(303,457,905)**	(288,058,684)
Loss on winding up of subsidiary (Note 22)	**–**	3,432,372
Loss (gain) on sale of (Note 20):		
Financial assets at fair value through profit or loss	**1,916,078**	(3,888,112)
Property and equipment	**(557,702)**	(212,610)
Long-term commercial papers	**(1,782,814)**	–
Real estate properties for sale	**(2,397,054)**	(4,647,144)
Investment property	**(3,077,475)**	–
Available-for-sale financial assets	**(97,609,811)**	(225,542,472)
Operating loss before working capital changes	**(665,370,692)**	(498,694,745)
Decrease (increase) in:		
Insurance receivables	**(2,073,452,669)**	(568,907,233)
Loans and receivables	**140,277,781**	(66,294,598)
Accrued rent income	**150,677**	(1,007,388)
Deferred acquisition costs	**(73,747,024)**	(63,994,991)
Reinsurance assets	**(5,774,312,028)**	(1,494,359,049)
Other assets	**(43,458,992)**	(66,080,368)
Increase (decrease) in:		
Insurance contract liabilities	**5,686,990,414**	1,694,487,066
Insurance payables	**1,385,484,114**	760,614,851
Deferred reinsurance commissions	**89,528,479**	(7,736,779)
Pension liability	**(21,316,617)**	3,056,568
Accounts payable, accrued expenses and other liabilities	**570,972,724**	90,504,519
Net cash used in by operations	**(778,253,833)**	(218,412,147)
Income tax paid	**(35,541,559)**	(32,978,265)
Interest paid on reinsurance funds held (Note 20)	**(1,415,843)**	(1,541,166)
Net cash used in operating activities	**(815,211,235)**	(252,931,578)

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturities of:		
Available-for-sale financial assets (Note 7)	**₱1,917,213,735**	₱1,838,671,511
Financial assets at fair value through profit or loss (Note 7)	**188,826,462**	16,490,774
Long-term commercial papers (Note 7)	**99,480,979**	25,200,000
Investment properties (Note 11)	**95,010,191**	–
Short-term investments	**38,021,248**	11,099,040
Real estate properties for sale	**2,962,054**	6,772,144
Property and equipment (Note 12)	**945,123**	981,264
Long-term investments (Note 7)	**–**	10,026,513
Interest received	**298,456,078**	291,544,084
Dividends received	**267,058,637**	282,797,137
Acquisitions of:		
Available-for-sale financial assets (Note 7)	**(1,682,261,776)**	(1,697,544,518)
Long-term commercial papers (Note 7)	**(445,995,508)**	(427,000,000)
Financial assets at fair value through profit or loss (Note 7)	**(190,843,805)**	(6,630,519)
Property and equipment (Note 12)	**(62,775,804)**	(35,240,827)
Short-term investments	**(41,200,136)**	(38,021,248)
Investment properties (Note 11)	**(11,411,830)**	(20,541,294)
Computer software (Note 13)	**(1,765,290)**	(5,535,791)
Non-trade notes receivable (Note 7)	**–**	(390,000,000)
Real estate properties for sale (Note 13)	**–**	(2,931,697)
Net cash provided by (used in) investing activities	**471,720,358**	(139,863,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends (Note 18)	**–**	(11,300,000)
Cash used in financing activities	**–**	(11,300,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**24,920,410**	(23,360,025)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(318,570,467)**	(427,455,030)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	**1,469,356,945**	1,896,811,975
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,150,786,478**	₱1,469,356,945

See accompanying Notes to Consolidated Financial Statements.

MICO EQUITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

MICO Equities, Inc. (the Parent Company) is a domestic corporation which was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 28, 1972 to invest in nonlife insurance companies.

The Parent Company's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC) with registered office address at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority-owned subsidiaries:

	Place of Incorporation	Percentage of Ownership 2013	2012
Malayan Insurance Co., Inc. (MICO) and Subsidiaries:	Philippines	**88.7%**	88.7%
Bankers Assurance Corporation (BAC)	Philippines	**100.0**	100.0
The First Nationwide Assurance Corporation (FNAC)	Philippines	**54.7**	54.7
Malayan International Insurance Corporation, Limited (MIIC) and Subsidiaries:	Bahamas	**100.0**	100.0
Malayan Insurance Company (U.K.) Limited	United Kingdom	**100.0**	100.0
Malayan Insurance Company (H.K.) Limited	Hong Kong	**100.0**	100.0
Asia-PAC Reinsurance Company, Limited	British Virgin Islands	**100.0**	100.0
FNAC	Philippines	**45.3**	45.3
Malayan Securities Corporation (MSC)	Philippines	**100.0**	100.0

MICO and Subsidiaries is engaged in the nonlife insurance business dealing with all kinds of insurance such as fire, marine, bond, motor car, personal accident, miscellaneous casualty and engineering, except life insurance.

MIIC and Subsidiaries and Asia-PAC Reinsurance Company, Limited are engaged in the reinsurance of nonlife insurance business.

MSC is incorporated to invest in equity and debt securities.

Pursuant to a special resolution passed on the general meeting of Malayan Insurance Company (U.K.) Limited, a subsidiary of MIIC, on April 4, 2012, Malayan Insurance Company (U.K.) Limited entered into a members' voluntary winding up and joint liquidators were appointed on the same date for such purpose. Upon the appointment of the joint liquidators, MIIC and Subsidiaries has lost control of Malayan Insurance Company (U.K.) Limited which was deconsolidated from the date that control ceased.

The accompanying consolidated financial statements of MICO Equities, Inc. and Subsidiaries (the Group) were approved and authorized for issue by the Board of Directors (BOD) on June 20, 2014.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a 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 consolidated financial statements are measured in Philippine Peso (₱), which is also the Parent Company's functional currency. All values are rounded off to the nearest Philippine Peso values, unless otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Restatement in Prior Year's Financial Statements

On January 1, 2013, the Group adopted the Revised PAS 19, Employee Benefits. The related adjustments have been determined retrospectively and prior years' financial statements have been restated accordingly. The effect of the restatement increased the January 1, 2012 retained earnings by ₱18,360,283. Other comprehensive loss decreased by ₱92,959,704 as of December 31, 2012.

As at January 1, 2012

	Net pension obligation (Note 17)	Deferred tax assets (liabilities) (Note 24)	Retained earnings	Non-controlling Interest	Other comprehensive income
As previously stated	₱33,469,398	₱67,888,383	₱4,998,868,776	₱889,508,625	₱–
Effect of change on accounting for employee benefits:					
Actuarial losses recognized at the beginning of the year	156,936,159	–	–	(9,066,570)	(103,558,098)
Deferred tax asset on the beginning balance of pension asset	(26,282,928)	36,388,846	18,360,283	–	–
	130,653,231	36,388,846	18,360,283	(9,066,570)	(103,558,098)
As restated	₱164,122,629	₱104,277,229	₱5,017,229,059	₱880,442,055	(₱103,558,098)

As at December 31, 2012

	Net pension obligation (Note 17)	Deferred tax assets (liabilities) (Note 24)	Retained earnings	Non-controlling Interest	Net income	Other comprehensive income
As previously stated	₱40,653,504	₱45,451,358	₱5,096,394,636	₱1,070,594,233	₱101,091,117	₱–
Effect of change on accounting for employee benefits:						
Actuarial losses recognized at the beginning of the year	156,936,159	–	–	(9,066,570)	–	(103,558,099)
Deferred tax asset on the beginning balance of pension asset	(26,282,928)	36,388,846	18,360,283	–	–	–
Adjustments on:						
Pension expense	(4,281,200)	–	3,768,994	358,544	4,434,862	
Other comprehensive income	(12,353,273)	–	–	365,748	(1,733,008)	10,598,395
Deferred tax asset on actuarial losses transferred to other comprehensive income	–	(1,389,130)	–	–	–	–
Deferred tax asset on adjustment to pension expense	–	(1,733,008)	(1,579,346)	–	(153,662)	–
	114,018,758	33,266,708	20,549,931	(8,342,278)	2,548,192	(92,959,704)
As restated	₱154,672,262	₱78,718,066	₱5,116,944,567	₱1,062,251,955	₱103,639,309	(₱92,959,704)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of and for the years ended December 31, 2013 and 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (NCIs) pertains to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are NCIs.

NCIs represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the NCIs are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company.

If the Parent Company loses control over a subsidiary it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) interpretations which became effective beginning January 1, 2013. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  These amendments required an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are offset in accordance with PAS 32, Financial Instruments: Presentation. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are offset in accordance with PAS 32. The amendments required entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also included the issues raised in SIC-12, Consolidation - Special Purpose Entities. PFRS 10 established a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removed the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests with Other Entities*
  PFRS 12 included all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, Investments in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 established a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provided guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 1 (Amendment), *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income or OCI*
  The amendments to PAS 1 changed the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and will have no impact on the Group's financial position or performance. The amendments are applied retrospectively and resulted to the modification of the presentation of items of OCI.

- Amendments to PAS 19, *Employee Benefits*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also required new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The Group has applied the amendments retroactively to the earliest period presented.

  On January 1, 2013, the Group adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 required all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

  Consolidated statements of financial position

	December 31		January 1
	2013	2012	2012
Increase in deferred tax assets	**₱43,501,829**	₱31,774,792	₱34,529,273
Increase (decrease) in:			
Pension benefit obligation	**158,752,587**	114,018,758	130,653,231
Other comprehensive loss	**(139,106,550)**	(103,346,850)	(114,306,397)
Retained earnings	**24,772,225**	21,418,608	18,515,616
Non-controlling interest	**(916,433)**	(315,724)	(333,177)

Consolidated statements of Income

	Years Ended December 31	
	2013	2012
Increase (decrease) in:		
Pension expense	**(₱4,564,438)**	(₱4,281,200)
Income tax expense	**1,369,331**	1,284,360
Increase in net income	**(₱3,195,107)**	(₱2,996,840)
Attributable to:		
Equity holders of the Parent Company	**(₱3,183,579)**	(₱2,983,983)
Non-controlling interest	**(11,528)**	(12,857)
	(₱3,195,107)	(₱2,996,840)

Consolidated statements of comprehensive income

	Years ended December 31	
	2013	2012
Increase (decrease) in:		
Other comprehensive income (loss)	**(₱49,725,098)**	₱12,353,273
Tax effect	**12,926,330**	(1,389,130)
	(₱36,798,768)	₱10,964,143
Attributable to:		
Equity holders of the Parent Company	**(₱36,186,531)**	₱10,959,547
Non-controlling interest	**(612,237)**	4,596
	(₱36,798,768)	₱10,964,143

The adoption of revised PAS 19 did not have impact on the statement of cash flow.

- PAS 27, S*eparate Financial Statements (as revised in 2011)*
  As a consequence of the new PFRS 10, Consolidated Financial Statements and PFRS 12, Disclosure of Interests in Other Entities, what remained of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and described the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This Philippine Interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

- PFRS 1, F*irst-time Adoption of PFRS - Borrowing Costs*
  The amendment clarified that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, Borrowing Costs. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, Presentation of Financial Statements - *Clarification of the requirements for comparative information*
  The amendments clarified the requirements for comparative information that are disclosed voluntarily and those that are mandatory

due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required. The amendments affected disclosures only and had no impact on the Group's financial position or performance.

- PAS 16, Property, *Plant and Equipment - Classification of servicing equipment*
  The amendment clarified that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarified that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. This amendment did not have any impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarified that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment affected disclosures only and had no impact on the Group's financial position or performance.

Future Changes Accounting Policies
The Group will adopt the following new and amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since it has no investment entities.

- Philippine Interpretation IFRIC 21, *Levies*
  Philippine Interpretation IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This Philippine Interpretation is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that this Philippine Interpretation will have impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. This amendment will not have an impact since the Group has no hedge accounting.

- PAS 32 (Amendments), *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  The amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mecha-

nisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

<u>Improvements to PFRSs 2010-2012 cycle</u>
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, Operating Segments - *Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Group since it has no operating segments.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its em-

ployees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Improvements to PFRSs 2011-2013 cycle
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to PFRSs.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Effectivity date not yet determined

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into

PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group conducted an impact evaluation of the early adoption of PFRS 9 and based on the results of this study, the Group will not early adopt PFRS 9. The Group does not expect a significant impact on its consolidated financial statements based on the evaluation of existing classification and measurement of financial assets and liabilities.

Philippine Interpretation with deferred effective date

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Use of Estimates, Assumptions and Judgments
The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities at the end of the reporting period as well as the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments, refer to Note 3.

Product Classification
Insurance contracts are defined as those contracts under which the Group (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 Group 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. 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, a credit rating or credit index, or other variable. Investment contracts mainly transfer significant financial risk but can also transfer insignificant insurance risk.

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

Insurance and investment contracts are further classified as being with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed contracts, 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, realized and or unrealized 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 and/or investment contract with DPF, 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 and/or investment contract with DPF or when the host insurance contract and/or investment contract with DPF itself is measured at FVPL. The options and guarantees within the insurance contracts issued by the Group are treated as derivative financial instruments which are clearly and closely related to the host insurance and therefore not bifurcated subsequently. As such, the Group 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 internal investment funds meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract.

Fair Value Measurement
The Group measures financial instrument at fair value at each reporting period. Also, fair value of financial instruments measured at amortized cost and non-financial assets such as investment property carried at cost are disclosed in Note 26.

Fair value is the price that would be received to sell an asset or 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 to the Group.

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 Group 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 of input that is significant to the fair value measurement as a whole:

- *Level 1* - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- *Level 2* - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3* - Valuation techniques for which the lowest level of 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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

<u>Cash and Cash Equivalents</u>
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 months or less from dates of placement and that are subject to an insignificant risk of changes in value.

<u>Short-term Investments</u>
Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

<u>Insurance Receivables</u>
Premium receivables (Due from policyholders, agents and brokers and due from ceding companies) are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

<u>Financial Instruments</u>
Date of recognition
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

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

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

As of December 31, 2013 and 2012, the Group's financial instruments are in the nature of FVPL financial assets, AFS financial assets, loans and receivables and other financial liabilities.

Day 1 difference
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 Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used, 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 Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held-for-trading if they are acquired for purposes of selling and repurchasing in the near term. Derivatives, including any separated embedded derivatives, are also classified as financial assets or financial liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis or;
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy or;
- the financial asset contains an embedded derivative that would need to be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in "Investment and other income" in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive the payment has been established.

Derivative instruments
The Group uses derivatives such as non-deliverable forward contracts as a means of reducing its foreign exchange exposure. Derivative instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value of derivatives that do not qualify for hedge accounting is recognized in "Investment and other income" in the consolidated statement of income.

Embedded derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to stand-alone derivative.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;

b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and

c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group assesses whether embedded derivatives are required to be separated from the host contract when it first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

AFS financial assets
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in profit or loss when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as 'Revaluation reserve on available-for-sale financial assets' in other comprehensive income. The losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as realized gains or losses in profit or loss. When the Group holds more than one investment in the same security, the cost is determined using the weighted average method.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or FVPL. This accounting policy relates to the consolidated statement of financial position captions: (a) "Cash and Cash Equivalents", (b) "Short-term Investments", (c) "Insurance Receivables", (d) "Loans and Receivables" and (e) "Accrued Income".

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

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group's insurance payables and accounts payable, accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Impairment of Financial Assets
The Group assesses at each end of the 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 has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS investments carried at fair value
In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. 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 financial asset previously recognized in the consolidated statement of income is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

AFS investments carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

Loans and Receivables
For loans and receivables carried at amortized cost, the Group first assesses 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 Group determines that no objective evidence of impairment exists for 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 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 for 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 the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against profit or loss. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Group. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of Insurance receivables.

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.
Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as Insurance payables in the liabilities section of the consolidated statement of financial position will be withheld and recognized as Funds held for reinsurers and included as part of the Insurance payables in the liabilities section of the consolidated statement of financial position. The amount withheld is generally released after a year. Funds held by ceding companies is accounted for in the same manner.

Retrocession
The Group retrocedes in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from retrocession contracts are presented separately from the related assets, liabilities, income and expense from the related reinsurance contracts because the retrocession arrangements do not relieve the Group from its direct obligations to cedants.

Only contracts that give rise to a significant transfer of reinsurance risk are accounted for as retrocession contracts. Rights under contracts that do not transfer significant reinsurance risk are accounted for as financial instruments.

Outward reinsurance premiums are recognized as an expense on a basis that is consistent with the recognition basis for the gross premiums written on the related reinsurance contracts. Outward reinsurance premiums are expensed over the period that the retrocession cover is provided based on the expected pattern of the retroceded risks. The unexpensed portion of outward reinsurance premiums is included in the reinsurers' share of insurance contract liabilities.

Recoveries due from retrocessionaires in respect of claims paid are classified as receivables and are included within insurance receivables in the consolidated statement of financial position.

Recoveries due from retrocessionaires are assessed for impairment at the end of each reporting period. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

Deferred Acquisition Costs (DAC)
Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Acquisition costs include referral fee of FNAC which is classified under Other underwriting expense. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract except for the marine cargo where commissions for the last two months of the year are recognized as expense the following year. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown as Deferred acquisition costs in the assets section of the consolidated statement of financial position.

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

Investment Properties
Properties held for rental yields and for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business is classified as investment property.

Investment properties are measured initially at cost, including transaction costs.
Investment properties consist of land, buildings and construction in progress. The land is carried at cost. The buildings are carried at cost, less accumulated depreciation and amortization and any accumulated impairment losses.

Construction in-progress is carried at cost and transferred to the related account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. Construction in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of 40 years. The estimated useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment property.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of retirement or disposal.

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

Property and Equipment
Property and equipment, except for land, are stated at cost, net of accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment losses.

The initial cost of property and equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Building and improvements	40
Building equipment	5
Office furniture, fixtures and equipment	5
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of 5 years, whichever is shorter.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated statement of income in the year the asset is derecognized.

Creditable Withholding Taxes (CWTs)
Creditable withholding pertains to the 15% indirect tax paid by the Group that is withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Group. If these CWTs are claimed as a refund, these will be recorded as a receivable under "Loans and receivables" account.

Computer Software
Costs associated with the acquisition of computer software are capitalized only if the asset can be reliably measured, will generate future economic benefits, and there is an ability to use or sell the asset.

Computer software is carried at cost less accumulated amortization. Computer software cost is amortized over the expected useful life of the asset, but not to exceed five (5) years. All computer software components are amortized over five (5) years. Amortization commences when the asset is available for use or when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group.

Impairment of Nonfinancial Assets
The Group assesses at each end of the reporting period whether there is an indication that investment properties, property and equipment and computer software may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Value-added Tax (VAT)
The input value added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the sale of insurance policies and other goods or services by the Group.
If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payable and accrued expenses" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other assets" account.

Real Estate Properties for Sale
Real estate properties for sale are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs to sell. The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property.

Insurance Contract Liabilities
Provision for Unearned Premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end

of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the consolidated statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

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

Liability Adequacy Test
At each end of the reporting period, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the consolidated statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Insurance Payables
Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

Pension Cost
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Equity

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. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to Additional Paid-in Capital account. Share issuance costs incurred as necessary part of completing an equity transaction are accounted for as part of that transaction and are treated as a deduction from Additional Paid-in Capital from previous share issuance. If the Additional Paid-in Capital account is not sufficient, the excess is deducted from retained earnings.

Other revaluation reserve pertains to the appraisal increment on building relating to MICO's previously held interest in Tokio Marine Malayan Insurance Co., Inc. (TMMIC) at the time of the business combination. The balance of the other revaluation reserve will be transferred to retained earnings when the building is disposed or derecognized.

Retained earnings include all the accumulated earnings of the Group, net of dividends declared and share issuance costs.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premiums Revenue

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

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the consolidated statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as Deferred reinsurance premiums and shown as part of reinsurance assets in the consolidated statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

Reinsurance Commissions

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as deferred reinsurance commissions and presented in the Liabilities section of the consolidated statement of financial position.

Dividend income

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

Interest income

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

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

Rental income

Rental income from investment properties are recognized on a straight-line basis over the term of the lease.

Other income

Income from other sources is recognized when earned.

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

Benefits and Claims
Benefits and claims consists of benefits and claims paid to policyholders, which includes changes in the valuation of Insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Commission Expense
Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition cost" in the assets section of the consolidated statement of financial position.

Other underwriting expense
Other underwriting expense pertains to the costs incurred by the Group prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews and other work that is deemed necessary to determine whether or not to accept the risks to be written. These costs are recognized as expense as they are incurred.

Expenses
General and administrative expense and other investment expense, except for lease agreements, are recognized as expense as they are incurred.

Interest expense
Interest expense is charged against operations as they are incurred.

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

a. There is 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 fulfillment is dependent on a specified asset or;
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).

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis.

Foreign Exchange Transactions
The functional and presentation currency of the Group is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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 substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, 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 carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the consolidated statement of other comprehensive income.

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 deferred taxes related to the same taxable entity and the same taxation authority.

Events after End of the Reporting Period

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

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

The Group has determined that the insurance policies it issues have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the revenue and costs of the Group operations.

Operating lease commitments - Group Company as lessor
The Group entered into commercial property leases on its investment properties. The Group determined that it retains all the significant risks and rewards of ownership of the property, thus accounts for them as operating lease.

Operating lease commitments - Group as lessee
The Group entered into various property leases with various lessors. The Group determined that the lessors retain all the significant risks and rewards of ownership of the leased properties thus accounts for them as operating leases.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

When properties comprise a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purpose, and these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making this judgment.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting date, that have a significant risk 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
The Group carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect the statement of other comprehensive income.

The carrying value of AFS financial assets is ₱10.06 billion and ₱10.86 billion as of December 31, 2013 and 2012, respectively (see Note 7).

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

The primary technique adopted by management in estimating the cost of notified and claims IBNR, is that of using past claims settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities are not discounted for the time value of money.

As of December 31, 2013 and 2012, the carrying values of provision for claims reported and IBNR amounted to ₱10.54 billion and ₱5.50 billion, respectively (see Note 14).

Estimation of allowance for impairment losses
The Group maintains 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, age of balances, financial status of counterparties, and legal opinion on recoverability in case of legal disputes. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease the related asset accounts.

The carrying value of insurance receivables, net of impairment losses amounted to ₱5.47 billion and ₱3.38 billion as of December 31, 2013 and 2012, respectively. The related allowance for impairment losses amounted to ₱157.68 million and ₱125.27 million as of December 31, 2013 and 2012 respectively (see Note 6).

As of December 31, 2013 and 2012, the carrying value of loans and receivables amounted to ₱1.49 billion and ₱1.28 billion, respectively. As of December 31, 2013 and 2012, the related allowance for impairment losses amounted to ₱3.70 million (see Note 7).

Impairment of AFS equity financial assets
The Group determines that AFS equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as continuous decline for a period of six (6) months or more. In making this judgment, the Group evaluates among other factors, the normal volatility in share price for quoted securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As of December 31, 2013 and 2012, the carrying value of the Group's AFS equity financial assets amounted to ₱7.27 billion and ₱7.55 billion, respectively (see Note 7).

Impairment loss recognized on Group's AFS equity financial assets amounted to ₱11.34 million and ₱2.18 million in 2013 and 2012, respectively (see Note 7).

Estimation of useful lives of computer software, investment properties and property and equipment
The Group reviews annually the estimated useful lives of computer software, investment properties and 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 computer software, investment properties and property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2013 and 2012, the carrying value of the investment properties amounted to ₱28.27 million and ₱108.90 million, respectively (see Note 11).

As of December 31, 2013 and 2012, the carrying value of the property and equipment amounted to ₱295.53 million and ₱230.42 million, respectively (see Note 12).

As of December 31, 2013 and 2012, the carrying value of the computer software amounted to ₱0.30 million and ₱64.91 million, respectively (see Note 13).

Evaluation of net realizable value of real estate properties for sale
Real estate properties for sale are valued at the lower of cost and NRV. This requires the Group to make an estimate of the real estate properties' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate properties to net realizable value based on its assessment of the recoverability of its real estate properties for sale. In determining the recoverability of its real estate properties for sale, management considers whether its real estate properties for sale are damaged or if their selling prices have declined.

Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 13 for the related balances.

Impairment of nonfinancial assets
The Group assesses the impairment of its nonfinancial assets (i.e., investment properties, property and equipment and computer software) whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2013 and 2012, the Group has not recognized any impairment losses on its nonfinancial assets. See Notes 11, 12 and 13 for related balances.

Recognition of deferred tax assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. See Note 24 for the related balances.

Estimating pension obligation and other retirement benefits
The determination of pension obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. In accordance with PAS 19, actual results that differ from the Group's assumptions are recognized immediately in other comprehensive income in the period in which they arise. While the Group 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 obligations.

As of December 31, 2013 and 2012, the carrying value of net pension obligation amounted to ₱206.26 million and ₱154.67 million, respectively (see Note 17).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon analysis of potential results. The Group does not believe that these proceedings will have a material adverse effect on the Group's financial position.

4. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand:		
Petty cash fund	**₱1,044,702**	₱1,185,183
Cash in banks:		
Commercial banks and trust company (Note 28)	**800,077,900**	352,882,611
Thrift banks, rural banks and cooperatives	**3,688,829**	15,054,459
Short-term deposits (Note 28)	**345,975,047**	1,100,234,692
	₱1,150,786,478	₱1,469,356,945

Cash in banks earns interest at the respective bank rates.

Short-term deposits are placed for varying periods of up to three (3) months depending on the immediate cash requirements of the Group.

The range of interest rates of the short-term deposits follows:

	2013	2012
Philippine Peso	**0.25% to 4.50%**	0.25% to 4.50%
US Dollar	**0.09% to 1.35%**	0.09% to 1.35%

As of December 31, 2013 and 2012, time deposits amounting to ₱40,074,701 and ₱37,072,255, respectively, are held in the name of the Insurance Authority account of MIIC and Subsidiaries imposed by the Hong Kong Insurance Authority (HKIA) pursuant to Hong Kong Insurance Companies Ordinance (Cap. 41). These deposits shall be kept free from any liens, charges encumbrances, equities, or third party rights and cannot be released without the permission of the HKIA and that the account could only be operated by the designated authorized officers of the HKIA.

5. Short-term Investments

This account consists of time deposits with maturity of more than three months but less than one year from dates of placement and earns interest with annual rates ranging from 1.00% to 4.25% and 1.00% to 6.00% in 2013 and 2012, respectively.

Interest earned on short-term investments amounted to ₱0.13 million and ₱0.86 million in 2013 and 2012, respectively (see Note 20).

6. Insurance Receivables - net

This account consists of:

	2013	2012
Due from policyholders, agents and brokers	**₱3,042,764,198**	₱2,210,915,388
Due from ceding companies:		
Facultative	**494,588,371**	55,117,474
Treaty	**1,717,080,997**	904,898,749
Due from retrocessionaires	**5,691,774**	219,823
Funds held by ceding companies - treaty	**177,264,975**	163,265,537
Premium and loss reserve	**48,325,556**	38,093,661
Reinsurance recoverable on paid losses:		
Facultative	**110,943,616**	89,373,356
Treaty	**26,584,186**	42,041,014
	5,623,243,673	3,503,925,002
Less allowance for impairment losses	**157,683,213**	125,268,247
	₱5,465,560,460	₱3,378,656,755

The reinsurance recoverable on paid losses is the amount recoverable from the reinsurers and retrocessionaires in respect of claims already paid by the Group.

The following table shows aging information of insurance receivables:

December 31, 2013

	< 30 days	30 > 60 days	60 > 90 days	90 > 120 days	> 120 days	Total
Due from policyholders, agents and brokers	₱516,294,926	₱254,734,202	₱556,163,596	₱274,478,074	₱1,441,093,400	₱3,042,764,198
Due from ceding companies:						
Facultative	464,289,677	10,861	12,000,759	1,129,623	17,157,451	494,588,371
Treaty	698,066,820	667,807	5,307,169	345,512,037	668,854,394	1,718,408,227
Funds held by ceding companies - treaty	4,643,626	2,906,955	29,960,895	6,810,829	132,942,698	177,265,003
Premium and loss reserve	121,687	–	610,875	4,177,481	43,415,513	48,325,556
Due from retrocessionaires	880,530	–	–	1,198,665	2,285,321	4,364,516
Reinsurance recoverable on paid losses:						
Facultative	18,180,664	1,016,140	5,404,483	1,588,949	84,753,380	110,943,616
Treaty	–	2,122,357	8,709,619	–	15,752,210	26,584,186
Total	₱1,702,477,930	₱261,458,322	₱618,157,396	₱634,895,658	₱2,406,254,367	₱5,623,243,673

December 31, 2012

	< 30 days	30 > 60 days	60 > 90 days	90 > 120 days	> 120 days	Total
Due from policyholders, agents and brokers	₱458,146,733	₱224,649,143	₱345,703,683	₱303,328,692	₱879,087,137	₱2,210,915,388
Due from ceding companies:						
Facultative	29,940,507	45,997	668,698	6,732,968	17,729,304	55,117,474
Treaty	288,726,127	210,562,323	30,826,871	17,591,748	357,191,680	904,898,749
Funds held by ceding companies – treaty	3,000,053	51,339	24,958,953	61,375,728	73,879,464	163,265,537
Premium and loss reserve	1,219,185	–	4,012,063	–	32,862,413	38,093,661
Due from retrocessionaires	–	–	–	–	219,823	219,823
Reinsurance recoverable on paid losses:						
Facultative	458,256	3,064,683	2,573,975	4,819,693	78,456,749	89,373,356
Treaty	299,625	498,265	1,145,859	–	40,097,265	42,041,014
Total	₱781,790,486	₱438,871,750	₱409,890,102	₱393,848,829	₱1,479,743,658	₱3,503,925,002

	2013					
	Due from Policyholders, Agents and Brokers	**Due from Ceding Companies - Facultative**	**Due from Ceding Companies - Treaty**	**Funds Held by Ceding Companies**	**Reinsurance Recoverable on Paid Losses - Facultative**	**Total**
Balance at beginning of year	**₱101,505,280**	**₱17,547,961**	**₱496,316**	**₱1,380,777**	**₱4,337,913**	**₱125,268,247**
Impairment loss (Note 22)	**37,117,893**	**–**	**1,656,747**	**–**	**3,688,583**	**42,463,223**
Reversals of impairment loss	**(72,462)**	**(5,345,330)**	**–**	**–**	**–**	**(5,417,792)**
Written-off	**(4,630,465)**	**–**	**–**	**–**	**–**	**(4,630,465)**
Balance at end of year	**₱133,920,246**	**₱12,202,631**	**₱2,153,063**	**₱1,380,777**	**₱8,026,496**	**₱157,683,213**
Individually impaired	**₱8,358,043**	**₱10,748,795**	**₱2,153,063**	**₱1,380,777**	**₱5,047,677**	**₱27,688,355**
Collectively impaired	**125,562,203**	**1,453,836**	**–**	**–**	**2,978,819**	**129,994,858**
Total	**₱133,920,246**	**₱12,202,631**	**₱2,153,063**	**₱1,380,777**	**₱8,026,496**	**₱157,683,213**

	2012					
	Due from Policyholders, Agents and Brokers	Ceding Companies - Facultative	Due from Ceding Companies - Treaty	Due from Funds Held by Ceding Companies	Recoverable on Paid Losses - Facultative	Reinsurance Total
Balance at beginning of year	₱44,098,205	₱17,547,961	₱496,316	₱1,380,777	₱4,337,913	₱67,861,172
Impairment loss (Note 22)	66,032,188	–	–	–	–	66,032,188
Written-off	(8,625,113)	–	–	–	–	(8,625,113)
Balance at end of year	₱101,505,280	₱17,547,961	₱496,316	₱1,380,777	₱4,337,913	₱125,268,247
Individually impaired	₱7,885,979	₱17,547,961	₱496,316	₱1,380,777	₱4,337,913	₱31,648,946
Collectively impaired	93,619,301	–	–	–	–	93,619,301
Total	₱101,505,280	₱17,547,961	₱496,316	₱1,380,777	P₱4,337,913	₱125,268,247

7. Financial Assets

The Group's financial assets, categorized based on subsequent measurement, follow:

	2013	2012
AFS financial assets	**₱10,058,753,333**	₱10,857,169,577
Financial assets at FVPL	**250,563,638**	217,541,191
Loans and receivables - net	**1,485,187,038**	1,277,167,477
	₱11,794,504,009	₱12,351,878,245

The assets included in each of the categories above are detailed below.

a) *AFS financial assets*

	2013	2012
Quoted securities - at fair value		
Listed equity securities (Note 28):		
Common shares	**₱6,944,551,895**	₱7,277,090,290
Preferred shares	**28,692,440**	60,981,155
Government debt securities:		
Local currency	**880,790,158**	874,413,212
Foreign currency	**34,195,339**	32,968,440
Private debt securities (Note 28)	**1,871,291,451**	2,403,211,698
	9,759,521,283	10,648,664,795
Non-quoted securities - at cost		
Unlisted equity securities:		
Common shares	**98,293,158**	111,363,156
Preferred shares	**17,540**	17,540
	98,310,698	111,380,696
Funds	**200,921,352**	97,124,086
	₱10,058,753,333	₱10,857,169,577

In accordance with the provisions of the Code, government securities amounting to ₱232.38 million and ₱213.38 million are deposited with the Insurance Commission (IC) as security for the benefit of policyholders and creditors of the Group as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the Group has certain investments in debt securities with embedded call option feature which allows the issuers to redeem, on specified dates, the securities at face amount. Based on the Group's assessment, the embedded call options identified are clearly and closely related to the host contracts and therefore do not require bifurcation.

As of December 31, 2013 and 2012, allowance for impairment loss recognized on AFS investments amounted to ₱11.34 million and ₱2.18 million in 2013 and 2012, respectively.

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

	2013	2012
Balance at beginning of year	**₱10,857,169,577**	₱9,063,830,701
Acquisitions	**1,682,261,776**	1,697,544,518
Unrealized foreign currency exchange gain (loss)	**180,796,229**	(121,765,673)
Fair value changes	**(853,028,166)**	2,084,085,504
Disposals and maturities	**(1,819,603,924)**	(1,840,544,521)
Amortization of premium	**(13,055,001)**	(8,268,437)
Foreign exchange adjustment	**24,212,842**	(17,712,515)
Balance at end of year	**₱10,058,753,333**	₱10,857,169,577

As of December 31, 2013 and 2012, the revaluation reserve on AFS financial assets amounted to ₱4.08 billion and₱5.28 billion, respectively.

The rollforward analysis of the revaluation reserve on AFS financial assets follow:

	2013	2012
Balance at beginning of year	**₱5,281,376,878**	₱3,452,501,798
Fair value gain (loss) credited to (charged against) equity	**(853,028,166)**	2,084,085,504
Impairment loss	**11,337,676**	2,181,316
Realized gain transferred to profit or loss	**(362,031,799)**	(227,415,482)
Tax effect of net fair value losses (gains) (Note 24)	**25,435,155**	(28,893,413)
Foreign exchange adjustment	**(26,906,314)**	(1,082,845)
	₱4,076,183,430	₱5,281,376,878

Attributable to:		
Equity holders of the Parent Company	**₱4,004,361,218**	₱4,771,487,147
Non-controlling interests	**71,822,212**	509,889,731
	₱4,076,183,430	₱5,281,376,878

Reclassification of financial assets
Pursuant to the amendments to PAS 39 on "Reclassification of Financial Assets" (the "Amendments") which are effective from July 1, 2008, MIIC and Subsidiaries has reclassified listed equity securities out of the held-for-trading category to available-for-sale category on July 31, 2008 (the "Reclassification") as these financial assets were no longer held for the purpose of being sold or purchased in the near term but for long term investment purpose as a result of the exceptional turbulence in the world's financial markets in 2008. As of December 31, 2012, the total carrying amount which was also the fair value of the financial assets being reclassified was ₱17.76 million and ₱13.10 million, respectively.

During 2012, fair value loss on financial assets being reclassified amounting to ₱695.12 million and fair value gain amounting to ₱2.08 billion, respectively, has been recognized in the revaluation reserve on AFS financial assets in other comprehensive income.

The effect of the reclassification on the Group's consolidated financial statements for the 2012 is shown as follows:

	Had no Reclassification been made	**Effect of the Reclassification**	**After the reclassification**
Effect on consolidated statement of financial position:			
Financial assets at FVPL			
- Held for trading investments	₱230,645,418	(₱13,104,227)	₱217,541,191
Available-for-sale investments	10,844,065,350	13,104,227	10,857,169,577
Deferred tax liabilities	1,840,140	507,132	2,347,272
Revaluation reserve on AFS	4,765,217,580	6,269,567	4,771,487,147
Retained earnings	5,102,664,203	(6,269,567)	5,096,394,636
Effect on net income for the year (included in investment and other income):			
Net fair value gain/(loss) on financial assets at FVPL	16,280,493	(2,784,705)	13,495,788
Effect on other comprehensive income for the year:			
Net fair value change in AFS assets	2,086,870,209	(2,784,705)	2,084,085,504
Cumulative gain reclassified to profit or loss upon disposal of AFS assets	(218,800,593)	(8,614,889)	(227,415,482)
Income tax relating to components of other comprehensive income	(29,757,799)	864,386(28,893,413)	

As of December 31, 2013, all the amounts reclassified has been disposed.

b) *Financial assets at FVPL*

This account consists of foreign currency-denominated securities with details as follow:

	2013	2012
Held for trading Equity securities:		
Listed	**₱162,507,162**	₱136,871,209
Designated as at FVPL on initial recognition		
Private debt securities	**80,974,349**	74,073,740
Investment funds	**4,826,881**	4,340,996
Listed equity securities	**2,255,246**	2,255,246
	88,056,476	80,669,982
	₱250,563,638	₱217,541,191

The fair value gain on financial assets at FVPL recognized in the consolidated statements of income amounted to ₱15.68 million and ₱13.50 million in 2013 and 2012, respectively (see Note 20).

The carrying values of financial assets at FVPL have been determined as follows:

	2013	2012
Balances at beginning of year	**₱217,541,191**	₱224,561,299
Acquisitions	**190,843,805**	6,630,519
Fair value gain (Note 20)	**15,676,768**	13,495,788
Disposals and maturities	**(190,742,540)**	(12,602,662)
Foreign exchange adjustment	**17,244,414**	(14,543,753)
Balance at end of year	**₱250,563,638**	₱217,541,191

c) *Loans and receivables - net*

This account consists of:

	2013	2012
Long-term commercial papers (Note 28)	**₱1,094,933,008**	₱746,635,665
Notes receivable (Note 28)	**293,932,031**	403,884,441
Creditable withholding tax	**62,677,478**	62,677,478
Accounts receivable	**26,988,454**	3,514,994
Cash advances	**3,030,893**	859,934
Claims recoverable	**6,500,000**	11,770,886
Due from related party (Note 28)	**450,806**	51,184,711
Security fund	**342,294**	342,294
	1,488,889,964	1,280,870,403
Less allowance for impairment losses	**3,702,926**	3,702,926
	₱1,485,187,038	₱1,277,167,477

Long-term commercial papers pertain to the Group's investments in unquoted private debt securities and corporate notes with terms of 4 to 15 years and interest rates ranging from 5.25% to 9.33% in 2013 and 2012.

The Group provides for the 50% of the cost of the car and motor plans extended to its managers and officers as part of their benefits. The employee's share is recorded as Notes receivable which is collected through salary deductions for a period of five (5) years with annual interest rates of 8.00% for car loans and 8.50% for motor loans.

The Group also granted advances to its related parties, House of Investments (HI) and First Malayan Leasing Corporation (FMLC), by way of receipt of promissory notes from these related parties (see Note 28).

Creditable withholding tax for years 2009 and 2010 were filed for refund by the Group to the BIR.

Due from related party pertains to the estimated amount to be distributed to MIIC upon completion of the winding up of its subsidiary, Malayan Insurance Company (U.K.) Limited (In Liquidation).

As of December 31, 2013 and 2012, accounts and notes receivable with carrying value of ₱2.00 million and ₱1.70 million, respectively, was specifically determined as impaired and was fully provided with allowance. There was no movement in the allowance for impairment losses in 2013.

8. Accrued Income

This account consists of:

	2013	2012
Accrued interest income on (Note 28):		
AFS financial assets	**₱37,781,439**	₱38,935,897
Long-term commercial papers	**8,476,325**	6,052,261
Notes receivables	**717,528**	588,611
Security fund	**136,293**	123,936
Funds held by ceding companies - treaty	**85,299**	178,549
Cash and cash equivalents	**47,756**	835,927
Short-term investments	**21,661**	11,739
Financial assets at FVPL	**1,086,219**	1,140,698
Accrued rent income	**4,148,291**	4,298,968
Accrued dividend income	**3,007,031**	3,347,531
	₱60,024,767	₱55,514,117

9. Deferred Acquisition Costs - net

The details of deferred acquisition costs net of deferred reinsurance commissions follow:

	2013	2012
Deferred acquisition costs		
Balance at beginning of year	**₱337,840,897**	₱273,845,906
Cost deferred during the year	**1,021,722,487**	932,891,445
Amortized during the year	**(947,975,463)**	(868,896,454)
Balance at end of year	**411,587,921**	337,840,897
Deferred reinsurance commissions		
Balance at beginning of year	**106,783,983**	114,520,762
Income deferred during the year	**364,666,362**	234,506,403
Amortized during the year	**(275,137,883)**	(242,243,182)
Balance at end of year	**196,312,462**	106,783,983
	₱215,275,459	₱231,056,914

10. Reinsurance Assets

This account consists of:

	2013	2012
Deferred reinsurance premiums (Note 14)	**₱2,316,401,904**	₱1,559,476,851
Reinsurance recoverable on unpaid losses (Note 14)	**8,623,772,716**	3,606,385,741
	₱10,940,174,620	₱5,165,862,592

11. Investment Properties - net

The rollforward analysis of this account follows:

	2013			
	Land	**Buildings**	**Construction in-Progress**	**Total**
Cost				
At beginning of year	**₱29,023,039**	**₱12,691,827**	**₱78,194,608**	**₱119,909,474**
Additions	**–**	**–**	**11,411,830**	**11,411,830**
Disposals	**(2,326,278)**	**–**	**(89,606,438)**	**(91,932,716)**
At end of year	**26,696,761**	**12,691,827**	**–**	**39,388,588**
Accumulated depreciation and amortization				
At beginning of year	**–**	**11,008,384**	**–**	**11,008,384**
Depreciation and amortization (Note 22)	**–**	**106,737**	**–**	**106,737**
At end of year	**–**	**11,115,121**	**–**	**11,115,121**
Net book value	**₱26,696,761**	**₱1,576,706**	**₱–**	**₱28,273,467**

	2012			
	Land	Buildings	Construction in-Progress	Total
Cost				
At beginning of year	₱29,023,039	₱12,691,827	₱57,653,314	₱99,368,180
Additions – –	20,541,294	20,541,294		
At end of year	29,023,039	12,691,827	78,194,608	119,909,474
Accumulated depreciation and amortization				
At beginning of year	–	10,900,793	–	10,900,793
Depreciation and amortization (Note 22)	–	107,591	–	107,591
At end of year	–	11,008,384	–	11,008,384
Net book value	₱29,023,039	₱1,683,443	₱78,194,608	₱108,901,090

Rental income from investment properties recognized in the consolidated statement of income amounted to ₱27.66 million and ₱24.32 million in 2013 and 2012, respectively (see Note 20). Direct operating expenses arising from the investment properties amounted to ₱9.38 million and ₱13.81 million in 2013 and 2012, respectively.

On October 1, 2009, MICO, RCBC Savings Bank, Inc. (RSB), Rizal Commercial Banking Corporation (RCBC), Bankard Inc., Great Pacific Life Assurance Corporation (Grepalife) and Hexagonland Corporation signed a Joint Venture Agreement for the construction and development of a twenty seven (27)-storey, high-rise mixed used commercial/office building to be known as the "RCBC Savings Bank Building Project".

The total construction period is estimated at thirty-nine (39) months and the total cost is estimated at ₱2.20 billion, of which MICO shall contribute 4.47% in cash contributions.

On October 2, 2012, MICO, RSB, RCBC, Bankard, Inc. and Grepalife executed a Memorandum of Understanding (MOU) agreeing in principle to cancel or revoke the JVA, subject to the approval of the Bangko Sentral ng Pilipinas (BSP). In the said MOU, RCBC was allowed to continue the construction and completion of the Building Project by purchasing the land from RSB and returning the cash contributions of RSB, Bankard, Inc. and MICO.

On March 13, 2013, through Monetary Board (MB) Resolution No. 405 dated March 7, 2013, the BSP confirmed the acquisition of RCBC of the land contributed by RSB, as well as the rights and interests of MICO, RSB, Bankard, Inc. and Grepalife to the Building Project.

On April 11, 2013, MICO received its share in contribution to RSB Building Project amounting to ₱89.60 million with interest amounting to ₱7.69 million.

Buildings with book value of ₱1.58 million and ₱1.68 million have fair value amounting to ₱3.36 million and ₱3.34 million as of December 31, 2013 and 2012, respectively. Parcels of land with book value of v26.70 million and ₱29.02 million have fair value amounting to ₱53.99 million and₱52.89 million as of December 31, 2013 and 2012, respectively. The fair values of the investment properties were determined by independent professionally qualified appraisers.

The fair value of the land and buildings were arrived at using the Market Data Approach. In this approach, the value of the land and buildings are based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The Group's highest and best use is consistent with its current use.

Depreciation and amortization expense pertaining to investment properties amounted to ₱0.11 million in 2013 and 2012 (see Note 22).

12. **Property and Equipment** - net

The rollforward analysis of this account as of December 31, 2013 and 2012 follows:

	2013					
	Land	Building Building Equipment and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
At beginning of year	₱1,013,187	₱207,775,954	₱352,346,192	₱63,113,579	₱59,737,437	₱683,986,349
Additions	–	3,962,811	51,649,617	6,820,426	342,950	62,775,804
Transfers	–	–	83,950,377	–	–	83,950,377
Disposals	–	–	(76,091)	(4,507,033)	–	(4,583,124)
Foreign exchange adjustment	–	–	49,621	–	–	49,621
At end of year	1,013,187	211,738,765	487,919,716	65,426,972	60,080,387	826,179,027
Accumulated depreciation and amortization						
At beginning of year	–	63,366,765	307,110,346	43,610,936	39,478,806	453,566,853
Depreciation and amortization (Note 22)	–	8,544,556	42,234,299	4,571,116	6,544,201	61,894,172
Transfers	–	–	19,342,688	–	–	19,342,688
Disposals	–	–	(58,976)	(4,136,727)	–	(4,195,703)
Foreign exchange adjustment	–	–	42,553	–	–	42,553
At end of year	–	71,911,321	368,670,910	44,045,325	46,023,007	530,650,563
Net book value	₱1,013,187	₱139,827,444	₱119,248,806	₱21,381,647	₱14,057,380	₱295,528,464

	2013					
	Land	Building Building Equipment and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
At beginning of year	₱1,013,187	₱202,484,560	₱336,231,656	₱57,930,876	₱55,314,276	₱652,974,555
Additions	–	5,291,394	16,889,192	8,637,080	4,423,161	35,240,827
Disposals	–	–	(713,838)	(3,454,377)	–	(4,168,215)
Foreign exchange adjustment	–	–	(60,818)	–	–	(60,818)
At end of year	1,013,187	207,775,954	352,346,192	63,113,579	59,737,437	683,986,349
Accumulated depreciation and amortization						
At beginning of year	–	54,296,305	280,255,387	40,398,354	33,166,569	408,116,615
Depreciation and amortization (Note 22)	–	9,070,460	27,006,815	6,516,410	6,312,237	48,905,922
Disposals	–	–	(95,733)	(3,303,828)	–	(3,399,561)
Foreign exchange adjustment	–	–	(56,123)	–	–	(56,123)
At end of year	–	63,366,765	307,110,346	43,610,936	39,478,806	453,566,853
Net book value	₱1,013,187	₱144,409,189	₱45,235,846	₱19,502,643	₱20,258,631	₱230,419,496

Depreciation and amortization expense charged against operations amounted to ₱61.40 million and ₱54.14 million 2013 and 2012, respectively (see Note 22).

13. Other Assets

This account consists of:

	2013	2012
Creditable withholding taxes	**₱242,346,423**	₱191,133,436
Real estate properties for sale - at cost	**92,454,300**	93,019,300
Computer software - net	**302,376**	64,910,065
Refundable deposits	**22,782,240**	27,866,924
Prepayments	**5,884,677**	5,946,758
Forms and supplies inventory	**9,478,417**	4,953,315
Miscellaneous assets	**25,768,657**	31,135,700
	₱399,017,090	₱418,965,498

Creditable withholding tax pertains to the Group's tax withheld at source by its customers and is creditable against the income tax liability of the Group.

Real estate properties for sale consist of investments in Malayan Plaza condominium units and memorial lots. As of December 31, 2013 and 2012, amounts of the real estate properties for sale are as follows:

	2013	2012
Malayan Plaza condominium units	**₱83,294,300**	₱83,294,300
Memorial lots	**9,160,000**	9,725,000
	₱92,454,300	₱93,019,300

Cost of real estate properties disposed in 2013 and 2012 amounted to ₱0.57 million and ₱2.13 million, respectively.

The rollforward analysis of the computer software account follows:

	2013	2012
Cost		
At the beginning of the year	**₱84,252,753**	₱78,716,962
Additions	**1,765,290**	5,535,791
Transfers	**(85,715,667)**	–
At the end of the year	**302,376**	84,252,753
Accumulated amortization		
At the beginning of the year	**19,342,688**	14,220,221
Amortization (Note 22)	**–**	5,122,467
Transfers	**(19,342,688)**	–
At the end of the year	**–**	19,342,688
Net book value	**₱302,376**	₱64,910,065

Miscellaneous assets pertain to documentary stamp tax inventory, input VAT, deferred input VAT and the Group's share in its employees' car and motor plans.

14. Insurance Contract Liabilities and Reinsurance Assets

Short-term insurance contract liabilities and reinsurers' share of liabilities may be analyzed as follows:

	2013			2012		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (see Note 10)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 10)	Net
Provision for claims reported and loss adjustment	**₱10,282,365,075**	**₱8,486,873,391**	**₱1,795,491,684**	₱5,289,523,181	₱3,518,615,340	₱1,770,907,841
Provision for IBNR losses	**380,082,328**	**257,473,273**	**122,609,055**	206,931,673	87,770,401	119,161,272
Total claims reported and IBNR	**10,662,447,403**	**8,744,346,664**	**1,918,100,739**	5,496,454,854	3,606,385,741	1,890,069,113
Provision for unearned premiums	**3,570,350,843**	**2,195,827,956**	**1,374,522,887**	3,041,799,036	1,559,476,851	1,482,322,185
Total insurance contract liabilities	**₱14,232,798,246**	**₱10,940,174,620**	**₱3,292,623,626**	₱8,538,253,890	₱5,165,862,592	₱3,372,391,298

Provisions for claims reported by policyholders and claims IBNR may be analyzed as follows:

	2013			2012		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (see Note 10)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 10)	Net
Balance at beginning of year	**₱5,496,454,854**	**₱3,606,385,741**	**₱1,890,069,113**	₱4,175,568,933	₱2,285,454,016	₱1,890,114,917
Claims incurred during the year	**7,648,327,638**	**6,130,634,901**	**1,517,692,735**	3,554,424,754	1,900,388,501	1,654,036,253
Increase in IBNR	**296,285,283**	**290,27,820**	**6,008,463**	124,052,815	87,770,401	36,282,414
Total claims reported and claims IBNR	**13,441,067,773**	**10,027,297,462**	**3,413,770,311**	7,854,046,502	4,273,612,918	3,580,433,584
Claims paid during the year (Note 21)	**(2,778,620,370)**	**(1,282,950,798)**	**(1,495,669,572)**	(2,357,591,648)	(667,227,177)	(1,690,364,471)
Balance at end of year	**₱10,662,447,403**	**₱8,744,346,664**	**₱1,918,100,739**	₱5,496,454,854	₱3,606,385,741	₱1,890,069,113

Provision for unearned premiums may be analyzed as follows:

	2013			2012		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (see Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 10)	Net
Balance at beginning of year	**₱3,041,799,036**	**₱1,559,476,851**	**₱1,482,322,185**	₱2,677,505,855	₱1,386,049,528	₱1,291,456,327
New policies written during the year (Note 19)	**7,586,161,283**	**5,166,955,537**	**2,419,205,746**	6,920,552,746	4,001,849,760	2,918,702,986
Premiums earned during the year (Note 19)	**(7,057,609,476)**	**(4,530,604,433)**	**(2,527,005,043)**	(6,556,259,565)	(3,828,422,437)	(2,727,837,128)
Balance at end of year	**₱3,570,350,843**	**₱2,195,827,956**	**₱1,374,522,887**	₱3,041,799,036	₱1,559,476,851	₱1,482,322,185

15. Insurance Payables

This account consists of:

	2013	2012
Due to reinsurers	**₱2,374,185,839**	₱1,797,539,163
Funds held for reinsurers	**1,381,587,189**	572,749,754
	₱3,755,773,028	₱2,370,288,917

The rollforward analysis of insurance payables follows:

	Due to Reinsurers	Funds held for reinsurers	Total
At January 1, 2012	₱1,113,335,436	₱496,338,630	₱1,609,674,066
Arising during the year	3,828,775,331	173,466,720	4,002,242,051
Paid during the year	(3,144,571,605)	(97,055,595)	(3,241,627,200)
At December 31, 2012	**1,797,539,162**	**572,749,755**	**2,370,288,917**
Arising during the year	**1,240,458,939**	**920,507,636**	**2,160,966,575**
Paid during the year	**(663,812,262)**	**(111,670,202)**	**(775,482,464)**
At December 31, 2013	**₱2,374,185,839**	**₱1,381,587,189**	**₱3,755,773,028**

16. Accounts Payable, Accrued Expenses and Other Liabilities

This account consists of:

	2013	2012
Accounts payable	**₱695,224,632**	₱359,988,106
Commissions payable	**304,824,160**	242,197,471
Deferred output value-added tax (VAT)	**220,880,003**	144,510,035
Accrued expenses	**142,518,221**	109,883,853
Documentary stamp taxes payable	**126,625,122**	99,875,124
Accrued taxes	**111,520,034**	74,328,898
Surety deposits	**32,455,278**	34,290,301
Output VAT	**28,117,240**	15,539,222
Deposits payable	**4,133,104**	13,510,198
Others	**7,029,198**	8,231,060
	₱1,673,326,992	₱1,102,354,268

All accounts payable and accrued expenses are due within one year.

Accounts payable pertain to unpaid purchases of goods and services from suppliers.

Commissions payable are unpaid commissions on the Group's direct business, payable to agents and brokers which are due upon collection of the related premiums receivables.

Accrued taxes include tax withheld, fringe benefit tax, local government tax, fire service tax and premiums tax.

Accrued expenses pertain to accrual of monthly expenditures of the Group. This includes expenses for utilities, allocated common expenses for the use of Y Tower 1 and 2 and other expenses that are necessary to carry out the operations of the Group.

17. Pension

The Group has a defined benefit plan, covering substantially all of its employees, which requires contribution to be made to administered funds. The plan is administered by a local bank as trustee. The Group's trustee bank is RCBC. The transactions of the fund are being approved by the President of the Group.

The following tables summarize the components of net pension benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the retirement plan.

The net pension benefit expense recognized in the consolidated statements of income, under employee benefits (see Note 22), follows:

	2013	2012 (As restated - Note 2)
Current service cost	**₱38,586,701**	₱33,363,240
Interest cost	**8,002,164**	11,516,561
Net benefit expense	**₱46,588,865**	₱44,879,801
Actual return on plan assets	**₱2,821,334**	₱29,500,935

The remeasurement effects recognized in the consolidated statements of comprehensive income follows:

	2013	2012 (As restated - Note 2)
Actuarial loss	**₱36,981,474**	₱10,621,647
Return on assets (excluding amount included in net interest cost)	**12,743,624**	(7,535,679)
Total amount recognized in OCI	**₱49,725,098**	₱3,085,968

The net pension obligation of the Group follows:

	2013	2012 (As restated - Note 2)
Present value of pension benefit obligation	**₱512,663,620**	₱454,588,535
Fair value of plan assets	**(306,402,944)**	(299,916,273)
	₱206,260,676	₱154,672,262

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

	2013	2012 (As restated - Note 2)
Balance at beginning of year	**₱454,588,535**	₱412,613,359
Current service cost	**38,586,701**	33,363,240
Interest cost	**23,567,122**	23,541,761
Actuarial loss	**36,981,474**	5,116,025
Present value of obligation of transferred employee	**409,016**	–
Benefits paid	**(41,469,228)**	(20,045,850)
	₱512,663,620	₱454,588,535

The reconciliation of the fair value of the plan assets follows:

	2013	2012 (As restated - Note 2)
Balance at beginning of year	**₱299,916,273**	₱248,490,730
Interest income	**15,564,958**	12,424,537
Contributions by employer	**45,134,565**	41,970,458
Actuarial loss (gain)	**(12,743,624)**	17,076,398
Benefits paid	**(41,469,228)**	(20,045,850)
Balance at end of year	**₱306,402,944**	₱299,916,273

The distribution of the plan assets as of December 31, 2013 and 2012 follows:

	2013	2012
Cash	**₱61,806,617**	₱51,177,768
Receivables	**8,921,389**	9,992,357
Investments in:		
Equity securities	**107,587,310**	114,291,117
Government securities	**50,365,505**	84,609,181
Other securities and debt instruments	**78,904,897**	41,954,322
Others	**–**	11,632
	307,585,718	302,036,377
Less accrued trust fees and other payables	**1,182,774**	2,120,104
	₱306,402,944	₱299,916,273

The following presents the transactions of the Group's retirement fund with related parties:

Category	2013 Balance	2012 Balance	Terms	Conditions
Other related parties				
RCBC				
Savings deposits	**₱1,694**	₱257,058	Interest rate at 0.25% to 4.50% p.a	Unsecured; no impairment
Time deposits	**–**	5,385,326	–	Unsecured; no impairment
Corporate bonds	**14,805,715**	15,711,507	Interest rates at 0% to 3.25%: terms of 3.5 to 5.5 years	Unsecured; no impairment
Common stocks	**11,191,185**	13,299,320	–	Unsecured; no impairment
HI				
Common stocks	**2,429,049**	2,472,285	–	Unsecured; no impairment
FMLC				
Common stocks	**2,547,990**	2,547,990	–	Unsecured; no impairment

The principal actuarial assumptions used in determining plan assets and obligations are as follows:

	2013	2012
Salary increase rate	**5.00%**	5.00% to 7.00%
Discount rate	**4.48% to 5.27%**	5.16% to 5.31%

The overall expected return on plan assets is determined based on the market expectations prevailing as of December 31, 2013 and 2012 applicable to the period over which the obligation is to be settled.

The amounts for the current and the previous periods follows:

	2013	2012	2011	2010	2009
Present value of pension benefit obligation	**₱512,663,620**	₱454,588,535	₱412,613,359	₱361,994,582	₱312,595,916
Fair value of plan assets	**(306,402,944)**	(299,916,273)	(248,490,730)	(235,637,350)	(217,794,550)
Deficit	**₱206,260,676**	₱154,672,262	₱164,122,629	₱126,357,232	₱94,801,366

Experience adjustment follows:

	2013	2012	2011	2010	2009
Experience adjustments on plan liabilities - loss (gain)	**(₱10,054,657)**	(₱5,338,229)	₱18,851,887	₱3,952,360	(₱5,684,791)
Experience adjustments on plan assets - gain (loss)	**(9,268,020)**	17,076,398	(7,106,752)	(2,974,796)	15,794,882

The Group expects to contribute ₱53.53 million to the retirement fund in 2014.

Sensitivities

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Percentage change
Discount rate	+0.5%	₱389,764,941	(6.49%)
	–0.5%	419,518,690	0.65%
Salary increase rate	+1.0%	₱439,288,689	5.39%
	–1.0%	(383,059,767)	(8.10%)

The average future working years of service is 19 to 23 years.

The maturity analysis of the undiscounted benefit payments as of December 31, 2013 based on normal retirements (retirement age of 60 only) is as follows:

Year of Retirement	No. of Retirees	Total Benefit
2014	8	₱27,796,441
2015	4	17,943,890
2016	4	18,193,132
2017	2	7,809,653
2018	12	31,834,843
After 2018	557	3,076,695,093

18. Cash Dividends and Other Revaluation Reserve

The Company's capital stock consists of:

	2013		2012	
	Shares	**Amount**	Shares	Amount
Authorized: Common stock ₱100 par value	**10,000,000**	**₱1,000,000,000**	10,000,000	₱1,000,000,000
Issued and outstanding:				
At beginning of year	**6,000,000**	**₱600,000,000**	6,000,000	₱600,000,000
At end of the year	**6,000,000**	**₱600,000,000**	6,000,000	₱600,000,000

Retained Earnings
Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱4,998,559,754 and ₱4,900,489732, respectively, as of December 31, 2013 and 2012 which are not available for dividend declaration by the Parent Company.

Other Revaluation Reserve
On April 10, 2008, MICO's BOD and stockholders approved the articles of merger and plan of merger between TMMIC and MICO. TMMIC is a 50-50 joint venture company owned by MICO and Tokio Marine Asia Pte., Ltd. (Tokio Marine). On July 2, 2008, the SEC approved the articles and plan of merger. The effects of the merger were reckoned from January 1, 2008. The merger was accounted for as a business combination in accordance with PFRS 3. TMMIC and MICO became a single corporation, with MICO as the surviving corporation. TMMIC ceased to exist and its legal personality was terminated. As at the date of acquisition, the identifiable assets and liabilities of TMMIC have been measured at fair value resulting in a difference of ₱46,933,294 against its carrying values. The difference between the carrying value and fair value pertains mainly to the increase in the appraised value of the building. MICO recorded the appraisal increase amounting to ₱23,466,647 pertaining to its previously held interest as "Other revaluation reserve" in the equity section of the consolidated statement of financial position.

19. **Net Premiums Earned**

Gross premiums earned and reinsurers' share of gross premiums earned consist of the following:

	2013	2012
Gross premiums written		
Direct	**₱5,142,691,463**	₱4,987,310,524
Assumed (Note 28)	**2,443,469,820**	1,933,242,222
Total gross premiums on insurance contracts (see Note 14)	**7,586,161,283**	6,920,552,746
Gross change in provision for unearned premiums	**(528,551,807)**	(364,293,181)
Gross premiums earned (see Note 14)	**7,057,609,476**	6,556,259,565
Reinsurers' share of gross premiums written		
Direct insurance	**3,012,091,158**	3,063,024,687
Assumed reinsurance (Note 28)	**2,154,864,379**	938,825,074
Total reinsurers' share of gross premiums on insurance contracts (see Note 14)	**5,166,955,537**	4,001,849,760
Reinsurers' share of gross change in provision for unearned premiums	**(636,351,104)**	(173,427,323)
Reinsurers' share of gross premiums earned on insurance contacts (see Note 14)	**4,530,604,433**	3,828,422,437
Net premiums earned	**₱2,527,005,043**	₱2,727,837,128

20. **Investment and Other Income and Investment and Other Expense**

Investment and other income

This account consists of:

	2013	2012
Dividend income (Note 28)	**₱266,718,139**	₱286,144,668
Interest income (Note 28):		
AFS financial assets	**192,106,906**	190,042,892
Long-term commercial papers	**54,780,166**	36,233,698
Cash and cash equivalents	**28,167,072**	32,727,860
Notes receivables	**15,288,862**	22,452,254
Funds held by ceding companies	**1,448,640**	1,930,730
Short-term investments (Note 5)	**134,691**	859,228
Financial assets at FVPL	**–**	3,286,484
Others	**11,531,568**	525,538
Gain on sale of:		
AFS financial assets (Note 7)	**97,809,343**	225,542,472
Real estate for sale	**2,397,054**	4,647,144
Financial assets at FVPL	**–**	3,888,112
Property and equipment (Note 12)	**557,702**	212,610
Long-term commercial paper	**1,782,814**	–
Investment property	**3,077,475**	–
Rental income (Notes 11 and 28)	**27,660,986**	24,319,430
Fair value gains on financial assets at FVPL (Note 7)	**15,676,768**	13,495,788
Foreign currency exchange gains	**119,410,727**	1,349,904
Others	**4,736,481**	18,645,728
	₱843,285,394	₱866,304,540

Investment and other expense

This account consists of the following

	2013	2012
Investment expense	**₱11,792,536**	₱17,655,667
Impairment loss on AFS (Note 7)	**11,337,336**	2,181,316
Loss on sale of financial assets at FVPL	**2,115,610**	–
Interest expense on reinsurance funds held	**1,415,843**	1,541,166
Foreign exchange losses	**–**	106,845,032
	₱26,661,325	₱128,223,181

As of December 31, 2013 and 2012, the foreign exchange gain from non-deliverable foreign exchange forward contracts entered into by MICO to hedge its exposure on foreign currency risk amounted to ₱71.00 million and ₱50.04 million, respectively. In 2013 and 2012, the weighted average rate of exchange rate of these forward currency contracts are ₱43.69 and ₱43.65, respectively.

The unrealized foreign exchange loss as of December 31, 2013 and 2012 amounted to ₱212,451,464 and ₱130,129,788, respectively.

21. Insurance Contract Benefits and Claims Paid

Gross insurance contract benefits and claims paid consist of:

	2013	2012
Gross insurance contract benefits and claims paid:		
Direct insurance	**₱1,960,183,452**	₱1,473,112,487
Assumed reinsurance	**818,436,918**	884,479,161
Total gross insurance contract benefits and claims paid (see Note 14)	**₱2,778,620,370**	₱2,357,591,648

Reinsurers' share of gross insurance contract benefits and claims paid consist of:

	2013	2012
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	**₱1,092,481,662**	₱536,425,276
Assumed reinsurance	**190,469,136**	130,801,901
Total reinsurers' share of gross insurance contract benefits and claims paid (see Note 14)	**₱1,282,950,798**	₱667,227,177

Gross change in insurance contract liabilities consist of:

	2013	2012
Change in provision for claims reported:		
Direct insurance	**₱2,053,857,711**	₱1,056,058,090
Assumed reinsurance	**2,815,849,557**	140,775,016
Change in provision for IBNR	**296,285,282**	124,052,815
Total gross change in insurance contract liabilities (see Note 14)	**₱5,165,992,550**	₱1,320,885,921

Reinsurers' shares of gross change in insurance contract liabilities consist of:

	2013	2012
Reinsurers' share of gross insurance contract liabilities:		
Direct insurance	**₱2,133,910,305**	₱1,316,467,599
Assumed reinsurance	**2,713,773,799**	92,234,527
Change in provision for IBNR	**290,276,818**	(87,770,401)
Total reinsurers' share of gross change in insurance contract liabilities (see Note 14)	**₱5,137,960,922**	₱1,320,931,725

22. **General and Administrative Expenses**

This account consists of:

	2013	2012 (As restated - Note 2)
Salaries, wages and allowances (Note 28)	**₱502,200,993**	₱461,828,157
Depreciation and amortization (Notes 11, 12 and 13)	**62,000,909**	54,135,980
Rent, light and water (Notes 23 and 28)	**53,584,333**	54,701,350
Professional fees	**51,490,556**	47,850,916
Transportation and travel	**45,882,303**	47,648,412
Provisions for impairment loss - net of reversals (Notes 6 and 7)	**37,045,431**	66,032,188
Advertising and promotions	**36,666,970**	33,162,652
Postage, telephone and cable	**33,832,518**	30,274,557
Printing and office supplies	**23,667,082**	25,782,855
Entertainment, amusement and recreation	**22,385,492**	22,678,842
Repairs and maintenance	**12,439,614**	14,958,236
Business development	**9,051,457**	7,318,315
Taxes, licenses and fees	**6,917,867**	12,975,768
Membership and association dues	**3,622,036**	7,110,992
Management fees	**1,756,670**	–
Donations and contributions	**1,215,784**	1,211,653
Insurance	**922,227**	572,119
Loss winding up of subsidiary	**–**	3,432,372
Others	**43,782,572**	23,389,155
	₱948,464,814	₱915,064,519

Winding up of a subsidiary

Malayan Insurance Company (U.K.) Limited (In liquidation) ("MICO-UK"), a wholly-owned subsidiary of MIIC, passed a special resolution on the general meeting on April 4, 2012 pursuant to which MICO-UK entered into a members' voluntary winding up and joint liquidators were appointed on the same date for such purpose. Upon the appointment of the joint liquidators, the assets and liabilities of MICO-UK were deconsolidated and a loss on winding up of this subsidiary was recognized in profit or loss for the year.

Analysis of assets and liabilities over which control was lost

Cash and cash equivalents	**₱52,492,482**
Other receivables	**5,501**
Accrued expenses	**(479,259)**
Net assets disposed of	**₱52,018,724**

Loss on winding up of a subsidiary

Estimated amount receivable from winding up of a subsidiary	**₱51,184,711**
Net assets disposed of	**(52,018,724)**
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	**(2,598,359)**
Loss on winding up of a subsidiary	**(₱3,432,372)**

The estimated amount receivable from winding up of the subsidiary of ₱51,184,711 had not been received in cash at the end of the reporting period.

23. **Leases**

Operating leases - Group as lessor

The Group entered into various lease agreements for its office spaces. These leases generally have terms of one year, renewable every year.

Operating leases - Group as lessee
The Group entered into various property leases with various lessors for office space of its head office and local and provincial branches. These leases generally have terms of one year, renewable every year.

24. **Income Tax**

The provision for income tax consists of:

	2013	2012
Final	**₱28,141,611**	₱26,219,039
Current	**7,441,100**	6,892,805
Deferred	**(596,371)**	(4,877,041)
	₱34,986,340	₱28,234,803

The Group's net deferred tax assets (liabilities) consist of:

	2013	2012
Deferred tax assets:		
Excess of provision for unearned premiums per books over tax basis	**₱820,235,548**	₱576,852,481
Deferred reinsurance commissions	**59,392,388**	33,987,216
Allowance for impairment losses	**46,742,722**	37,742,722
Provision for IBNR losses	**28,433,622**	–
Unamortized past service costs	**20,368,113**	17,356,369
NOLCO	**6,703,731**	2,477,315
Pension obligation	**5,269,659**	44,816,110
Accrual for short-term benefits	**4,192,766**	–
Unrealized foreign exchange losses	–	6,215,762
	991,338,549	719,447,975
Deferred tax asset through equity:		
Pension obligation	**53,809,759**	40,539,551
Deferred tax liabilities:		
Deferred reinsurance premiums	**(701,502,462)**	(477,979,289)
Deferred acquisition costs	**(123,574,906)**	(101,352,269)
Pension assets	–	(39,892,902)
Excess of provision for unearned premiums per books over tax basis	**(4,080,445)**	(1,054,129)
Unrealized foreign exchange gains	**(62,871,123)**	(131,102)
	(892,028,936)	(620,409,691)
Deferred tax liability through equity:		
Net unrealized gain on AFS financial assets	**(34,343,746)**	(60,859,769)
	₱118,775,626	₱78,718,066

As of December 31, 2013 and 2012, the Group did not recognize the deferred income tax assets on the following deductible temporary differences, carryforward of unused tax credits from excess of MCIT over RCIT, and unused NOLCO:

	2013	2012
NOLCO	**₱1,200,688,337**	₱746,045,371
Pension obligation	**1,018,404,894**	–
Accrued expenses	**86,746,796**	102,949,554
MCIT	**22,791,387**	26,847,123
Unamortized past service cost	**5,684,217**	18,554,110
Allowance for doubtful accounts	**5,676,064**	3,162,098
Provision for IBNR	–	83,492,905

The related tax benefits will be recognized only as reassessment demonstrates that they are realizable. Realization is entirely dependent upon future taxable income.

As of December 31, 2012, details of the NOLCO and MCIT, which is available for offset against future taxable income and future income tax liability, respectively, follows:

Inception Year	NOLCO	Tax Effect of NOLCO	MCIT	Expiration Year
2013	₱533,937,731	₱160,181,500	₱7,441,100	2016
2012	401,227,248	105,683,384	6,892,805	2015
2011	287,869,128	86,360,739	8,457,482	2014
	₱1,223,034,107	₱352,225,623	₱22,791,387	

The following are the movements in NOLCO:

	2013	2012
Balance at beginning of year	**₱755,869,556**	₱469,478,225
Addition	**533,937,731**	401,227,248
Expiration	**(66,773,180)**	(31,044,659)
Applied	**–**	(83,791,258)
Balance at end of year	**₱1,223,034,107**	₱755,869,556

The following are the movements in MCIT:

	2013	2012
Balance at beginning of year	**₱26,847,123**	₱26,657,568
Addition	**7,441,100**	6,892,805
Expiration	**(11,496,836)**	(6,703,250)
Balance at end of year	**₱22,791,387**	₱26,847,123

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the consolidated statements of income follows:

	2013	2012 (As restated - Note 2)
At statutory income tax rate	**₱26,952,409**	₱29,255,382
Adjustments for:		
Change in unrecognized deferred tax assets	**97,076,354**	135,395,400
NOLCO	**18,925,166**	–
Nondeductible expenses	**13,097,869**	55,784,111
Expired MCIT	**11,315,963**	–
Nontaxable income	**(1,283,440)**	(3,436,335)
Income of tax-exempt subsidiary	**(7,734,973)**	(9,292,151)
Gain on sale of AFS financial assets	**(13,258,254)**	(52,202,173)
Interest income exempt or already subjected to final tax	**(28,438,830)**	(40,426,815)
Dividend income	**(81,665,924)**	(86,842,616)
	₱34,986,340	₱28,234,803

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

The reconciliation of net income under PFRS to statutory net income of the Group follows:

	2013	2012 (As restated - Note 2)
Net income under PFRS	**₱72,791,973**	₱103,639,308
Adjustments:		
Difference in change in provision for unearned premiums - net	**57,384,625**	130,521,167
Net pension benefit expense (income)	**(92,180)**	2,669,283
Deferred reinsurance commission	**14,744,152**	(6,803,399)
Deferred acquisition costs - net	**(2,918,673)**	(58,405,414)
Net adjustments to interest income	**–**	(2,771,605)
Others	**–**	17,272,691
Eliminated dividend income	**70,100,000**	92,375,902
Tax effect of adjustments	**(2,109,235)**	(20,899,108)
	₱209,900,662	₱257,598,825

26. **Insurance and Financial Risk Management**

Insurance Risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis with retention limits varying by product line and territory. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business.

Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group principally issues the following types of general insurance contracts: fire, motorcar, personal accident, marine, engineering, bonds and miscellaneous casualty. The most significant risks arise from climate changes and natural disasters. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

To further reduce the risk exposure, the Group requires strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims.

The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group also has limited its exposure level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Group's risk appetite as decided by management.

The tables below set out the concentration of the claims liabilities by type of contract (see Note 14).

		2013	
	Gross	**Reinsurers' Share**	**Net**
Fire	**₱7,330,340,307**	**₱6,574,407,022**	**₱753,372,606**
Miscellaneous casualty	**817,722,802**	**596,133,001**	**221,589,801**
Bonds	**741,651,018**	**594,497,563**	**147,153,455**
Engineering	**631,992,312**	**597,125,395**	**34,866,917**
Marine cargo	**489,006,503**	**363,505,567**	**125,500,936**
Motor	**460,379,205**	**18,664,134**	**441,715,071**
Others	**191,355,257**	**13,981**	**191,341,276**
	₱10,662,447,404	**₱8,744,346,663**	**₱1,915,540,062**

		2012	
	Gross	Reinsurers' Share	Net
Fire	₱3,242,383,100	₱2,297,057,355	₱945,325,745
Marine cargo	669,507,137	524,627,317	144,879,820
Miscellaneous casualty	598,315,703	400,310,563	198,005,140
Motor	362,106,573	14,737,785	347,368,788
Engineering	360,629,034	276,080,927	84,548,107
Bonds	203,718,828	93,571,794	110,147,034
Others	59,794,479	–	59,794,479
	₱5,496,454,854	₱3,606,385,741	₱1,890,069,113

The tables below set out the geographical concentration of the Group's claims liabilities based on the countries where the insurance business is written.

	2013		
	Gross	**Reinsurers' Share**	**Net**
Philippines	**₱10,526,368,277**	**₱8,744,346,663**	**₱1,779,460,936**
Greece	**128,355,905**	**–**	**128,355,905**
Others	**7,723,221**	**–**	**7,723,221**
	₱10,662,447,404	**₱8,744,346,663**	**₱1,915,540,062**

	2012		
	Gross	Reinsurers' Share	Net
Philippines	₱5,381,333,472	₱3,606,385,741	₱1,774,947,731
Greece	115,121,382	–	115,121,382
	₱5,496,454,854	₱3,606,385,741	₱1,890,069,113

Key Assumptions
The principal assumption underlying the liability estimates is the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.

Sensitivities
The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting dates.

The table below shows the impact of changes in certain important assumptions in general insurance business while other assumptions remain unchanged. The correlation of assumptions will have a significant effect in determining the claims but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on individual basis.

		2013		
	Change in Assumptions %	**Impact on Gross Insurance Contract Liabilities Increase (Decrease)**	**Impact on Net Insurance Contract Liabilities Increase (Decrease)**	**Impact on Income Before Income Tax Increase (Decrease)**
Average claim costs	**+5%**	**₱179,467,339**	**₱53,122,875**	**(₱53,122,875)**
Average number of claims	**+5%**	**195,327,587**	**57,817,556**	**(57,817,556)**

		2012		
	Change in Assumptions %	Impact on Gross Insurance Contract Liabilities Increase (Decrease)	Impact on Net Insurance Contract Liabilities Increase (Decrease)	Impact on Income Before Income Tax Increase (Decrease)
Average claim costs	+5%	₱141,435,584	₱45,403,049	(₱45,403,049)
Average number of claims	+5%	142,020,012	45,396,696	(45,396,696)

Claims Development Table
The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting dates, together with cumulative payments to date.

The Group aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Group transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The risks vary significantly in relation to the location of the risk insured by the Group, type of risks insured and in respect of commercial and business interruption insurance by industry.

Gross insurance contract liabilities in 2013

Accident year	2005 and prior	2006	2007	2008	2009	2010	2011	2012	2013	Total
Accident year	₱7,033,157,544	₱4,850,917,503	₱2,332,520	₱3,454,804,095	₱6,676,832,974	₱ 2,880,195,312	₱ 2,330,978,062	₱3,807,721,885	₱7,794,969,436	₱7,671,834,810
One year later	7,211,482,104	6,805,336,003	2,702,868,685	3,081,954,264	6,189,871,800	2,796,290,128	2,633,529,661	4,072,048,514	–	4,072,048,514
Two years later	7,270,837,804	6,141,362,933	3,309,288,417	3,045,807,229	6,246,644,082	2,754,319,434	2,572,266,862	–	–	2,572,266,862
Three years later	7,280,263,333	6,211,822,149	3,238,220,388	3,054,340,566	6,126,216,567	2,893,443,992	–	–	–	2,893,443,992
Four years later	7,321,310,337	6,109,296,498	3,218,225,235	3,050,278,500	6,125,440,715	–	–	–	–	6,125,440,715
Five years later	7,204,204,826	6,119,695,906	3,236,696,940	3,037,930,350	–	–	–	–	–	3,037,930,350
Six years later	7,194,462,945	6,115,761,614	3,238,968,330	–	–	–	–	–	–	3,238,968,330
Seven years later	7,151,552,079	6,115,339,530	–	–	–	–	–	–	–	6,115,339,530
Eight years later	7,138,741,362	–	–	–	–	–	–	–	–	7,138,741,362
Current estimate of cumulative claims	7,138,741,362	6,115,339,530	3,238,968,330	3,037,930,350	6,125,440,715	2,893,443,992	2,572,266,862	4,072,048,514	7,794,969,436	42,866,014,465
Cumulative payments to date	6,806,401,389	5,944,602,962	3,208,686,005	2,510,597,054	5,346,172,148	2,711,235,079	2,451,455,330	2,441,382,179	906,169,541	32,326,701,687
Liability recognized	**₱332,339,973**	**₱170,736,568**	**₱30,282,325**	**₱527,333,296**	**₱779,268,567**	**₱182,208,913**	**₱120,811,532**	**₱1,630,666,335**	**₱6,880,799,895**	**₱10,662,447,404**

Net insurance contract liabilities in 2013

Accident year	2005 and prior	2006	2007	2008	2009	2010	2011	2012	2013	Total
Accident year	₱1,242,378,749	₱1,242,378,749	₱1,431,258,014	₱1,952,183,387	₱1,767,444,705	₱1,585,438,195	₱1,582,762,905	₱1,474,820,530	₱1,367,352,957	₱1,367,352,957
One year later	1,567,045,893	1,567,045,893	1,424,541,612	1,920,769,319	1,802,800,165	1,665,199,733	1,897,727,222	1,471,443,678	–	1,471,443,678
Two years later	1,616,864,780	1,616,864,780	1,941,147,712	1,976,729,680	1,863,863,725	1,652,695,970	1,869,677,626	–	–	1,869,677,626
Three years later	1,626,293,386	1,626,293,386	1,902,396,647	1,944,578,887	1,851,243,503	1,787,583,232	–	–	–	1,787,583,232
Four years later	1,622,788,908	1,622,788,908	1,882,845,857	1,946,399,063	1,985,351,823	–	–	–	–	1,985,351,823
Five years later	1,636,820,607	1,636,820,607	1,878,433,994	1,932,031,864	–	–	–	–	–	1,932,031,864
Six years later	1,635,768,393	1,635,768,393	1,880,626,407	–	–	–	–	–	–	1,880,626,407
Seven years later	1,635,768,284	1,635,768,284	–	–	–	–	–	–	–	1,635,768,284
Eight years later	2,712,894,478	–	–	–	–	–	–	–	–	2,712,894,478
Current estimate of cumulative claims	2,712,894,478	1,635,768,284	1,880,626,407	1,932,031,864	1,985,351,823	1,787,583,232	1,869,677,626	1,471,443,678	1,367,352,957	16,642,730,349
Cumulative payments to date	2,616,639,126	1,625,481,623	1,862,888,039	1,872,610,391	1,752,969,267	1,683,635,223	1,813,295,007	1,135,963,106	363,708,505	14,727,190,287
Net liability recognized	**₱96,255,352**	**₱10,286,661**	**₱17,738,368**	**₱59,421,473**	**₱232,382,556**	**₱103,948,009**	**₱56,382,619**	**₱335,480,572**	**₱1,003,644,452**	**₱1,915,540,062**

Financial Risk

The Group 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.

Credit Risk

Credit risk is a risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Prior to extending credit, the Group manages its credit risk by assessing credit quality of its counterparty.

The Group has a credit policy group that reviews all information about the counterparty which may include its statement of financial position, statements of income and other market information. The nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

Credit risk limit is also used to manage credit exposure which specifies exposure credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, net of impairment loss.

	2013	2012
AFS financial assets:		
Equity securities:		
Listed equity securities	**₱6,973,244,335**	₱7,338,071,445
Unlisted equity securities	**98,310,698**	111,380,696
Debt securities:		
Private debt securities	**1,871,291,451**	2,403,211,698
Government debt securities:		
Local currency	**880,790,158**	874,413,212
Foreign currency	**34,195,339**	32,968,440
Funds	**200,921,352**	97,124,086
FVPL financial assets:		
Debt securities:		
Private debt securities	**80,974,349**	74,073,740
Equity securities:		
Listed equity securities	**164,762,408**	139,126,455
Investment funds	**4,826,881**	4,340,996
Loans and receivables:		
Cash and cash equivalents	**1,149,741,776**	1,468,171,762
Short-term investments	**41,200,136**	38,021,248
Insurance receivables:		
Due from policyholders, agents and brokers	**2,908,843,952**	2,109,410,108
Due from ceding companies:		
Treaty	**1,714,927,934**	904,402,433
Facultative	**482,385,740**	37,569,513
Funds held by ceding companies	**175,884,198**	161,884,760
Due from retrocessionaire	**5,691,774**	219,823
Premium and loss reserve	**48,325,556**	38,093,661
Reinsurance recoverable on paid losses:		
Facultative	**102,917,120**	85,035,443
Treaty	**26,584,186**	42,041,014
Loans and receivables:		
Long-term commercial papers	**1,094,933,008**	746,635,665
Notes receivable	**292,234,780**	402,187,190
Creditable withholding tax	**62,677,478**	62,677,478
Accounts receivable	**24,982,778**	1,509,319
Cash advances	**3,065,894**	859,934
Claims recoverable	**6,500,000**	11,770,886
Due from related party	**450,806**	51,184,711
Security fund	**342,294**	342,294

(Forward)

Accrued income:		
Accrued interest income:		
AFS financial assets	**₱37,781,439**	₱38,935,897
Long-term commercial papers	**8,476,325**	6,052,261
Notes receivable	**717,528**	588,611
Security fund	**136,293**	123,936
Funds held by ceding companies	**85,299**	178,549
Cash and cash equivalents	**47,756**	835,927
Short-term investments	**21,661**	11,739
Financial assets at FVPL	**1,086,219**	1,140,698
Bonds	**4,516,925**	–
Accrued rent income	**4,148,291**	4,298,968
Accrued dividend income	**3,007,031**	3,347,531
	₱18,511,031,148	₱17,292,242,127

The following tables provide information regarding the credit risk exposure of the Group by classifying the financial assets according to the Group's credit ratings of the counter parties.

	2013				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
AFS financial assets:					
Equity securities:					
Listed equity securities	**₱6,816,537,267**	**₱82,687,019**	**₱–**	**₱74,020,049**	**₱6,973,244,335**
Unlisted equity securities	**–**	**98,310,698**	**–**	**–**	**98,310,698**
Debt securities:					
Private debt securities	**728,215,310**	**1,143,076,141**	**–**	**–**	**1,871,291,451**
Government debt securities:					
Local currency	**880,790,158**	**–**	**–**	**–**	**880,790,158**
Foreign currency	**34,195,339**	**–**	**–**	**–**	**34,195,339**
Funds	**200,921,352**	**–**	**–**	**–**	**200,921,352**
FVPL financial assets:					
Debt securities:					
Private debt securities	**–**	**80,974,349**	**–**	**–**	**80,974,349**
Equity securities:					
Listed equity securities	**164,762,408**		**–**	**–**	**164,762,408**
Investment Funds	**4,826,881**	**–**	**–**	**–**	**4,826,881**
Loans and receivables:					
Cash and cash equivalents	**1,146,052,947**	**3,688,829**	**–**	**–**	**1,149,741,776**
Short-term investments	**41,200,136**	**–**	**–**	**–**	**41,200,136**
Insurance receivables:					
Due from policyholders, agents, and brokers	**1,301,020,819**	**6,908,540**	**1,726,476,796**	**8,358,043**	**3,042,764,198**
Due from ceding companies:					
Facultative	**475,265,583**	**1,035,715**	**7,538,278**	**10,748,795**	**494,588,371**
Treaty	**1,132,938,546**	**7,768,264**	**575,016,283**	**2,153,063**	**1,717,876,156**
Due from retrocessionaire	**5,691,774**	**–**	**–**	**–**	**5,691,774**
Funds held by ceding companies	**51,790,604**	**533,197**	**124,941,201**	**–**	**177,265,002**
Reinsurance recoverable on paid losses:					
Facultative	**2,217,147**	**22,261,414**	**81,417,378**	**5,047,677**	**110,943,616**
Treaty	**10,831,976**	**–**	**15,752,210**	**–**	**26,584,186**
Accrued income:					
Accrued interest:					
AFS financial assets	**24,744,271**	**13,037,168**	**–**	**–**	**37,781,439**
Long-term commercial papers	**8,476,325**	**–**	**–**	**–**	**8,476,325**
Notes receivable	**717,528**	**–**	**–**	**–**	**717,528**
Security fund	**136,293**	**–**	**–**	**–**	**136,293**
Funds held by ceding companies	**29,976**	**160**	**55,163**	**–**	**85,299**
Cash and cash equivalents	**47,756**	**–**	**–**	**–**	**47,756**
Short-term investments	**21,661**	**–**	**–**	**–**	**21,661**
Financial assets at FVPL	**1,086,218**	**–**	**–**	**–**	**1,086,218**
Bonds	**4,516,925**	**–**	**–**	**–**	**4,516,925**

(Forward)

	2013				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
Accrued rent income	₱4,148,291	₱–	₱–	₱–	₱4,148,291
Accrued dividend income	3,007,031	–	–	–	3,007,031
Loans and receivables:					
Long-term commercial papers	1,094,933,008	–	–	–	1,094,933,008
Notes receivable	292,234,780	–	–	1,697,251	293,932,031
Creditable withholding tax	62,677,478	–	–	–	62,677,478
Accounts receivable	24,982,779	–	–	2,005,675	26,988,454
Cash advances	7,853,405	–	–	–	7,853,405
Claims recoverable	6,500,000	–	–	–	6,500,000
Due from related party	450,806	–	–	–	450,806
Security fund	342,294	–	–	–	342,294
	₱14,534,165,072	₱1,460,281,494	₱2,531,197,309	₱104,030,553	₱18,629,674,421

	2012				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
AFS financial assets:					
Equity securities:					
Listed equity securities	₱7,320,135,700	₱–	₱–	₱31,472,107	₱7,351,607,807
Unlisted equity securities	–	111,380,696	–	–	111,380,696
Debt securities:					
Private debt securities	452,001,835	1,951,209,863	–	–	2,403,211,698
Government debt securities:					
Local currency	874,413,212	–	–	–	874,413,212
Foreign currency	32,968,440	–	–	–	32,968,440
Funds	97,124,086	–	–	–	97,124,086
FVPL financial assets:					
Debt securities:					
Private debt securities	74,073,740	–	–	–	74,073,740
Equity securities:					
Listed equity securities	139,126,455	–	–	–	139,126,455
Investment Funds	4,340,996	–	–	–	4,340,996
Loans and receivables:					
Cash and cash equivalents	1,453,117,303	15,054,459	–	–	1,468,171,762
Short-term investments	38,021,248	–	–	–	38,021,248
Insurance receivables:					
Due from policyholders, agents, and brokers	1,364,503,085	515,009,870	323,516,454	7,885,979	2,210,915,388
Due from ceding companies:					
Facultative	27,129,947	10,258,223	181,343	17,547,961	55,117,474
Treaty	289,272,266	556,747,592	58,382,575	496,316	904,898,749
Funds held by ceding companies	98,402,874	1,634,984	61,846,902	1,380,777	163,265,537
Premium and loss reserve	1,219,185	36,874,476	–	–	38,093,661
Reinsurance recoverable on paid losses:					
Facultative	30,420,140	15,186,976	39,428,327	4,337,913	89,373,356
Treaty	1,012,088	–	41,028,926	–	42,041,014
Accrued income:					
Accrued interest:					
AFS financial assets	22,579,805	16,356,092	–	–	38,935,897
Long-term commercial papers	6,052,261	–	–	–	6,052,261
Financial assets at FVPL	1,140,698	–	–	–	1,140,698
Cash and cash equivalents	835,927	–	–	–	835,927
Notes receivable	588,611	–	–	–	588,611
Funds held by ceding companies	29,420	23,547	125,582	–	178,549
Security fund	123,936	–	–	–	123,936
Short-term investments	11,739	–	–	–	11,739
Accrued rent income	4,298,968	–	–	–	4,298,968
Accrued dividend income	3,347,531	–	–	–	3,347,531

(Forward)

	2012				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
Loans and receivables:					
Long-term commercial papers	₱746,635,665	₱–	₱–	₱–	₱746,635,665
Notes receivable	401,683,544	503,646	–	1,697,251	403,884,441
Creditable withholding tax	62,677,478	–	–	–	62,677,478
Due from related party	51,184,711	–	–	–	51,184,711
Claims recoverable	11,770,886	–	–	–	11,770,886
Accounts receivable	1,438,172	71,147	–	2,005,675	3,514,994
Cash advances	859,934	–	–	–	859,934
Security fund	342,294	–	–	–	342,294
	₱13,612,884,180	₱3,230,311,571	₱524,510,109	₱66,823,979	₱17,434,529,839

The credit rating is based on the following:

a) *Cash and cash equivalents, short-term investments and related accrued income*
High grade pertains to those deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability, while medium grade pertains to those deposited, placed or invested in thrift banks and rural banks in the Philippines.

b) *Insurance receivables, loans and receivables, accrued rent income and dividend income*
For insurance receivables and loans and receivables except Due from ceding companies, Funds held by ceding companies, and Long-term commercial papers, the Group uses a credit rating concept based on the borrowers and counterparties' overall credit-worthiness. High grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. Medium grade is given to borrowers and counterparties who possess above average capacity to meet its obligations. These counterparties are somewhat susceptible to adverse changes in business and economic conditions.

For Due from ceding companies and Funds held by ceding companies from local sources, the Group uses a credit rating concept based on the debt-to-equity ratios of the borrowers and counterparties. High grade is given to borrowers and counterparties with debt-to-equity ratio of less than or equal to 2:1, while medium grade is given to borrowers and counterparties with debt-to-equity ratio of more than 2:1.

For Due from ceding companies and Funds held by ceding companies from foreign sources, the Group uses Standard & Poor's (S&P) and A.M. Best's credit rating of insurance companies. High grade pertains to insurance companies rated by S&P and A.M. Best as higher than BB+, which means that the insurance company has good to strong financial security characteristics, but may be affected by adverse business conditions. Medium grade pertains to insurance companies that are ungraded and rated by S&P and A.M. Best as lower than BB+, which means that the insurance company has marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

c) *Equity securities*
Listed equity securities are classified as high grade. Unlisted equity securities are classified as medium grade.

d) *Debt securities, long-term commercial papers, and related accrued income*
These are based on the credit ratings by the international rating agency, Standard & Poors (S&P), and by Philippine Ratings Services Corporation (Philratings), the only domestic credit rating services in the Philippines accredited by Bangko Sentral ng Pilipinas (BSP) and SEC, in cases where an S&P rating is not available. High grade pertains to investments rated by S&P as BBB- and higher, which means that the counterparties have extremely strong to adequate capacity of paying interest and repaying principal, as well as Investments in Securities issued by the Philippine Government. Medium grade pertains to investments rated as Baa and higher by Philratings, as well as investments rated by S&P as BB+ to B- (except Philippine Government Securities). The Group's holdings under this category are rated either BB- by S&P (due to sovereign credit rating ceiling) or Aaa by Philratings which is defined by Philratings to mean that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

e) *Notes receivables*
Receivables from related entities are considered as high grade.

The following shows the aging analysis of financial assets:

		2013	
	<30 days	> 30 days	Total past due but not impaired
Loans and receivables:			
Due from policyholders, agents and brokers	**₱274,478,075**	**₱1,451,998,721**	**₱1,726,476,796**
Due from ceding companies:			
Facultative	**6,866,624**	**671,654**	**7,538,278**
Treaty	**1,522,130**	**573,494,153**	**575,016,283**
Funds held by ceding companies – treaty	**6,689,142**	**75,044,231**	**81,733,373**
Reinsurance recoverable on paid losses:			
Facultative	**1,588,949**	**79,828,429**	**81,417,378**
Treaty	**–**	**15,752,210**	**15,752,210**
Accrued income:			
Funds held by ceding companies - treaty	**121**	**55,042**	**55,163**
	₱291,145,041	**₱2,196,844,440**	**₱2,487,989,481**

		2012	
	<30 days	> 30 days	Total past due but not impaired
Loans and receivables:			
Due from policyholders, agents and brokers	₱3,827,274	₱319,689,180	₱323,516,454
Due from ceding companies:			
Facultative	175,024	6,319	181,343
Treaty	26,825,050	31,557,525	58,382,575
Funds held by ceding companies - treaty	1,164,467	60,682,435	61,846,902
Reinsurance recoverable on paid losses:			
Facultative	9,612,558	29,815,769	39,428,327
Treaty	380,907	40,648,019	41,028,926
Accrued income:			
Funds held by ceding companies - treaty	–	125,582	125,582
	₱41,985,280	₱482,524,829	₱524,510,109

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

An institution may suffer from a liquidity problem when its credit rating falls. The Group is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity. The major liquidity risk faced by the Group is the potential daily calls on its available cash resources in respect of claims from insurance contracts.

The Group manages liquidity through a management team which determines liquidity risk for the Group by identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance of liquidity risk policy.

The tables below analyze financial assets and financial liabilities of the Group into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

	2013				
	Up to a year*	**1-3 years**	**More than 3 years**	**No term**	**Total**
Cash and cash equivalents	**₱1,150,786,478**	**₱–**	**₱–**	**₱–**	**₱1,150,786,478**
Short-term investments	**41,200,136**	**–**	**–**	**–**	**41,200,136**
Insurance receivables	**5,623,243,673**	**–**	**–**	**–**	**5,623,243,673**
AFS financial assets	**80,282,588**	**880,559,232**	**1,825,435,128**	**7,272,476,385**	**10,058,753,333**
Financial assets at FVPL	**–**	**28,654,131**	**52,320,262**	**169,589,245**	**250,563,638**
Loans and receivables	**447,788,733**	**142,580,790**	**903,336,632**	**–**	**1,493,706,155**
Accrued income	**54,413,416**	**–**	**–**	**–**	**54,413,416**
Reinsurance recoverable on unpaid losses	**8,623,772,716**	**–**	**–**	**–**	**8,623,772,716**
Total financial assets	**₱16,021,487,740**	**₱1,051,794,153**	**₱2,781,092,022**	**₱7,442,365,630**	**₱27,296,439,545**
Insurance contract liabilities	**₱10,662,447,408**	**₱–**	**₱–**	**₱–**	**₱10,662,447,4.3**
Insurance payables	**3,755,773,028**	**–**	**–**	**–**	**3,755,773,028**
Accounts payable, accrued expenses and other liabilities	**1,182,051,489**	**–**	**–**	**–**	**1,182,051,489**
Total financial liabilities	**₱15,600,271,290**	**₱–**	**₱–**	**₱–**	**₱15,477,137,295**

**Up to a year are all commitments which are either due within one year or are payable in demand.*

	2012				
	Up to a year*	1-3 years	More than 3 years	No term	Total
Cash and cash equivalents	₱1,469,356,945	₱–	₱–	₱–	₱1,469,356,945
Short-term investments	38,021,248	–	–	–	38,021,248
Insurance receivables	3,503,925,002	–	–	–	3,503,925,002
AFS financial assets	54,354,167	348,039,361	2,908,199,822	7,546,576,227	10,857,169,577
Financial assets at FVPL	8,231,674	21,885,028	43,957,038	143,467,451	217,541,191
Loans and receivables	542,207,835	184,159,751	554,502,817	–	1,280,870,403
Accrued income	55,514,117	–	–	–	55,514,117
Reinsurance recoverable on unpaid losses	3,606,385,741	–	–	–	3,606,385,741
Total financial assets	₱9,277,996,729	₱554,084,140	₱3,506,659,677	₱7,690,043,678	₱21,028,784,224
Insurance contract liabilities	₱5,496,454,854	₱–	₱–	₱–	₱5,496,454,854
Insurance payables	2,370,288,917	–	–	–	2,370,288,917
Accounts payable, accrued expenses and other liabilities	754,590,791	–	–	–	754,590,791
Total financial liabilities	₱8,621,334,562	₱–	₱–	₱–	₱8,621,334,562

**Up to a year are all commitments which are either due within one year or are payable in demand.*

In 2013 and 2012, certain insurance receivables, AFS securities and loans and receivables have been provided with allowance for impairment.

The table below analyzes nonfinancial assets and liabilities of the Group into amounts expected to be recovered or settled within 12 months (current) and beyond 12 months (noncurrent).

	2013		2012	
	Current	**Noncurrent**	Current	Noncurrent
Deferred acquisition costs	**₱411,587,921**	**₱–**	₱337,840,897	₱–
Deferred reinsurance premiums	**2,316,401,904**	**–**	1,559,476,851	–
Investment properties	**–**	**28,273,467**	–	108,901,090
Property and equipment	**–**	**295,528,464**	–	230,419,496
Deferred tax assets	**–**	**118,775,626**	–	78,718,066
Other assets	**63,913,991**	**335,103,099**	69,902,697	349,062,801
Total nonfinancial assets	**₱2,791,903,816**	**₱777,680,656**	₱1,967,220,445	₱767,101,453
Provision for unearned premiums	**₱3,693,485,468**	**₱–**	₱3,041,799,036	₱–
Deferred reinsurance commissions	**196,312,462**	**–**	106,783,983	–
Pension liability	**–**	**206,260,676**	–	154,672,262
Income tax payable	**174,731**	**–**	133,579	–
Other liabilities	**491,275,503**	**–**	347,763,477	–
Total nonfinancial liabilities	**₱4,381,248,164**	**₱206,260,676**	₱3,496,480,075	₱154,672,262

It is unusual for the Group 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 past experience.

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

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

The Group manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

The Group structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Group. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures, regular monitoring and review of the Group's investment performance and upcoming investment opportunities for pertinence and changing environment.

a) *Currency Risk*

The Group's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to U.S. Dollar and Euro. In addition, the Parent Company enters into non-deliverable forward contracts to hedge its exposure on foreign currency exchange risks.

The tables below summarize the Group's exposure to foreign currency exchange rate risks by categorizing assets and liabilities by major currencies.

	2013				
	Philippine Peso	**U.S. Dollar**	**Euro**	**Others**	**Total**
AFS financial assets:					
Equity securities:					
Listed equity securities	**₱6,501,982,878**	**₱310,464,999**	**₱80,748,155**	**₱80,048,303**	**₱6,993,244,335**
Unlisted equity securities	**98,310,698**	**–**	**–**	**–**	**98,310,698**
Private debt securities	**–**	**1,787,855,512**	**75,789,424**	**7,646,515**	**1,871,291,451**
Government debt securities	**880,790,158**	**34,195,339**	**–**	**–**	**914,985,497**
Funds	**35,561,218**	**159,080,840**	**–**	**6,279,294**	**200,921,352**
Financial assets at FVPL					
Debt securities:					
Private debt securities	**–**	**80,974,349**	**–**	**–**	**80,974,349**
Equity securities:					
Listed equity securities	**–**	**164,762,408**	**–**	**–**	**164,762,408**
Investment funds	**–**	**4,826,881**	**–**	**–**	**4,826,881**
Loans and receivables:					
Cash and cash equivalents	**517,815,595**	**525,579,422**	**12,317,944**	**95,073,517**	**1,150,786,478**
Short-term investments	**12,576,682**	**28,623,454**	**–**	**–**	**41,200,136**
Insurance receivables - net	**3,662,906,178**	**1,735,090,880**	**3,118,622**	**65,239,939**	**5,465,560,460**
Loans and receivables	**1,484,336,233**	**813,691**	**–**	**37,114**	**1,485,187,038**
Accrued income	**32,997,526**	**19,332,621**	**1,667,114**	**416,155**	**60,024,767**
Total assets	**₱13,227,277,166**	**₱4,831,454,084**	**₱173,641,259**	**₱254,740,837**	**₱18,512,075,849**
Accounts payable, accrued expenses and other liabilities	**₱1,148,768,337**	**₱32,392,988**	**₱–**	**₱890,164**	**₱1,182,051,489**
Insurance payables	**2,617,873,032**	**1,123,247,336**	**887,815**	**13,764,845**	**3,755,773,028**
Total liabilities	**₱3,766,641,369**	**₱1,155,640,324**	**₱887,815**	**₱14,655,009**	**₱4,937,824,517**

	2012				
	Philippine Peso	U.S. Dollar	Euro	Others	Total
AFS financial assets:					
Equity securities:					
Listed equity securities	₱7,167,925,607	₱100,414,850	₱14,337,028	₱55,393,960	₱7,338,071,445
Unlisted equity securities	111,380,696	–	–	–	111,380,696
Private debt securities	97,996,543	2,190,926,667	107,244,315	7,044,173	2,403,211,698
Government debt securities	874,413,212	32,968,440	–	–	907,381,652
Funds	–	97,124,086	–	–	97,124,086
Financial assets at FVPL					
Debt securities:					
Private debt securities	–	74,073,740	–	–	74,073,740
Equity securities:					
Listed equity securities	–	139,126,455	–	–	139,126,455
Investment funds	–	4,340,996	–	–	4,340,996
Loans and receivables:					
Cash and cash equivalents	926,327,507	422,807,427	40,253,340	79,968,671	1,469,356,945
Short-term investments	11,540,714	26,480,534	–	–	38,021,248
Insurance receivables - net	2,802,965,144	519,353,242	9,799,376	46,758,816	3,378,876,578
Loans and receivables	1,225,929,280	51,238,197	–	–	1,277,167,477
Accrued income	28,990,623	24,704,932	1,701,517	117,045	55,514,117
Total assets	₱13,247,469,326	₱3,683,559,566	₱173,335,576	₱189,282,665	₱17,293,647,133
Accounts payable, accrued expenses					
and other liabilities	₱751,695,124	₱2,895,667	₱–	₱–	₱754,590,791
Insurance payables	1,737,457,012	572,305,189	38,644,157	21,882,559	2,370,288,917
Total liabilities	₱2,489,152,136	₱575,200,856	₱38,644,157	P=21,882,559	₱3,124,879,708

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, euro and other currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the foreign exchange rate).

		Impact on income before tax Increase (Decrease)	
Currency	**Change in rate**	**2013**	2012
US Dollar	**+ 5%**	**₱249,853,940**	₱119,065,826
	– 5%	**(249,853,940)**	(119,065,826)
Euro	**+ 5%**	**9,009,915**	6,759,993
	– 5%	**(9,009,915)**	(6,759,993)
Others	**+ 5%**	**5,622,577**	6,771,819
	– 5%	**(5,622,577)**	(6,771,819)

b) *Interest Rate Risk*

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate investments in particular are exposed to such risk.

The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets.

The following table sets out the Group's financial assets exposed to interest rate risk by maturity:

		2013			
				More than	
	Interest Rate	**Within one year**	**1-3 years**	**3 years**	**Total**
Cash and cash equivalents	**0.09% - 0.75%**	**₱1,149,741,776**	**₱–**	**₱–**	**₱1,149,741,776**
Short-term investments	**1.00% - 2.25%**	**41,200,136**	**–**	**–**	**41,200,136**
Notes receivable	**1.00% - 8.50%**	**282,617,911**	**3,510,496**	**7,803,624**	**293,932,031**
Long-term commercial papers	**3.25% - 9.33%**	**60,000,000**	**139,400,000**	**895,533,008**	**1,094,933,008**
Security fund	**4.76%**	**342,294**	**–**	**–**	**342,294**
Financial debt assets at FVPL	**1.25% - 5.88%**	**–**	**28,654,087**	**52,320,262**	**80,974,349**
AFS debt financial assets	**5.13% - 9.50%**	**80,282,587**	**880,559,232**	**1,798,415,932**	**2,759,257,751**
Total interest-bearing financial assets		**₱1,614,184,704**	**₱1,052,123,815**	**₱2,754,072,826**	**₱5,420,381,345**

		2012			
				More than	
	Interest Rate	Within one year	1-3 years	3 years	Total
Cash and cash equivalents	0.09% - 4.50%	₱1,468,171,762	₱–	₱–	₱1,468,171,762
Short-term investments	1.00% - 4.25%	38,021,248	–	–	38,021,248
Notes receivable	1.00% - 8.50%	391,857,538	3,561,604	8,465,299	403,884,441
Long-term commercial papers	5.25% - 9.33%	20,000,000	180,598,147	546,037,518	746,635,665
Security fund	4.76%	342,294	–	–	342,294
Financial debt assets at FVPL	2.95% - 7.50%	8,231,674	21,885,028	43,957,038	74,073,740
AFS debt financial assets	1.25% - 13.50%	54,354,167	348,039,361	2,908,199,822	3,310,593,350
Total interest-bearing financial assets		₱1,980,978,683	₱554,084,140	₱3,506,659,677	₱6,041,722,500

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the AFS debt securities, with all other variables held constant, of the Group's equity:

		Impact on equity	
		Increase (decrease)	
Currency	**Change in basis points**	**2013**	2012
Philippine Peso	**+ 100**	**(₱96,872,889)**	(₱55,752,252)
U.S. Dollar	**+ 100**	**(65,529,321)**	(113,957,585)
Euro	**+ 100**	**(2,680,163)**	(1,828,116)
Philippine Peso	**– 100**	**₱106,533,197**	₱61,565,620
U.S. Dollar	**– 100**	**71,120,953**	122,832,381
Euro	**– 100**	**2,713,266**	1,961,121

c) *Equity Price Risk*

The Group's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS equity financial assets.

Such financial assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market; and careful and planned use of derivative instruments. The price risk on investments securities is also actively managed through the use of derivative financial instruments to mitigate the risk of adverse market movements.

The following table shows the equity impact of reasonably possible change of Philippine Stock Exchange index (PSEi), Morgan Stanley Capital International (MSCI) Euro, Dow Jones Euro Stoxx 50 (SX5E Index) and Hang Seng index (HIS Index):

		Impact on equity Increase (decrease)			
	Change in equity prices	**PSEi**	**MSCI Euro**	**SX5E Index**	**HIS Index**
2013	**+15%**	**₱954,047,676**	**₱–**	**₱20,842,959**	**₱359,777**
	-15%	**(954,047,676)**	**–**	**(20,842,959)**	**(359,777)**
2012	+15%	₱848,516,696	₱–	₱13,817,379	₱76,102,102
	-15%	(848,516,696)	–	(13,817,379)	(76,102,102)

27. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments.

	2013		2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
AFS financial assets:				
Listed equity securities:				
Common shares	**₱6,944,551,895**	**₱6,944,551,895**	₱7,277,090,290	₱7,277,090,290
Preferred shares	**28,692,440**	**28,692,440**	60,981,155	60,981,155
Unlisted equity securities:				
Common shares	**98,293,158**	**98,293,158**	111,363,156	111,363,156
Preferred shares	**17,540**	**17,540**	17,540	17,540
Private debt securities	**1,871,291,451**	**1,871,291,451**	2,403,211,698	2,403,211,698
Government debt securities:				
Local currency	**880,790,158**	**880,790,158**	874,413,212	874,413,212
Foreign currency	**34,195,339**	**34,195,339**	32,968,440	32,968,440
Funds 200,921,352	**200,921,352**	**97,124,086**	97,124,086	
Financial assets at FVPL:				
Debt securities:				
Private debt securities	**80,974,349**	**80,974,349**	74,073,740	74,073,740
Equity securities:				
Listed equity securities	**164,762,408**	**164,762,408**	139,126,455	139,126,455
Money market fund, unlisted				
Investment funds	**4,826,881**	**4,826,881**	4,340,996	4,340,996
Loans and receivables:				
Cash and cash equivalents	**1,150,786,478**	**1,150,786,478**	1,469,356,945	1,469,356,945
Short-term cash investments	**41,200,136**	**41,200,136**	38,021,248	38,021,248
Insurance receivables:				
Due from policyholders, agents and brokers	**2,908,843,952**	**2,908,843,952**	2,109,410,108	2,109,410,108
Due from ceding companies:				
Facultative	**482,385,740**	**482,385,740**	37,569,513	37,569,513
Treaty	**1,714,723,093**	**1,714,723,093**	904,402,433	904,402,433
Due from retrocessionaire	**5,691,774**	**5,691,774**	219,823	219,823
Premium and loss reserve	**48,325,556**	**48,325,556**	38,093,661	38,093,661
Reinsurance recoverable on paid losses:				
Facultative	**102,917,120**	**102,917,120**	85,035,443	85,035,443
Treaty	**26,584,186**	**26,584,186**	42,041,014	42,041,014
Funds held by ceding companies	**175,884,198**	**175,884,198**	161,884,760	161,884,760
Accrued income:				
AFS financial assets	**37,781,439**	**37,781,439**	38,935,897	38,935,897
Long-term commercial papers	**8,476,325**	**8,476,325**	6,052,261	6,052,261
Notes receivable	**717,528**	**717,528**	588,611	588,611
Security fund	**136,293**	**136,293**	123,936	123,936
Funds held by ceding companies	**85,299**	**85,299**	178,549	178,549
Cash and cash equivalents	**47,756**	**47,756**	835,927	835,927
Short-term cash investments	**21,661**	**21,661**	11,739	11,739
Financial assets at FVPL	**1,086,219**	**1,086,219**	1,140,698	1,140,698
Bonds	**4,516,925**	**4,516,925**	–	–
Accrued dividend income	**3,007,031**	**3,007,031**	3,347,531	3,347,531
Accrued rent income	**4,148,291**	**4,148,291**	4,298,968	4,298,968
Loans and receivables:				
Long-term commercial papers	**1,094,933,008**	**1,224,797,234**	746,635,665	901,025,312
Notes receivable	**292,234,780**	**292,944,300**	402,187,190	411,649,808
Creditable withholding tax	**62,677,478**	**62,677,478**	62,677,478	62,677,478
Due from related party	**450,806**	**450,806**	51,184,711	51,184,711

(Forward)

	2013		2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Account receivable	**₱24,982,779**	**₱24,982,779**	₱1,509,319	₱1,509,319
Claims receivable	**6,500,000**	**6,500,000**	11,770,886	11,770,886
Cash advances	**3,065,894**	**3,065,894**	859,934	859,934
Security fund	**342,294**	**342,294**	342,294	342,294
Total financial assets	**₱18,512,075,851**	**₱18,642,649,597**	₱17,293,647,133	₱17,457,279,575
Other financial liabilities				
Insurance payables				
Due to reinsurers and ceding companies	**₱2,374,185,839**	**₱2,374,185,839**	₱1,797,539,163	₱1,797,539,163
Funds held for reinsurers	**1,381,587,189**	**1,381,587,189**	572,749,754	572,749,754
Accounts payable, accrued expenses and other liabilities:				
Accounts payable	**695,224,632**	**695,224,632**	359,988,106	359,988,106
Commissions payable	**304,824,160**	**304,824,160**	242,197,471	242,197,471
Accrued expenses	**111,520,034**	**111,520,034**	109,883,853	109,883,853
Surety deposits	**32,455,278**	**32,455,278**	34,290,301	34,290,301
Others	**7,029,198**	**7,029,198**	8,231,060	8,231,060
Total financial liabilities	**₱4,906,826,330**	**₱4,906,826,330**	₱3,124,879,708	₱3,124,879,708

Fair values of financial assets are estimated as follows:

Cash and cash equivalents, short-term investments - the fair value approximates the carrying amounts at initial recognition due to their short term nature.

Debt securities - the fair values are based on quoted market prices.

Quoted equity securities - the fair values are generally based on quoted market prices.

Unquoted equity securities - these are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is no active market for the equity securities. The Group intends to dispose the securities through selling to a willing buyer in arms length transactions.

Insurance receivables, accrued income, short-term loans and receivables (including notes receivable, long-term investments and security fund), insurance payables, accounts payable and accrued expenses - the fair values approximate the carrying amounts due to the short-term nature of the transactions.

Long-term commercial papers - fair values are based on present value of future cash flows discounted using risk-free rates that ranged from 1.08% to 1.29% and 2.30% to 3.58% in 2013 and 2012, respectively.

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

December 31, 2013

	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value:				
AFS financial assets				
Listed equity securities:				
Common shares	**₱6,944,551,895**	**₱–**	**₱–**	**₱6,944,551,895**
Preferred shares	**28,692,440**	**–**	**–**	**28,692,440**
Private debt securities	**1,871,291,451**	**–**	**–**	**1,871,291,451**
Government debt securities:				
Local currency	**880,790,158**	**–**	**–**	**880,790,158**
Foreign currency	**34,195,339**	**–**	**–**	**34,195,339**
Funds	**200,921,352**	**–**	**–**	**200,921,352**
Financial assets at FVPL:				
Debt securities:				
Private debt securities	**80,974,349**	**–**	**–**	**80,974,349**

(Forward)

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Equity securities:				
Listed equity securities	**164,762,408**	**–**	**–**	**164,762,408**
Money market fund, unlisted				
Investment funds	**4,826,881**	**–**	**–**	**4,826,881**
	10,211,006,273	**–**	**–**	**10,211,006,273**
Assets for which fair values are disclosed:				
Loans and receivables				
Long-term commercial papers	**–**	**1,224,797,234**	**–**	**1,224,797,234**
Notes Receivables	**–**	**292,944,300**	**–**	**292,944,300**
	–	**1,517,741,534**	**–**	**1,517,741,534**
	₱10,211,006,273	**₱1,517,741,534**	**₱–**	**₱11,728,747,807**

December 31, 2012

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
AFS financial assets				
Listed equity securities:				
Common shares	₱7,277,090,290	₱–	₱–	₱7,277,090,290
Preferred shares	60,981,155	–	–	60,981,155
Private debt securities	2,403,211,698	–	–	2,403,211,698
Government debt securities:				
Local currency	874,413,212	–	–	874,413,212
Foreign currency	32,968,440	–	–	32,968,440
Funds	97,124,086	–	–	97,124,086
Financial assets at FVPL:				
Debt securities:				
Private debt securities	74,073,740	–	–	74,073,740
Equity securities:				
Listed equity securities	139,126,455	–	–	139,126,455
Money market fund, unlisted				
Investment funds	4,340,996	–	–	4,340,996
	10,963,330,072	–	–	10,963,330,072
Assets for which fair values are disclosed:				
Loans and receivables				
Long-term commercial papers	–	901,025,312	–	901,025,312
Notes Receivables	–	411,649,808	–	411,649,808
	–	1,312,675,120	–	1,312,675,120
	₱10,963,330,072	₱1,312,675,120	₱–	₱12,276,005,192

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data

During the reporting period ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

28. **Related Party Transactions**

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

Outstanding balances as of year-end are unsecured and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2013 and 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties include:

	2013		2012			
Category	**Amount / Volume**	**Outstanding Receivable (Payable)**	Amount / Volume	Outstanding Receivable (Payable)	Terms	Conditions
Other related parties						
a. Y Realty Corporation						
Rent expense	**₱14,319,473**	**₱14,319,473**	₱12,070,388	₱–	Non-interest bearing; on demand	Unsecured; no impairment
b. RCBC Bankard						
Shared expenses	**1,953,565**	**1,953,565**	20,193,497	2,069,314	Non-interest bearing; on demand	Unsecured; no impairment
c. HI						
Notes receivable	**(200,000,000)**	**–**	200,000,000	200,000,000	Interest at 5% p.a.; due within one year	Unsecured; no impairment
Interest income	**15,421,875**	**–**	7,944,444	437,500	Interest at 5% p.a.	Unsecured; no impairment
Investment in AFS						
Equity securities	**–**	**235,766,697**	171,341	126,614,945	–	Unsecured; no impairment
Dividend income	**2,094,048**	**–**	923,622	–	–	Unsecured; no impairment
d. FMLC						
Notes receivable	**280,000,000**	**280,000,000**	190,000,000	190,000,000	Due within one year interest at 4.75% to 6.00% p.a.	Unsecured; no impairment
Interest income	**14,386,354**	**467,528**	386,806	1,467	Interest at 5% p.a.	Unsecured; no impairment
e. Grepalife						
Shared expenses	**93,199**	**59,181**	34,019	34,016	Non-interest bearing; on demand	Unsecured; no impairment
f. RCBC						
Cash in bank	**21,174,463**	**381,146,564**	14,599,749	112,639,115	Interst rate at 0.25% to 4.50% p.a.	Unsecured; no impairment
Short-term deposits	**9,437,397,639**	**190,135,813**	6,692,806,142	789,592,122	2 to 35-day term Interest at 0.50% - 4.50% p.a.	Unsecured; no impairment
Investment in AFS						

(Forward)

Category	**2013** Amount / Volume	**2013** Outstanding Receivable (Payable)	2012 Amount / Volume	2012 Outstanding Receivable (Payable)	Terms	Conditions
Debt securities	**₱27,856,818**	**₱559,529,511**	₱153,216,300	₱496,323,071	Maturing in 2016 and 2017; Interest rate at 5.25% to 9.88%	Unsecured; no impairment
Stocks	**78,748,424**	**2,270,525,271**	37,945,758	3,116,955,014	–	Unsecured; no impairment
Long-term commercial papers	**2,000,000**	**45,000,000**	120,000,000	165,000,000	Maturing in 2019 and 2027; Interest rate at 5.25% to 7.00%	Unsecured; no impairment
Interest and dividend income						
Cash in bank	**2,079,539**	**–**	3,129,066	–	Interest at 0.25% - 4.25% p.a.	Unsecured; no impairment
Short-term deposits	**10,399,172**	**58,941**	27,120,415	935,603	2 to 35-day term, Interest at 0.50% - 4.50% p.a.	Unsecured; no impairment
Investment in AFS:						
Debt securities	**37,086,922**	**10,377,304**	30,816,853	8,979,206	Interest at 4.77% - 9.88% p.a.	Unsecured; no impairment
Stocks	**44,158,751**	**–**	39,943,507	–	–	Unsecured; impaired
Long-term commercial papers	**1,439,807**	**73,646**	4,299,947	1,230,223	Interest at 5.25% - 7.00% p.a.	Unsecured; no impairment
Long-term investments	**–**	**–**	–	–	Interest at 0.75% to 3.50% p.a	Unsecured
Referral fee	**12,766,862**	**(3,290,128)**	4,576,343	(681,492)	Non-interest bearing, on demand	Unsecured
g. Ipeople						
Investment in AFS						
Stocks	**–**	**601,406,112**	880,200	84,732,250	–	Unsecured; no impairment
Dividend income	**12,545,741**	**2,573,951**	810,030	162,006	–	Unsecured; no impairment
h. PIAA						
Rent income	**1,678,860**	**143,317**	1,598,914	409,478	Non-interest bearing; on demand	Unsecured; no impairment
i. Lex Services, Inc.						
Note payable	**–**	**–**	1,500,000	–	32 days; Interest at 6%	Unsecured
Interest expense	**–**	**–**	8,500	–	Interest at 6%	Unsecured
j. Go! Travel Insurance Agency						
Referral fee	**1,915,029**	**(493,519)**	2,981,361	(267,556)	Non-interest bearing; on demand	Unsecured

The outstanding receivables and payables are to be settled in cash.

MEI, RCBC, HI, FLMC and iPeople are subsidiaries of PMMIC, the holding company of the flagship institutions of the Yuchengco Group of Companies. Lex Services, Inc., Y Realty, Inc. and Go! Travel Insurance Agency are related to the Yuchengco Group of Companies.

Key management personnel of the Group include senior management.

The summary of compensation of key management personnel is as follows:

	2013	2012
Salaries and wages	**₱64,610,000**	₱63,950,000
Short-term employee benefits	**18,470,000**	20,050,000
	₱83,080,000	₱84,000,000

29. **Capital Management**

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

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

The operations of the Group 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., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, risk-based capital requirements).

As mandated by the IC, most of the additional capital infusions are invested in government securities.

Capital Management Framework
The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

a) to maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
b) to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
c) to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
d) to align the profile of assets and liabilities taking account of risks inherent in the business;
e) to maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
f) to maintain strong credit ratings and healthy capital ratios in order to support the Group's business objectives and maximize shareholders' value.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Group has met all of these requirements throughout the financial year.
The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the IC directives, including any additional amounts required by the regulator.

The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders and policyholders. The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

Fixed Capitalization Requirements
DO 27-06 provides for the capitalization requirements for life, nonlife, and reinsurance. Under this order, the minimum statutory net worth and minimum paid-up capital requirements vary depending on the level of the foreign ownership in the insurance company. The statu-

tory net worth shall include the Group's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the IC. The minimum paid-up capital is pegged at 50% of the minimum statutory net worth.

On October 29, 2008, the IC issued Circular Letter No. 26-2008, which recalls that in view of the compliance of insurance companies with requirements of Insurance Memorandum Circular No. (IMC) 10-2006, the scheduled increases due December 31, 2007 have been deferred for a year. Hence, the IMC reiterates that by December 31, 2008, insurance companies should comply with the increase previously scheduled for December 31, 2007.

On June 1, 2012, the Department of Finance issued DO No. 15-2012 which provides for minimum paid up capital requirements of all insurance and professional reinsurance companies to supplement the requirements of DO No. 27-06 after December 31, 2012. Under the said DO, the minimum paid up capital requirements for all existing insurance and professional reinsurers regardless of its citizenship is going to be on a staggered basis for the years December 31, 2012 up to 2020. The DO also allows all existing insurance and professional reinsurance companies a one-time one-year deferral in the compliance to minimum paid up capital requirements provided it has met the RBC hurdle rate based on the schedule set out in the said DO.

The table below shows the amount of minimum paid-up capital and the schedule of compliance per DO No. 15-2012:

Paid up capital	Compliance date
₱250,000,000	On or before December 31, 2012 (Pursuant to DO 27-06 and IMC No. 10-2006)
400,000,000	On or before December 31, 2014
600,000,000	On or before December 31, 2016
800,000,000	On or before December 31, 2018
1,000,000,000	On or before December 31, 2020

On November 22, 2012, the IC issued an advisory to all insurance and reinsurance companies doing business in the Philippines regarding the implementation of DO No. 27-06. According to the advisory, the minimum paid-up capital for December 31, 2012 must at least be equal to the amount previously scheduled for December 31, 2011 per DO 27-06.

On December 11, 2012, DO No. 15-2012 was issued with a temporary restraining order. Accordingly, the minimum paid up capital requirement would be ₱250,000,000 by the end of 2012 as advised by the IC.

On August 5, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for 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 per New Insurance Code:

Networth	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

As of December 31, 2013 and 2012, the Parent Company's estimated statutory net worth amounted to ₱8,151,263,861 and ₱6,679,310,153, respectively.

Unimpaired capital requirement
Insurance Memorandum Circular (IMC) 22-2008 provided that for purposes 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.

30. Contingencies

The Group operates in the insurance industry and has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

MALAYAN INSURANCE CO., INC. AND SUBSIDIARIES

Statement of Management Responsibility for Financial Statement

The management of MALAYAN INSURANCE CO., INC. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standard on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

HELEN Y. DEE
CHAIRPERSON

YVONNE S. YUCHENGCO
PRESIDENT

JOSEPHINE S. GATCHALIAN
CHIEF FINANCIAL OFFICER

ALEGRIA R. CASTRO
CONTROLLER

MALAYAN INSURANCE CO., INC. AND SUBSIDIARIES
Independent Auditors' Report

The Stockholders and the Board of Directors
Malayan Insurance Co., Inc.

We have audited the accompanying consolidated financial statements of Malayan Insurance Co., Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Malayan Insurance Co., Inc. and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225212, January 2, 2014, Makati City

March 31, 2014

MALAYAN INSURANCE CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2013	2012 (As restated - Note 2)	2012 (As restated - Note 2)
ASSETS			
Cash and Cash Equivalents (Notes 4, 26, 27 and 28)	**₱831,591,527**	₱1,162,312,352	₱1,613,304,553
Short-term Investments (Notes 5, 26, 27 and 28)	**12,277,860**	11,245,787	11,099,040
Insurance Receivables - net (Notes 6, 26, and 27)	**5,404,390,359**	3,331,706,554	2,791,353,731
Financial Assets (Notes 7, 26, 27 and 28)			
Available-for-sale financial assets	**8,919,764,353**	9,626,111,111	8,057,111,728
Loans and receivables - net	**1,584,309,344**	1,325,894,362	432,868,288
Accrued Income (Notes 8, 26, 27 and 28)	**53,984,162**	49,254,629	43,321,543
Deferred Acquisition Costs (Notes 9, and 29)	**411,916,355**	337,840,897	272,708,433
Reinsurance Assets (Notes 10, 14, 26 and 29)	**9,338,224,598**	5,313,152,718	3,802,693,743
Investment Properties - net (Notes 11)	**28,273,467**	108,901,090	88,467,387
Property and Equipment - net (Notes 12, and 29)	**295,445,046**	230,320,401	244,199,753
Deferred Tax Assets - net (Notes 24)	**118,775,626**	79,424,359	104,405,129
Other Assets - net (Notes 13, and 29)	**387,088,701**	407,546,178	342,301,747
	₱27,386,041,398	₱21,983,710,438	₱17,803,835,075
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities (Notes 14, and 26)	**₱12,488,023,281**	₱8,538,253,890	₱6,853,074,787
Insurance payables (Notes 15, 26, and 27)	**3,743,042,132**	2,344,251,332	1,619,517,646
Accounts payable, accrued expenses and other liabilities (Notes 16, 26, and 27)	**1,665,567,590**	1,098,753,277	998,837,110
Income tax payable	**174,731**	133,579	–
Deferred reinsurance commissions (Notes 9)	**196,616,602**	113,290,719	113,367,069
Deferred tax liability (Notes 24)	–	199,161	127,899
Pension liability (Notes 17)	**189,062,762**	144,087,360	154,765,548
	18,282,487,098	12,238,969,318	9,739,690,059
Equity			
Equity attributable to equity holders of the Parent Company (Note 26)			
Capital stock - ₱100 par value			
Preferred shares Authorized and unissued - 5,000 shares			
Common shares Authorized - 10,000,000 shares Issued and outstanding - 8,452,925	**₱845,292,500**	₱845,292,500	₱845,292,500
Capital in excess of par value	**780,882,008**	780,882,008	780,882,008
Contributed surplus	**50,000**	50,000	50,000
Contingency surplus	**4,485,618**	4,485,618	4,485,618
Revaluation reserve on available-for-sale financial assets (Note 7)	**3,876,703,702**	4,512,298,509	2,841,321,940
Other revaluation reserve (Note 19)	**23,466,647**	23,466,647	23,466,647
Remeasurement loss on net pension obligation (Note 2)	**(124,591,261)**	(95,042,060)	(98,278,768)
Retained earnings (Note 19)	**3,378,031,942**	3,329,026,571	3,394,302,674
	8,784,321,156	9,400,459,793	7,791,522,619
Non-controlling interests	**319,233,144**	344,281,327	272,622,397
	9,103,554,300	9,744,741,120	8,064,145,016
	₱27,386,041,398	₱21,983,710,438	₱17,803,835,075

See accompanying Notes to Consolidated Financial Statements.

MALAYAN INSURANCE CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2013	2012 (As restated - Note 2)
INCOME		
Gross premiums earned	**₱6,934,474,871**	₱6,556,449,476
Reinsurers' share of gross premiums earned	**(4,500,754,325)**	3,929,200,133
Net premiums earned (Notes 14 and 19)	**2,433,720,546**	2,627,249,343
Investment and other income (Note 20)	**783,597,660**	771,790,682
Commission income (Note 9)	**288,098,800**	252,596,677
Other income	**1,071,696,460**	1,024,387,359
Total income	**3,505,417,006**	3,651,636,702
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance contract benefits and claims paid (Notes 14 and 21)	**3,002,090,676**	2,355,173,735
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 14 and 21)	**(1,540,261,911)**	(714,096,112)
Gross change in insurance contract liabilities (Note 21)	**3,298,082,960**	1,320,885,920
Reinsurers' share of gross change in insurance contract liabilities (Note 21)	**(3,280,324,845)**	(1,325,088,177)
Net insurance contract benefits and claims	**1,479,586,880**	1,636,875,366
Commission expense (Note 9)	**924,908,829**	855,841,928
Other underwriting expenses (Note 9)	**112,770,309**	106,883,303
General and administrative expenses (Note 22)	**875,930,540**	848,078,642
Investment and other expense (Note 20)	**21,955,364**	126,682,015
Interest expense on reinsurance funds held	**1,666,473**	1,941,695
Other expenses	**1,937,231,515**	1,939,427,583
Total benefits, claims and other expenses	**3,416,818,395**	3,576,302,949
INCOME BEFORE INCOME TAX	**88,598,611**	75,333,753
PROVISION FOR INCOME TAX (Note 24)	**34,112,879**	28,861,100
NET INCOME (Note 25)	**₱54,485,732**	₱46,472,653
Attributable to:		
Equity holders of the Parent Company	**₱49,005,371**	₱34,723,897
Non-controlling interests	**5,480,361**	11,748,756
	₱54,485,732	₱46,472,653

See accompanying Notes to Consolidated Financial Statements.

MALAYAN INSURANCE CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012 (As restated - Note 2)
NET INCOME	**₱54,485,732**	₱46,472,653
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods:		
Net change on fair values of available-for-sale financial assets - net of tax effect (Note 7)	**(654,186,114)**	1,742,207,147
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on pension obligation - net of tax effect (Note 2)	**(30,161,438)**	3,241,304
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱629,861,820)**	₱1,791,921,104
Attributable to:		
Equity holders of the Parent Company	**(₱616,138,637)**	₱1,708,937,174
Non-controlling interests	**(13,723,183)**	82,983,930
	(₱629,861,820)	₱1,791,921,104

See accompanying Notes to Consolidated Financial Statements.

MALAYAN INSURANCE CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Capital in Excess of Par Value	Contributed Surplus	Contingency Surplus	Revaluation Reserve on Available - for-Sale Financial Assets (Note 7)	Other Revaluation Reserve (Note 19)	Remeasurement loss on penssion Obligation (Note 2)	Retained Earnings (Note 19)	Total	Non-controlling Interests	Total
					For the Year Ended December 31, 2012						
Balance at beginning of year, as previously reported	**₱845,292,500**	**₱780,882,008**	**₱50,000**	**₱4,485,618**	**₱4,512,298,509**	**₱23,466,647**	**₱–**	**₱3,307,809,967**	**₱9,474,285,249**	**₱344,597,051**	**₱9,818,882,300**
Effect of change in accounting policy (Note 2)	–	–	–	–	–	–	**(95,042,060)**	**21,216,604**	**(73,825,456)**	**(315,724)**	**(74,141,180)**
Balance at beginning of year, as restated	**845,292,500**	**780,882,008**	**50,000**	**4,485,618**	**4,512,298,509**	**23,466,647**	**(95,042,060)**	**3,329,026,571**	**9,400,459,793**	**344,281,327**	**9,744,741,120**
Net income	–	–	–	–	–	–	–	**49,005,371**	**49,005,371**	**5,480,361**	**54,485,732**
Other comprehensive income	–	–	–	–	**(635,594,807)**	**–**	**(29,549,201)**	**–**	**(665,144,008)**	**(19,203,544)**	**(684,347,552)**
Total comprehensive income	–	–	–	–	**(635,594,807)**	**–**	**(29,549,201)**	**49,005,371**	**(616,138,637)**	**(13,723,183)**	**(629,861,820)**
Cash dividends declared	–	–	–	–	–	–	–	–	–	**(11,325,000)**	**(11,325,000)**
Balance at end of year	**₱845,292,500**	**₱78,882,00**	**₱50,000**	**₱4,485,618**	**₱3,876,703,702**	**₱23,466,647**	**(₱124,591,261)**	**₱3,378,031,942**	**₱8,784,321,156**	**₱319,233,144**	**₱9,103,554,300**
					For the Year Ended December 31, 2012						
Balance at beginning of year, as previously reported	₱845,292,500	₱780,882,008	₱50,000	₱4,485,618	₱2,841,321,940	₱23,466,647	₱–	₱3,376,259,031	₱7,871,757,744	₱272,955,574	₱8,144,713,318
Effect of change in accounting policy (Note 2)	–	–	–	–	–	–	(98,278,768)	18,043,643	(80,235,125)	(333,177)	(80,568,302)
Balance at beginning of year, as restated	845,292,500	780,882,008	50,000	4,485,618	2,841,321,940	23,466,647	(98,278,768)	3,394,302,674	7,791,522,619	272,622,397	8,064,145,016
Net income	–	–	–	–	–	–		34,723,897	34,723,897	11,748,756	46,472,653
Other comprehensive income	–	–	–	–	1,670,976,569	–	3,236,708	–	1,674,213,277	71,235,174	1,745,448,451
Total comprehensive income	–	–	–	–	1,670,976,569	–	3,236,708	34,723,897	1,708,937,174	82,983,930	1,791,921,104
Cash dividends declared	–	–	–	–	–	–	–	(100,000,000)	(100,000,000)	(11,325,000)	(111,325,000)
Balance at end of year	₱845,292,500	₱780,882,008	₱50,000	₱4,485,618	₱4,512,298,509	₱23,466,647	(₱95,042,060)	₱3,329,026,571	₱9,400,459,793	₱344,281,327	₱9,744,741,120

See accompanying Notes to Consolidated Financial Statements.See accompanying Notes to Consolidated Financial Statements.

MALAYAN INSURANCE CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱88,598,611**	₱75,333,753
Adjustments for:		
Unrealized foreign currency exchange loss - net (Note 20)	**(224,678,293)**	141,216,391
Depreciation and amortization (Note 22)	**61,975,536**	54,115,157
Impairment loss on AFS financial assets (Notes 7 and 20)	**9,963,296**	2,181,316
Interest expense on reinsurance funds held	**1,666,473**	1,941,695
Dividend income (Note 20)	**(247,818,277)**	(245,167,123)
Interest income (Note 20)	**(292,081,431)**	(275,141,312)
Gain on sale of (Note 20):		
Available-for-sale financial assets	**(84,178,240)**	(203,308,800)
Investment properties	**(3,077,475)**	–
Real estate properties for sale	**(2,397,054)**	(4,647,144)
Property and equipment	**(557,702)**	(220,593)
Long-term commercial papers	**(1,782,814)**	–
Loss on sale available-for-sale financial assets (Note 20)	**199,532**	–
Operating loss before working capital changes	**(694,167,838)**	(453,696,660)
Decrease (increase) in:		
Loans and receivables	**(299,708,624)**	(11,252,280)
Insurance receivables	**(2,059,232,769)**	(544,540,746)
Accrued rent income	**150,677**	(1,007,388)
Deferred acquisition costs	**(74,075,458)**	(65,132,464)
Reinsurance assets	**(4,025,071,880)**	(1,510,458,975)
Other assets	**(44,715,212)**	(64,024,410)
Increase (decrease) in:		
Insurance contract liabilities	**3,957,323,333**	1,694,487,067
Insurance payables	**1,398,790,800**	724,733,686
Deferred reinsurance commissions	**83,325,883**	(76,350)
Pension liability	**1,478,618**	1,407,413
Accounts payable, accrued expenses and other liabilities	**566,855,466**	92,461,000
Net cash used in operations	**(1,189,047,004)**	(137,100,107)
Income tax paid	**(35,302,458)**	(32,876,529)
Interest paid on reinsurance funds held	**(1,666,473)**	(1,941,695)
Net cash used in operating activities	**(1,226,015,935)**	(171,918,331)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturities of:		
Available-for-sale financial assets (Note 7)	**1,754,592,226**	1,628,216,911
Short-term investments	**11,245,787**	11,099,040
Investment properties (Note 11)	**95,010,191**	–
Long-term commercial papers (Note 7)	**99,480,979**	25,200,000
Property and equipment (Note 12)	**944,865**	374,324
Long-term investments (Note 7)	–	10,026,206
Real estate properties for sale	**2,962,054**	6,772,144

(Forward)

	Years Ended December 31	
	2013	2012 (As restated - Note 2)
Dividends received	**₱248,158,777**	₱242,247,992
Interest received	**299,915,722**	281,403,182
Acquisitions of:		
Available-for-sale financial assets (Note 7)	**(1,486,107,000)**	(1,355,272,382)
Short-term investments	**(12,277,860)**	(11,245,787)
Long-term commercial papers (Note 7)	**(445,995,508)**	(427,000,000)
Property and equipment (Note 12)	**(62,772,918)**	(35,159,478)
Investment properties (Note 11)	**(11,411,830)**	(20,541,294)
Computer software (Note 13)	–	(5,535,791)
Real estate properties for sale (Note 13)	–	(2,931,697)
Non-trade notes receivable (Note 7)	**390,000,000**	(490,000,000)
Net cash provided by (used in) investing activities	**883,745,485**	(142,346,630)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid (Note 18)	**(11,325,000)**	(111,325,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**22,874,625**	(25,402,240)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(330,720,825)**	(450,992,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	**1,162,312,352**	1,613,304,553
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱831,591,527**	₱1,162,312,352

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Malayan Insurance Co., Inc. (the Parent Company) is a domestic corporation, which was registered with the Philippine Securities and Exchange Commission (SEC) on February 16, 1949. The Parent Company is engaged in the nonlife insurance business dealing with all kinds of insurance such as fire, marine, bond, motor car, personal accident, miscellaneous casualty, and engineering, except life insurance.

On October 22, 2001, the SEC approved the Amended Articles of Incorporation extending the Parent Company's existence to another 50 years from February 16, 1999.

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority-owned subsidiaries:

	Place of Incorporation	Percentage of Ownership	
		2013	2012
Bankers Assurance Corporation (BAC)	Philippines	**100.0**	100.0
The First Nationwide Assurance Corporation (FNAC)	Philippines	**54.7**	54.7

The Parent Company's parent is MICO Equities, Inc. (MEI). The registered office address of the Parent Company is 4th Floor, Yuchengco Building, 484 Quintin Paredes Street, Binondo, Manila. The Parent Company's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC) with registered office address at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

The accompanying consolidated financial statements of Malayan Insurance Co., Inc. and Subsidiaries (the Group) were approved and authorized for issue by the Board of Directors (BOD) on March 31, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are measured in Philippine Peso (₱), which is also the Group's functional and presentation currency. All values are rounded off to the nearest Philippine Peso values, unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in the consolidated financial statements due to retrospective application of Philippine Accounting Standard (PAS) 19, Employee Benefits.

Statement of Compliance
The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of and for the years ended December 31, 2013 and 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (NCIs) pertains to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are NCIs.

NCIs represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the NCIs are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company.

If the Parent Company loses control over a subsidiary it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Restatement in Prior Year's Financial Statements

On January 1, 2013, the Group adopted the Revised PAS 19. The related adjustments have been determined retrospectively and prior years' consolidated financial statements have been restated accordingly. The effect of the restatement increased the January 1, 2012 retained earnings by ₱18.04 million. Other comprehensive loss increased by ₱98.28 million as of December 31, 2012.

As at January 1, 2012

	Net deferred tax asset (Note 24)	Net pension obligation (Note 17)	Retained Earnings	Non-controlling interest	Other comprehensive loss
As previously reported	₱69,747,957	₱39,667,973	₱3,376,259,031	₱272,955,574	₱–
Effect of change on accounting policy for employee benefits:					
Actuarial losses recognized at the beginning of the year	–	115,097,575	25,776,633	(475,967)	(140,398,240)
Deferred tax asset on the beginning balance of pension obligation	34,529,273	–	(7,732,990)	142,790	42,119,472
	34,529,273	115,097,575	18,043,643	(333,177)	(98,278,768)
As restated	₱104,277,230	₱154,765,548	₱3,394,302,674	₱272,622,397	(₱98,278,768)

As at December 31, 2012

	Net deferred tax asset (Note 24)	Net pension obligation (Note 17)	Retained earnings	Non-controlling interest	Net income	Other comprehensive loss
As previously reported	₱47,450,406	₱38,171,388	₱3,307,809,967	₱344,597,051	₱43,286,835	₱–
Effect of change on accounting policy for employee benefits:						
Actuarial losses recognized at the beginning of the year	–	115,097,575	25,776,633	(475,967)	–	(140,398,240)
Deferred tax asset on the beginning balance of pension obligation	34,529,273	–	(7,732,990)	142,790	–	42,119,472
Adjustments on:						
Pension expense	–	(4,551,169)	4,532,801	18,368	4,551,169	–
Other comprehensive income	–	(4,630,434)	–	6,566	–	4,623,868
Deferred tax asset on actuarial losses transferred to other comprehensive income	(1,389,130)	–	–	(1,970)	–	(1,387,160)
Deferred tax asset on adjustment to pension expense	(1,365,351)	–	(1,359,840)	(5,511)	(1,365,351)	–
	31,774,792	105,915,972	21,216,604	(315,724)	3,185,818	(95,042,060)
As restated	₱79,225,198	₱144,087,360	₱3,329,026,571	₱344,281,327	₱46,472,653	(₱95,042,060)

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) interpretations which became effective beginning January 1, 2013. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

- PFRS 7 (Amendments), *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  These amendments required an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, Financial Instruments: Presentation. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments required entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also included the issues raised in SIC-12, Consolidation - Special Purpose Entities. PFRS 10 established a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 required management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removed the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests with Other Entities*
  PFRS 12 included all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, Investments in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 established a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provided guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 1 (Amendment), Financial Statement Presentation, Presentation of Items of Other Comprehensive Income or OCI
  The amendments to PAS 1 changed the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and will have no impact on the Group's financial position or performance. The amendments are applied retrospectively and resulted to the modification of the presentation of items of OCI.

- PAS 19 (Revised), *Employee Benefits*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also required new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The Group has applied the amendments retroactively to the earliest period presented.

  On January 1, 2013, the Group adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 required all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and required employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modified the timing of recognition for termination benefits. The modification required the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits did not have any impact to the Group's financial position and financial performance.

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard. The effects are detailed below:

Consolidated Statements of Financial Position

	December 31		January 1
	2013	2012	2012
Increase in deferred tax assets	**₱43,501,829**	₱31,774,792	₱34,529,273
Increase (decrease) in:			
Pension obligation	**145,006,094**	105,915,972	115,097,575
Other comprehensive loss	**(124,591,261)**	(95,042,060)	(98,278,768)
Retained earnings	**24,003,429**	21,216,604	18,043,643
Non-controlling interest	**(916,433)**	(315,724)	(333,177)
	₱43,501,829	₱31,476,665	₱34,231,449

Consolidated Statements of Income

	Years Ended December 31	
	2013	2012
Increase (decrease) in:		
Pension expense	**(₱3,997,646)**	(₱4,551,169)
Income tax expense	**1,199,293**	1,365,351
Increase in net income	**(₱2,798,353)**	(₱3,185,818)
Attributable to:		
Equity holders of the Parent Company	**(₱2,786,825)**	(₱3,172,961)
Non-controlling interest	**(11,528)**	(12,857)
	(₱2,798,353)	(₱3,185,818)

Consolidated Statements of Comprehensive Income

	Years Ended December 31	
	2013	2012
Increase in:		
Other comprehensive income (loss)	**(₱43,087,768)**	₱4,630,434
Tax effect	**12,926,330**	(1,389,130)
	(₱30,161,438)	₱3,241,304
Attributable to:		
Equity holders of the Parent Company	**(₱29,549,201)**	₱3,236,708
Non-controlling interest	**(612,237)**	4,596
	(₱30,161,438)	₱3,241,304

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the new PFRS 10, Consolidated Financial Statements and PFRS 12, Disclosure of Interests in Other Entities, what remained of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and described the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This Philippine Interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarified that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, Borrowing Costs. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarified the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required. The amendments affected disclosures only and had no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarified that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarified that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction

are accounted for in accordance with PAS 12, Income Taxes. This amendment did not have any impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarified that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment affected disclosures only and had no impact on the Group's financial position or performance.

Future Changes Accounting Policies
The Group will adopt the following new and amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since it has no investment entities.

- Philippine Interpretation IFRIC 21, *Levies*
  Philippine Interpretation IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This Philippine Interpretation is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that this Philippine Interpretation will have impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. This amendment will not have an impact since the Group has no hedge accounting.

- PAS 32 (Amendments), *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  The amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, Employee Benefits - *Defined Benefit Plans: Employee Contributions (Amendments)*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Improvements to PFRSs 2010-2012 cycle
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment

transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Group since it has no operating segments.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, Related Party Disclosures - Key Management Personnel
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Improvements to PFRSs 2011-2013 cycle
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to PFRSs.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Effectivity date not yet determined

- PFRS 9, Financial Instruments: Classification and Measurement
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group conducted an impact evaluation of the early adoption of PFRS 9 and based on the results of this study, the Group will not early adopt PFRS 9. The Group does not expect a significant impact on its consolidated financial statements based on the evaluation of existing classification and measurement of financial assets and liabilities.

Philippine Interpretation with deferred effective date

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Product Classification
Insurance contracts are those contracts where the Group (the insurer) has accepted 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

policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired.

Fair value measurement

The Group measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment property carried at cost are disclosed in Note 27.

Fair value is the price that would be received to sell an asset or 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 to the Group.

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 Group 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 consolidated 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 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - 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 consolidated financial statement on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) and at the end of each reporting period.

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 months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Short-term Investments

Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

Insurance Receivables

Premium receivables (Due from policyholders, agents and brokers and due from ceding companies) are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Financial Instruments

Date of recognition

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

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

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

As of December 31, 2013 and 2012, the Group's financial instruments are in the nature of AFS financial assets, loans and receivables and other financial liabilities.

Day 1 difference
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 Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used, 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 Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held-for-trading if they are acquired for purposes of selling and repurchasing in the near term. Derivatives, including any separated embedded derivatives, are also classified as financial assets or financial liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in "Investment and other income" in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive the payment has been established.

Derivative instruments
The Group uses derivatives such as non-deliverable forward contracts as a means of reducing its foreign exchange exposure. Derivative instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value of derivatives that do not qualify for hedge accounting is recognized in "Investment and other income" in the consolidated statement of income.

Embedded derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to stand-alone derivative.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group assesses whether embedded derivatives are required to be separated from the host contract when it first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

AFS financial assets
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. Interest earned on holding

AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in profit or loss when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as 'Revaluation reserve on available-for-sale financial assets' in other comprehensive income. The losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as realized gains or losses in profit or loss. When the Group holds more than one investment in the same security, the cost is determined using the weighted average method.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or FVPL. This accounting policy relates to the consolidated statement of financial position captions: (a) "Cash and Cash Equivalents", (b) "Short-term Investments", (c) "Insurance Receivables", (d) "Loans and Receivables" and (e) "Accrued Income".

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

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group's insurance payables and accounts payable, accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Impairment of Financial Assets
The Group assesses at each end of the 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 has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS investments carried at fair value
In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. 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 financial asset previously recognized in the consolidated statement of income is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

AFS investments carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

Loans and Receivables
For loans and receivables carried at amortized cost, the Group first assesses 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 Group determines that no objective evidence of impairment exists for 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 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 for 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 the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against profit or loss. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Group. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of Insurance receivables.

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as Insurance payables in the liabilities section of the consolidated statement of financial position will be withheld and recognized as Funds held for reinsurers and included as part of the Insurance payables in the liabilities section of the consolidated statement of financial position. The amount withheld is generally released after a year. Funds held by ceding companies are accounted for in the same manner.

Deferred Acquisition Costs (DAC)
Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Acquisition costs include referral fee of FNAC which is classified under Other underwriting expense. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract except for the marine cargo where commissions for the last two months of the year are recognized as expense the following year. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown as Deferred acquisition costs in the Assets section of the consolidated statement of financial position.

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

Investment Properties
Properties held for rental yields and for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business is classified as investment property.

Investment properties are measured initially at cost, including transaction costs.

Investment properties consist of land, buildings and construction in progress. The land is carried at cost. The buildings are carried at cost, less accumulated depreciation and amortization and any accumulated impairment losses.

Construction in-progress is carried at cost and transferred to the related property and equipment account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. Construction in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of 40 years. The estimated useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment property.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of retirement or disposal.

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

Property and Equipment
Property and equipment, except for land, are stated at cost, net of accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment losses.

The initial cost of property and equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Building and improvements	40
Building equipment	5
Office furniture, fixtures and equipment	5
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of 5 years, whichever is shorter.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated statement of income in the year the asset is derecognized.

Creditable Withholding Taxes (CWTs)
Creditable withholding pertains to the 15% indirect tax paid by the Group that is withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Group. If these CWTs are claimed as a refund, these will be recorded as a receivable under "Loans and receivables" account.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Computer Software
Costs associated with the acquisition of computer software are capitalized only if the asset can be reliably measured, will generate future economic benefits, and there is an ability to use or sell the asset.

Computer software is carried at cost less accumulated amortization. Computer software cost is amortized over the expected useful life of the asset, but not to exceed five (5) years. All computer software components are amortized over five (5) years. Amortization commences when the asset is available for use or when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group.

Impairment of Nonfinancial Assets

The Group assesses at each end of the reporting period whether there is an indication that investment properties, property and equipment and computer software may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Value-added Tax (VAT)

The input value added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the sale of insurance policies and other goods or services by the Group.
If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payable and accrued expenses" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other assets" account.

Real Estate Properties for Sale

Real estate properties for sale are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs to sell. The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property.

Insurance Contract Liabilities

Provision for Unearned Premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the consolidated statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims Provision and Incurred But Not Reported (IBNR) Losses

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

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the consolidated statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Insurance Payables
Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled,cancelled or expired.

Pension Cost
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Equity
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.

Capital in excess of par value includes any premiums received in excess of par value on the issuance of capital stock.
Contributed surplus represents the original contribution of the stockholders of the Parent Company, in addition to the paid-in capital stock, in order to comply with the pre-licensing requirements as provided under the Insurance Code (the Code).

Contingency surplus pertains to capital infusion of shareholders in order to comply with Margin of Solvency (MOS) deficiency as a result of the examination made by the Insurance Commission (IC).

Other revaluation reserve pertains to the appraisal increment on building relating to the Parent Company's previously held interest in Tokio Marine Malayan Insurance Co., Inc. (TMMIC) at the time of the business combination. The balance of the other revaluation reserve will be transferred to retained earnings when the building is disposed or derecognized.

Retained earnings include all the accumulated earnings of the Group, net of dividends declared.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premiums Revenue

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

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the consolidated statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as Deferred reinsurance premiums and shown as part of reinsurance assets in the consolidated statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

Reinsurance Commissions

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as deferred reinsurance commissions and presented in the Liabilities section of the consolidated statement of financial position.

Dividend income

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

Interest income

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

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

Rental income

Rental income from investment properties are recognized on a straight-line basis over the term of the lease.

Management fees

Management fees are recognized as income when services are rendered.

Other income

Income from other sources is recognized when earned.

Expense Recognition

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

Benefits and Claims

Benefits and claims consists of benefits and claims paid to policyholders, which includes changes in the valuation of Insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Commission Expense

Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition cost" in the assets section of the consolidated statement of financial position.

Other underwriting expense
Other underwriting expense pertains to the costs incurred by the Group prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews and other work that is deemed necessary to determine whether or not to accept the risks to be written. These costs are recognized as expense as they are incurred.

Expenses
General and administrative expense and other investment expense, except for lease agreements, are recognized as expense as they are incurred.

Interest expense
Interest expense is charged against operations as they are incurred.

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

a. There is 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 fulfillment is dependent on a specified asset or;
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).

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis.

Foreign Exchange Transactions
The functional and presentation currency of the Group is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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 substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, 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 carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the consolidated statement of other comprehensive income.

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 deferred taxes related to the same taxable entity and the same taxation authority.

Events after End of the Reporting Period

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

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments

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

Product classification

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

The Group has determined that the insurance policies it issues have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the revenue and costs of the Group operations.

Operating lease commitments - Group Company as lessor
The Group entered into commercial property leases on its investment properties. The Group determined that it retains all the significant risks and rewards of ownership of the property, thus accounts for them as operating lease.

Operating lease commitments - Group as lessee
The Group entered into various property leases with various lessors. The Group determined that the lessors retain all the significant risks and rewards of ownership of the leased properties thus accounts for them as operating leases.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

When properties comprise a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purpose, and these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making this judgment.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting date, that have a significant risk 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
The Group carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect the statement of other comprehensive income.

The carrying value of AFS financial assets is ₱8.92 billion and ₱9.63 billion as of December 31, 2013 and 2012, respectively (see Note 7).

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

The primary technique adopted by management in estimating the cost of notified and claims IBNR, is that of using past claims settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities are not discounted for the time value of money.

As of December 31, 2013 and 2012, the carrying values of provision for claims reported and IBNR amounted to ₱8.79 billion and ₱5.50 billion, respectively (see Note 14).

Estimation of allowance for impairment losses
The Group maintains 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, age of balances, financial status of counterparties, and legal opinion on recoverability in case of legal disputes. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease the related asset accounts.

The carrying value of insurance receivables, net of impairment losses amounted to ₱5.39 billion and ₱3.33 billion as of December 31, 2013 and 2012, respectively. The related allowance for impairment losses amounted to ₱157.68 billion and ₱125.27 million as of December 31, 2013 and 2012 respectively (see Note 6).

As of December 31, 2013 and 2012, the carrying value of loans and receivables amounted to ₱1.58 billion and ₱1.33 billion, respectively. As of December 31, 2013 and 2012, the related allowance for impairment losses amounted to ₱3.70 million (see Note 7).

Impairment of AFS equity financial assets
The Group determines that AFS equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as continuous decline for a period of six (6) months or more. In making this judgment, the Group evaluates among other factors, the normal volatility in share price for quoted securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As of December 31, 2013 and 2012, the carrying value of the Group's AFS equity financial assets amounted to ₱6.35 billion and ₱6.59 billion, respectively (see Note 7).

Impairment loss recognized on Group's AFS equity financial assets amounted to₱9.96 million and ₱2.18 million in 2013 and 2012, respectively (see Note 7).

Estimation of useful lives of computer software, investment properties and property and equipment
The Group reviews annually the estimated useful lives of computer software, investment properties and 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 computer software, investment properties and property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2013 and 2012, the carrying value of the investment properties amounted to ₱28.27 million and ₱108.90 million, respectively (see Note 11).

As of December 31, 2013 and 2012, the carrying value of the property and equipment amounted to ₱295.45 million and ₱230.32 million, respectively (see Note 12).

As of December 31, 2013 and 2012, the carrying value of the computer software amounted to nil and ₱64.91 million, respectively (see Note 13).

Evaluation of net realizable value of real estate properties for sale
Real estate properties for sale are valued at the lower of cost and NRV. This requires the Group to make an estimate of the real estate properties' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate properties to net realizable value based on its assessment of the recoverability of its real estate properties for sale. In determining the recoverability of its real estate properties for sale, management considers whether its real estate properties for sale are damaged or if their selling prices have declined.

Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 13 for the related balances.

Impairment of nonfinancial assets
The Group assesses the impairment of its nonfinancial assets (i.e., investment properties, property and equipment and computer software) whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2013 and 2012, the Group has not recognized any impairment losses on its nonfinancial assets. See Notes 11, 12 and 13 for related balances.

*Recognition of deferred tax asse*ts
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of

deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. See Note 24 for the related balances.

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

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. In accordance with PAS 19, actual results that differ from the Group's assumptions are recognized immediately in other comprehensive income in the period in which they arise. While the Group 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 obligations.

As of December 31, 2013 and 2012, the carrying value of pension obligation amounted to ₱189.06 million and ₱144.09 million, respectively (see Note 17).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon analysis of potential results. The Group does not believe that these proceedings will have a material adverse effect on the Group's financial position.

4. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand:		
Petty cash fund	**₱999,521**	₱1,141,297
Special funds	**28,000**	28,000
Cash in banks:		
Commercial banks and trust company (Note 28)	**523,568,053**	173,455,624
Thrift banks, rural banks and cooperatives	**3,688,829**	15,054,459
Short-term deposits (Note 28)	**303,307,124**	972,632,972
	₱831,591,527	₱1,162,312,352

Cash in banks earns interest at the respective bank rates.

Short-term deposits are placed for varying periods of up to three (3) months depending on the immediate cash requirements of the Group.

The range of interest rates of the short-term deposits follows:

	2013	2012
Philippine Peso	**0.25% to 4.50%**	0.25% to 4.50%
US Dollar	**0.50% to 0.75%**	0.25% to 1.35%

5. Short-term Investments

This account consists of time deposits with maturity of more than three months but less than one year from dates of placement and earns interest with annual rates ranging from 0.75% to 3.25% and 1.00% to 4.25% in 2013 and 2012, respectively.

Interest earned on short-term investments amounted to ₱0.13 million and ₱0.57 million in 2013 and 2012, respectively (see Note 20).

6. **Insurance Receivables - net**

This account consists of:

	2013	2012
Due from policyholders, agents and brokers	**₱3,042,764,198**	₱2,210,915,388
Due from ceding companies:		
Treaty (Note 28)	**1,720,307,127**	907,015,523
Facultative	**494,588,371**	55,117,474
Funds held by ceding companies - treaty (Note 28)	**166,886,074**	152,512,045
Reinsurance recoverable on paid losses:		
Facultative	**110,943,616**	89,373,356
Treaty	**26,584,186**	42,041,015
	5,562,073,572	3,456,974,801
Less allowance for impairment losses	**157,683,213**	125,268,247
	₱5,404,390,359	₱3,331,706,554

Terms and Conditions

Due from policyholders, agents and brokers and due from ceding companies are unsecured, interest free and are settled in cash. Funds held by ceding companies bear interest ranging from 0.00% to 1.94% per annum. The Group has recognized impairment losses amounting to ₱37.05 million and ₱66.03 million in 2013 and 2012, respectively

The reinsurance recoverable on paid losses is the amount recoverable from the reinsurers in respect of claims already paid by the Group.

The following table shows aging information of insurance receivables:

December 31, 2013

	< 30 days	**30 > 60 days**	**60 > 90 days**	**90 > 120 days**	**> 120 days**	**Total**
Due from policyholders, agents and brokers	**₱516,294,926**	**₱254,734,202**	**₱556,163,596**	**₱274,478,074**	**₱1,441,093,400**	**₱3,042,764,198**
Due from ceding companies:						
Treaty	**697,010,263**	**667,807**	**3,621,047**	**1,522,130**	**1,017,485,880**	**1,720,307,127**
Facultative	**464,289,677**	**10,861**	**12,000,759**	**1,129,623**	**17,157,451**	**494,588,371**
Funds held by ceding companies - treaty	**4,173,128**	**2,906,955**	**29,960,895**	**5,470,766**	**124,374,330**	**166,886,074**
Reinsurance recoverable on paid losses:						
Facultative	**18,180,664**	**1,016,140**	**5,404,483**	**1,588,949**	**84,753,380**	**110,943,616**
Treaty	**–**	**2,122,357**	**8,709,619**	**–**	**15,752,210**	**26,584,186**
	₱1,699,948,658	**₱261,458,322**	**₱615,860,399**	**₱284,189,542**	**₱2,700,616,651**	**₱5,562,073,572**

December 31, 2012

	< 30 days	30 > 60 days	60 > 90 days	90 > 120 days	> 120 days	Total
Due from policyholders, agents and brokers	₱458,146,733	₱224,649,143	₱345,703,683	₱303,328,692	₱879,087,137	₱2,210,915,388
Due from ceding companies:						
Treaty	288,629,126	210,562,323	30,690,420	17,591,748	359,541,906	907,015,523
Facultative	29,940,507	45,997	668,698	6,732,968	17,729,304	55,117,474
Funds held by ceding companies - treaty	2,054,507	51,339	24,958,953	60,271,408	65,175,838	152,512,045
Reinsurance recoverable on paid losses:						
Facultative	458,256	3,064,683	2,573,975	4,819,693	78,456,749	89,373,356
Treaty	299,625	498,265	1,145,859	–	40,097,266	42,041,015
	₱779,528,754	₱438,871,750	₱405,741,588	₱392,744,509	₱1,440,088,200	₱3,456,974,801

The allowance for impairment loss on insurance receivables has been determined as follows:

	2013					
	Due from Policyholders, Agents and Brokers	**Due from Ceding Companies - Treaty**	**Due from Ceding Companies - Facultative**	**Funds Held by Ceding Companies**	**Reinsurance Recoverable on Paid Losses - Facultative**	**Total**
Balance at beginning of year	**₱101,505,280**	**₱496,316**	**₱17,547,961**	**₱1,380,777**	**₱4,337,913**	**₱125,268,247**
Impairment loss (Note 22)	**37,117,893**	**1,656,747**	**–**	**–**	**3,688,583**	**42,463,223**
Reversal of impairment loss (Note 22)	**(72,462)**	**–**	**(5,345,330)**	**–**	**–**	**(5,417,792)**
Written-off	**(4,630,465)**	**–**	**–**	**–**	**–**	**(4,630,465)**
Balance at end of year	**₱133,920,246**	**₱2,153,063**	**₱12,202,631**	**₱1,380,777**	**₱8,026,496**	**₱157,683,213**
Individually impaired	**₱8,358,043**	**₱2,153,063**	**₱10,748,795**	**₱1,380,777**	**₱5,047,677**	**₱27,688,355**
Collectively impaired	**125,562,203**	**–**	**1,453,836**	**–**	**2,978,819**	**129,994,858**
Total	**₱133,920,246**	**₱2,153,063**	**₱12,202,631**	**₱1,380,777**	**₱8,026,496**	**₱157,683,213**

	2012					
	Due from Policyholders, Agents and Brokers	Due from Ceding Companies - Treaty	Due from Ceding Companies - Facultative	Funds Held by Ceding Companies	Reinsurance Recoverable on Paid Losses - Facultative	Total
Balance at beginning of year	₱44,098,205	₱496,316	₱17,547,961	₱1,380,777	₱4,337,913	₱67,861,172
Impairment loss (Note 22)	66,032,188	–	–	–	–	66,032,188
Written-off	(8,625,113)	–	–	–	–	(8,625,113)
Balance at end of year	₱101,505,280	₱496,316	₱17,547,961	₱1,380,777	₱4,337,913	₱125,268,247
Individually impaired	₱7,885,979	₱496,316	₱17,547,961	₱1,380,777	₱4,337,913	₱31,648,946
Collectively impaired	93,619,301	–	–	–	–	93,619,301
Total	₱101,505,280	₱496,316	₱17,547,961	₱1,380,777	₱4,337,913	₱125,268,247

7. Financial Assets

The Group's financial assets, categorized based on subsequent measurement, follow:

	2013	2012
AFS financial assets	**₱8,919,764,353**	₱9,626,111,111
Loans and receivables - net	**1,584,309,344**	1,325,894,362
	₱10,504,073,697	₱10,952,005,473

The assets included in each of the categories above are detailed below.

a) *AFS financial assets*

	2013	2012
Quoted securities - at fair value		
Listed equity securities (Note 28):		
Common shares	**₱6,022,723,085**	₱6,320,666,240
Preferred shares	**28,692,440**	60,981,155
Government debt securities:		
Local currency	**880,790,158**	874,413,212
Foreign currency	**34,195,339**	32,968,440
Private debt securities (Note 28)	**1,654,823,695**	2,129,269,696
	8,621,224,717	9,418,298,743
Non-quoted securities - at cost		
Unlisted equity securities:		
Common shares	**97,600,744**	110,670,742
Preferred shares	**17,540**	17,540
	97,618,284	110,688,282
Funds	**200,921,352**	97,124,086
	₱8,919,764,353	₱9,626,111,111

In accordance with the provisions of the Code, government securities amounting to ₱232.38 million and ₱213.38 million are deposited with the Insurance Commission (IC) as security for the benefit of policyholders and creditors of the Group as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the Group has certain investments in debt securities with embedded call option feature which allows the issuers to redeem, on specified dates, the securities at face amount. Based on the Group's assessment, the embedded call options identified are clearly and closely related to the host contracts and therefore do not require bifurcation.

As of December 31, 2013 and 2012, allowance for impairment loss recognized on AFS investments amounted to ₱9.96 million and ₱2.18 million in 2013 and 2012, respectively.

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

	2013	2012
Balance at beginning of year	**₱9,626,111,111**	₱8,057,111,728
Acquisitions	**1,486,107,000**	1,355,272,382
Unrealized foreign currency exchange gain (loss)	**180,798,690**	(120,934,191)
Fair value changes	**(604,983,203)**	1,973,019,550
Disposals and maturities	**(1,755,214,244)**	(1,630,089,921)
Amortization of premium	**(13,055,001)**	(8,268,437)
Balance at end of year	**₱8,919,764,353**	₱9,626,111,111

As of December 31, 2013 and 2012, the revaluation reserve on AFS financial assets amounted to ₱4.06 billion and ₱4.71 billion, respectively.

The rollforward analysis of the revaluation reserve on AFS financial assets follow:

	2013	2012
Balance at beginning of year	**₱4,711,038,009**	₱2,968,830,862
Fair value gain (loss) credited to equity	**(604,983,203)**	1,973,019,550
Impairment loss (Note 20)	**9,963,296**	2,181,316
Realized gain transferred to profit or loss (Note 20)	**(84,600,726)**	(205,181,810)
Tax effect of net fair value gain (Note 24)	**25,434,519**	(27,811,909)
	₱4,056,851,895	₱4,711,038,009
Attributable to:		
Equity holders of the Parent Company	**₱3,876,703,702**	₱4,512,298,509
Non-controlling interests	**180,148,193**	198,739,500
	₱4,056,851,895	₱4,711,038,009

b) *Loans and receivables* - net

This account consists of:

	2013	2012
Long-term commercial papers (Note 28)	**₱1,094,933,008**	₱746,635,665
Notes receivable	**393,260,119**	502,808,217
Creditable withholding tax	**62,677,478**	62,677,478
Accounts receivable	**27,606,510**	4,502,814
Claims recoverable	**6,500,000**	11,770,886
Miscellaneous receivable	**1,405,009**	–
Cash advances	**837,047**	859,934
Due from related parties (Note 28)	**450,805**	–
Security fund	**342,294**	342,294
	1,588,012,270	1,329,597,288
Less allowance for impairment losses	**3,702,926**	3,702,926
	₱1,584,309,344	₱1,325,894,362

Terms and Conditions
Long-term commercial papers pertain to the Group's investments in unquoted private debt securities and corporate notes with terms of 2 to 15 years and annual interest rates ranging from 3.25% to 9.33% in 2013 and from 5.25% to 9.33% in 2012. The Group has not recognized any impairment losses on these debt securities for the years ended December 31, 2013 and 2012.

The Group provides for the 50% of the cost of the car and motor plans extended to its managers and officers as part of their benefits. The employee's share is recorded as Notes receivable which is collected through salary deductions for a period of five (5) years with annual interest rates of 8.00% for car loans and 8.50% for motor loans. As of December 31, 2013 and 2012, notes receivable with carrying value of ₱1.70 million was specifically determined as impaired and was fully provided with allowance. There were no additional impairment losses recognized in 2013.

The Group also granted advances to its related parties, MEI and Rizal Leasing and Finance Corporation (RLFC), by way of receipt of promissory notes from these related parties (see Note 28). These advances are unsecured with terms of 1 year and annual interest rates ranging from 4% to 7.5% in 2013 and from 5% to 7.5% in 2012. The Group has not recognized any impairment losses on these notes receivables for the years ended December 31, 2013 and 2012.

Creditable withholding tax for years 2009 and 2010 were filed for refund by the Group to the BIR.

The allowance for impairment losses on loans and receivable had been determined as follows:

	2012		
	Accounts Receivable	Notes Receivable	Total
Balance at beginning / end of year	₱2,005,675	₱1,697,251	₱3,702,926
Individually impaired	₱2,005,675	₱1,697,251	₱3,702,926

As of December 31, 2013 and 2012, accounts and notes receivable with carrying value of ₱3.70 million was specifically determined as impaired and was fully provided with allowance. There were no additional impairment losses recognized in 2013.

8. **Accrued Income**

This account consists of:

	2013	2012
Accrued interest income on (Note 28):		
AFS financial assets	**₱37,781,439**	₱33,956,819
Long-term commercial papers	**8,476,325**	6,052,261
Notes receivables	**717,528**	942,778
Security fund	**136,293**	123,936
Funds held by ceding companies - treaty	**85,299**	178,549
Cash and cash equivalents	**38,804**	770,758
Short-term investments	**21,552**	11,429
Long-term investments	–	–
Accrued rent income	**4,148,291**	4,298,968
Accrued dividend income	**2,578,631**	2,919,131
	₱53,984,162	₱49,254,629

Terms and Conditions

Accrued interest income from AFS financial assets are unsecured, bear interest ranging from 1.25% to 12.38% and are settled in cash within one (1) to six (6) months. Accrued interest income from long term commercial papers are unsecured, interest ranging from 3.25% to 9.33% and settlement occurs in cash within 1 to 6 months.

Accrued rent income pertains to rent income from The Malayan Plaza Condominium classified as real estate properties for sale and rent income from land and building classified as investment properties (see Notes 11 and 13).

9. **Deferred Acquisition Costs** - net

The details of deferred acquisition costs net of deferred reinsurance commissions follow:

	2013	2012
Deferred acquisition costs		
Balance at beginning of year	**₱337,840,897**	₱272,708,433
Cost deferred during the year (Note 28)	**1,020,117,766**	933,332,899
Amortized during the year	**(946,042,308)**	(868,200,435)
Balance at end of year	**411,916,355**	337,840,897
Deferred reinsurance commissions		
Balance at beginning of year	**113,290,719**	113,367,069
Income deferred during the year (Note 28)	**371,424,683**	252,520,327
Amortized during the year	**(288,098,800)**	(252,596,677)
Balance at end of year	**196,616,602**	113,290,719
	₱215,299,753	₱224,550,178

10. **Reinsurance Assets**

This account consists of:

	2013	2012
Deferred reinsurance premiums (Note 14)	**₱2,341,514,506**	₱1,596,767,471
Reinsurance recoverable on unpaid losses (Note 14)	**6,996,710,092**	3,716,385,247
	₱9,338,224,598	₱5,313,152,718

11. **Investment Properties** - net

The rollforward analysis of this account follows:

	2013			
	Land	**Buildings**	**Construction in-Progress**	**Total**
Cost				
At beginning of year	**₱29,023,039**	**₱12,691,826**	**₱78,194,608**	**₱119,909,473**
Additions	**–**	**–**	**11,411,830**	**11,411,830**
Disposals	**(2,326,2778)**		**(98,606,438)**	**(91,932,716)**
	26,696,761	**12,691,826**	**–**	**39,388,587**
Accumulated depreciation and amortization				
At beginning of year	**–**	**11,008,383**	**–**	**11,008,383**
Depreciation (Note 22)	**–**	**106,737**	**–**	**106,737**
At end of year	**–**	**11,115,120**	**–**	**11,115,120**
Net book value	**₱26,696,761**	**₱1,576,706**	**₱–**	**₱28,273,467**

	2012			
	Land	Buildings	Construction in-Progress	Total
Cost				
beginning of year	₱29,023,039	₱12,691,827	₱57,653,314	₱99,368,180
Additions	–	–	20,541,294	20,541,294
At end of year	29,023,039	12,691,827	78,194,608	119,909,474
Accumulated depreciation and amortization				
At beginning of year	–	10,900,793	–	10,900,793
Depreciation (Note 22)	–	107,591	–	107,591
At end of year	–	11,008,384	–	11,008,384
Net book value	₱29,023,039	₱1,683,443	₱78,194,608	₱108,901,090

Rental income from investment properties recognized in the consolidated statement of income amounted to ₱27.66 million and ₱24.32 million in 2013 and 2012, respectively (see Note 20). Direct operating expenses arising from investment properties amounted to₱9.38 million and ₱7.05 million in 2013 and 2012, respectively (see Note 23).

On October 1, 2009, the Parent Company, RCBC Savings Bank, Inc. (RSB), Rizal Commercial Banking Corporation (RCBC), Bankard Inc., Great Pacific Life Assurance Corporation (Grepalife) and Hexagonland Corporation signed a Joint Venture Agreement for the construction and development of a twenty seven (27)-storey, high-rise mixed used commercial/office building to be known as the "RCBC Savings Bank Building Project".

The total construction period is estimated at thirty-nine (39) months and the total cost is estimated at ₱2.20 billion, of which the Parent Company shall contribute 4.47% in cash contributions.

On October 2, 2012, the Parent Company, RSB, RCBC, Bankard, Inc. and Grepalife executed a Memorandum of Understanding (MOU) agreeing in principle to cancel or revoke the JVA, subject to the approval of the Bangko Sentral ng Pilipinas (BSP). In the said MOU, RCBC was allowed to continue the construction and completion of the Building Project by purchasing the land from RSB and returning the cash contributions of RSB, Bankard, Inc. and the Parent Company.

On March 13, 2013, through Monetary Board (MB) Resolution No. 405 dated March 7, 2013, the BSP confirmed the acquisition of RCBC of the land contributed by RSB, as well as the rights and interests of the Parent Company, RSB, Bankard, Inc. and Grepalife to the Building Project.

On April 11, 2013, the Parent Company received its share in contribution to RSB Building Project amounting to ₱89.6 million with interest amounting to ₱7.69 million.

Buildings with book value of ₱1.58 million and ₱1.68 million have fair value amounting to ₱3.36 million and ₱3.34 million as of December 31, 2013 and 2012, respectively. Parcels of land with book value of ₱26.70 million and ₱29.02 million have fair value amounting to ₱53.99 million and ₱52.89 million as of December 31, 2013 and 2012, respectively. The fair values of the investment properties were determined by independent professionally qualified appraisers.

The fair value of the land and buildings were arrived at using the Market Data Approach. In this approach, the value of the land and buildings are based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The Group's highest and best use is consistent with its current use.

Depreciation expense pertaining to investment properties amounted to ₱0.11 million in 2013 and 2012 (see Note 22).

12. **Property and Equipment** - net

The rollforward analysis of this account as of December 31, 2013 and 2012 follows:

	2013					
	Land	Building, Building Equipment and Improvements	Office Furniture, Fixtures and Equipment	transportation Equipment	Leasehold Improvements	Total
Cost						
At beginning of year	**₱1,013,187**	**₱207,739,594**	**₱351,740,043**	**₱63,113,579**	**₱59,737,437**	**₱683,343,840**
Additions	**–**	**3,962,811**	**48,172,920**	**6,820,426**	**342,950**	**59,299,107**
Transfer (Note 13)	**–**	**–**	**87,424,188**	**–**	**–**	**87,424,188**
Disposals	**–**	**–**	**(70,275)**	**(4,507,033)**	**–**	**(4,577,308)**
At end of year	**1,013,187**	**211,702,405**	**487,266,876**	**65,426,972**	**60,080,387**	**825,489,827**
Accumulated depreciation and amortization						
At beginning of year	**–**	**66,449,204**	**303,484,493**	**43,610,936**	**39,478,806**	**453,023,439**
Depreciation and amortization (Note 22)	**–**	**8,534,199**	**42,219,283**	**4,571,116**	**6,544,201**	**61,868,799**
Transfer (Note 13)	**–**	**–**	**19,342,688**	**–**	**–**	**19,342,688**
Disposals	**–**	**–**	**(53,418)**	**(4,136,727)**	**–**	**(4,190,145)**
At end of year	**–**	**74,983,403**	**364,993,046**	**44,045,325**	**46,023,007**	**530,044,781**
Net book value	**₱1,013,187**	**₱136,719,002**	**₱122,273,830**	**₱21,381,647**	**₱14,057,380**	**₱295,445,046**

	2012					
	Land	Building, Building Equipment and Improvements	Office Furniture, Fixtures and Equipment	transportation Equipment	Leasehold Improvements	Total
Cost						
At beginning of year	₱1,013,187	₱202,484,560	₱334,962,225	₱57,930,876	₱55,314,276	₱651,705,124
Additions	–	5,291,394	16,807,843	8,637,080	4,423,161	35,159,478
Disposals	–	–	(66,382)	(3,454,377)	–	(3,520,759)
At end of year	1,013,187	207,775,954	351,703,686	63,113,579	59,737,437	683,343,843
Accumulated depreciation and amortization						
At beginning of year	–	57,404,747	276,535,701	40,398,354	33,166,569	407,505,371
Depreciation and amortization (Note 22)	–	9,070,460	26,985,992	6,516,410	6,312,237	48,885,099
Disposals	–	–	(63,200)	(3,303,828)	–	(3,367,028)
At end of year	–	66,475,207	303,458,493	43,610,936	39,478,806	453,023,442
Net book value	₱1,013,187	₱141,300,747	₱48,245,193	₱19,502,643	₱20,258,631	₱230,320,401

In 2013, the Group transferred its computer software under "Other Assets" account to "Property and Equipment" account as a result of the change in its system from AS400 to PolisyAsia
(see Note 30).

Depreciation and amortization expense charged against operations amounted to ₱61.87 million and ₱48.89 million 2013 and 2012, respectively (see Note 22).

13. **Other Assets** - net

This account consists of:

	2013	2012
Creditable withholding taxes	**₱231,459,227**	₱181,371,240
Real estate properties for sale - at cost	**92,454,300**	93,019,300
Refundable deposits	**22,782,240**	27,866,924
Forms and supplies inventory	**9,478,417**	4,953,315
Prepayments	**5,729,294**	5,216,931
Computer software - net	**302,376**	64,910,065
Others	**24,882,847**	30,208,403
	₱387,088,701	₱407,546,178

Creditable withholding tax pertains to the Group's tax withheld at source by its customers and is creditable against the income tax liability of the Group.

Refundable deposits pertains to rent deposit to RCBC and deposit to GSIS for the bid property and engineering risk excess of loss treaty

Real estate properties for sale consist of investments in Malayan Plaza condominium units and memorial lots. As of December 31, 2013 and 2012, amounts of the real estate properties for sale follow:

	2013	2012
Malayan Plaza condominium units	**₱83,294,300**	₱83,294,300
Memorial lots	**9,160,000**	9,725,000
	₱92,454,300	₱93,019,300

Cost of real estate properties disposed in 2013 and 2012 amounted to ₱0.57 million and ₱2.13 million, respectively.

The rollforward analysis of the computer software account follows:

	2013	2012
Cost		
At the beginning of the year	**₱84,254,753**	₱78,716,962
Additions	**1,765,290**	5,535,791
Transfers (Note 12)	**(85,717,667)**	–
At the end of the year	**302,376**	84,252,753
Accumulated amortization		
At the beginning of the year	**19,342,688**	14,220,221
Depreciation (Note 22)	–	5,122,467
Transfers (Note 12)	**(19,342,688)**	–
At the end of the year	–	19,342,688
Net book value	**₱302,376**	₱64,910,065

Others pertain to documentary stamp tax inventory, input VAT, deferred input VAT and the Group's share in its employees' car and motor plans.

14. **Insurance Contract Liabilities and Reinsurance Assets**

Short-term insurance contract liabilities and reinsurers' share of liabilities may be analyzed as follows:

	2013			2012		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (see Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 10)	Net
Provision for claims reported and loss adjustment	**₱8,699,731,956**	**₱ 6,996,710,092**	**₱1,703,021,864**	₱5,412,934,833	₱3,716,385,247	₱1,696,549,586
Provision for IBNR losses	**94,805,857**	**–**	**94,805,857**	83,520,020	–	83,520,020
Total claims reported and IBNR	**8,794,537,813**	**6,996,710,092**	**1,797,827,721**	5,496,454,853	3,716,385,247	1,780,069,606
Provision for unearned premiums	**3,693,485,468**	**2,341,514,506**	**1,351,970,962**	3,041,799,037	1,596,767,471	1,445,031,566
Total insurance contract liabilities	**₱12,488,023,281**	**₱9,338,224,598**	**₱3,149,798,683**	₱8,538,253,890	₱5,313,152,718	₱3,225,101,172

Provisions for claims reported by policyholders and claims IBNR may be analyzed as follows:

	2013			2012		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (see Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 10)	Net
Balance at beginning of year	**₱5,496,454,853**	**₱3,716,385,247**	**₱1,780,069,606**	₱4,175,568,933	₱2,391,297,070	₱1,784,271,863
Claims incurred during the year	**6,288,887,799**	**4,820,586,756**	**1,468,301,043**	3,675,418,493	2,039,184,289	1,636,234,204
Increase in IBNR	**11,285,837**	**–**	**11,285,837**	641,162	–	641,162
Total claims reported and claims IBNR	**11,796,628,489**	**8,536,972,003**	**3,259,656,486**	7,851,628,588	4,430,481,359	3,421,147,229
Claims paid during the year (Note 21)	**(3,002,090,676)**	**(1,540,261,911)**	**(1,461,828,765)**	(2,355,173,735)	(714,096,112)	(1,641,077,623)
Balance at end of year	**₱8,794,537,813**	**₱6,996,710,092**	**₱1,797,827,721**	₱5,496,454,853	₱3,716,385,247	₱1,780,069,606

Provision for unearned premiums may be analyzed as follows:

	2013			2012		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (see Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 10)	Net
Balance at beginning of year	**₱3,041,799,037**	**₱1,596,767,471**	**₱1,445,031,566**	₱2,677,505,854	₱1,411,396,673	₱1,266,109,181
New policies written during the year (Note 19)	**7,586,161,302**	**5,245,501,360**	**2,340,659,942**	6,920,742,659	4,114,570,931	2,806,171,728
Premiums earned during the year (Note 19)	**(6,934,474,871)**	**(4,500,754,325)**	**(2,433,720,546)**	(6,556,449,476)	(3,929,200,133)	(2,627,249,343)
Balance at end of year	**₱3,693,485,468**	**₱2,341,514,506**	**₱1,351,970,962**	₱3,041,799,037	₱1,596,767,471	₱1,445,031,566

15. **Insurance Payables**

This account consists of:

	2013	2012
Due to reinsurers (Note 28)	**₱2,366,935,153**	₱1,771,491,431
Funds held for reinsurers (Note 28)	**1,376,106,979**	572,759,901
	₱3,743,042,132	₱2,344,251,332

Terms and Conditions
Due to reinsurers are unsecured, interest-free and are normally settled in cash within one (1) year. Funds held for reinsurers bear interests ranging from 1.00% to 4.00% per annum.

The rollforward analysis of insurance payables follows:

	Due to reinsurers	Funds held for reinsurers	Total
At January 1, 2012	₱1,095,809,972	₱523,707,674	₱1,619,517,646
Arising during the year	3,553,514,598	184,942,564	3,738,466,644
Paid during the year	(2,877,833,139)	(135,890,337)	(3,013,723,476)
At December 31, 2012	1,771,491,431	572,759,901	2,344,251,332
Arising during the year	**1,752,830,299**	**915,056,902**	**2,667,887,201**
Paid during the year	(**1,157,386,577**)	(**111,709,824**)	(**1,269,105,883**)
At December 31, 2013	**₱2,366,935,153**	**₱1,376,106,979**	**₱3,743,042,132**

16. **Accounts Payable, Accrued Expenses and Other Liabilities**

This account consists of:

	2013	2012
Accounts payable	**₱699,676,294**	₱357,450,316
Commissions payable	**304,824,160**	242,197,471
Deferred output value-added tax (VAT)	**220,880,003**	144,510,035
Accrued taxes	**138,919,639**	71,605,032
Documentary stamp taxes payable	**126,625,122**	99,875,124
Accrued expenses	**104,078,232**	104,831,920
Surety deposits	**32,455,278**	34,290,301
Output VAT	**28,117,240**	15,539,222
Deposits payable	**4,133,104**	13,510,198
Due to related parties (Note 28)	–	7,202,734
Others	**5,858,518**	7,740,924
	₱1,665,567,590	₱1,098,753,277

All accounts payable and accrued expenses are due within one year.

Accounts payable pertain to unpaid purchases of goods and services from suppliers.

Commissions payable are unpaid commissions on the Group's direct business, payable to agents and brokers which are due upon collection of the related premiums receivables.

Accrued taxes includes tax withheld, fringe benefit tax, local government tax, fire service tax and premiums tax.

Accrued expenses pertain to accrual of monthly expenditures of the Group. This includes expenses for utilities, allocated common expenses for the use of Y Tower 1 and 2 and other expenses that are necessary to carry out the operations of the Group.

17. **Pension**

The Group has a defined benefit plan, covering substantially all of its employees, which requires contribution to be made to administered funds. The plan is administered by a local bank as trustee. The Group's trustee bank is RCBC. The transactions of the fund are being approved by the President of the Group.

The following tables summarize the components of net pension benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the retirement plan.

The net pension benefit expense recognized in the consolidated statements of income, under employee benefits (see Note 22), follows:

	2013	2012 (As restated - Note 2)
Current service cost	**₱33,022,368**	₱28,604,225
Net interest cost	**7,444,462**	9,655,052
Net benefit expense	**₱40,466,830**	₱38,259,277
Actual return on plan assets	**₱2,548,794**	₱22,238,812

The remeasurement effects recognized in the consolidated statements of comprehensive income follows:

	2013	2012
Actuarial loss	**₱33,879,758**	₱7,868,836
Return on assets (excluding amount included in net interest cost)	**9,208,010**	(12,505,707)
Total amount recognized in OCI	**₱43,087,768**	(₱4,636,871)

The net pension obligation recognized in the consolidated statements of financial position follows:

	2013	2012 (As restated - Note 2)
Present value of pension benefit obligation	**₱416,822,615**	₱371,742,646
Fair value of plan assets	**(227,759,853)**	(227,655,286)
	₱189,062,762	₱144,087,360

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

	2013	2012
Balance at beginning of year	**₱371,742,646**	₱343,382,445
Current service cost	**33,022,368**	28,604,225
Interest cost	**19,201,266**	19,388,157
Actuarial loss recognized in OCI	**33,879,758**	7,868,836
Present value of obligation of transferred employees from Go! Travel, LEX Services, Inc. and MEI	**445,805**	58,300
Present value of obligation of transferred employee to MEI	–	(7,513,467)
Benefits paid	**(41,469,228)**	(20,045,850)
	₱416,822,615	₱371,742,646

The reconciliation of the fair value of the plan assets follows:

	2013	2012 (As restated - Note 2)
Balance at beginning of year	**₱227,655,286**	₱188,616,897
Interest income	**11,756,804**	9,733,105
Contributions by employer	**39,025,001**	36,845,427
Actuarial gain (loss)	**(9,208,010)**	12,505,707
Benefits paid	**(41,469,228)**	(20,045,850)
Balance at end of year	**₱227,759,853**	₱227,655,286

The Group expects to contribute ₱45.80 million to the retirement fund in 2014.

The distribution of the plan assets as of December 31, 2013 and 2012 follows:

	2013	2012
Cash	**₱41,141,113**	₱35,089,650
Receivables	**7,010,207**	7,965,588
Investments:		
Equity securities	**86,298,171**	91,858,626
Government securities	**31,156,566**	57,707,236
Other securities and debt instruments	**62,843,431**	36,840,720
Others	–	11,632
	228,449,488	229,473,452
Less accrued trust fees and other payables	**689,635**	1,818,166
	₱227,759,853	₱227,655,286

The following presents the transactions of the Group's retirement fund with related parties:

Category	2013 Balance	2012 Balance	Terms	Conditions
Other related parties				
Savings deposits - RCBC	**₱1694**	₱8,298	Non-interest bearing; on demand	Unsecured; no impairment
Time deposits - RCBC	–	4,361,387	–	Unsecured; no impairment
Common stocks - RCBC	**11,191,185**	15,799,320	–	Unsecured: no impairment
Common stocks - HI	**2,429,049**	2,472,285	–	Unsecured: no impairment
Common stocks - FMLC	**2,547,990**	2,547,990	–	Unsecured: no impairment
Corporate bonds - RCBC	**14,805,715**	12,504,488	Interest rates at 0% to 3.25%: terms of 3.5 to 5.5 years	Unsecured; no impairment

The principal actuarial assumptions used in determining plan assets and obligations are as follows:

	2013	2012
Salary increase rate	**5.00%**	5.00% to 7.00%
Discount rate	**4.48% - 4.68%**	5.16% to 5.31%

The amounts for the current and the previous periods follows:

	2013	2012	2011	2010	2009
Present value of pension benefit obligation	**₱416,822,615**	₱371,742,646	₱343,382,445	₱303,924,481	₱262,467,386
Fair value of plan assets	**227,759,853**	(227,655,286)	(188,616,897)	(182,443,650)	(170,861,518)
Deficit	**₱189,062,762**	₱144,087,360	₱154,765,548	₱121,480,831	₱91,605,868

Experience adjustment follows:

	2013	2012	2011	2010	2009
Experience adjustments on plan liabilities - loss (gain)	**(₱10,054,657)**	(₱1,612,134)	₱16,842,946	₱3,637,578	(₱4,713,098)
Experience adjustments on plan assets - gain (loss)	**(₱9,268,020)**	₱12,807,967	(₱5,990,058)	(₱2,316,776)	₱12,779,682

Sensitivities
The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Percentage change
Discount rate	+0.5%	₱389,764,941	(6.49%)
	–0.5%	419,518,690	0.65%
Salary increase rate	+1.0%	₱439,288,689	5.39%
	–1.0%	(383,059,767)	(8.10%)

The average future working years of service is 19 to 23 years.

The maturity analysis of the undiscounted benefit payments as of December 31, 2013 based on normal retirements (retirement age of 60 only) is as follows:

Year of Retirement	No. of Retirees	Total Benefit
2014	8	₱27,796,441
2015	4	17,943,890
2016	4	18,193,132
2017	2	7,809,653
2018	12	31,834,843
After 2018	557	3,076,695,093

18. Cash Dividends and Other Revaluation Reserve

Cash Dividends
On August 9, 2012, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱100 million or ₱11.83 per share out of the unappropriated retained earnings of the Parent Company as of December 31, 2011 in favor of the stockholders of record as of August 9, 2012. Dividends were paid on November 29, 2012.

The Parent Company will declare cash dividends to its stockholders in 2014.

Other Revaluation Reserve
On April 10, 2008, the Parent Company's BOD and stockholders approved the articles of merger and plan of merger between TMMIC and the Parent Company. TMMIC is a 50-50 joint venture company owned by the Parent Company and Tokio Marine Asia Pte., Ltd. (Tokio Marine). On July 2, 2008, the SEC approved the articles and plan of merger. The effects of the merger were reckoned from January 1, 2008. The merger was accounted for as a business combination in accordance with PFRS 3. TMMIC and the Parent Company became a single corporation, with the Parent Company as the surviving corporation. TMMIC ceased to exist and its legal personality was terminated. As at the date of acquisition, the identifiable assets and liabilities of TMMIC have been measured at fair value resulting in a difference of ₱46,933,294 against its carrying values. The difference between the carrying value and fair value pertains mainly to the increase in the appraised value of the building. The Parent Company recorded the appraisal increase amounting to ₱23,466,647 pertaining to its previously held interest as "Other revaluation reserve" in the equity section of the consolidated statement of financial position.

The Parent Company is subject to the regulatory requirements of the Insurance Commission such as Margin of Solvency, Fixed Capitalization Requirements and Risk-based Capital Requirements (see Note 26).

19. Net Premiums Earned

Gross premiums earned and reinsurers' share of gross premiums earned consists of the following:

	2013	2012
Gross premiums written		
Direct	**₱5,142,691,461**	₱4,987,310,524
Assumed (Note 28)	**2,443,469,841**	1,933,432,135
Total gross premiums on insurance contracts (see Note 14)	**7,586,161,302**	6,920,742,659
Gross change in provision for unearned premiums	**(651,686,431)**	(364,293,183)
Gross premiums earned (see Note 14)	**6,934,474,871**	6,556,449,476
Reinsurers' share of gross premiums written		
Direct insurance	**3,690,231,660**	3,175,745,857
Assumed reinsurance (Note 28)	**1,555,269,700**	938,825,074
Total reinsurers' share of gross premiums on insurance contracts (see Note 14)	**5,245,501,360**	4,114,570,931
Reinsurers' share of gross change in provision for unearned premiums	**(744,747,035)**	(185,370,798)
Reinsurers' share of gross premiums earned on insurance contacts (see Note 14)	**4,500,754,325**	3,929,200,133
Net premiums earned	**₱2,433,720,546**	₱2,627,249,343

20. Investment and Other Income and Investment and Other Expense

Investment and other income

This account consists of:

	2013	2012
Dividend income (Note 28)	**₱247,818,277**	₱245,167,123
Interest income (Note 28):		
AFS financial assets	**175,038,751**	178,204,706
Long-term commercial papers	**54,780,166**	36,233,698
Cash and cash equivalents	**26,553,539**	32,137,234
Notes receivables	**22,893,029**	25,802,254
Funds held by ceding companies	**1,154,306**	1,664,508
Short-term investments (Note 5)	**130,072**	573,374
Others	**11,531,568**	525,538
Gain on sale of:		
AFS financial assets (Note 7)	**84,178,240**	203,308,800
Investment Property (Note 11)	**3,077,475**	
Real estate for sale	**2,397,054**	4,647,144
Long-term commercial paper	**1,782,814**	–
Property and equipment (Note 12)	**557,702**	220,593
Rental income (Note 11)	**27,660,986**	24,319,430
Foreign currency exchange gains - net	**119,395,794**	–
Others	**4,647,887**	18,986,280
	₱783,597,660	₱771,790,682

Investment and other expense

This account consists of the following:

	2013	2012
Foreign exchange losses - net	**₱–**	₱106,845,032
Investment expense	**11,792,536**	17,655,667
Impairment loss on financial assets (Note 7)	**9,963,296**	2,181,316
Loss on Sale of AFS	**199,532**	–
	₱21,955,364	₱126,682,015

As of December 31, 2013 and 2012, the foreign exchange gain from non-deliverable foreign exchange forward contracts entered into by the Parent Company to hedge its exposure on foreign currency risk amounted to ₱69.57 million and ₱71.14 million, respectively. In 2013 and 2012, the weighted average rate of exchange rate of these forward currency contracts are ₱42.16 and ₱43.69, respectively.

The unrealized foreign exchange loss as of December 31, 2013 and 2012 amounted to ₱209.57 million and ₱141.22 million, respectively.

21. Insurance Contract Benefits and Claims Paid

Gross insurance contract benefits and claims paid consist of:

	2013	2012
Gross insurance contract benefits and claims paid:		
Direct insurance	**₱2,189,140,933**	₱1,473,112,488
Assumed reinsurance	**812,949,743**	882,061,247
Total gross insurance contract benefits and claims paid (see Note 14)	**₱3,002,090,676**	₱2,355,173,735

Reinsurers' share of gross insurance contract benefits and claims paid consist of:

	2013	2012
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	**₱1,362,061,209**	₱609,943,714
Assumed reinsurance	**178,200,702**	104,152,398
Total reinsurers' share of gross insurance contract benefits and claims paid (see Note 14)	**₱1,540,261,911**	₱714,096,112

Gross change in insurance contract liabilities consist of:

	2013	2012
Change in provision for claims reported:		
Direct insurance	**₱2,053,857,711**	₱1,056,058,090
Assumed reinsurance	**1,232,939,412**	264,186,668
Change in provision for IBNR	**11,285,837**	641,162
Total gross change in insurance contract liabilities (see Note 14)	**₱3,298,082,960**	₱1,320,885,920

Reinsurers' shares of gross change in insurance contract liabilities consist of:

	2013	2012
Reinsurers' share of gross insurance contract liabilities:		
Direct insurance	**₱1,914,785,102**	₱1,316,467,599
Assumed reinsurance	**1,365,539,743**	8,620,578
Total reinsurers' share of gross change in insurance contract liabilities (see Note 14)	**₱3,280,324,845**	₱1,325,088,177

22. General and Administrative Expenses

This account consists of:

	2013	2012 (As restated - Note 2)
Salaries, wages and allowances (Note 28)	**₱359,956,149**	₱322,063,976
Employee benefits (Note 17)	**84,586,325**	85,835,459
Depreciation and amortization (Notes 11, 12 and 13)	**61,975,537**	54,115,157
Rent, light and water (Notes 23 and 28)	**53,249,521**	54,128,317
Professional fees	**46,059,668**	42,108,459
Transportation and travel	**45,575,827**	47,333,600
Provisions for impairment loss - net of reversals (Note 6)	**37,045,431**	66,032,188
Advertising and promotions	**36,666,970**	33,162,652
Postage, telephone and cable	**33,779,572**	30,223,250
Printing and office supplies	**23,667,082**	25,782,855
Entertainment, amusement and recreation	**22,385,492**	22,678,842
Repairs and maintenance	**12,439,614**	14,958,236
Business development	**9,051,457**	7,318,315
Management fees (Note 28)	**7,500,000**	7,500,000
Bank charges	**4,515,116**	3,360,676
Taxes, licenses and fees	**3,705,959**	10,020,445
Membership and association dues	**3,622,036**	7,110,992
Donations and contributions	**1,215,784**	1,211,653
Insurance	**922,227**	572,119
Others	**28,010,773**	17,112,620
	₱875,930,540	₱852,629,811

23. Leases

Operating leases - Group as lessor
The Group entered into various lease agreements for its office spaces. These leases generally have terms of one year, renewable every year.

Operating leases - Group as lessee
The Group entered into various property leases with various lessors for office space of its head office and local and provincial branches. These leases generally have terms of one year, renewable every year.

24. Income Tax

The benefit from income tax consists of:

	2013	2012 (As restated - Note 2)
Final	**₱27,861,358**	₱26,117,302
Current	**7,441,100**	6,892,805
Deferred	**(1,189,579)**	(4,149,007)
	₱34,112,879	₱28,861,100

The Group's net deferred tax assets consist of:

	2013	2012 (As restated - Note 2)
Deferred tax assets:		
Excess of provision for unearned premiums per books over tax basis	**₱820,235,548**	₱576,852,481
Excess of deferred reinsurance premiums per books over tax basis	**407,408**	–
Allowance for impairment losses	**46,742,722**	37,742,722
Deferred reinsurance commissions	**58,984,980**	33,987,216
Unamortized past service costs	**20,368,113**	17,356,369
Pension obligation	**5,269,659**	4,579,330
Unrealized foreign exchange losses	–	6,215,762
NOLCO	**6,703,731**	1,902,943
Provision for IBNR losses	**28,433,622**	–
Accrual for short-term benefits	**4,192,766**	–
	991,338,549	678,636,823
Deferred tax liabilities:		
Deferred reinsurance premiums	**(701,502,462)**	(477,979,289)
Deferred acquisition costs	**(123,574,906)**	(101,352,269)
Excess of provision for unearned premiums per tax over books basis	**(4,080,445)**	(1,054,129)
Unrealized foreign exchange gains - net	**(62,871,123)**	(131,102)
	(892,028,936)	(580,516,789)
Deferred tax asset through equity:		
Remeasurement loss on defined benefit obligation	**53,809,759**	40,883,429
Deferred tax liability through equity:		
Net unrealized gain on AFS financial assets	**(34,343,746)**	(59,778,265)
	₱118,775,626	₱79,225,198

Movements in net deferred tax assets comprise of:

	2013	2012 (As restated)
At beginning of the year	**₱79,225,198**	₱104,277,230
Amounts credited to (charged against) statements of income	**1,189,579**	4,149,007
Amount credited to (charged against) statements of comprehensive income	**38,360849**	(29,201,039)
At end of the year	**₱118,775,626**	₱79,225,198

As of December 31, 2013 and 2012, the Group did not recognize the deferred income tax assets on the following deductible temporary differences, carryforward of unused tax credits from excess of MCIT over RCIT, and unused NOLCO:

	2013	2012
NOLCO	**₱930,515,369**	₱493,990,994
Accrued expenses	**82,213,461**	98,416,219
MCIT	**22,791,387**	26,847,123
Allowance for doubtful accounts	**5,676,064**	3,162,098
Provision for IBNR	**–**	83,492,905
Unamortized past service cost	**–**	12,434,793

The related tax benefits will be recognized only as reassessment demonstrates that they are realizable. Realization is entirely dependent upon future taxable income.

As of December 31, 2013, details of the NOLCO and MCIT, which is available for offset against future taxable income and future income tax liability, respectively, follows:

Inception Year	NOLCO	Tax Effect of NOLCO	MCIT	Expiration Year
2013	₱470,826,154	₱141,247,846	₱7,441,100	2016
2012	240,817,847	72,245,354	6,892,805	2015
2011	241,217,138	72,365,142	8,457,482	2014
	₱952,861,139	₱285,858,342	₱22,791,387	

The following are the movements in NOLCO:

	2013	2012
Balance at beginning of year	**₱500,334,137**	₱364,857,127
Addition	**470,826,154**	240,817,847
Expiration	**(18,299,152)**	(21,549,579)
Applied	**–**	(83,791,258)
Balance at end of year	**₱952,861,139**	₱500,334,137

The following are the movements in MCIT:

	2013	2012
Balance at beginning of year	**₱26,847,123**	₱26,657,568
Addition	**7,441,100**	6,892,805
Expiration	**(11,496,836)**	(6,703,250)
Balance at end of year	**₱22,791,387**	₱26,847,123

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to benefit from income tax shown in the consolidated statements of income follows:

	2013	2012
At statutory income tax rate	**₱26,579,583**	₱22,600,126
Adjustments for:		
Change in unrecognized deferred tax assets	**98,056,878**	112,033,163
Nondeductible expenses	**12,925,188**	53,182,100
Dividend income	**(73,137,403)**	(73,071,567)
Interest income exempt or already subjected to final tax	**(28,277,743)**	(40,375,949)
Gain on sale of AFS financial assets	**(13,258,254)**	(52,202,173)
Nontaxable income	**(91,333)**	(7,850)
Expired MCIT	**11,315,963**	6,703,250
	₱34,112,879	₱28,861,100

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

The reconciliation of net income under PFRS to statutory net income of the Group follows:

	2013	2012 (As restated)
Net income under PFRS	**₱54,485,732**	₱46,472,653
Adjustments:		
Difference in change in provision for unearned premiums - net	**57,384,625**	130,521,167
Net pension benefit expense (income)	**(92,180)**	5,855,101
Deferred reinsurance commission	**14,744,152**	(6,803,399)
Deferred acquisition costs - net	**(2,918,673)**	(58,405,414)
Net adjustments to interest income	**–**	(2,771,605)
Eliminated dividend income	**58,675,000**	88,675,000
Others	**–**	17,272,691
Tax effect of adjustments	**(2,109,235)**	(20,899,108)
	₱180,169,421	₱199,917,086

26. Management of Capital, Insurance and Financial Risks

Governance Framework

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

Regulatory Framework

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

Capital Management and Regulatory Requirements

The Group 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 Risk-based Capital (RBC) Model.

The IC capital requirements are fixed capitalization requirements, RBC requirements, and unimpaired capital requirement.

The operations of the Group 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., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, RBC requirements).

No changes were made to its capital base, objectives, policies and processes from the previous year.

Fixed Capitalization Requirements

DO 27-06 provides for the capitalization requirements for life, nonlife, and reinsurance. Under this order, the minimum statutory net worth and minimum paid-up capital requirements vary depending on the level of the foreign ownership in the insurance company. The statutory net worth shall include the Group's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the IC. The minimum paid-up capital is pegged at 50% of the minimum statutory net worth.

On October 29, 2008, the IC issued Circular Letter No. 26-2008, which recalls that in view of the compliance of insurance companies with requirements of Insurance Memorandum Circular No. (IMC) 10-2006, the scheduled increases due December 31, 2007 have been deferred for a year. Hence, the IMC reiterates that by December 31, 2008, insurance companies should comply with the increase previously scheduled for December 31, 2007.

On June 1, 2012, the Department of Finance issued DO No. 15-2012 which provides for minimum paid up capital requirements of all insurance and professional reinsurance companies to supplement the requirements of DO No. 27-06 after December 31, 2012. Under the said DO, the minimum paid up capital requirements for all existing insurance and professional reinsurers regardless of its citizenship is going to be on a staggered basis for the years December 31, 2012 up to 2020. The DO also allows all existing insurance and professional reinsurance companies a one-time one-year deferral in the compliance to minimum paid up capital requirements provided it has met the RBC hurdle rate based on the schedule set out in the said DO.

The table below shows the amount of minimum paid-up capital and the schedule of compliance per DO No. 15-2012:

Paid up capital	Compliance date
₱250,000,000	On or before December 31, 2012 (Pursuant to DO 27-06 and IMC No. 10-2006)
400,000,000	On or before December 31, 2014
600,000,000	On or before December 31, 2016
800,000,000	On or before December 31, 2018
1,000,000,000	On or before December 31, 2020

On November 22, 2012, the IC issued an advisory to all insurance and reinsurance companies doing business in the Philippines regarding the implementation of DO No. 27-06. According to the advisory, the minimum paid-up capital for December 31, 2012 must at least be equal to the amount previously scheduled for December 31, 2011 per DO 27-06.

On December 11, 2012, DO No. 15-2012 was issued with a temporary restraining order. Accordingly, the minimum paid up capital requirement would be ₱250,000,000 by the end of 2012 as advised by the IC.

On August 5, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for 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 per New Insurance Code:

Networth	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

As of December 31, 2013 and 2012, the Parent Company's estimated statutory net worth amounted to ₱6,640,0686,717 and ₱6,679,310,153, respectively.

Insurance Risk
The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis with retention limits varying by product line and territory. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group principally issues the following types of general insurance contracts: fire, motorcar, personal accident, marine, engineering, bonds and miscellaneous casualty. The most significant risks arise from climate changes and natural disasters. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

To further reduce the risk exposure, the Group requires strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims.

The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group also has limited its exposure level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Group's risk appetite as decided by management.

The tables below set out the concentration of the claims liabilities by type of contract
(see Note 14).

		2013	
	Gross	**Reinsurers' Share**	**Net**
Fire	**₱5,496,189,874**	**₱4,829,797,405**	**₱666,392,469**
Miscellaneous casualty	**785,979,311**	**593,138,026**	**192,841,285**
Bonds	**741,651,018**	**594,497,563**	**147,153,455**
Engineering	**631,992,312**	**597,125,395**	**34,866,917**
Marine cargo	**487,419,825**	**363,473,603**	**123,946,222**
Motor	**460,379,205**	**18,664,134**	**441,715,071**
Others	**190,926,268**	**13,966**	**190,912,302**
	₱8,794,537,813	**₱6,996,710,092**	**₱1,797,827,721**

	2012		
	Gross	Reinsurers' Share	Net
Fire	₱3,242,383,100	₱2,371,584,942	₱870,798,158
Marine cargo	669,507,137	527,638,458	141,868,679
Miscellaneous casualty	598,315,703	432,763,554	165,552,149
Motor	362,106,573	14,737,785	347,368,788
Engineering	360,629,034	276,080,927	84,548,107
Bonds	203,718,828	93,571,794	110,147,034
Others	59,794,478	–	59,794,478
	₱5,496,454,853	₱3,716,377,460	₱1,780,077,393

The tables below set out the geographical concentration of the Group's claims liabilities based on the countries where the insurance business is written.

	2013		
	Gross	**Reinsurers' Share**	**Net**
Philippines	**₱8,666,181,908**	**₱6,996,710,092**	**₱1,659,828,613**
Greece	**128,355,905**	**–**	**128,355,905**
	₱8,794,537,813	**₱6,996,710,09**	**₱1,788,184,518**

	2012		
	Gross	Reinsurers' Share	Net
Philippines	₱5,381,333,471	₱3,716,377,460	₱1,664,956,011
Greece	115,121,382	–	115,121,382
	₱5,496,454,853	₱3,716,377,460	₱1,780,077,393

Key Assumptions

The principal assumption underlying the liability estimates is the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.

Sensitivities

The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting dates.

The table below shows the impact of changes in certain important assumptions in general insurance business while other assumptions remain unchanged. The correlation of assumptions will have a significant effect in determining the claims but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on individual basis.

	2013			
	Change in Assumptions %	**Impact on Gross Insurance Contract Liabilities Increase (Decrease)**	**Impact on Net Insurance Contract Liabilities Increase (Decrease)**	**Impact on Income Before Income Tax Increase (Decrease)**
Average claim costs	**+5%**	**₱181,974,065**	**₱53,699,039**	**(₱53,699,039)**
Average number of claims	**+5%**	**199,353,548**	**58,705,386**	**(58,705,386)**

		2012		
	Change in Assumptions %	Impact on Gross Insurance Contract Liabilities Increase (Decrease)	Impact on Net Insurance Contract Liabilities Increase (Decrease)	Impact on Income Before Income Tax Increase (Decrease)
Average claim costs	+5%	₱141,435,584	₱45,403,049	(₱45,403,049)
Average number of claims	+5%	142,020,012	45,396,696	(45,396,696)

Claims Development Table

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting dates, together with cumulative payments to date.

The Group aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Group transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The risks vary significantly in relation to the location of the risk insured by the Group, type of risks insured and in respect of commercial and business interruption insurance by industry. The uncertainty of the BAC's ultimate cost of claims is typically resolved within one year. The bonds claims payable amounting to ₱51.73 million and ₱13.26million as of December 31, 2013 and 2012, respectively is determined to be the BAC's ultimate cost of claims.

Gross insurance contract liabilities in 2013

Accident year	2005 and prior year	2006	2007	2008	2009	2010	2011	2012	2013	Total
Accident year	₱7,033,157,544	₱4,850,917,503	₱2,154,031,020	₱3,454,804,095	₱4,559,381,129	₱2,481,332,474	₱2,087,604,406	₱3,565,060,591	₱5,937,238,064	₱5,937,238,064
One year later	7,211,482,104	6,805,336,003	2,702,868,685	3,081,954,264	4,064,463,972	2,385,646,855	2,386,441,297	3,823,993,982	–	3,823,993,982
Two years later	7,270,837,804	6,141,362,933	3,309,288,417	3,045,807,229	4,123,594,783	2,339,681,943	2,326,813,122	–	–	2,326,813,122
Three years later	7,280,263,333	6,211,822,149	3,238,220,388	3,054,340,566	4,002,725,582	2,474,843,004	–	–	–	2,474,843,004
Four years later	7,321,310,337	6,109,296,498	3,218,225,235	3,050,278,500	4,001,655,258	–	–	–	–	4,001,655,258
Five years later	7,204,204,826	6,119,695,906	3,236,696,940	3,037,930,350	–	–	–	–	–	3,037,930,350
Six years later	7,194,462,945	6,115,761,614	3,238,968,330	–	–	–	–	–	–	3,238,968,330
Seven years later	7,151,552,079	6,115,339,530	–	–	–	–	–	–	–	6,115,339,530
Eight years later	7,138,741,362	–	–	–	–	–	–	–	–	7,138,741,362
Current estimate of cumulative claims	7,138,741,362	6,115,339,530	3,238,968,330	3,037,930,350	4,001,655,258	2,474,843,004	2,326,813,122	3,823,993,982	5,937,238,064	38,095,523,002
Cumulative payments to date	6,806,401,389	5,944,602,962	3,208,686,005	2,510,597,054	3,352,920,865	2,366,974,407	2,217,791,792	2,293,728,094	599,282,621	29,300,985,189
Insurance contract liabilities recognized in the consolidated statements of financial position	**₱332,339,973**	**₱170,736,568**	**₱30,282,32**	**₱527,333,296**	**₱648,734,393**	**₱107,868,597**	**₱109,021,330**	**₱1,530,265,888**	**₱5,337,955,443**	**₱8,794,537,813**

Net insurance contract liabilities in 2013

Accident year	2005 and prior year	2006	2007	2008	2009	2010	2011	2012	2013	Total
Accident year	₱3,085,614,472	₱1,242,378,749	₱1,431,258,014	₱1,952,183,387	₱1,125,272,584	₱1,497,315,141	₱1,497,678,245	₱1,373,011,829	₱1,260,910,864	₱1,260,910,864
One year later	3,226,427,209	1,567,045,893	1,424,541,612	1,920,769,319	1,152,619,674	1,565,185,256	1,808,794,492	1,363,946,113	–	1,363,946,113
Two years later	3,254,192,237	1,616,864,780	1,941,147,712	1,976,729,680	1,216,041,807	1,548,687,275	1,782,379,520	–	–	1,782,379,520
Three years later	3,278,762,812	1,626,293,386	1,902,396,647	1,944,578,887	1,202,979,855	1,679,611,040	–	–	–	1,679,611,040
Four years later	3,271,630,637	1,622,788,908	1,882,845,857	1,946,399,063	1,336,793,703	–	–	–	–	1,336,793,703
Five years later	3,042,764,568	1,636,820,607	1,878,433,994	1,932,031,864	–	–	–	–	–	1,932,031,864
Six years later	2,754,576,468	1,635,768,393	1,880,626,407	–	–	–	–	–	–	1,880,626,407
Seven years later	2,728,578,301	1,635,768,284	–	–	–	–	–	–	–	1,635,768,284
Eight years later	2,712,894,478	–	–	–	–	–	–	–	–	2,712,894,478
Current estimate of cumulative claims	2,712,894,478	1,635,768,284	1,880,626,407	1,932,031,864	1,336,793,703	1,679,611,040	1,782,379,520	1,363,946,113	1,260,910,864	15,584,962,273
Cumulative payments to date	2,616,639,126	1,625,481,623	1,862,888,039	1,872,610,391	1,148,155,893	1,576,810,465	1,737,787,103	1,046,614,084	300,147,828	13,787,134,552
Net insurance contract liabilities recognized in the consolidated statements of financial position	**₱96,255,352**	**₱10,286,661**	**₱17,738,368**	**₱59,421,473**	**₱188,637,810**	**₱102,800,575**	**₱44,592,417**	**₱317,332,029**	**₱960,763,036**	**₱1,797,827,721**

Financial Risk
The Group 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.

Credit Risk
Credit risk is a risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Prior to extending credit, the Group manages its credit risk by assessing credit quality of its counterparty.

The Group has a credit policy group that reviews all information about the counterparty which may include its statement of financial position, statements of income and other market information. The nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

Credit risk limit is also used to manage credit exposure which specifies exposure credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, net of impairment loss.

	2013	2012
AFS financial assets:		
Quoted securities:		
Listed equity securities		
Common shares	**₱6,022,723,085**	₱6,320,666,240
Preferred shares	**28,692,440**	60,981,155
Government debt securities:		
Local currency	**880,790,158**	874,413,212
Foreign currency	**34,195,339**	32,968,440
Private debt securities	**1,654,823,695**	2,129,269,696
Funds	**200,921,352**	97,124,086
Non-quoted securities:		
Unlisted equity securities	**97,618,284**	110,688,282
Loans and receivables:		
Cash and cash equivalents	**830,564,006**	1,161,143,055
Short-term investments	**12,277,860**	11,245,787
Insurance receivables:		
Due from policyholders, agents and brokers	**2,908,843,952**	2,109,410,108
Due from ceding companies:		
Treaty	**1,718,154,064**	906,519,207
Facultative	**482,385,740**	37,569,513
Funds held by ceding companies	**165,505,297**	151,131,268
Reinsurance recoverable on paid losses:		
Facultative	**102,917,120**	85,035,443
Treaty	**26,584,186**	42,041,015
Loans and receivables:		
Long-term commercial papers	**1,094,933,008**	746,635,665
Notes receivable	**391,562,868**	501,110,966
Creditable withholding tax	**62,677,478**	62,677,478
Claims recoverable	**6,500,000**	11,770,886
Accounts receivable	**25,600,835**	2,497,139
Miscellaneous Receivable	**1,405,009**	–
Cash advances	**837,047**	859,934
Security fund	**342,294**	342,294
Due from related parties	**450,805**	–

(Forward)

	2013	2012
Accrued income:		
Accrued interest income:		
AFS financial assets	**37,781,439**	33,956,819
Long-term commercial papers	**8,476,325**	6,052,261
Notes receivable	**717,528**	942,778
Cash and cash equivalents	**38,804**	770,758
Funds held by ceding companies	**85,299**	178,549
Security fund	**136,293**	123,936
Short-term investments	**21,552**	11,429
Accrued rent income	**4,148,291**	4,298,968
Accrued dividend income	**2,578,631**	2,919,131
	₱16,805,290,084	₱15,505,355,498

The following tables provide information regarding the credit risk exposure of the Group by classifying the financial assets according to the Group's credit ratings of the counter parties.

	2013				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
AFS financial assets:					
Quoted securities:					
Listed equity securities					
Common shares	**₱5,958,666,332**	**₱–**	**₱–**	**₱74,020,049**	**₱6,032,686,381**
Preferred shares	**28,692,440**	**–**	**–**	**–**	**28,692,440**
Government debt securities:					
Local currency	**880,790,158**	**–**	**–**	**–**	**880,790,158**
Foreign currency	**34,195,339**	**–**	**–**	**–**	**34,195,339**
Private debt securities	**728,215,310**	**926,608,385**	**–**	**–**	**1,654,823,695**
Funds	**200,921,352**	**–**	**–**	**–**	**200,921,352**
Non-quoted securities:					
Unlisted equity securities	**–**	**97,618,284**	**–**	**–**	**97,618,284**
Loans and receivables:					
Cash and cash equivalents	**826,875,177**	**3,688,829**	**–**	**–**	**830,564,006**
Short-term investments	**12,277,860**	**–**	**–**	**–**	**12,277,860**
Insurance receivables:					
Due from policyholders, agents, and brokers	**1,313,716,078**	**6,908,540**	**1,713,781,537**	**8,358,043**	**3,042,764,198**
Due from ceding companies:					
Treaty	**814,596,670**	**7,768,264**	**895,789,130**	**2,153,063**	**1,720,307,127**
Facultative	**475,265,583**	**1,035,715**	**7,538,278**	**10,748,795**	**494,588,371**
Funds held by ceding companies	**35,948,973**	**533,197**	**129,023,127**	**1,380,777**	**166,886,074**
Reinsurance recoverable on paid losses:					
Facultative	**2,339,874**	**22,261,414**	**81,294,651**	**5,047,677**	**110,943,616**
Treaty	**459,898**	**–**	**26,124,288**	**–**	**26,584,186**
Accrued income:					
Accrued interest:					
AFS financial assets	**23,433,980**	**14,347,459**	**–**	**–**	**37,781,439**
Long-term commercial papers	**8,476,325**	**–**	**–**	**–**	**8,476,325**
Notes receivable	**717,528**	**–**	**–**	**–**	**717,528**
Cash and cash equivalents	**38,804**	**–**	**–**	**–**	**38,804**
Funds held by ceding companies	**36,462**	**160**	**48,677**	**–**	**85,299**
Security fund	**136,293**	**–**	**–**	**–**	**136,293**
Short-term investments	**21,552**	**–**	**–**	**–**	**21,552**
Accrued rent income	**4,148,291**	**–**	**–**	**–**	**4,148,291**
Accrued dividend income	**2,578,631**	**–**	**–**	**–**	**2,578,631**

(Forward)

	2013				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
Loans and receivables:					
Long-term commercial papers	**₱1,069,933,008**	**₱25,000,000**	**₱–**	**₱–**	**₱1,094,933,008**
Creditable withholding tax	**62,677,478**	**–**	**–**	**–**	**62,677,478**
Notes receivable	**391,153,286**	**409,582**	**–**	**1,697,251**	**393,260,119**
Claims recoverable	**6,500,000**	**–**	**–**	**–**	**6,500,000**
Accounts receivable	**25,287,643**	**313,192**	**–**	**2,005,675**	**27,606,510**
Miscellaneous Receivable	**1,405,009**	**–**	**–**	**–**	**1,405,009**
Due from related parties	**450,805**	**–**	**–**	**–**	**450,805**
Cash advances	**834,778**	**2,269**	**–**	**–**	**837,047**
Security fund	**342,294**	**–**	**–**	**–**	**342,294**
	₱12,911,133,211	**₱1,106,495,290**	**₱2,853,599,688**	**₱105,411,330**	**₱16,976,639,519**

	2012				
	Neither past due nor impaired		Past due but	Individually	
	High Grade	Medium Grade	not impaired	Impaired	Total
AFS financial assets:					
Quoted securities:					
Listed equity securities					
Common shares	₱6,302,730,495	₱–	₱–	₱31,472,107	₱6,334,202,602
Preferred shares	60,981,155	–	–	–	60,981,155
Government debt securities:					
Local currency	874,413,212	–	–	–	874,413,212
Foreign currency	32,968,440	–	–	–	32,968,440
Private debt securities	289,888,735	1,839,380,961	–	–	2,129,269,696
Funds	97,124,086	–	–	–	97,124,086
Non-quoted securities:					
Unlisted equity securities	–	110,688,282	–	–	110,688,282
Loans and receivables:					
Cash and cash equivalents	1,146,088,596	15,054,459	–	–	1,161,143,055
Short-term investments	11,245,787	–	–	–	11,245,787
Insurance receivables:					
Due from policyholders, agents, and brokers	1,364,503,085	515,009,870	323,516,454	7,885,979	2,210,915,388
Due from ceding companies:					
Treaty	785,685,913	63,649,461	57,183,833	496,316	907,015,523
Facultative	27,129,947	10,258,223	181,343	17,547,961	55,117,474
Funds held by ceding companies	97,467,475	1,634,984	52,028,809	1,380,777	152,512,045
Reinsurance recoverable on paid losses:					
Facultative	30,420,140	15,186,976	39,428,327	4,337,913	89,373,356
Treaty	797,890	–	41,243,125	–	42,041,015
Accrued income:					
Accrued interest:					
AFS financial assets	17,600,727	16,356,092	–	–	33,956,819
Long-term commercial papers	6,052,261	–	–	–	6,052,261
Notes receivable	942,778	–	–	–	942,778
Cash and cash equivalents	770,758	–	–	–	770,758
Funds held by ceding companies	29,420	23,547	125,582	–	178,549
Security fund	123,936	–	–	–	123,936
Short-term investments	11,429	–	–	–	11,429
Accrued rent income	4,298,968	–	–	–	4,298,968
Accrued dividend income	2,919,131	–	–	–	2,919,131
Loans and receivables:					
Long-term commercial papers	746,635,665	–	–	–	746,635,665
Creditable withholding tax	62,677,478	–	–	–	62,677,478
Notes receivable	500,607,320	503,646	–	1,697,251	502,808,217
Claims recoverable	11,770,886	–	–	–	11,770,886
Accounts receivable	2,425,992	71,147	–	2,005,675	4,502,814
Due from related parties	–	–	–	–	–
Cash advances	859,934	–	–	–	859,934
Security fund	342,294	–	–	–	342,294
	₱12,479,513,933	₱2,587,817,648	₱513,707,473	₱66,823,979	₱15,647,863,032

The credit rating is based on the following:

a) *Cash and cash equivalents, short-term investments and related accrued income*
High grade pertains to those deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability, while medium grade pertains to those deposited, placed or invested in thrift banks and rural banks in the Philippines.

b) *Insurance receivables, loans and receivables, accrued rent income and dividend income*
For insurance receivables and loans and receivables except Due from ceding companies, Funds held by ceding companies, and Long-term commercial papers, the Group uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. High grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. Medium grade is given to borrowers and counterparties who possess above average capacity to meet its obligations. These counterparties are somewhat susceptible to adverse changes in business and economic conditions.

For Due from ceding companies and Funds held by ceding companies from local sources, the Group uses a credit rating concept based on the debt-to-equity ratios of the borrowers and counterparties. High grade is given to borrowers and counterparties with debt-to-equity ratio of less than or equal to 2:1, while medium grade is given to borrowers and counterparties with debt-to-equity ratio of more than 2:1.

For Due from ceding companies and Funds held by ceding companies from foreign sources, the Group uses Standard & Poor's (S&P) and A.M. Best's credit rating of insurance companies. High grade pertains to insurance companies rated by S&P and A.M. Best as higher than BB+, which means that the insurance company has good to strong financial security characteristics, but may be affected by adverse business conditions. Medium grade pertains to insurance companies that are ungraded and rated by S&P and A.M. Best as lower than BB+, which means that the insurance company has marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

c) *Equity securities*
Listed equity securities are classified as high grade. Unlisted equity securities are classified as medium grade.

d) *Debt securities, long-term commercial papers, and related accrued income*
These are based on the credit ratings by the international rating agency, Standard & Poors (S&P), and by Philippine Ratings Services Corporation (Philratings), the only domestic credit rating services in the Philippines accredited by Bangko Sentral ng Pilipinas (BSP) and SEC, in cases where an S&P rating is not available. High grade pertains to investments rated by S&P as BBB- and higher, which means that the counterparties have extremely strong to adequate capacity of paying interest and repaying principal, as well as Investments in Securities issued by the Philippine Government. Medium grade pertains to investments rated as Baa and higher by Philratings, as well as investments rated by S&P as BB+ to B- (except Philippine Government Securities). The Group's holdings under this category are rated either BB- by S&P (due to sovereign credit rating ceiling) or Aaa by Philratings which is defined by Philratings to mean that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

e) *Notes receivables*
Receivables from related entities are considered as high grade.

The following shows the aging analysis of financial assets:

	2013		
	<30 days	**> 30 days**	**Total past due but not impaired**
Loans and receivables:			
Due from policyholders, agents and brokers	**₱274,478,075**	**₱1,439,303,462**	**₱1,713,781,537**
Due from ceding companies:			
Treaty	**1,522,130**	**894,267,000**	**895,789,130**
Facultative	**5,810,067**	**1,728,211**	**7,538,278**
Funds held by ceding companies - treaty	**5,470,766**	**123,552,361**	**129,023,127**
Reinsurance recoverable on paid losses:			
Facultative	**1,588,949**	**79,705,702**	**81,294,651**
Treaty	**–**	**26,124,288**	**26,124,288**
Accrued income:			
Funds held by ceding companies - treaty	**121**	**48,556**	**48,677**
	₱288,870,108	**₱2,564,729,580**	**₱2,853,599,688**

	2012		
	<30 days	> 30 days	Total past due but not impaired
Loans and receivables:			
Due from policyholders, agents and brokers	₱3,827,274	₱319,689,180	₱323,516,454
Due from ceding companies:			
Treaty	26,825,050	30,358,783	57,183,833
Facultative	175,024	6,319	181,343
Funds held by ceding companies - treaty	50,000	51,978,809	52,028,809
Reinsurance recoverable on paid losses:			
Facultative	9,612,558	29,815,769	39,428,327
Treaty	380,906	40,862,219	41,243,125
Accrued income:			
Funds held by ceding companies - treaty	–	125,582	125,582
	₱40,870,812	₱472,836,661	₱513,707,473

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

An institution may suffer from a liquidity problem when its credit rating falls. The Group is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity. The major liquidity risk faced by the Group is the potential daily calls on its available cash resources in respect of claims from insurance contracts.

The Group manages liquidity through a management team which determines liquidity risk for the Group by identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance of liquidity risk policy.

The tables below analyze financial assets and financial liabilities of the Group into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

	2013				
	Up to a year*	**1-3 years**	**More than 3 years**	**No term**	**Total**
Cash and cash equivalents	**₱831,591,527**	**₱–**	**₱–**	**₱–**	**₱831,591,527**
Short-term investments	**12,277,860**	**–**	**–**	**–**	**12,277,860**
Insurance receivables	**5,562,073,572**	**–**	**–**	**–**	**5,562,073,572**
AFS financial assets	**80,282,587**	**880,559,232**	**1,608,967,373**	**6,349,955,161**	**8,919,764,353**
Loans and receivables	**542,437,054**	**142,238,584**	**903,336,632**	**–**	**1,588,012,270**
Accrued income	**53,984,162**	**–**	**–**	**–**	**53,984,162**
Reinsurance recoverable on unpaid losses	**6,996,710,092**	**–**	**–**	**–**	**6,996,710,092**
Total financial assets	**₱14,079,356,854**	**₱1,022,797,816**	**₱2,512,304,005**	**₱6,349,955,161**	**₱23,964,413,836**
Insurance contract liabilities	**₱8,794,537,813**	**₱–**	**₱–**	**₱–**	**₱8,794,537,813**
Accounts payable, accrued expenses and other liabilities	**1,146,892,482**	**–**	**–**	**–**	**1,146,892,482**
Total financial liabilities	**₱13,684,472,427**	**₱–**	**₱–**	**₱–**	**₱13,684,472,427**

**Up to a year are all commitments which are either due within one year or are payable in demand*

	2012				
	Up to a year*	1-3 years	More than 3 years	No term	Total
Cash and cash equivalents	₱1,162,312,352	₱–	₱–	₱–	₱1,162,312,352
Short-term investments	11,245,787	–	–	–	11,245,787
Insurance receivables	3,456,974,801	–	–	–	3,456,974,801
AFS financial assets	54,354,167	348,039,361	2,634,257,820	6,589,459,763	9,626,111,111
Loans and receivables	591,681,307	183,413,164	554,502,817	–	1,329,597,288
Accrued income	49,254,629	–	–	–	49,254,629
Reinsurance recoverable on unpaid losses	3,716,385,247	–	–	–	3,716,385,247
Total financial assets	₱9,042,208,290	₱531,452,525	₱3,188,760,637	₱6,589,459,763	₱19,351,881,215
Insurance contract liabilities	₱5,496,454,853	₱–	₱–	₱–	₱5,496,454,853
Insurance payables	2,344,251,332	–	–	–	2,344,251,332
Accounts payable, accrued expenses and other liabilities	753,713,666	–	–	–	753,713,666
Total financial liabilities	₱8,594,419,851	₱–	₱–	₱–	₱8,594,419,851

**Up to a year are all commitments which are either due within one year or are payable in demand*

In 2013 and 2012, certain insurance receivables, AFS securities and loans and receivables have been provided with allowance for impairment.

The table below analyzes nonfinancial assets and liabilities of the Group into amounts expected to be recovered or settled within 12 months (current) and beyond 12 months (noncurrent).

	2013		2012 (As restated)	
	Current	**Noncurrent**	Current	Noncurrent
Deferred acquisition costs	**₱411,916,355**	**₱–**	₱337,840,897	₱–
Deferred reinsurance premiums	**2,341,514,506**	–	1,596,767,471	–
Investment properties	–	**28,273,467**	–	108,901,090
Property and equipment	–	**295,445,046**	–	230,320,401
Deferred tax assets	–	**118,775,626**	–	79,424,359
Other assets	**62,872,798**	**324,215,903**	68,245,573	339,300,605
Total nonfinancial assets	**₱2,816,303,659**	**₱766,710,042**	₱2,002,853,941	₱757,946,455
Provision for unearned premiums	**₱3,693,485,468**	**₱–**	₱3,041,799,037	₱–
Deferred reinsurance commissions	**196,616,602**	–	113,290,719	–
Deferred tax liability	–	–	–	199,161
Pension liability	–	**189,062,762**	–	144,087,360
Income tax payable	**174,731**	–	133,579	–
Other liabilities	**518,675,108**	–	345,039,611	–
Total nonfinancial liabilities	**₱4,408,951,909**	**₱189,062,762**	₱3,500,262,946	₱144,286,521

It is unusual for the Group 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 past experience.

Market Risk

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

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

The Group manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

The Group structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Group. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures, regular monitoring and review of the Group's investment performance and upcoming investment opportunities for pertinence and changing environment.

a) *Currency Risk*

The Group's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to U.S. Dollar and Euro. In addition, the Parent Company enters into non-deliverable forward contracts to hedge its exposure on foreign currency exchange risks.

The tables below summarize the Group's exposure to foreign currency exchange rate risks by categorizing assets and liabilities by major currencies.

	2013				
	Philippine Peso	**U.S. Dollar**	**Euro**	**Others**	**Total**
AFS financial assets:					
Equity securities:					
Listed equity securities	**₱5,662,841,087**	**₱227,777,980**	**₱80,748,155**	**₱80,048,303**	**₱6,051,415,525**
Unlisted equity securities	**97,618,284**	**–**	**–**	**–**	**97,618,284**
Private debt securities	**–**	**1,571,387,756**	**75,789,424**	**7,646,515**	**1,654,823,695**
Government debt securities	**880,790,158**	**34,195,339**	**–**	**–**	**914,985,497**
Funds	**35,561,218**	**159,080,840**	**–**	**6,279,294**	**200,921,352**
Loans and receivables:					
Cash and cash equivalents	**506,961,345**	**291,110,136**	**12,317,944**	**21,202,102**	**831,591,527**
Short-term investments	**12,277,860**	**–**	**–**	**–**	**12,277,860**
Insurance receivables - net	**3,977,432,596**	**1,362,340,915**	**2,966,835**	**61,650,013**	**5,404,390,359**
Loans and receivables	**1,584,282,378**	**26,967**	**–**	**–**	**1,584,309,345**
Accrued income	**32,568,589**	**19,332,304**	**1,667,114**	**416,155**	**53,984,162**
Total assets	**₱12,790,333,515**	**₱3,665,252,237**	**₱173,489,472**	**₱177,242,382**	**₱16,806,317,606**
Other financial liabilities					
Accounts payable, accrued expenses and other liabilities	**₱1,146,892,483**	**₱–**	**₱–**	**₱–**	**₱1,146,892,483**
Insurance payables	**2,978,828,184**	**757,759,313**	**191,169**	**6,263,466**	**3,743,042,132**
Total liabilities	**₱4,125,720,667**	**₱757,759,313**	**₱191,169**	**₱6,263,466**	**₱4,889,934,615**

	2012				
	Philippine Peso	U.S. Dollar	Euro	Others	Total
AFS financial assets:					
Equity securities:					
Listed equity securities	₱6,234,242,149	₱95,581,295	₱14,337,028	₱37,486,923	₱6,381,647,395
Unlisted equity securities	110,688,282	–	–	–	110,688,282
Private debt securities	97,996,543	1,916,984,665	107,244,315	7,044,173	2,129,269,696
Government debt securities	874,413,212	32,968,440	–	–	907,381,652
Funds	97,124,086	–	–	–	97,124,086
Loans and receivables:					
Cash and cash equivalents	835,237,892	279,929,403	40,253,340	6,891,717	1,162,312,352
Short-term investments	11,245,787	–	–	–	11,245,787
Insurance receivables - net	2,782,360,548	494,797,705	9,663,665	44,884,636	3,331,706,554
Loans and receivables	1,325,867,395	26,967	–	–	1,325,894,362
Accrued income	28,894,096	18,541,972	1,701,517	117,044	49,254,629
Total assets	₱12,398,069,990	₱2,838,830,447	₱173,199,865	₱96,424,493	₱15,506,524,795
Other financial liabilities					
Accounts payable, accrued expenses and other liabilities	₱753,713,666	₱–	₱–	₱–	₱753,713,666
Insurance payables	1,734,189,266	556,546,403	38,000,000	15,515,663	2,344,251,332
Total liabilities	₱2,487,902,932	₱556,546,403	₱38,000,000	₱15,515,663	₱3,097,964,998

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, euro and other currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the foreign exchange rate).

		Impact on income before tax Increase (Decrease)	
Currency	Change in rate	2013	2012
US Dollar	+ 5%	**₱138,114,355**	₱119,065,826
	– 5%	**(138,114,355)**	(119,065,826)
Euro	+ 5%	**9,037,158**	6,759,993
	– 5%	**(9,037,158)**	(6,759,993)
Others	+ 5%	**1,987,208**	4,045,442
	– 5%	**(1,987,208)**	(4,045,442)

b) *Interest Rate Risk*

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate investments in particular are exposed to such risk.

The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets.

The following table sets out the Group's financial assets exposed to interest rate risk by maturity:

		2013			
	Interest Rate	Within one year	1-3 years	More than 3 years	Total
Cash and cash equivalents	**0.25% - 4.50%**	**₱830,564,006**	**₱–**	**₱–**	**₱830,564,006**
Short-term investments	**1.00% - 4.25%**	**12,277,860**	**–**	**–**	**12,277,860**
Notes receivable	**1.00% - 8.50%**	**382,617,911**	**2,838,584**	**7,803,624**	**393,260,119**
Long-term commercial papers	**5.25% - 9.33%**	**60,000,000**	**139,400,000**	**895,533,008**	**1,094,933,008**
Security fund	**4.76%**	**342,294**	**–**	**–**	**342,294**
AFS debt financial assets	**1.25% - 13.50%**	**80,282,587**	**880,559,232**	**1,608,967,373**	**2,569,809,192**
Total interest-bearing financial assets		**₱1,366,084,658**	**₱1,022,797,816**	**₱2,512,304,005**	**₱4,901,186,479**

		2012			
	Interest Rate	Within one year	1-3 years	More than 3 years	Total
Cash and cash equivalents	0.25% - 4.50%	₱1,161,143,055	₱–	₱–	₱1,161,143,055
Short-term investments	1.00% - 4.25%	11,245,787	–	–	11,245,787
Notes receivable	1.00% - 8.50%	491,527,901	2,815,017	8,465,299	502,808,217
Long-term commercial papers	5.25% - 9.33%	20,000,000	180,598,147	546,037,518	746,635,665
Security fund	4.76%	342,294	–	–	342,294
AFS debt financial assets	1.25% - 13.50%	54,354,167	348,039,361	2,634,257,820	3,036,651,348
Total interest-bearing financial assets		₱1,738,613,204	₱531,452,525	₱3,188,760,637	₱5,458,826,366

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the AFS debt securities, with all other variables held constant, of the Group's equity:

		Impact on equity Increase (decrease)	
Currency	Change in basis points	2013	2012
Philippine Peso	+ 100	**₱96,872,889**	(₱55,752,252)
U.S. Dollar	+ 100	**65,529,321**	(112,808,185)
Euro	+ 100	**2,680,163**	(1,828,116)
Philippine Peso	– 100	**₱106,533,197**	₱61,565,620
U.S. Dollar	– 100	**71,120,953**	121,682,981
Euro	– 100	**2,713,266**	1,961,121

c) *Equity Price Risk*

The Group's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS equity financial assets.

Such financial assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market; and careful and planned use of derivative instruments. The price risk on investments securities is also actively managed through the use of derivative financial instruments to mitigate the risk of adverse market movements.

The following table shows the equity impact of reasonably possible change of Philippine Stock Exchange index (PSEi), Morgan Stanley Capital International (MSCI) Euro and Dow Jones Euro Stoxx 50 (SX5E Index):

		Impact on equity Increase (decrease)		
	Change in equity prices	PSEi	MSCI Euro	SX5E Index
2013				
	+15%	**₱872,138,770**	**₱20,842,959**	**₱–**
	-15%	**(872,138,770)**	**(20,842,959)**	**–**
2012	+15%	₱754,235,752	₱–	₱13,817,379
	-15%	(754,235,752)	–	(13,817,379)

27. **Financial Assets and Liabilities**

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments.

	Carrying Value	**Fair Value**	Carrying Value	Fair Value
AFS financial assets:				
Quoted securities:				
Listed equity securities				
Common shares	**₱6,022,723,085**	**₱6,022,723,085**	₱6,320,666,240	₱6,320,666,240
Preferred shares	**28,692,440**	**28,692,440**	60,981,155	60,981,155
Government debt securities:				
Local currency	**880,790,158**	**880,790,158**	874,413,212	874,413,212
Foreign currency	**34,195,339**	**34,195,339**	32,968,440	32,968,440
Private debt securities	**1,654,823,695**	**1,654,823,695**	2,129,269,696	2,129,269,696
Funds	**200,921,352**	**200,921,352**	97,124,086	97,124,086
Non-quoted securities:				
Unlisted equity securities	**97,618,284**	**97,618,284**	110,688,282	110,688,282
Loans and receivables:				
Cash and cash equivalents	**831,591,527**	**831,591,527**	1,162,312,352	1,162,312,352
Short-term investments	**12,277,860**	**12,277,860**	11,245,787	11,245,787
Insurance receivables:				
Due from policyholders, agents and brokers	**2,908,843,952**	**2,908,843,952**	2,109,410,108	2,109,410,108
Due from ceding companies:				
Treaty	**1,718,154,064**	**1,718,154,064**	906,519,207	906,519,207
Facultative	**482,385,740**	**482,385,740**	37,569,513	37,569,513
Funds held by ceding companies	**165,505,297**	**165,505,297**	151,131,268	151,131,268
Reinsurance recoverable on paid losses:				
Facultative	**102,917,120**	**102,917,120**	85,035,443	85,035,443
Treaty	**26,584,186**	**26,584,186**	42,041,015	42,041,015

(Forward)

	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and receivables:				
Long-term commercial papers	**₱1,094,933,008**	**₱1,197,128,920**	₱746,635,665	₱901,025,312
Creditable withholding tax	**62,677,478**	**62,677,478**	62,677,478	62,677,478
Accounts receivable	**25,600,835**	**25,600,835**	2,497,139	2,497,139
Notes receivable	**391,562,868**	**392,944,300**	501,110,966	511,649,808
Miscellaneous Receivable	**1,405,009**	**1,405,009**	–	–
Claims recoverable	**6,500,000**	**6,500,000**	11,770,886	11,770,886
Due from related parties	**450,805**	**450,805**	–	–
Cash advances	**837,047**	**837,047**	859,934	859,934
Security fund	**342,294**	**342,294**	342,294	342,294
Accrued income:				
Accrued interest income:				
AFS financial assets	**37,781,439**	**37,781,439**	33,956,819	33,956,819
Long term commercial papers	**8,476,325**	**8,476,325**	6,052,261	6,052,261
Notes Receivable	**717,528**	**717,528**	–	–
Cash and cash equivalents	**38,804**	**38,804**	770,758	770,758
Funds held by ceding companies	**85,299**	**85,299**	178,549	178,549
Security fund	**136,293**	**136,293**	123,936	123,936
Short-term investments	**21,552**	**21,552**	11,429	11,429
Accrued rent income	**4,148,291**	**4,148,291**	4,298,968	4,298,968
Accrued dividend income	**2,578,631**	**2,578,631**	2,919,131	2,919,131
Total financial assets	**₱16,806,317,605**	**₱16,909,894,949**	₱15,505,582,017	₱15,670,510,506

	Carrying Value	Fair Value	Carrying Value	Fair Value
Other financial liabilities				
Insurance payables				
Due to reinsurers and ceding companies	**₱2,366,935,153**	**₱2,366,935,153**	₱1,771,491,432	₱1,771,491,432
Funds held for reinsurers	**1,376,106,979**	**1,376,106,979**	572,759,900	572,759,900
Accounts payable and accrued expenses and other liabilities:				
Accounts payable	**699,676,294**	**699,676,294**	357,450,316	357,450,316
Commissions payable	**304,824,160**	**304,824,160**	242,197,471	242,197,471
Accrued expenses	**104,078,232**	**104,078,232**	104,831,920	104,831,920
Surety deposits	**32,455,278**	**32,455,278**	34,290,301	34,290,301
Due to related parties	**–**	**–**	7,202,734	7,202,734
Others	**5,858,518**	**5,858,518**	7,740,924	7,740,924
Total financial liabilities	**₱4,889,934,614**	**₱4,889,934,614**	₱3,097,964,998	₱3,097,964,998

Fair values of financial assets are estimated as follows:

Cash and cash equivalents, short-term investments - the fair value approximates the carrying amounts at initial recognition due to their short term nature.

Debt securities - the fair values are based on quoted market prices.

Quoted equity securities - the fair values are generally based on quoted market prices.

Unquoted equity securities - these are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is no active market for the equity securities. The entity intends to dispose the securities through selling to a willing buyer in an arms-length transactions.

Insurance receivables, accrued income, short-term loans and receivables (including notes receivable, long-term investments and security fund), insurance payables, accounts payable and accrued expenses - the fair values approximate the carrying amounts due to the short-term nature of the transactions.

Long-term loans and receivables - the fair value long-term loans and receivables is estimated using discounted cash flow technique that makes use of PDEX rates in 2013 and 2012.

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

December 31, 2013

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
AFS financial assets				
Listed equity securities:				
Common shares	**₱6,022,723,085**	**₱–**	**₱–**	**₱6,022,723,085**
Preferred shares	**28,692,440**	**–**	**–**	**28,692,440**
Government debt securities:				
Local currency	**880,790,158**	**–**	**–**	**880,790,158**
Foreign currency	**34,195,339**	**–**	**–**	**34,195,339**
Private debt securities	**1,654,823,695**	**–**	**–**	**1,654,823,695**
Funds	**200,921,352**	**–**	**–**	**200,921,352**
	₱8,822,146,069	**₱–**	**₱–**	**₱8,822,146,069**
Assets for which fair values are disclosed:				
Loans and receivables - net				
Notes Receivables	**₱–**	**₱392,944,300**	**₱–**	**₱392,944,300**
Long-term commercial papers	**–**	**1,197,128,920**	**–**	**1,197,128,920**
Investment properties	**–**	**–**	**102,250,493**	**102,250,493**
	–	**1,590,073,220**	**102,250,493**	**1,692,323,713**
	₱8,822,146,069	**₱1,590,073,220**	**₱102,250,493**	**₱10,514,469,782**

December 31, 2012

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TotaL
Assets measured at fair value:				
AFS financial assets				
Listed equity securities:				
Common shares	₱6,320,666,240	₱–	₱–	₱6,320,666,240
Preferred shares	60,981,155	–	–	60,981,155
Government debt securities:	–			
Local currency	874,413,212	–	–	874,413,212
Foreign currency	32,968,440	–	–	32,968,440
Private debt securities	2,129,269,696	–	–	2,129,269,696
Funds	97,124,086	–	–	97,124,086
	₱9,515,422,829	₱–	₱–	₱9,515,422,829
Assets for which fair values are disclosed:				
Loans and receivables - net				
Notes Receivables	₱–	₱501,110,966	₱–	₱501,110,966
Long-term commercial papers	–	901,025,312	–	901,025,312
Investment properties	–		101,148,681	101,148,681
	–	1,402,136,278	101,148,681	1,503,284,959
	₱9,515,422,829	₱1,402,136,278	₱101,148,681	₱11,018,707,788

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data

During the reporting period ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

28. **Related Party Transactions**

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

Outstanding balances as of year-end are unsecured and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2013 and 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties include:

	2013		2012			
Category	**Amount Volume**	**Outstanding Receivable (Payable)**	Amount Volume	Outstanding Receivable (Payable)	Terms	Conditions
Parent						
MEI						
Management expense	**₱7,500,000**	**₱–**	₱7,500,000	₱–	Non-interest bearing; on demand	–
Notes receivables	**100,000,000**	**100,000,000**	300,000,000	100,000,000	Interest at 6% p.a.; due within one year	Unsecured; no impairment
Dividend income	**11,317,320**	**–**	100,044,003	–	–	–
Interest income	**7,604,167**	**250,000**	2,645,833	633,333	Interest at 6% p.a.	Unsecured; no impairment
Inter-company advances	**36,789**	**36,789**	–	–	Non-interest bearing; on demand.	Unsecured; no impairment
Due to related party	**–**	**(7,455,167)**	(7,455,167)	(7,455,167)	Non-interest bearing; on demand	–
Accounts payable	**–**	**(47,700)**	(47,700)	(47,700)	Non-interest bearing; on demand	–
Other related parties						
a. MIIC						
Reinsurers share on gross premiums	**701,188,542**	**(663,766,222)**	205,003,475	(444,628,863)	Non-interest bearing; on demand	Unsecured
Commission income	**8,020,177**	**(10,454,106)**	10,694,195	2,177,107	Non-interest bearing; on demand.	Unsecured; no impairment
Loss recoveries	**935,150**	**935,150**	1,075,000	–	Non-interest bearing; on demand	Unsecured; no impairment
Shared expenses	**1,075,000**	**–**	1,075,000	–	Non-interest bearing; on demand	Unsecured; no impairment
b. Y Realty Corporation						
Rent expense	**14,319,473**	**14,319,473**	12,070,388	–	Non-interest bearing; on demand	Unsecured; no impairment
c. RCBC Bankard						
Shared expenses	**1,953,565**	**1,953,565**	20,193,497	2,069,314	Non-interest bearing; on demand	Unsecured; no impairment
d. ASPAC						
Reinsurance share on gross premiums	**12,496,085**	**9,761,426**	14,406,575	(19,330,885)	Non-interest bearing; on demand	Unsecured; no impairment
Commission income	**5,398,352**	**3,905,827**	6,739,559	8,701,057	Non-interest bearing; on demand	Unsecured; no impairment

(Forward)

Category	2013 Amount Volume	2013 Outstanding Receivable (Payable)	2012 Amount Volume	2012 Outstanding Receivable (Payable)	Terms	Conditions
e. HI						
Notes receivable	**(₱200,000,000)**	**₱–**	₱200,000,000	₱200,000,000	Interest at 5.63% p.a.; due within one year	–
Interest income	**15,421,875**	**–**	7,944,444	437,500	Interest at 5.63% p.a.	–
Investment in AFS						
Equity securities	**–**	**218,524,497**	171,341	109,065,845	–	Unsecured; no impairment
Dividend income	**1,926,648**	**–**	771,858	–	–	–
f. RLFC						
Notes receivable	**280,000,000**	**280,000,000**	190,000,000	190,000,000	Interest at 4.25 to 5.00% p.a.; due within one	Unsecured; no impairment
Interest income	**14,386,354**	**467,528**	386,806	1,467	Interest at 4.25% to 5.00% p.a.	Unsecured; no impairment
g. Grepalife						
Shared expenses	**93,199**	**59,181**	34,019	34,016	Non-interest bearing; on demand	Unsecured; no impairment
h. RCBC						
Cash in bank	**21,174,463**	**377,586,742**	14,599,749	111,742,355	Interest rate at 0.25% to.50% p.a.	Unsecured; no impairment
Short-term deposits	**7,781,843,084**	**183,135,269**	6,314,188,553	699,399,267	4 to 30-day term, Interest at 0.25% - 4.50% p.a.	Unsecured; no impairment
Investment in AFS:						
Debt securities	**27,856,818**	**559,529,511**	153,216,300	496,323,071	Maturing in 2017; Interest rate at 5.25% to 9.88%	Unsecured; no impairment
Stocks	**28,067,450**	**2,057,940,271**	35,515,758	2,890,867,014	–	Unsecured; no impairment
Long-term commercial papers	**2,000,000**	**45,000,000**	120,000,000	165,000,000	Maturing in 2007; Interest rate at 3.25% to 7.00%	Unsecured; no impairment
Interest and dividend income						
Cash in bank	**2,079,539**	**–**	3,129,066	–	Interest at 0.25% - 4.25% p.a.	–
Short-term deposits	**9,036,128**	**9,036,128**	26,611,727	913,309	Interest at 0.25% -3.00% p.a.	Unsecured; no impairment
Investment in AFS:						
Debt securities	**37,086,922**	**10,377,304**	30,816,853	8,979,206	Interest at 5.25% - 9.88% p.a.	Unsecured; no impairment
Stocks	**44,158,751**	**–**	39,943,507	–	–	Unsecured; impaired
Long-term commercial papers	**1,439,807**	**73,646**	4,299,947	1,230,223	Interest at 3.25% - 7.00% p.a.	Unsecured; no impairment
Referral fee	**12,766,862**	**(3,290,128)**	4,576,343	(681,492)	Non-interest bearing, on demand	Unsecured

(Forward)

Category	2013 Amount Volume	2013 Outstanding Receivable (Payable)	2012 Amount Volume	2012 Outstanding Receivable (Payable)	Terms	Conditions
i. Ipeople						
Investment in AFS:						
Stocks	**₱–**	**₱33,337,200**	₱23,400	₱23,613,850	–	Unsecured; no impairment
Dividend income	**12,545,741**	**2,573,951**	810,030	162,006	–	Unsecured; no impairment
j. PIAA						
Rent income	**1,678,860**	**143,317**	1,598,914	409,478	Non-interest bearing; on demand	Unsecured; no impairment
k. Go! Travel Insurance Agency						
Referral fee	**1,915,029**	**(493,519)**	2,981,361	(267,556)	Non-interest bearing; on demand	Unsecured

The outstanding receivables and payables are to be settled in cash.

The Group and MIIC are subsidiaries of MICO Equities, Inc. (MEI). MEI, RCBC, HI, RLFC and iPeople are subsidiaries of PMMIC, the holding company of the flagship institutions of the Yuchengco Group of Companies.

During the year 2013, Go Travel and Lex Servies transferred employees to the Group with corresponding pension obligation amounting to ₱409,016. MEI also transferred employees to the Group with corresponding pension obligation amounting to ₱36,789.

Terms and Conditions of transactions with related parties
Outstanding balances at year end are unsecured and settlement occurs in cash. Some bear interest at annual rates ranging from 0.25% to 9.88%. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2013 and 2012. This assessment is undertaken each financial year through review of the financial position of the related party and the market in which the related party operates.

Key management personnel of the Group include senior management. The total short-term employee benefit of the Group's key management personnel amounted to ₱50.11 million and ₱50.65 million in 2013 and 2012, respectively. As of December 31, 2013 and 2012, the total long-term employee benefits of the Parent Company's key management personnel amounted to ₱13.24 million and ₱16.09 million, respectively.

29. Contingencies

The Group operates in the insurance industry and has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

30. Note to Consolidated Statements of Cash Flows

The Group's noncash activities include:

a. Transfer of computer software amounting to ₱87.42 million from other assets to property and equipment in 2013.
b. Transfer of pension obligation from Go Travel and Lex Services to the Parent Company amounting to ₱0.41 million and from MEI to the Parent Company amoiunting to amounting to ₱0.36 million in 2013.
c. Transfer of pension obligation amounting to ₱7.51 million from the Parent Company to MEI and FNAC and transfer of pension obligation from MEI to the Parent Company amounting to ₱58,300 in 2012.

Board of Directors

MICO Equities, Inc. and Subsidiaries

Alfonso T. Yuchengco
CHAIRMAN
(Refer to page 5 for his business affiliations)

Yvonne S. Yuchengco
PRESIDENT

• Malayan Insurance Company, Inc., President • First Nationwide Assurance Corporation, Chairman RCBC Capital Corporation, Chairman and Director • AY Foundation, Inc., Trustee • Malayan Securities Corporation, Chairman and President

Helen Y. Dee
DIRECTOR

• Malayan Insurance Company, Inc., Chairperson • House of Investments, Inc., Chairperson, President and Chief Executive Officer • Rizal Commercial Banking Corporation, Chairperson • RCBC Savings Bank, Chairperson • Manila Memorial Park Cemetery, Inc., Chairperson • Malayan Colleges Inc., Trustee • Philippine Long • Distance Telephone Company, Director Sunlife Grepa Financial, Inc., Director

Teodoro D. Regala
DIRECTOR

• Rizal Commercial Banking Corporation, Director • Angara, Abello, Concepcion, Regala & Cruz Law Offices, Founding Partner • AGC Flat Glass Philippines, Inc., Corporate Secretary • Safeway Philtech, Inc., Director • Malayan Insurance Company, Inc., Director • OEP Philippines, Inc., Director and Corporate Secretary

Alfonso S. Yuchengco, Jr.
DIRECTOR

• AY Foundation, Trustee • Water Dragon, Inc., Chairman & President • Y Realty Corporation, President • Shayamala Corporation, President • ET Yuchengco, Inc., Director • Pan Malayan Realty Corporation, Director, Vice President • Pan Malayan Management & Investment Corporation, Vice Chairman, Director • IMI, Inc., Chairman, President • Yuchengco Museum, Vice Chairman, President

Board of Directors

Malayan Insurance Company. Inc.

Helen Y. Dee

CHAIRPERSON

• House of Investments, Inc., Chairperson • Rizal Commercial Banking Corporation, Chairperson • RCBC Savings Bank, Chairperson • Manila Memorial Park Cemetery, Inc., Chairperson • Philippine Long Distance Telephone Company, Director • Sunlife Grepa Financial, Inc., Director

Yvonne S. Yuchengco

PRESIDENT

• First Nationwide Assurance Corporation, Chairman • RCBC Capital Corporation, Chairman • Malayan Colleges Inc., Director • AY Foundation, Inc., Trustee • Malayan Securities Corporation, Chairman and President

Cesar E.A. Virata

DIRECTOR

• Rizal Commercial Banking Corp., Corporate Vice Chairman and Director • RCBC Savings Bank, Inc., Director • RCBC Realty Corporation, Director RCBC Forex Brokers Corporation, Chairman • RCBC Land, Inc., President • RCBC International Finance, Ltd. (Hong Kong), Director • Pacific Fund, Inc., Chairman • Bankard, Inc., Chairman • Malayan Colleges, Inc., Trustee • YGC Corporate Services, Inc., Director • AY Foundation, Inc., Trustee • Yuchengco Center, Inc., Trustee • Yuchengco Museum, Trustee • Great Life Financial Assurance Corporation, Director • Luisita Industrial Park Corporation, Director • Niyog Property Holdings, Inc., Director

Armando M. Medina

INDEPENDENT DIRECTOR

• Rizal Commercial Banking Corporation, Independent Director • RCBC Savings Bank, Independent Director • RCBC Capital Corporation, Independent Director • Malayan Insurance Company, Inc., Independent Director • Malayan Colleges, Inc., Independent Trustee

Executive Committee: Helen Y. Dee • Yvonne S. Yuchengco • Renato C. Valencia* • Cesar E.A. Virata • Armando M. Medina*
Audit Committee: Renato C. Valencia* • Armando M. Medina*
Remuneration & Nomination Committee: Renato C. Valencia* • Teodoro D. Regala • Michele Dee-Santos
Risk Management Committee: Renato C. Valencia* • Armando M. Medina*
(*independent directors)

Alfonso T. Yuchengco

DIRECTOR

Paolo Y. Abaya

DIRECTOR

• Malayan International Insurance Corp, President and Director • Asia Pac Reinsurance Company, Director • Malayan Insurance Company Hong Kong Limited, Director

Michele Dee-Santos

DIRECTOR

• AY Foundation, Executive Vice President • Sandee Unlimited, Inc., President • MICO Equities, Inc., Treasurer • Luis Miguel Foods, Inc., President • First Nationwide Assurance Corporation, Director • Rizal Commercial Banking Corporation, First Vice President • Philippine Integrated Advertising Agency, Treasurer

Teodoro D. Regala

DIRECTOR

• Rizal Commercial Banking Corporation, Director • Angara, Abello, Concepcion, Regala & Cruz Law Offices, Founding Partner • AGC Flat Glass Philippines, Inc., Corporate Secretary • Safeway Philtech, Inc., Director • OEP Philippines, Inc., Director and Corporate Secretary • MICO Equities, Inc., Director •

Renato C. Valencia

INDEPENDENT DIRECTOR

• I-People, Inc., Chairman • Anglo Philippine Holdings Corporation, Director • Philippine Veterans Bank, Board Adviser

Arthur Lee

DIRECTOR

• Tokio Marine Asia Pte. Ltd., Chief Executive Officer

Board of Directors
Bankers Assurance Corporation

Antonio M. Rubin
CHAIRMAN

Joel T. Almagro
PRESIDENT

Alma P. Peñalosa
DIRECTOR

Ma. Theresa B. Tiu
DIRECTOR

Edmundo L. Bunyi
INDEPENDENT DIRECTOR

Herminia S. Jacinto
INDEPENDENT DIRECTOR

Jose Martin A. Morente
DIRECTOR

Audit Committee: Edmundo L. Bunyi* • Herminia S. Jacinto*
Remuneration & Nomination Committee: Edmundo L. Bunyi • Antonio M. Rubin • Alma P. Peñalosa
(*independent directors)

Board of Directors
First Nationwide Assurance Corporation

Yvonne S. Yuchengco
CHAIRMAN

Antonio M. Rubin
PRESIDENT

Alma P. Peñalosa
DIRECTOR

Antonio G. Puyat
INDEPENDENT DIRECTOR

Michele Dee-Santos
DIRECTOR

Edmundo L. Bunyi
INDEPENDENT DIRECTOR

Annabelle S. Yuchengco
DIRECTOR

Audit Committee: Edmundo L. Bunyi* • Antonio G. Puyat*
Remuneration & Nomination Committee: Edmundo L. Bunyi • Michele Dee-Santos
(*independent directors)

Principal Officers

MICO EQUITIES, INC.

Alfonso T. Yuchengco
CHAIRMAN

Yvonne S. Yuchengco
PRESIDENT

Michele Dee-Santos
TREASURER

Samuel V. Torres
CORPORATE SECRETARY

Jose Martin A. Morente
ASSISTANT CORPORATE SECRETARY

MALAYAN INSURANCE COMPANY, INC.

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CHAIRPERSON

Yvonne S. Yuchengco
PRESIDENT

Antonio M. Rubin
EXECUTIVE VICE PRESIDENT

Joel T. Almagro
EXECUTIVE VICE PRESIDENT

Ma. Theresa B. Tiu
EXECUTIVE VICE PRESIDENT

Daisuke Fujii
SECOND VICE PRESIDENT

Joselito C. Bantayan
SENIOR VICE PRESIDENT
(as of March 2014)

Paolo Y. Abaya
CHIEF OPERATING OFFICER
(as of March 2014)

Ma. Vicenta Lucia M. Alcid
FIRST VICE PRESIDENT

Kazunori Tsuji
FIRST VICE PRESIDENT

Josephine S. Gatchalian
FIRST VICE PRESIDENT

Beatriz H. Soriano
VICE PRESIDENT

Jose Martin A. Morente
VICE PRESIDENT/ ASST. CORPORATE SECRETARY

Alegria R. Castro
VICE PRESIDENT

Raul B. Tan
FIRST VICE PRESIDENT
(as of March 2014)

Akira Yoshida
VICE PRESIDENT

Joanne S.P. Dela Cruz
VICE PRESIDENT

Rodelio M. Nob
VICE PRESIDENT

Martin Dee Yuchioco
VICE PRESIDENT

Marissa H. Dela Cruz
VICE PRESIDENT

Arlene Q. Calimag
VICE PRESIDENT

Samuel V. Torres
CORPORATE SECRETARY

BANKERS ASSURANCE CORPORATION

Antonio M. Rubin
CHAIRMAN

Joel T. Almagro
PRESIDENT

Josephine S. Gatchalian
TREASURER

Samuel V. Torres
CORPORATE SECRETARY

Jose Martin A. Morente
ASSISTANT CORPORATE SECRETARY

FIRST NATIONWIDE ASSURANCE CORPORATION

Yvonne S. Yuchengco
CHAIRMAN

Antonio M. Rubin
PRESIDENT

Jose Mari Prats
VICE PRESIDENT

Josephine S. Gatchalian
TREASURER

Samuel V. Torres
CORPORATE SECRETARY

Jose Martin A. Morente
ASSISTANT CORPORATE SECRETARY

DIRECTORY OF SUBSIDIARIES, OFFICES AND BRANCHES

MALAYAN INSURANCE COMPANY, INC.
Yuchengco Tower, 500 Quintin Paredes Street
1006 Binondo, Manila
P. O. Box 3389 - Manila
Tel. No.: (632) 242-8888
Fax No.: (632) 242-2222
Website: www.malayan.com
www.malayanonline.com
www.facebook.com/MalayanInsurancePH
E-mail: malayan@malayan.com

BANKERS ASSURANCE CORPORATION
6th Floor, Rm 604, Doña Felisa Syjuco Building
Remedios St., cor. Taft Avenue, Malate, Manila
Tel. Nos.: (632) 567-4678 / 567-4676
Telefax No.: (632) 567-4675
Website: http://www.bankersassurance.com.ph
E-mail: bac@bankersassurance.com.ph

The FIRST NATIONWIDE ASSURANCE CORPORATION
4th Floor, Y - Tower II
L.P. Leviste Street cor. Gallardo Street
Salcedo Village, 1227 Makati City
Tel. Nos.: (632) 843-8080 local 213, 246
Fax No.: (632) 843-6168 / 843-0611
Website: http://www.fnac.com.ph
E-mail: info_cd@fnac.com.ph

FOREIGN SUBSIDIARIES

MALAYAN INTERNATIONAL INSURANCE CORP. LTD. (HK BRANCH)
Unit A, 18th Floor, Li Dong Building
9 Li Yuen Street East, Central, Hong Kong
Tel. Nos.: (852) 2525-2137 / (852) 2525 8820
Fax No.: (852) 2167-7422
E-mail: pjsantos@biznetvigator.com

MALAYAN INSURANCE COMPANY (HONG KONG) LTD.
Unit A, 18th Floor, Li Dong Building
9 Li Yuen Street East, Central, Hong Kong
Tel. Nos.: (852) 2525-2137 / (852) 2525 8820
Fax No.: (852) 2167-7422
E-mail: pjsantos@biznetvigator.com

FOREIGN AGENCY

GREECE
Insurance Group Genka S.A.
320 Sygrou Avenue
17673 Kallithea, Athens, Greece
Tel. Nos.: (30) 210-925-0110 / 20 / 30
Fax Nos.: (30) 210-924-4434 / 210-923-7768
Email: genka@asfgenka.gr

REPRESENTATIVE OFFICE

CHINA
c/o Mr. Cai Zhichao, Xiamen Representative
Unit 806, SOHO Building
619 Hubin Nan Road, Xiamen, China, 361004
Tel. No.: (86592) 504-6168
Fax No.: (86592) 504-6178
E-mail: malayanxm@gmail.com

METRO MANILA SALES OFFICES

ALABANG
2nd Floor, RCBC Building, Tierra Nueva Subd.,
Zapote Road, Alabang Muntinlupa
Tel. Nos.: (632) 850-7659/ 842-0234
Telefax No.: (632) 842-0228

CUBAO
8th Floor, Room 8006, Aurora Tower
Araneta Center, Cubao, Quezon City
Tel. Nos.: (632) 912-9367/ 911-3827/ 421-4526
Telefax No.: (632) 911-3825

MAKATI
5th Floor, Yuchengco Tower II
L.P. Leviste Street cor. Gallardo Street
Salcedo Village, 1227 Makati City
Tel. Nos.: (632) 843-8080/ 628-8502/ 628-8506
Fax No.: (632) 6289-8514 to 15/ 628-8511

MARIKINA
Unit 18/19, Marikina East Centre Building
83 Gil Fernando Ave., San Roque, Marikina City
Tel. No.: (632) 646-9788
Telefax No.: (632) 369-7112

REGIONAL OFFICES

UPPER NORTH LUZON
3rd Floor, RCBC Building
A. B. Fernandez Ave., 2400 Dagupan City
Tel. No.: (075) 515-5811
Telefax No.: (075) 522-0928

LOWER NORTH LUZON
3rd Floor, RCBC Savings Bank Building
Maharlika Highway cor. Paco Roman Street
3100 Cabanatuan City, Nueva Ecija
Tel. No.: (044) 463-9683
Telefax No.: (044) 463-0910

SOUTH LUZON
Ground Floor, RCBC Building
National Highway cor. Dolor Street
Barangay 1 Crossing, Calamba, Laguna
Tel. No.: (049) 545-1162
Telefax No.: (049) 545-0955

VISAYAS & MINDANAO
2nd Floor, Great Pacific Life Building
Fuente Osmeña, Rotonda, 6000 Cebu City
Tel. Nos.: (032) 253-9382 / 253-4801
Fax No.: (032) 255-3009

PROVINCIAL OFFICES

LUZON

BAGUIO CITY
3rd Floor, RCBC Building
Session Road, 2600 Baguio City
Tel. Nos.: (074) 442-6300/ 446-0026
Fax No.: (074) 442-7247

BALIWAG (Bulacan)
321 2nd Floor, J & U Building
Benigno S. Aquino Avenue, Baliwag, Bulacan
Telefax No.: (044) 766-6387

CABANATUAN CITY
3rd Floor, RCBC Savings Bank Building
Maharlika Highway cor. Paco Roman Street
3100 Cabanatuan City
Tel. No.: (044) 463-9683
Telefax No.: (044) 463-0910

CALAMBA (Laguna)
Ground Floor, RCBC Building
National Highway cor. Dolor Street
Barangay 1 Crossing, Calamba, Laguna
Tel. No.: (049) 545-1162
Telefax No.: (049) 545-0955

CAVITE (Imus)
Room 1-B Ground Floor, Melta Building
Villa Nicasia III Village
Emilio Aguinaldo Highway, Imus, Cavite
Tel. No.: (046) 471-6613
Telefax No.: (046) 471-8687

DAGUPAN CITY
2nd Floor, RCBC Building
A.B. Fernandez Avenue, 2400 Dagupan City
Tel. No.: (075) 515-5811
Telefax No.: (075) 522-0928

ISABELA
Talavera Twin Building
Don Canciller Avenue, Cauayan, Isabela
Tel. No.: (078) 652-0092/ 634-5122
Telefax No.: (078) 634-5331

LAOAG CITY
2nd Floor, Cristina Building
Gen. A. Luna Street, 2900 Laoag City
Tel. No.: (077) 772-0015
Telefax No.: (077) 771-4806

LA UNION
CJArch Building (PBCom Bank)
Quezon Avenue, San Fernando City, La Union
Tel. No.: (072) 607-0066
Telefax No.: (072) 607-8419

LEGAZPI CITY
2nd Floor, Metrobase Building
Landco Business Park, Bitano, Legazpi, 4500
Tel. No.: (052) 480-7523
Telefax No.: (052) 820-4119

LIPA CITY
Ground Floor, Unit 17, K-POINTE
Commercial Center, Ayala Highway, Lipa City
Tel. No.: (043) 756-6951
Telefax No.: (043) 756-6952

NAGA CITY
Ground Floor, RL Building
Panganiban Drive, Naga City
Telefax No.: (054) 473-5050

OLONGAPO (Subic)
Ground Floor, Building 789
Subic International Hotel, Sta Rita Road
Subic Bay Freeport Zone, Olongapo
Tel. No.: (047) 252-3255
Telefax No.: (047) 252-3256

PAMPANGA
2/F HIZ-SAN Building, McArthur Highway
Brgy. Dolores, San Fernando City, Pampanga
Tel. No.: (045) 961-0042
Telefax No.: (045) 963-1027

SAN PABLO (Laguna)
Maharlika Highway, Brgy. San Rafael
San Pablo City, 4000 Laguna
Tel. Nos.: (049) 562-5788/ 562-3655
Fax No.: (049) 562-0181

TARLAC
2nd Floor, Rm 205 Jaral Building
Corners Juan Luna Street & McArthur Highway
Tarlac City, Tarlac
Telefax No.: (045) 982-2748

TUGUEGARAO CITY
2nd Floor, RCBC Building, Gomez Street
cor. Bonifacio Street, Tuguegarao City
Telefax No.: (078) 844-1393

VISAYAS AREA

BACOLOD CITY
2nd Floor, Malayan House Building
Lacson cor. 3rd Street, 6100 Bacolod City
Tel. No.: (034) 434-6566
Telefax No.: (034) 434-6567

CEBU CITY
2nd Floor, Grepalife Building
Fuente Osmeña Rotonda, 6000 Cebu City
Tel. Nos.: (032) 253-9384 / 253-4801
Fax No.: (032) 255-3009

DUMAGUETE CITY
2/F RCBC Saving Building
Real Streeet cor. San Juan Street,
Dumaguete City, Negros Orriental
Tel/Fax No.: (035) 420-5075

ILOILO CITY
2nd Floor, RCBC Building, J. M. Basa Street
cor. Arsenal Street, 5000 Iloilo City
Tel. No.: (033) 335-0763/ 335-0302
Fax No.: (033) 335-0406

PALAWAN
2nd Floor, RCBC Building
Rizal Avenue corner Junction I
Puerto Princesa City, 5300 Palawan
Telefax No.: (048) 434-4360

TAGBILARAN
Door # 4, 2nd Floor, RCBC Building
CPG Avenue, Tagbilaran City, Bohol
Telefax No.: (038) 235-4551

MINDANAO AREA

CAGAYAN DE ORO
Ground Floor, Malayan House, Velez corner
Nacalaban Streets, 9000 Cagayan De Oro
Tel. No.: (088) 856-1685
Telefax No.: (08822) 856-1686

DAVAO CITY
Ground Floor, Malayan House,
Km. 6, J.P. LaurelLanang 8000 Davao City
Tel. Nos.: (082) 234-1790/ 235-2476/ 234-1765
Fax No.: (082) 234-1766

DAVAO CITY (Satellite Office)
Ground Floor, RCBC Building, Palma Gil cor.
C. M. Recto Street, Davao City
Tel. No.: (082) 224-6887
Telefax No.: (082) 224-6889

GENERAL SANTOS
2nd Floor, RCBC Savings Building
Pioneer Avenue, 9500 General Santos City
Tel. No.: (083) 552-2225
Telefax No.: (083) 552-3580

TAGUM (Davao Del Norte)
Ground Floor RCBC Building
Pioneer Avenue cor. Quirante Street
Tagum, Davao Del Norte
Tel. No.: (084) 655-6326
Telefax No.: (084) 655-9524

ZAMBOANGA CITY
Ground Floor, YPC Building
Veterans Avenue, 7000 Zamboanga City
Tel. No.: (062) 991-2779
Telefax No.: (062) 991-2296

Products and Services

- **AVIATION**
  - Hull/ Hull War All Risk
  - Third Party/ Passenger Liability
  - Crew Personal Accident

- **ENGINEERING**
  - Contractor's All Risk
  - Erection All Risk
  - Electronic Equipment
  - Machinery Breakdown
  - Civil Engineering Completed Risk
  - Boiler Pressure Vessel
  - Special Risk/ Equipment Floater
  - Deterioration of Stock following Machinery Breakdown

- **FIRE**
  - Business Interruption
  - Commercial All Risk
  - Fire and Lightning, including Allied Perils
  - Industrial All Risk
  - Business Protect
    - EZ Fire
    - Fire and Lightning, including Allied Perils
    - Home Protect Plus
    - MyBiz
    - MyHome
    - YGC-EPI

- **MARINE**
  - Fine Arts, Jewellery & Specie (FAJS)
  - Jeweller's Block
  - Marine Cargo
  - Marine Hull
    - Yacht and Pleasurecraft
  - Stock Throughput (STP)

- **MISCELLANEOUS CASUALTY**
  - Bankers Blanket Bond/ Computer Crime
  - Burglary & Housebreaking
  - Comprehensive General Liability
  - Comprehensive Dishonesty Disappearance and Destruction
  - Employers Liability
  - Excess Auto Liability
  - Employee's Liability
  - Errors & Omissions
  - Fidelity Guarantee
  - Foresight Directors & Officers Insurance
  - Med Protect
  - Money in Transit
  - Money, Securities & Payroll
  - Product's Liability
  - Professional Liability (for Contractors, Educators, Lawyers and BPO's
  - Comprehensive Homeowners Insurance
  - Comprehensive Personal Liability
  - Golfers' Comprehensive Insurance
  - Photo Rx
  - Other Lines
    - Comprehensive Cardholders Protection Insurance
    - Purchase Protection Insurance
    - Plate Glass Insurance
    - Hole in One (Tournament only)

- **MOTORCAR**
  - Dealership Insurance Programs
    - Honda Insurance
    - Isuzu Car Insurance Program
  - Motomax
  - My Car
  - Standard Motorcar Insurance
    - Private Vehicle
    - Commercial Vehicle
    - Motorcycle
    - Land Transportation Operators

- **PERSONAL ACCIDENT**
  - All-occasion Cards
  - Crisis Cover
  - Credit Protect/ Unemployment
  - Daily Hospitalization Income Benefit
  - Diplomax
  - Executive Plan
  - Family Plan
  - Family Protect
  - Income Protect
  - Inflation Free Plus Plan (IFC)
  - Med Rescue
  - MyFamily
  - PA Christmas Cards
  - PA Emergency Cards (AZ card)
  - PA Valentines Cards
  - Pampamilya Insurance Plan
  - Rajah Personal Accident Insurance
  - Seaman Secure
  - Seafarer's Bantay Pamilya
  - Student Personal Accident Insurance
  - TIP Domestic
  - TIP Global
  - Todo Asenso
  - Tuition Fee Protect
  - Travelmaster
  - Travel Sure
  - Vessel Personal Accident

- **BONDS**
  - Administrator's Bond
  - Attachment Bond
  - Attachment Bond (to Lift)
  - Bidder's Bond
  - BOI Omnibus Bond
  - Broker's Bond
  - Contract Growers Bond
  - Dealership Bond
  - Execution Pending Appeal Bond
  - Fidelity Bond
  - Firearm Bond
  - Forestry Bond (Internal Revenue)
  - Forestry Bond (Bureau of Forestry)
  - Guaranty Bond (Maintenance Warranty)
  - Guardians Bond
  - Haulers Bond
  - Heirs Bond
  - Immigration Bond
  - Indemnity Bond (3rd Party Sheriffs)
  - Injunction Bond (Plaintiff)
  - Injunction Bond (to Lift)
  - Manufacturer's Official Bond
  - Miller's Bond
  - Payment Bond
  - Replevin Bond
  - Supersedeas Bond
  - Surety Bond General
  - Warehouse Bond for Rice Bonded

MALAYAN GROUP OF INSURANCE COMPANIES
A YGC Member

our vision

Malayan equals Non-life Insurance.

our mission

Malayan guarantees to provide its policyholders the best n on-life insurance protection and fair and prompt settlement of valid claims at all times.

our core values

PASSION FOR EXCELLENCE
Striving to be great and not just be good; continuously improving results.

SENSE OF URGENCY
Doing things fast; taking the initiative to respond to the needs of various stakeholders.

PROFESSIONAL DISCIPLINE
With strong working ethics; deserving of others' trust and respect; using company resources prudently; acting with fairness and objectivity; being accountable for one's actions.

TEAMWORK
Actively tapping areas of synergy; communicating and collaborating towards shared goals.

LOYALTY
A good corporate citizen; pursuing corporate interests as one's own; speaking well of the company and taking pride in its achievements.

MALAYAN GROUP OF INSURANCE COMPANIES
A YGC Members