



2015

ANNUAL REPORT

Resilient in the midst of challenges



AFPSLAI
www.afpslai.com.ph

AFPSLAI

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CORPORATE PHILOSOPHY

A guiding light and source of energy

Our Vision

By 2022, AFPSLAI is the leader in the financial service industry, such as, in each of the market segment where it operates, in the delivery of quality financial products and related services, and is the role model for good corporate governance practices.

Our Mission

Provide financial products and related services to our members that will improve their quality of life.

Our Values

PROFESSIONALISM

We are the best in what we do by putting the needs of our members first.

EXCELLENCE

We maintain the highest standard of quality and reliability in all that we do permeating our daily lives.

GOOD GOVERNANCE

We live the tenets of fairness and accountability.

TRUST AND TRANSPARENCY

We value the trust of our members, and we ensure that we are worthy of that trust by being transparent.

ETHICS

We set the example in doing what is right and in promoting the common good.

MALASAKIT SA MGA MIYEMBRO, SA KUMPANYA, AT SA BANSA

We show genuine concern and compassion for the members, the association, and the country. What is good for the members is good for the company and the country.





PRODUCTS AND SERVICES

Instruments to achieve financial goals



SAVINGS

Capital Contribution Account (CCA)
Savings Deposit Account (SDA)
Pension Account (PA)



LOANS

Salary / Pension Loan
PVAO Pension Loan
Emergency Loan
Multi-Purpose Loan
Back-to-Back Loan
Vehicle Loan
Housing Loan
Personal Loan
Business Loan



SPECIAL SERVICES

Assistance to Lift Members' Survivors (ALMS)
Automatic Salary Deduction for CCA
Expected Dividend Advance (EDA)
AFPSLAI Pension Express (APEX)



MESSAGE OF THE CHAIRMAN

The year 2015 was a pivotal year for AFPSLAI. We were confronted with various challenges but we weathered such storms and accelerated forward to transcend industry threats which came in the form of stringent regulatory impositions by the Bangko Sentral ng Pilipinas (BSP), evolving market issues and persistent competitive forces. In the face of these tests, we fortified business competency, and carried out effective marketing strategies, which allowed the Association to deliver a strong performance for the year.

We invigorated our membership recruitment through promotional activities and incentive programs. We expanded our presence by strengthening our extension offices and bolstering our marketing efforts. The Association's desire to uplift the lives of

its members has prompted the Board of Trustees to look beyond income generation with its decision to reduce interest rates on loans in order to lessen the burden of our borrowers. With regard to our existing loans portfolio, we made sure that we have an effective collection system in place to prevent accumulation of our past due loans. We also reviewed our capital structure to ensure that we have just the right balance between our sources and uses of funds. Overall business and internal processes were streamlined to help the Association adapt with the demands of the industry.

Despite being confronted with challenges, our outlook remained positive and we recognize that there is much to applaud starting with the growth of the Association's membership that reached more than

500,000 members. Together with their families, our members continue to benefit from AFPSLAI's comprehensive array of products and services.

We also had a significant improvement in our financial condition. The continuing increase in our total assets is remarkable as it solidifies our position as the largest savings and loan association in the country. Our revenues continued to grow which enabled the Association to consistently give competitive dividends. Our expenses were kept within the approved levels. We remained ablaze in our corporate social responsibility programs as we pulled out all stops in our advocacies on education, health and entrepreneurship.

On behalf of the Board, I would like to take this opportunity to thank the President & Chief Executive Officer, the management team and the staff for their continuing dedication in the achievement of the Association's objectives. The results we have achieved are due to the hard work and commitment of the entire AFPSLAI team.

And finally, let me express my gratitude to the members for their support and their contribution in making the Association what it is now. Rest assured that we shall enter 2016 with a greater determination to succeed, a stronger commitment to provide unparalleled quality service, and a deeper resolve to operate with integrity and excellence.

Maraming salamat at mabuhay tayong lahat.



GEN HERNANDO DELFIN CARMELO A IRIBERRI AFP
Chairman of the Board





REPORT OF THE PRESIDENT & CEO

There is a continuing challenge for us to remain focused. Regulatory reforms introduced in the finance sector and the dynamics of competition and market condition, by and large, redefined the business landscape. In the face of all these, industry players are pushed to reshape their business models and work towards strategic approaches that will manage the impact. This means looking beyond these prudential limits and see it as a tool to reduce vulnerability against risks and an opportunity to grow one's businesses. Building business resilience thus became a strategic priority as these external factors made a sweeping effect in the industry.

In the case of AFPSLAI, the impact was evident with the implementation of a major regulatory policy in 2013. The market condition was likewise obscured by policy issuances that restrained our lending activities. This was the cleansing of the AFP retirees and the transfer of PNP pension to the Land Bank of the

Philippines. This persisted in 2014 as the AFP retirees followed suit.

The year 2015 opened yet another challenge for AFPSLAI to stay on course. In the economic front, the relatively strong performance of the economy supported a stable financial system creating a competitive environment for everyone to thrive and expand. Even the non-stock savings and loan industry where we belong, demonstrated the same robustness as reflected in the positive developments it carried on during the year. This is somewhat expected from banks and non-banks alike as a deliberate response to moderate the impact of higher regulatory costs.

Indeed, 2015 was a tough but encouraging year. It showcased our ability to sustain profitability with the modest growth we made for the year. I thus take pride of what we have achieved amidst a tight operating environment as this clearly affirmed that we have made the right strategic response. Taking a more

proactive stance in terms of pushing for viable businesses and aggressively pursuing our growth objectives in the midst of these challenges will actually define where we will be in the next few years.

Building Business Resilience as a Strategic Priority

In the face of a subdued growth condition, our strategic direction was towards sustaining financial stability and profitable operations. This we aimed to achieve through market dominance under the “recruit, regain, retain and regulate” program, responsive and efficient business processes and support infrastructure, effective risk management program, and organizational efficiency. Highlights along these strategic approaches are as follows:

Member-to-Borrower Program

Membership generation was given a fresh approach as we aimed for a higher conversion rate of new members becoming borrowers. This entailed carefully identifying potential members and aggressively pursuing them through specialized promotional activities. The Membership Recruitment Team created in 2014 was strengthened making it a tactical partner of our branch offices in generating new members. A complementary incentive scheme, the “Refer-a-Pensioner Promo”, was also launched from October 2015 to March 2016 purposely to accelerate the conversion of new members from the retired personnel of the AFP and PNP as borrowers.

For the year, AFPSLAI’s membership base recorded a net increase of 15,636 or 3% bringing the yearend level to 504,712. Membership breakdown is as follows: PNP (118,388); PA (71,549); PN (16,060); PAF (7,766); BFP (12,141); BJMP (5,899); Pensioners/beneficiaries (127,441); Associate (61,152); Corporate (85); Others (84,231).

Competitive Loan Rates

We have also initiated in 2015 the review of interest rates for all our loan products to make these competitive if not the lowest in the market. And we are happy to announce that effective January 18, 2016, we have reduced the nominal rates for consumption loans by as much as 2.0% for a 3-year loan, with the lowest reduction at 1.5% for 2 and 5-year term loans. Emergency loan was enhanced with the increase in loanable amount (from P200T to

P500T); loan term (from 36 to 60 months); and the removal of the 1% administrative fee.

Also, Back-to-Back Loan was improved by extending the maximum term from 180 to 365 days, lifted the tiered scheme to a single rate across all terms and revised pricing based on the annual dividend rate. This was effective December 1, 2015.

New Loan Facility for PVAO

As an additional credit facility for pensioners, we launched on October 1, 2015 a loan product targeting members receiving PVAO old age pension. Interest rate for the PVAO loan ranges from 6% to 10% (nominal) for a term of 6 to 60 months. Also, PVAO Pension Loan is covered by the credit redemption insurance.

Strengthened Risk Management Program

A Risk Management Plan was approved and implemented in 2015. This is consistent with our objective of strengthening our risk management capability to withstand the impact of risks on our financial and operational performance.

Technology-Enabled Member Services

We also initiated projects in 2015 that will use technology solutions to facilitate core business transactions. I am thus proud to announce, as an initial accomplishment, the roll out within the current year of the membership updating which will be available online through the AFPSLAI website. Hopefully through this convenient facility, we get to encourage more members to update their member details and be updated in return of the latest developments in AFPSLAI. Relatedly, we have also enhanced our SMS facility by expanding its service features and capacity to be able to reach out to as many members as possible.

Improved Service Channels

We also improved our delivery channels with the convenience of our members in mind as we move towards high volume growth target for both membership and loan generation. Along this line, our branch offices now actively engage sales teams to bring our services close to where our members are. The creation of “help desks” as satellite offices to cater to the needs of members in areas where our presence is lacking was also given a boost in 2015. We are thus

proud to note the following:

- Construction of a new building for Quezon City Police District Extension Office (completed in November 2015 and inaugurated in April 2016)
- Construction of a new office space for Villamor Air Base Extension Office (inaugurated in July 2015) and Kalibo Extension Office in Aklan (soon to be operational)
- Creation of “help desks” in Bataan; Finance Record Branch, BNS – *(already operational)*
- Establishment of a new extension office in Digos, Davao *(soon to be operational)*
- Ongoing construction of Airforce City Extension Office in Clark Air Base, Pampanga
- Pili Extension Office in Camarines Sur was issued network access to improve capability

Organizational Strengthening

An organizational review was completed in 2015 that paved the way for the reorganization of key offices in April of the current year purposely to achieve organizational efficiency through an appropriate structure and proper distribution of functions and manpower complement.

A strategy map for the next 7 years was also drawn during the strategic planning conducted in April 2015. AFPSLAI’s strategic direction will be towards attaining leadership in the financial services industry by 2022: in each market segment it operates, in the delivery of quality financial products and related services, and in good governance practices.

Financial Highlights

Our financial performance for the year confirmed that we made the right strategic response to the challenges confronting the Association. Despite lower-than-target income from our core business, we still ended the year with a GROSS INCOME of P9.78B or an increase of 3% or P318M from the previous year. Income from deposits and investments somehow offset the low performance from our major income source which is loans. Overall, Gross Income attainment was only slightly higher by P5.19M than the year’s target.

TOTAL EXPENSES was at P2.45B, which is only 89% of the P2.75B budget for the year. This is also lower by

P867M than the previous year’s recorded expense of P3.31B. This is largely due to lower provision for probable losses on loans and other operating expenses. This manifests our conscious effort to implement cost rationalization in the face of higher expenses as a result of regulatory compliance.

Thus, NET INCOME was at P7.34B which is P1.18B or 19% higher than the recorded net earnings of P6.15B in 2014. This is also P306M or 5% higher than the year’s target of P7.03B. With this Net Income and additional funds from Surplus Free, we were able to meet our dividend commitment of 15.5% per annum with an equivalent amount of P6.20B. Remaining funds were used to provide additional reserve requirements, allocations for major projects/ expenditures and rebates to updated loan accounts.

Building on a Position of Strength

Our consistent performance for the year further fortified our financial position as TOTAL ASSETS reached P65.67B or an increase of P6.03B or 10% from the year 2014. With this, we remain as the largest player as we comprised almost 40% of the P166.1B resources of the NSSLA industry in 2015.

The increase in assets was mainly driven by the increase in liquid assets as Loans Portfolio only grew by P555M or 1% from the previous year. This is reflected in the low growth of total loans released for the year, which was recorded at P38.89B or an increase of P343M or 1% from 2014 loans production. A total of 164,425 borrowers were able to avail of AFPSLAI loans, most of which were salary loans.

While we recognize the challenges presented by a highly competitive environment, we are undaunted knowing that we continue to be rooted on stable grounds. Members’ confidence remains high as reflected in our strong capital base that is sufficient to fund our operational requirements. As of end 2015, Capital Contribution settled at P42.0B posting an increase of P2.13B or 5% from its 2014 level. Deposit Liabilities likewise expanded by P1.3B or 13% as it ended the year with a total of P11.91B. Capital utilization ratio has likewise remained high at 85.5%.

And I am proud to note that this position of strength has been affirmed with the recent award conferred to

AFPSLAI for the first time by the Alliance for Non-Stock Savings and Loan Institutions or ANSLI (formerly Confederation of Non-Stock Savings and Loan Associations or CONSLA) for its outstanding performance in asset management, debt utilization and stability, profitability and growth, and loan efficiency for the year 2015. And we intend to build on this strength as we gear towards attaining leadership in the financial services industry.

Corporate Social Responsibility

Our initiative to strengthen corporate social responsibility has been taken to a new level with the inclusion of social impact as part of our strategic thrust for 2016-2022. This only manifests our sincerest desire to incorporate social responsibility in our core function as we bring a difference not only in the lives of our members and their families but also to the communities that they serve. And I am proud to note that our past CSR initiatives have lived up to this commitment through our advocacies on education, health, entrepreneurship and corporate giving.

For the year 2015, we continue to give back to our members through the following:

CORPORATE GIVING comprised of donations in kind to partner institutions in the total amount of P13.08M, with the following as major donations:

- 3 units Toyota Innova (BFP & Office of the Chief of Staff, AFP), 2 units Toyota Hi-Ace (converted as ambulance for Camp Capinpin & PNP General Hospital), and 1 unit Toyota Hi-Lux (SOLCOM)
- 4 sets Infusion System to Veterans Memorial Medical Center; 1 unit Shockwave Therapy, 1 unit slit lamp bio-microscope to PNP General Hospital
- Office computers and printers to Pension Gratuity Management Center (PGMC)

OUTREACH PROGRAM where we carried out medical missions in different branch offices to concretize our advocacy on health and wellness.

SCHOLARSHIP PROGRAM provides an opportunity for the intellectually capable dependents of regular members in need of financial assistance to pursue baccalaureate and vocational courses. For the school year 2015-2016, thirty-one (31) students were added

to the rolls of AFPSLAI scholars. Since the program started, AFPSLAI has already produced 187 graduates.

ENTREPRENEURSHIP PROGRAM is our way of recognizing the productive endeavors of AFPSLAI members that reflect the entrepreneurial qualities we advocate as an institution. Our advocacy of empowering our members towards financial freedom finds realization in this program.

ALMS PROGRAM where a total of P46.15M in the form of death assistance was provided to the survivors of deceased AFPSLAI members.

OUTLOOK

With the current business environment, we are all faced with the challenge of choosing the business model most appropriate to adopt and implement. Competition has become an imminent threat as this could weaken the fundamental strength we have built over time. While I strongly believe in our resilience to bounce back, I also see the urgency of synergizing our efforts across the organization and build a stronger foundation for AFPSLAI to stand on. This is because while we are mandated to work on compliance issues, we are also faced with the enormous challenge of building our resilience as an organization to be able to meet the demands of a competitive and unpredictable market condition.

Thus, we have lined up priority projects we intend to carry out to achieve our strategic objectives by 2022:

- » Enhanced market research and product development
- » Rationalized capital structure
- » Implement IT Strategic Plan (*ATM, internet banking, SMS/Mobile, etc*)
- » Implement an Enterprise-wide Risk Management System (IT, Compliance, Customer Relations)
- » Review and improve Performance Management and Incentive Scheme
- » Work Attitude and Values Enhancement (WAVE) Program
- » Business Reengineering and Reorganization Project

We have better growth prospects for the next four

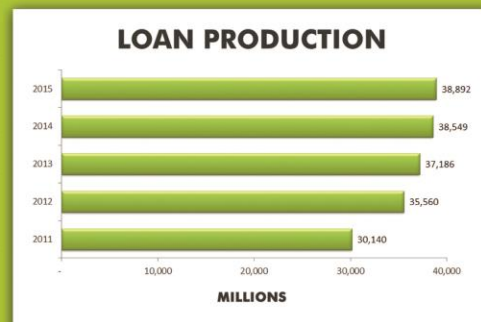
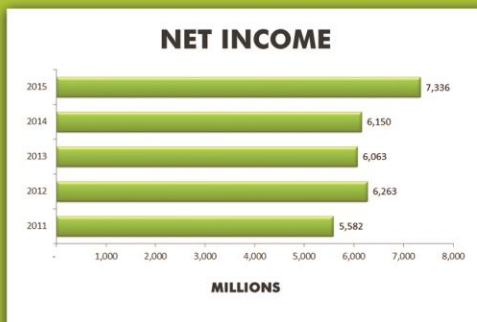
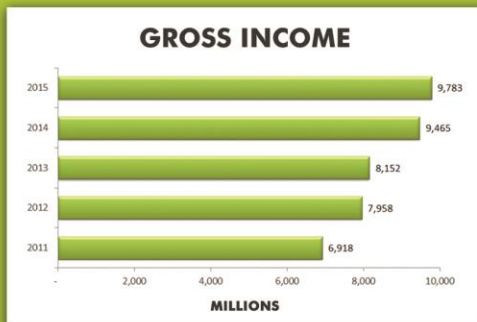
years or so as we expect loans to pick up with the staggered implementation of the salary increase of government employees. While this can keep us on track with our growth targets, what can truly sustain us is the right execution, the right business decisions and a service culture that will differentiate us from the rest of our competitors.

I would like to extend the limelight to my co-employees in AFPSLAI as well as the Board of Trustees who have painstakingly worked in bringing AFPSLAI to where it currently stands - an organization with a strong asset base and sustained profitability to be proud of.

I also extend my gratitude to our dear members whose continued support has made possible the realization of our strategic objectives. In return, we commit to persevere more as we pursue initiatives that will uplift the well-being of our members, their families and the community.

LTGEN VIRGILIO O DOMINGO AFP (RET)
President and CEO

AFPSLAI AT A GLANCE





EMPLOYEE WELL-BEING

Creating a better organizational culture

Perceived as the most important resource, employees play a very important role in achieving the mission and vision of an organization. The sustained success of an institution is greatly dependent on the energy, talent, integrity, knowledge, skills and loyalty of its work force. Thus, AFPSLAI motivates its employees to increase engagement, productivity, morale and retention.

Aside from competitive compensation benefits, AFPSLAI provides different approaches in improving the well-being of its employees:

VALUING CONTRIBUTIONS

AFPSLAI acknowledges employee achievements with rewards to create an office atmosphere focused on success and to empower employees to keep up the good work.

Excellence Awards are conferred during Anniversary Celebration to deserving employees who have exceptionally contributed to the improvement of the Association. Commendations are also given to employees who have shown capability and willingness to go beyond their normal duties and responsibilities. Further, dedication and loyalty of the employees who have been with AFPSLAI for at least five years are recognized through the Long Service Awards Program.

BOOSTING EMPLOYEE HEALTH

Various forums and health promotion programs are conducted to boost physical energy. These include annual physical examination, immunizations, blood-letting activities, aero-dance sessions, and wellness fairs.

In partnership with Unilab and Ritemed, “Kawal Kawani” was introduced for employees to have access to affordable health and wellness products.

ENSURING GROWTH

Right people are given roles that match their competencies. Career development and advancement of the employees remain top priorities.

Climate survey is conducted to all employees to assess and understand how their current work environment affects their morale and productivity. Results of this survey are used to improve company personnel policies and programs.

The Performance Management System was revised to have a more objective assessment and monitoring of the actual performance of an employee, consistent with his unit's set goals for a given period. Rewards such as promotions, merit increases and incentives are linked to individual performance rating.

SHARPENING SKILLS

Opportunities are given to employees to further their learnings and competencies to meet the desired standards that will contribute to the achievement of the goals of the Association.

In-house and public seminars were provided in 2015. These include Supervisory Development Programs, HR and frontline competency trainings, Basic Orientation Course, Collection Strategies and Techniques, Effective Communication Skills, Risk Management, IT updates, Marketing Excellence, Livelihood Programs, and Disaster Preparedness.

AFPSLAI also sent delegates to congregations of professional organizations such as Philippine Institute of Certified Public Accountants, HR Congress, People

Management Association of the Philippines, Business Economics Club, Philippine Corporate Society and Philippine Marketing Society. These are good avenues to acquire learning insights on the latest trends and best practices, and to strengthen relationship with other partners in the industry.

On the other hand, job rotation among the rank and file employees is being practiced, especially in the frontline, to broaden their knowledge and experience and to familiarize themselves to the variety of work within their unit.

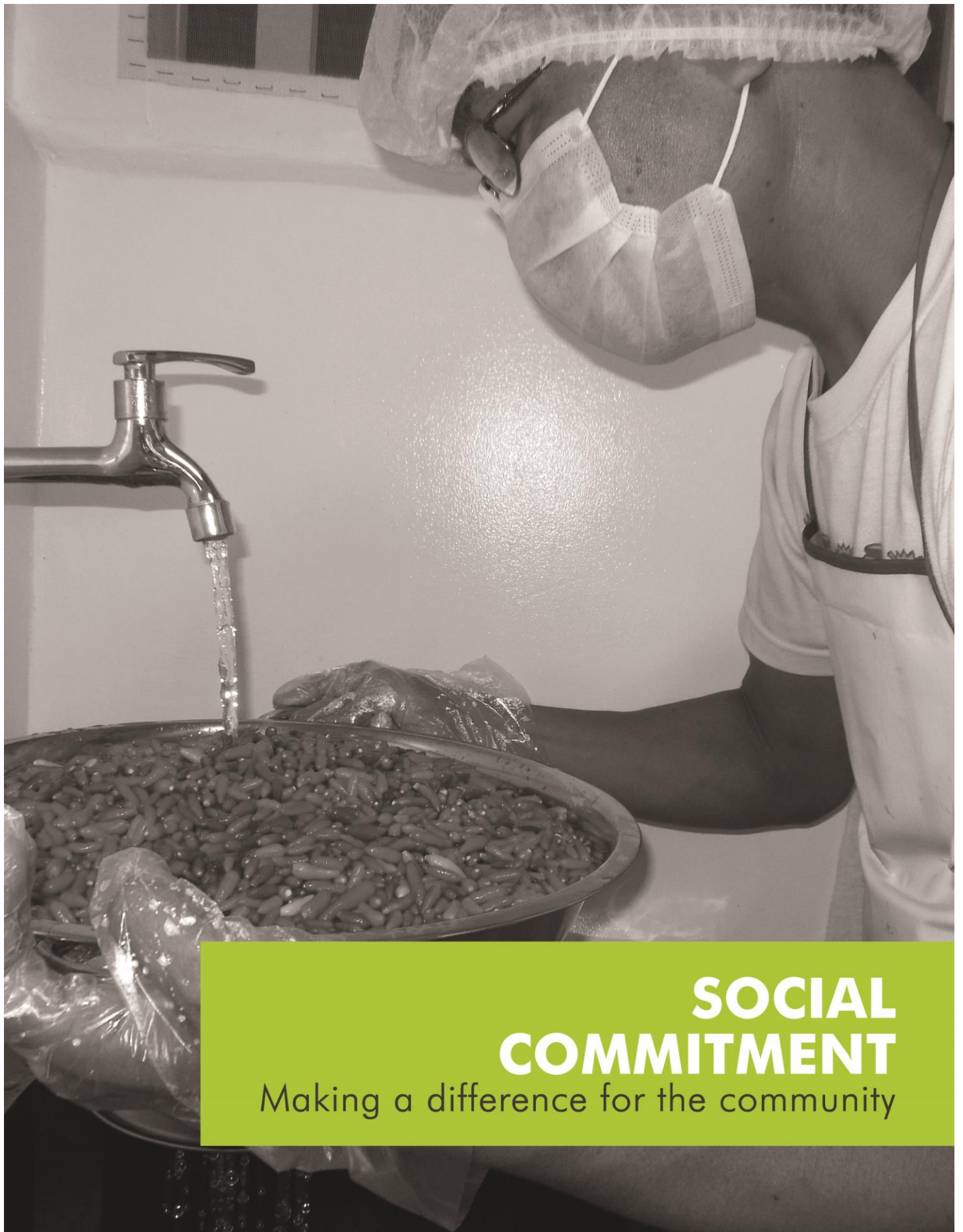
ENCOURAGING CAMARADERIE

Every year, AFPSLAI sponsors fun and socialization activities, like Sportsfest, Anniversary Festivities, Halloween Trick or Treat and monthly Salo-Salo programs, which enable the employees to band together and interact with their fellow employees.

In addition, AFPSLAI joins the annual AFP-PNP Inter-Financial Institutions Sportsfest to foster camaraderie, teamwork and cooperation between and among the employees of other financial institutions.

FOSTERING OPEN COMMUNICATION

An important part of empowering employees is letting them know their opinions are valuable. AFPSLAI encourages employees to informally discuss their concerns with their immediate superiors. Feedback or suggestions are welcome during employee forums and staff meetings.



SOCIAL COMMITMENT

Making a difference for the community

Shaping the future

**As an AFPSLAI Scholar,
I want to pay it
forward.**

The scholarship that I received from AFPSLAI was a great help to my family financially. It inspires me to strive harder in my studies and to maintain highly satisfactory grades for the program.

When I am already earning, I will do everything in my power to provide a good life for my parents who have sacrificed a lot for me. I wish to be part of medical missions conducted for the less fortunate so that in my own way, I am able to contribute to the community and create a positive impact in the lives of the people.

I want to express my greatest gratitude to AFPSLAI. To all the people behind the program, thank you! I owe you my education and my bright future. This program has affected me in so many ways and it is molding me to become a better individual everyday.

Antonette Kim R Lero
Centro Escolar University-Manila
Aspiring Ophthalmologist and Businesswoman



**As an AFPSLAI Scholar,
I want to serve the
men in uniform.**

The AFPSLAI Scholarship and Educational Assistance Program (SEAP) really means a lot to me because it motivates me to study hard, to be competitive and to strive more. It has alleviated the financial burden of my parents.

I would like to encourage my fellow scholars to believe and to push themselves beyond their limits.

I want to assure my family that I will continue to study hard so that I can achieve my dreams, and uplift the lives of my parents and siblings. I will serve the society, most especially the men and women in uniform who have pledged their service to our countrymen, by becoming an accredited doctor in hospitals of the Armed Forces of the Philippines (AFP).

I am very thankful to AFPSLAI for giving me the rare opportunity to be part of the program. This scholarship really helps me a lot to be closer to achieving my goals in life. Someday, I will take it upon myself to honor and serve the AFP.

Cristofer John P Purugganan
Centro Escolar University-Makati
Aspiring Doctor



Rising from Adversity



Senior Police Officer 1 (SPO1) Edlun A Ferrando bagged the top award for the 2015 Search for Outstanding Member-Entrepreneurs. His business was born in February 2013 after Typhoon Pablo hit Davao Oriental and the Compostela Valley provinces.

The wake of Typhoon Pablo left a lot of residents in Baganga displaced or homeless. Despite the tragedy, there was an unexpected blessing which came in the form of chili (sili). After the typhoon, there was an overabundance of chili, which the farmers sold so they can provide food for their families. SPO1 Ferrando and his wife bought chili as a way of helping the farmers, which they used for their small carinderia. After attending various seminars from crises recovery and livelihood centers, they recognized that there is great potential for chili. Thus, with an initial capital of P100,000, which SPO1 Ferrando acquired through an AFPSLAI loan, the couple put up Ayana's Siling Kinamayo.

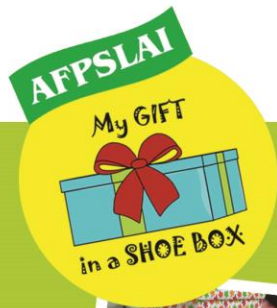
The couple's first product was the Siling Kinamayo Hot Sauce, which was patronized by a lot of consumers in their area. After perfecting their first product, the

couple expanded their product line that now includes chili powder, spicy vinegar, honey, chili in oil, turmeric tea, mangosteen tea and anchovy paste. They now have various stores located in Baganga, San Victor Island, Mati Subangan, Banay-Bana, and Davao City. Every month, they also join trade fairs in Davao, other neighboring provinces, Metro Manila and all the way to Kota Kinabalu, Malaysia.

Their business generates job for the farmers and their families. The couple also gives back to Got Heart Foundation, a non-government organization that helped them and other families after the typhoon. Ayana's Siling Kinamayo may have products that other brands carry, but what makes it unique is the story behind it: hope, passion and perseverance.

SPO1 Ferrando and his wife are dedicated to perfecting and expanding their products, and dream of one day conquering the global market.

Shoe-ing some love



AFP SLAI, through its Outreach Committee, has created another project that brings joy to children. The My Gift in a Shoe Box project, launched in November 2015, encouraged members and employees of AFP SLAI to donate various small gifts placed inside an empty shoe box.

From November 15 to December 10, 2015, close to 200 gift boxes containing a variety of items such as toys, clothes, art materials and accessories were collected and distributed to underprivileged children of Hospicio De San Jose.

A Shoe-per Merry Christmas Party was organized on December 16, 2015 at the welfare institution. More than thirty children were treated with games, entertainment and meals from Jollibee. The children's faces lightened up when each of them was given a shoe box gift. The remaining gift boxes were all turned over for distribution to other children living in Hospicio.

Aside from the gifts to children, AFP SLAI also gave sacks of rice, diapers, canned goods, personal hygiene items and milk to somehow help the institution cope with its daily requirements.



Creating a social impact

Yearly, the Alliance for Non-Stock Savings and Loan Institutions or ANSLI (formerly Confederation of Non-Stock Savings and Loan Associations Inc. or CONSLA) recognizes its member-associations with commendable corporate social responsibility (CSR) programs. The Gawad CONSLA Award is conferred to the association that affirms its advocacies through programs that uplift the lives of its members, their families and the community it serves.

For 2015, AFPSLAI was conferred the Gawad CONSLA Award for its Share-a-Book Campaign. The campaign encouraged members and employees to donate books, which were then distributed among schools that cater to dependents of men in uniform. It also aimed to promote reading among children. AFPSLAI was able to collect around 2,000 books. The campaign benefitted 20 schools nationwide.



A black and white photograph of a large, empty conference room. A long, dark conference table runs down the center of the room, flanked by rows of black leather chairs. Each chair has a gooseneck microphone attached to it. At the far end of the table, a large circular emblem is mounted on the wall. The room has a modern, professional feel with recessed ceiling lights and wood-paneled walls.

CORPORATE GOVERNANCE

Balancing the interests of stakeholders



The AFPSLAI Board of Trustees is strongly committed to the sound and effective practices in corporate governance. It continues to strive for the highest standards of ethical conduct, integrity and value-based leadership.

BOARD STRUCTURE

The Board is composed of 15 members, who are professionals from various fields of expertise. It ensures the sustainable and continuity of business activities by providing strategic direction to the Management.

The Board is elected by the members during annual membership meeting. Each serves a one-year term until the election and qualification of new set of trustees. Any regular member may be elected to a maximum of only five cumulative terms as a trustee.

BOARD MEETINGS & ATTENDANCE

The Board holds regular monthly meetings and special meetings as needed. The Chairman, or in his absence, the Vice Chairman, presides over all meetings of the Board.

From January to December 2015, the Board convened 21 times (12 regular meetings and 9 special meetings) to evaluate and approve various matters related to the operations of the Association.

Trustees	Meetings Attended	Meetings eligible to attend as trustee
Gen Hernando Delfin Carmelo A Iriberry AFP ¹	7	11
LtGen Cardozo M Luna AFP (Ret)	21	21
LtGen Virgilio O Domingo AFP (Ret) ²	13	14
Col Wilfredo G Nuqui PA (Ret)	21	21
Col Diosdado M Domingo PA (Ret)	20	21
P/Dep Dir Gen Rommel DF Heredia (Ret)	21	21
VAdm Leonardo C Calderon Jr AFP (Ret) ³	13	14
MGen Romeo D Lustestica AFP (Ret)	21	21
P/C Supt Rex Milton A Dolino (Ret)	21	21
P/Dep Dir Gen Felipe L Rojas Jr (Ret)	18	21
Col Rizaldo B Limoso (GSC) PA	21	21
Col Jose M Benitez (MNSA) PAF ⁴	18	19
Col Eliezer R Galam (GSC) PA ⁵	2	2
Capt Alberto A Cruz (GSC) PN ⁶	0	0
FCMS Romeo H Jandugan (INF) PA ⁷	3	4

¹ Elected in July 2015

^{2 & 3} Elected in May 2015

⁴ Elected in February 2015

⁵ Elected in December 2015

⁶ Elected in January 2016

⁷ Elected in November 2015

BOARD COMMITTEES



GOVERNANCE COMMITTEE

Ensures that the Board governance system works effectively and that the corporate governance guidelines are adhered to and strictly observed by the BOT and Corporate Officers.

Major Accomplishments:

Endorsed the following for Board approval:

- Retention of Expected Dividend Advance (EDA) facility, with specific guidelines on the implementation and distribution of EDA proceeds
- New Corporate Philosophy and the Corporate Strategic Scorecard for Y2016-2022
- Revision of Board Committee Charters
- Revisions to the Donation Policy regarding the fund allocation
- Major donations to various units within AFPSLAI's well-defined group
- Hiring of EVP-GM, SVP for Administration Department, and SVP for Treasury Department
- Revised Levels of Approving Authority
- Transfer of Extension Offices
- Outreach Program for 2015
- Nominees and Proxy to the Centennial Financing Corporation (CFC) Annual Stockholders' Meeting
- Reduction of interest rates for Salary, Multi-Purpose, and Emergency Loans

CHAIRMAN

LtGen Cardozo M Luna AFP (Ret)

MEMBERS

LtGen Virgilio O Domingo AFP (Ret)

Col Wilfredo G Nuqui PA (Ret)

Col Diosdado M Domingo PA (Ret)

VAdm Leonardo C Calderon Jr AFP (Ret)

MGen Romeo D Lustestica AFP (Ret)

P/Dep Dir Gen Rommel DF Heredia (Ret)

P/C Supt Rex Milton A Dolino (Ret)

NUMBER OF MEETINGS: 19

The Governance Committee also reviewed the assessment forms for the Board of Trustees, Corporate Officers, and Lead Resource Persons.

Likewise, the Committee discussed the proposed bills amending RA 8367 (*Revised Non-Stock Savings and Loan Association Act of 1997*) and the action plans for BSP Circular 857 (*Financial Consumer Protection*).



RISK OVERSIGHT COMMITTEE

Reviews, approves, and oversees the Association's risk management strategies, execution, and exposures.

Major Accomplishments:

Endorsed the following for Board approval:

- Study on whether AFPSLAI can accept funds from AFPRSBS
- Revisions to the updated Business Continuity Program (BCP) Manual
- Accreditation of Manulife as the credit redemption insurance provider of AFPSLAI from November 2015 to December 2017
- Designation of authorized signatories for Branch Offices
- Reactivation and Closure of Bank Accounts
- Review of Liquidity and Capital Structure
- Renewal of Government Securities for Withdrawable Share Reserve
- Renewal of Service Providers

One of the major accomplishments of the Risk Oversight Committee was the approval of Risk Management Plan (RMP) in April 2015. The Plan defines the strategy to manage all foreseeable risks and opportunities to minimize impact on financial operations, as well as raise operational performance. Risks are inherent in any association. But these are carefully assessed and their projected consequences are effectively addressed.

CHAIRMAN

Col Wilfredo G Nuqui PA (Ret)

MEMBERS

LtGen Cardozo M Luna AFP (Ret)
 LtGen Virgilio O Domingo AFP (Ret)
 Col Diosdado M Domingo PA (Ret)
 MGen Romeo D Lustestica AFP (Ret)
 P/Dep Dir Gen Rommel DF Heredia (Ret)
 P/Dep Dir Gen Felipe L Rojas Jr (Ret)

NUMBER OF MEETINGS: 12

The Committee also discussed the updates on the Integrated Mission Critical System (IMCS) 2 Project, as well as the monthly reports of the Risk Officer on RMP and BCP updates, use and upgrading of the credit risk scorecard, and risk management policies. The Committee reviewed the reports on Economic & Financial Developments and Liquidity Gap, which were rendered every quarter by the Heads of Corporate Planning Office and Cash & Investment Management Division, respectively.

Further, the Committee deliberated on the BSP Circular 886 and its possible effects on consumption loans being offered by the Non-Stock Savings and Loan Associations (NSSLAs). The Circular lays down the guidelines on salary-based general-purpose consumption loans, as well as the amendments of certain provisions in the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI).



AUDIT AND COMPLIANCE COMMITTEE

Oversees the financial reporting, internal control system, audit process, compliance with laws and regulations, and risk management.

Major Accomplishments:

Endorsed the following for Board's approval:

- Reports presented by the Internal Auditor, Corporate Compliance Officer and Head, General Accounting Office
- Quarterly reports to be given to Bangko Sentral ng Pilipinas (BSP) to address the issues raised in their Report of Examination
- Policy on Accounts Receivables
- Revision of Money Laundering and Terrorist Financing Prevention Program
- Engagement of the services of Chan Robles Law Firm as Tax Consultant
- Engagement of the services of Isla Lipana & Co. for the 2015 year-end financial audit
- Discussions on 2015 year-end financial audit
- Write-off of past due accounts and account receivables

The Audit and Compliance Committee also discussed the Post Implementation Review (PIR) of the IMCS 2. The said review was done by Sycip, Gorres, Velayo (SGV) & Co. Likewise, the Committee gave an assessment of reserve requirements of the Association.

CHAIRMAN

VAdm Leonardo C Calderon Jr AFP (Ret)

MEMBERS

LtGen Cardozo M Luna AFP (Ret)

Col Wilfredo G Nuqui PA (Ret)

P/Dep Dir Gen Rommel DF Heredia (Ret)

P/C Supt Rex Milton A Dolino (Ret)

Col Rizaldo B Limoso (GSC) PA

FCMS Romeo H Jandugan (INF) PA

NUMBER OF MEETINGS: 20

A briefing was also made on BSP Circular 808 or the Guidelines on Information Technology Risk Management for all Banks and Other BSP-supervised Institutions. The circular provides guidelines to address risks associated with emerging trends in technology and growing concerns on cyber security.



CREDIT AND COLLECTION COMMITTEE

Ascertains that the credit and collection support system works efficiently, and attends to related activities of Real and Other Properties Acquired (ROPA) management for transactions beyond the authority level given to management.

Major Accomplishments:

Endorsed the following for Board approval:

- Loan applications of officers and members, and sale of Real and Other Properties Acquired (ROPA)
- Revision of criteria in Accreditation Policy for collection agents
- Accreditation and renewal of collection agents
- Accreditation of brokers
- Revision of Loan Product Manual, particularly on the definition of the normal collection cycle (from 6 months to 3 months)
- Creation of PVAO Pension Loan, a new loan product launched in October 2015
- Creation of an incentive scheme for Member-to-Loan, targeting the pensioners
- Re-pricing of Back-to-Back (BTB) loan rates and extension of maximum BTB loan term to one (1) year
- Formulation of:
 - » Pre-termination policy
 - » Foreclosure and Consolidation policy
 - » Commission Sales Agreement
- Revision of Policy on the Management of ROPA
- Review of Customized Loans Tracking System
- Review of Management recommendations on 2015 BSP ROE exceptions and findings related to Credit and Collection.

CHAIRMAN

Col Diosdado M Domingo PA (Ret)

MEMBERS

LtGen Virgilio O Domingo AFP (Ret)
 Col Wilfredo G Nuqui PA (Ret)
 Col Rizaldo B Limoso (GSC) PA
 Col Jose M Benitez (MNSA) PAF
 Col Eliezer R Galam (GSC) PA
 Capt Alberto A Cruz (GSC) PN

NUMBER OF MEETINGS: 24

The Credit and Collection Committee also monitored the monthly loan production, billing and collection efficiency and past due loan accounts of the Association. Further, the Committee ensured compliance with BSP Circular 789 when it comes to Asset Classification and Provision for Probable Losses.



AMENDMENT COMMITTEE

Reviews and deliberates proposed amendments/revisions to the Articles of Incorporation and By-Laws.

Major Accomplishments:

Endorsed to the general membership the following amendments to the By-Laws during the May 30, 2015 Annual Membership Meeting:

- Rearrangement/re-clustering of members from PNP, BFP, and BJMP;
- Membership of AFPSLAI employees who are members of AFPSLAI Employees Association (AEA);
- Determination of Annual Operational Budget; and
- Termination of Membership (other grounds for termination)

The Amendment Committee also discussed the guidelines on the continuing eligibility of inactive (resigned or separated) employees of civilian agencies to be considered as either regular or associate members.

CHAIRMAN

P/Dep Dir Gen Rommel DF Heredia (Ret)

MEMBERS

LtGen Virgilio O Domingo AFP (Ret)

P/C Supt Rex Milton A Dolino (Ret)

P/Dep Dir Gen Felipe L Rojas Jr (Ret)

Col Eliezer R Galam (GSC) PA

Capt Alberto A Cruz (GSC) PN

FCMS Romeo H Jandugan (INF) PA

NUMBER OF MEETINGS: 7



HUMAN RESOURCE AND COMPENSATION COMMITTEE

Oversees the formulation of strategic Human Resource policies including compensation-related policies for both employees and the Board of Trustees.

Major Accomplishments:

Endorsed the following for Board's approval:

- Increase in the remuneration of Board of Trustees
- Salary increase for supervisors, managers, and executives
- Implementation guide on the administration of Gratuity for Outgoing Trustees and Token for Outgoing Chairman/Vice Chairman
- Revised Policy on Granting of Performance Bonus, and Anniversary & Year-end Incentives
- Review of the existing Trust Agreement between AFPSLAI and the Retirement fund Board in relation to fund management, liabilities, and board membership
- Revised Policy on Overtime Services
- Revised Organizational Structure
- Revised Policy on Hiring, Promotion and Other Employee Movements (to apply parallel sourcing to all positions) and Succession Planning Framework
- Changes in Job Descriptions of Department Head positions

CHAIRMAN

P/C Supt Rex Milton A Dolino (Ret)

MEMBERS

LtGen Cardozo M Luna AFP (Ret)

LtGen Virgilio O Domingo AFP (Ret)

Col Diosdado M Domingo PA (Ret)

MGen Romeo D Lustestica AFP (Ret)

P/Dep Dir Gen Felipe L Rojas Jr (Ret)

Col Jose M Benitez (MNSA) PAF

FCMS Romeo H Jandugan (INF) PA

NUMBER OF MEETINGS: 10

The Human Resource and Compensation Committee deliberated on the guidelines for future Collective Bargaining Agreement (CBA) negotiations and the proposed contents to the CBA Reference Handbook.

The Committee also discussed reports on the AFPSLAI Retirement Fund insofar as board composition, investments, and actuarial valuation are concerned.



MEMBERSHIP COMMITTEE

Reviews, approves, confirms, and oversees applications for admission, readmission, termination, and expulsion of membership of regular, associate, and corporate members.

Major Accomplishments:

Endorsed the following for Board's approval:

- Revision on Policy Guidelines on Membership Termination due to Death
- Admission of 19,143 new members, re-admission of 710 members, re-activation of 183 members, termination of 4,403 members, and expulsion of 4 members

In compliance with BSP Circular 789, the Membership Committee came up with a policy on Individual and Family Group Capital Contribution Limits. The said policy would require members to classify their capital contributions (CC) as fixed/non-withdrawable and withdrawable. It also requires the Association to prescribe a maximum CC limit per family group. Its implementation started on July 1, 2015.

The Committee also strengthened the efforts of membership cleansing for possible ineligible civilian, inactive, and associate members.

CHAIRMAN

MGen Romeo D Lustestica AFP (Ret)

MEMBERS

LtGen Cardozo M Luna AFP (Ret)
 VAdm Leonardo C Calderon Jr AFP (Ret)
 Col Rizaldo B Limoso (GSC) PA
 Col Jose M Benitez (MNSA) PAF
 Col Eliezer R Galam (GSC) PA
 Capt Alberto A Cruz (GSC) PN

NUMBER OF MEETINGS: 16

REVIEW OF CORPORATE PHILOSOPHY

In a two-day strategic planning held last April 27-28, 2015, the Board, together with top executives, revisited AFPSLAI's Vision-Mission-Values Statements and redefined strategic goals covering 2016 to 2022. Approved in May 2015, the new philosophy focuses on the growth and sustainability of business operations, leadership in the financial services industry in good corporate governance, and service to members. The strategic planning process was designed and facilitated by the Institute of Corporate Directors (ICD).

CORPORATE STRATEGIC SCORECARD

During the strategic planning, the Board also defined the Corporate Strategic Scorecard for Y2016-2022, which is in line with the primary goal of AFPSLAI, that is, to uplift the well-being of its members, their families, and the communities they live in.

The Board identified the following perspectives to achieve the said objective:

- **Social Impact** - AFPSLAI needs to expand itself and find ways how to empower its members and their families towards financial freedom and to create positive impact on the stakeholders through its corporate social responsibility initiatives
- **Financial Results** - AFPSLAI must have a healthy financial bottom line to assist its members, grow as an organization, and secure sustainability
- **Members** - As a service-oriented organization, AFPSLAI must meet the expectations of its members and customers, and ensure their satisfaction
- **Internal Process and Infrastructure** - AFPSLAI has to substantially improve its core processes to become the prime mover in strengthening corporate governance in the NSSL industry
- **Learning and Organizational Development** - AFPSLAI must build a strong and capable organization, supported by culture of excellence, that can implement the aforesaid reforms

CORPORATE GOVERNANCE TRAININGS FOR TRUSTEES AND KEY OFFICERS

In compliance with the qualification requirement of BSP and to promote a higher level of corporate governance, newly-appointed trustees and executives attended the Corporate Governance Training Program (CGTP) given by ICD.

In January 2015, the Board of Trustees, Corporate Officers, Senior Vice Presidents, and selected managers attended the Credit Risk Scorecard Lecture by Dr Rolando A Danao of UP School of Economics. The lecture provided practical insights and valuable learning experiences on how to enhance the current Credit Risk Scorecard System.

Other seminars/trainings attended by the trustees and key officers were as follows:

1	Date: February 10, 2015 Course Title: ISO Awareness Training Attendees: Board of Trustees, EVP-GM, Senior Vice Presidents, selected managers Sponsor/Trainer: AJV Management Consultancy
2	Date: April 8, 2015 Course Title: Distinguished Corporate Governance Speaker Series on "Where Boards Fail to Deliver" Attendees: Trustee Nuqui and Trustee Domingo Sponsor/Trainer: ICD
3	Date: October 15-16, 2015 Course Title: 8 th Result-Driven Credit and Collection Management Tactics and Initiatives Attendee: Trustee Domingo Sponsor/Trainer: Mr Ricardo De Vera of Ariva Events Management
4	Date: October 19-20, 2015 Course Title: Corporate Secretary Training of Trainors Course Attendee: Corporate Secretary Padilla Sponsor/Trainer: ICD
5	Date: November 10, 2015 Course Title: 53rd Philippine Economic Society Annual Meeting Attendee: Trustee Nuqui Sponsor/Trainer: Philippine Economic Society
6	Date: November 13, 2015 Course Title: CGTP - Accounting and Finance Module Attendee: Trustee and President & CEO Domingo Sponsor/Trainer: ICD
7	Date: November 26, 2015 Course Title: Professional Directors Program (Module 2 - Strategy) Attendee: Trustee and President & CEO Domingo Sponsor/Trainer: ICD
8	Date: December 3, 2015 Course Title: Professional Directors Program (Module 4 - Monitoring) Attendee: Trustee and President & CEO Domingo Sponsor/Trainer: ICD

CORPORATE AND EXECUTIVE OFFICERS



Gen Hernando Delfin Carmelo A Iriberry AFP
Chairman



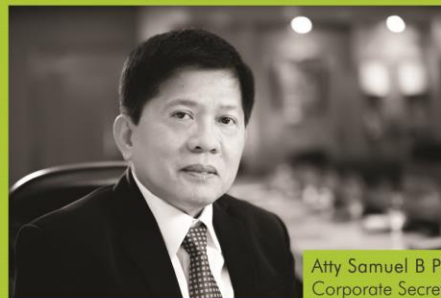
LtGen Cardozo M Luna AFP (Ret)
Vice Chairman



LtGen Virgilio O Domingo AFP (Ret)
President and CEO



Mr Hector M Atienza
EVP-GM



Atty Samuel B Padilla
Corporate Secretary



Col Sanny L Gadot PA (Ret)
Treasurer / SVP, Treasury Department



Ms Rosario D Santos
Comptroller / SVP, Comptrollership Department



BGen Luis C Vinoya AFP (Ret)
SVP, Administration Department



Mr Gilberto T Acuesta
SVP, Operations Department



MANAGEMENT TEAM

Dynamic thinkers and excellence-driven innovators

OFFICE OF THE CHAIRMAN

MS LOURDES B OCAMPO
OIC, Internal Audit Division /
Head, Branch Office Audit Branch,
Internal Audit Division

MR EDMUNDO S BUCO
Head, Head Office Audit Branch,
Internal Audit Division

MR VIRGILIO R PRION
Corporate Compliance Officer

MS HAZEL IVY R MANESE
Risk Officer

OFFICE OF THE PRESIDENT & CEO

**MS PAOLA FLORENCE T
BACUNGAN**
Head, Corporate Planning Office

**MS MARIE ANTOINETTE D
DELA CRUZ**
Head, Corporate Affairs Office

OFFICE OF THE EVP-GM

MS MA RIZELLE J PALAD
Head, Information Systems Division

MS LANI N BRUNIO
Head, Systems Development Branch,
Information Systems Division

MR MYRON C ARCENA
Head, Hardware & Network
Management Branch,
Information Systems Division

ATTY SADIRI R DALIVA
Head, Legal Services Division

ATTY RICARDO C MONTESA JR
Litigation Lawyer,
Legal Services Division

ATTY RONALDO F FLORES
Documentation Lawyer,
Legal Services Division

TREASURY DEPARTMENT

MS GIRLIE E DARIO
Head, Cash & Investment
Management Division

MS ALMA P BRINGAS
Head, Cash Operations Branch,
Cash & Investment
Management Division

MR BENJAMIN A PESTAÑO JR
Head, Billing & Collection Division

**MS ANTONETTE BERNADETTE R
COLOMA**
Head, Remedial Asset Management
Office

COMPTROLLERSHIP DEPARTMENT

MR ANTHONY D ROSETE
Head, General Accounting Office

MS LUELLE G LEUTERIO
Head, Financial Statement Branch,
General Accounting Office

MS EVELYN C VICTORIA
Head, Loans Accounting Office

MS YOLANDA M BULANADI
Head, Capital, Savings & Membership
Accounting Office

ADMINISTRATION DEPARTMENT

MS MARILYN G GAHITE
Head, Human Resource
Management Division

MS SARA P CAMBA
Head, Supply & Property
Management Office

ENGR ROMEL L MACAROYO
Head, General Services Office

**LTCOL ALLAN V SOLLANO PA
(RET)**
Head, Security & Investigation Office

OPERATIONS DEPARTMENT

MS MARIETTA C ARNALDO
Head, Branch Operations Support
Services Group

MS MA EVELYN A CORPUZ
Area Operations Head, NCR/Luzon

MS MA JUDEL G PLAZA
Head, Aguineldo Branch

MR JESUS B VISAYA
Assistant Branch Head,
Aguinaldo Branch

MS MERLITA O CASTRO
Officer-in-Charge, Crame Branch

MR ARNEL V QUERUBIN
Head, Bonifacio Branch

MS LAURIE ANNE L DE JESUS
Head, Sangley Branch

MS ANGELIE A BRUEL
Head, Clark Branch

MR JOSEPH T MACARILAY
Head, Baguio Branch

MS JOYCE R VALIENTE
Head, Isabela Branch

MS CAROLYN P DE VILLA
Head, Lucena Branch

MS MARIA L MARGALLO
Head, Legazpi Branch

MR GLOTERIO M DOLORFINO JR
Head, Palawan Branch

MS ROFEL O VIVAR
Area Operations Head, VisMin

MR GERRY G TORIO
Head, Cebu Branch

MR JOBERT C SESE
Head, Iloilo Branch

MR ENRICO R PESIGAN
Officer-in-Charge, Tacloban Branch

MR RAFAEL R CASTRO
Head, Catbalogan Branch

MR ROLANDO LITO M MALANA
Head, Zamboanga Branch

MS ANABELLE A MARCABAN
Head, Pagadian Branch

MS RUTH F MACAHILAS
Head, Cagayan de Oro Branch

MR RENE C APOS
Head, Davao Branch

MS DOLORES T MARCO
Head, General Santos Branch

MR NELSON DG ENRIQUE
Head, Cotabato Branch

MS MA FARAH B SOLLANO
Head, Butuan Branch

The background of the slide features a grayscale photograph of financial tools. On the right, a portion of a silver calculator is visible, showing buttons for 'TAX+', 'TAX-', 'MC', 'AC', and a numeric keypad. To the left of the calculator, several coins are scattered on a surface that appears to be a financial statement or ledger, with some numbers and lines visible. The overall theme is finance and accounting.

AUDITED FINANCIAL STATEMENTS

As at and for the years ended
December 31, 2015 and 2014

by Isla Lipana & Co.

Statement of Management's Responsibility for Financial Statements

The management of the **Armed Forces and Police Savings & Loan Association, Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended **31 December 2015 and 2014**, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 Trustees reviews and approves the financial statements and submits the same to the members.

Isla Lipana & Co., the independent auditors, appointed by the Board, has examined the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such examination.



LTGEN CARDOZO M. LUNA AFP (RET)
Vice Chairman



LTGEN VIRGILIO O. DOMINGO AFP (RET)
President & CEO



MS ROSARIO D. SANTOS
Comptroller

Signed this **29th** day of **April**, 2016.

Independent Auditor's Report

To the Board of Trustees and Members of
Armed Forces and Police Savings & Loan Association, Inc.
(A Non-Stock Savings and Loan Association)
AFPSLAI Building
Camp General Emilio Aguinaldo
EDSA, Quezon City

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Armed Forces and Police Savings & Loan Association, Inc. and Subsidiary (the "Group") and the parent financial statements of Armed Forces and Police Savings & Loan Association, Inc. (the "Parent Company"), which comprise the consolidated and parent statements of financial position as at December 31, 2015 and 2014, and the consolidated and parent statements of income, statements of total 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and parent 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 and parent financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and parent 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 and parent financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated and parent 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 and parent 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 and parent financial statements.

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

Independent Auditor's Report
To the Board of Trustees and Members of
Armed Forces and Police Savings & Loan Association, Inc.
(A Non-Stock Savings and Loan Association)
Page 2

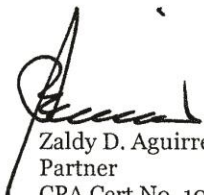
Opinion

In our opinion, the accompanying consolidated and parent financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2015 and 2014, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Bureau of Internal Revenue Requirement

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

Isla Lipana & Co.



Zaldy D. Aguirre
Partner

CPA Cert No. 105660

P.T.R. No. 0024447, issued on January 6, 2016, Makati City

SEC A.N. (individual) as general auditors 1176-AR-1, Category A; effective until January 13, 2018

SEC A.N. (firm) as general auditors 0009-FR-4, Category A; effective until July 15, 2018

TIN 221-755-698

BIR A.N. 08-000745-77-2015, issued on January 29, 2015; effective until January 28, 2018

BOA/PRC Reg. No. 0142, effective until December 31, 2016

Makati City
April 29, 2016

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Financial Position
December 31, 2015 and 2014
(All amounts in thousands of Philippine Peso)

	Notes	Consolidated		Parent	
		2015	2014	2015	2014
ASSETS					
CASH AND CASH EQUIVALENTS	2	13,728,375	8,823,911	13,718,362	8,789,980
AVAILABLE-FOR-SALE INVESTMENTS	3	95,855	100,428	95,855	100,428
HELD-TO-MATURITY INVESTMENTS	4	5,075,417	4,155,526	5,075,417	4,155,526
LOANS AND RECEIVABLES, net	5	46,356,356	46,054,006	46,270,506	45,994,326
PROPERTY AND EQUIPMENT, net	7	186,391	200,813	186,211	200,505
INVESTMENT PROPERTIES, net	8	143,584	161,531	131,913	155,832
INVESTMENT IN A SUBSIDIARY	6	-	-	75,000	75,000
OTHER ASSETS, net	10	118,592	170,472	116,718	166,884
Total assets		65,704,570	59,666,687	65,669,982	59,638,481
LIABILITIES AND EQUITY					
CAPITAL CONTRIBUTION REPAYABLE ON DEMAND	11	41,999,099	39,868,792	41,999,099	39,868,792
DEPOSIT LIABILITIES	12	11,910,693	10,554,941	11,910,693	10,554,941
ACCRUED INTEREST AND OTHER EXPENSES	11,12	2,996,150	1,542,007	2,996,150	1,542,007
RETIREMENT LIABILITY	9	105,734	138,722	105,256	138,221
OTHER LIABILITIES	13	1,066,809	1,081,367	1,025,550	1,044,559
Total liabilities		58,078,485	53,185,829	58,036,748	53,148,520
EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY					
Surplus reserves	14	6,994,459	6,397,306	6,994,459	6,397,306
Surplus free		782,903	246,895	799,109	264,542
Accumulated other comprehensive loss	14	(159,585)	(171,221)	(160,334)	(171,887)
		7,617,777	6,472,980	7,633,234	6,489,961
NON-CONTROLLING INTEREST		8,308	7,878	-	-
Total equity		7,626,085	6,480,858	7,633,234	6,489,961
Total liabilities and equity		65,704,570	59,666,687	65,669,982	59,638,481

(The notes on pages 43 to 104 are an integral part of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Income
For the years ended December 31, 2015 and 2014
(All amounts in thousands of Philippine Peso)

		Consolidated		Parent	
	Notes	2015	2014	2015	2014
INTEREST INCOME					
Loans and discount, net	5	9,198,717	8,970,079	9,192,256	8,964,448
Held-to-maturity investments	4	266,291	338,953	266,691	338,953
Cash and cash equivalents and other investments	2	240,554	108,180	240,011	108,000
Available for sale investments	3	9,971	5,064	9,971	5,064
Installment and sales contract receivables		2,180	3,559	2,180	3,559
		9,717,713	9,425,835	9,711,109	9,420,024
INTEREST EXPENSE					
Capital contribution repayable on demand	11	6,196,373	5,831,880	6,196,373	5,831,880
Deposit liabilities	12	337,085	302,533	337,085	302,533
		6,533,458	6,134,413	6,533,458	6,134,413
NET INTEREST INCOME		3,184,255	3,291,422	3,177,651	3,285,611
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	17	743,318	1,684,865	743,266	1,685,839
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		2,440,937	1,606,557	2,434,385	1,599,772
OTHER INCOME					
Service charge and other fees		6,220	6,664	6,220	6,664
Miscellaneous	18	69,212	37,559	65,747	37,977
		75,432	44,223	71,967	44,641
OPERATING EXPENSES					
Compensation and fringe benefits		665,510	667,409	663,784	665,599
Collection fees		149,233	154,001	149,233	154,001
Depreciation and amortization	7,8,10	97,989	96,992	97,855	96,692
Donations and charitable contributions		69,796	59,791	69,796	59,791
Taxes and licenses		67,714	2,399	67,299	2,043
Management and other professional fees		36,527	36,663	36,527	36,663
Rent	16	32,156	31,005	32,156	31,002
Power, light and water		29,742	31,166	29,707	31,117
Security, janitorial and messengerial fees		29,137	28,951	29,137	28,951
Entertainment, amusement and recreation		20,932	43,856	20,537	43,624
Advertising and publicity		18,463	24,786	18,443	24,763
Staff activities		15,719	20,795	15,664	20,740
Miscellaneous	19	139,048	133,776	137,052	131,314
		1,371,966	1,331,590	1,367,190	1,326,300
INCOME BEFORE INCOME TAX		1,144,403	319,190	1,139,162	318,113
INCOME TAX EXPENSE	20	10,571	2,876	7,442	1,432
NET INCOME FOR THE YEAR		1,133,832	316,314	1,131,720	316,681
Attributable to:					
Members of the Parent Company		1,133,161	316,051	1,131,720	316,681
Non-controlling interest		671	263	-	-
		1,133,832	316,314	1,131,720	316,681

(The notes on pages 43 to 104 are an integral part of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Total Comprehensive Income
For the years ended December 31, 2015 and 2014
(All amounts in thousands of Philippine Peso)

		Consolidated		Parent	
	Note	2015	2014	2015	2014
NET INCOME FOR THE YEAR		1,133,832	316,314	1,131,720	316,681
OTHER COMPREHENSIVE INCOME					
Item that may be subsequently reclassified to profit or loss					
Net change in unrealized loss on available-for-sale investments	14	(4,469)	(4,341)	(4,469)	(4,341)
Item that will not be subsequently reclassified to profit or loss					
Remeasurement of retirement liability, net	14	16,128	37,603	16,022	36,679
		11,659	33,262	11,553	32,338
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,145,491	349,576	1,143,273	349,019
Attributable to:					
Members of the Parent Company		1,144,797	349,110	1,143,273	349,019
Non-controlling interest		694	466	-	-
		1,145,491	349,576	1,143,273	349,019

(The notes on pages 43 to 104 are an integral part of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(All amounts in thousands of Philippine Peso)

	Consolidated					
	Attributable to members of the Parent Company					
	Surplus reserves (Note 14)	Surplus free	Accumulated other comprehensive loss (Note 14)	Total	Non- controlling interest	Total equity
Balances at January 1, 2014	5,654,473	673,677	(204,280)	6,123,870	7,852	6,131,722
Comprehensive income						
Net income for the year	-	316,051	-	316,051	263	316,314
Other comprehensive income	-	-	33,059	33,059	203	33,262
Total comprehensive income for the year	-	316,051	33,059	349,110	466	349,576
Transaction with owners						
Appropriation of surplus	742,833	(742,833)	-	-	-	-
Dividends declared	-	-	-	-	(440)	(440)
Balances at December 31, 2014	6,397,306	246,895	(171,221)	6,472,980	7,878	6,480,858
Comprehensive income						
Net income for the year	-	1,133,161	-	1,133,161	671	1,133,832
Other comprehensive income	-	-	11,636	11,636	23	11,659
Total comprehensive income for the year	-	1,133,161	11,636	1,144,797	694	1,145,491
Transactions with owners						
Appropriation of surplus	597,153	(597,153)	-	-	-	-
Dividends declared	-	-	-	-	(264)	(264)
Balances at December 31, 2015	6,994,459	782,903	(159,585)	7,617,777	8,308	7,626,085

(The notes on pages 43 to 104 are an integral part of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(All amounts in thousands of Philippine Peso)

	Parent Company			
	Surplus reserves (Note 14)	Surplus free	Accumulated other comprehensive loss (Note 14)	Total
Balances at January 1, 2014	5,654,473	690,694	(204,225)	6,140,942
Comprehensive income				
Net income for the year	-	316,681	-	316,681
Other comprehensive income	-	-	32,338	32,338
Total comprehensive income for the year	-	316,681	32,338	349,019
Transaction with owners				
Appropriation of surplus	742,833	(742,833)	-	-
Balances at December 31, 2014	6,397,306	264,542	(171,887)	6,489,961
Comprehensive income				
Net income for the year	-	1,131,720	-	1,131,720
Other comprehensive income	-	-	11,553	11,553
Total comprehensive income for the year	-	1,131,720	11,553	1,143,273
Transaction with owners				
Appropriation of surplus	597,153	(597,153)	-	-
Balances at December 31, 2015	6,994,459	799,109	(160,334)	7,633,234

(The notes on pages 43 to 104 are an integral part of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(All amounts in thousands of Philippine Peso)

		Consolidated		Parent	
	Notes	2015	2014	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from operations	23	5,912,345	3,565,735	5,939,947	3,571,587
Contributions to retirement plan		(56,420)	(53,225)	(56,420)	(53,225)
Income taxes paid		(6,829)	(1,735)	(10,407)	(851)
Net cash generated from operating activities		5,849,096	3,510,775	5,873,120	3,517,511
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from maturity of held-to-maturity investments	4	602,538	1,411,000	602,538	1,411,000
Acquisitions of:					
Held-to-maturity investments	4	(1,491,196)	-	(1,491,196)	-
Software	10	(67,662)	(73,080)	(67,662)	(73,080)
Property and equipment	7	(34,712)	(40,609)	(34,706)	(40,589)
Available-for-sale investments	3	(5)	(50,000)	(5)	(50,000)
Proceeds from sale of:					
Investment properties	8	45,687	14,905	45,575	13,275
Available-for-sale investments	3	620	29,000	620	29,000
Property and equipment	7	98	12,517	98	12,517
Net cash (used in) provided by investing activities		(944,632)	1,303,733	(944,738)	1,302,123
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		4,904,464	4,814,508	4,928,382	4,819,634
CASH AND CASH EQUIVALENTS					
January 1	2	8,823,911	4,009,403	8,789,980	3,970,346
December 31		13,728,375	8,823,911	13,718,362	8,789,980

(The notes on pages 43 to 104 are an integral part of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.

Notes to the Financial Statements

As at and for the years ended December 31, 2015 and 2014

(In the notes, all amounts are shown in thousands of Philippine Peso unless otherwise stated)

Note 1 - General information

The Armed Forces and Police Savings & Loan Association, Inc. (the "Parent Company") is a non-stock savings and loan association ("NSSLA") incorporated in the Philippines and organized under Republic Act (R.A.) No. 8367, otherwise known as the Revised Non-stock Savings and Loan Association Act of 1997, to encourage industry, frugality and the accumulation of savings and judicious utilization of credit among the members. Products available to members are deposits and loans, among others.

The Parent Company is regulated by the Bangko Sentral ng Pilipinas (BSP).

As provided under R.A. No. 8367, the Parent Company is a tax-exempt entity with respect to income derived from its savings and loan activities. Income derived from any other activities conducted for profit not related to the savings and loan activities is subject to the 30% regular tax rate.

The registered office address of the Parent Company is at AFPSLAI Building, Camp General Emilio Aguinaldo, EDSA, Quezon City. It has 633 employees as at December 31, 2015 (2014 - 637 employees).

The Parent Company owns 78% of Centennial Financing Corporation ("CFC" or "Subsidiary"), a company incorporated and domiciled in the Philippines which is primarily engaged in general financing and investing business. The Parent Company and Subsidiary are collectively referred to herein as the "Group".

The consolidated and parent financial statements have been approved and authorized for issuance on April 29, 2016 by the Company's Board of Trustees (BOT).

Note 2 - Cash and cash equivalents

The account at December 31 consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Short-term investments	13,175,000	8,151,000	13,175,000	8,151,000
Cash in banks	531,588	641,999	521,580	608,073
Cash and other cash items	21,787	30,912	21,782	30,907
	13,728,375	8,823,911	13,718,362	8,789,980

Short-term investments include time deposits, which bear nominal annual interest rates of 2.0% - 2.85% (2014 - 1.7% - 3.2%). These deposits have an average maturities of 4 to 90 days (2014 - 21 to 90 days).

In 2015, interest income from cash and cash equivalents of the Group amounts to P240.6 million (2014 - P108.2 million) and P240.0 million (2014 - P108.0 million) for the Parent.

Note 3 - Available-for-sale (AFS) investments

The account for the Group and Parent Company at December 31 consists of:

	2015	2014
Government debt securities	92,803	96,599
Equity securities		
Quoted	1,815	2,950
Unquoted	-	313
	94,618	99,862
Accrued interest on debt securities	1,237	566
	95,855	100,428

In 2015, interest income from available-for-sale investments is P10 million (2014 - P5 million).

Range of interest rates of available-for-sale government debt securities for the year ended December 31, 2015 is 3.26% - 7.0% (2014 - 3.5% - 8.46%).

The movements in available-for-sale investments for the years ended December 31 are summarized as follows:

	2015	2014
At January 1	100,428	84,053
Additions	5	50,000
Disposals	(620)	(29,000)
Fair value losses	(4,469)	(4,341)
Amortization of premium	(158)	(4)
Accrued interest	669	(280)
At December 31	95,855	100,428

Accumulated unrealized loss on available-for-sale investments of the Group and the Parent Company as of December 31, 2015 is P1.0 million (2014 - P3.5 million gain) (Note 14).

Note 4 - Held-to-maturity (HTM) investments

The account for the Group and Parent Company at December 31 consists of:

	2015	2014
Government debt securities		
Cost	4,857,214	3,968,557
Unamortized discount	(18,431)	(44,152)
	4,838,783	3,924,405
Other investments	132,300	132,300
	4,971,083	4,056,705
Accrued interest	104,334	98,821
	5,075,417	4,155,526

In 2015, interest income from held-to-maturity investments amounts to P267 million (2014 - P339 million) based on average interest rates ranging from 2.75% to 7.75% (2014 - 6.55% to 7.75%).

As at December 31, 2015 and 2014, other investments classified as held-to-maturity pertain to time deposits in a local bank maturing within twelve (12) months from reporting date. In 2015, interest income from such investments amount to P8.2 million (2014 - P8.2 million) based on 6.30% (2014 - 6.30%) interest rate.

The movements in held-to-maturity investments for the years ended December 31 are summarized as follows:

	2015	2014
At January 1	4,155,526	5,583,504
Additions	1,491,196	-
Maturities	(602,538)	(1,411,000)
Amortization of discount (premium)	25,721	(10,105)
Accrued interest movement	5,512	(6,873)
At December 31	5,075,417	4,155,526

Note 5 - Loans and receivables, net

Major classifications of this account at December 31 are as follows:

	Note	Consolidated		Parent	
		2015	2014	2015	2014
Loans and discounts					
Consumption and others		49,832,325	49,261,061	49,739,176	49,189,895
Commercial and business		1,021,878	986,418	1,021,878	986,418
Real estate and housing		171,504	202,204	171,504	202,204
		51,025,707	50,449,683	50,932,558	50,378,517
Unearned discounts		(10,855)	(11,744)	(10,855)	(11,744)
		51,014,852	50,437,939	50,921,703	50,366,773
Other receivables					
Accrued interest receivables		803,398	375,584	803,118	375,240
Accounts receivable		129,235	128,832	104,851	104,423
Sales contract receivables		17,081	16,234	17,081	16,233
Installment sales receivables		89	2,109	89	2,109
Advances and receivables from officers and employees		1,558	1,813	1,554	1,784
Due from contractors and suppliers		11,509	4,429	11,509	4,428
		962,870	529,001	938,202	504,217
		51,977,722	50,966,940	51,859,905	50,870,990
Allowance for credit losses	17				
Loans and discounts		(5,494,231)	(4,812,452)	(5,485,713)	(4,799,680)
Other receivables		(127,135)	(100,482)	(103,686)	(76,984)
		(5,621,366)	(4,912,934)	(5,589,399)	(4,876,664)
		46,356,356	46,054,006	46,270,506	45,994,326

In 2015, the total loans and discounts of the Group and the Parent Company earn annual fixed interest rates ranging from 8% to 28.62% (2014 - 4.75% to 24.92%).

In 2015, interest income from loans and discounts of the Group and Parent Company is P9.20 billion and P9.19 billion, respectively (2014 - P8.96 billion; P8.97 billion).

Consumption loans at December 31 consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Salary loans	29,373,170	29,863,547	29,373,170	29,863,547
Pension salary loans	11,978,561	10,862,893	11,978,561	10,862,893
Multipurpose loans	6,724,053	6,509,891	6,724,053	6,509,891
Others	1,756,541	2,024,730	1,663,392	1,953,564
	49,832,325	49,261,061	49,739,176	49,189,895

BSP Reporting

Details of the Group's loans and discounts portfolio at December 31 are as follows:

As to collateral

	Consolidated			
	2015		2014	
	Amount	%	Amount	%
Secured loans				
Deposit hold-out	985,451	1.9	933,836	1.9
Real estate and chattel	379,170	0.7	370,261	0.7
Others	-	-	52,595	0.1
	1,364,621	2.6	1,356,692	2.7
Unsecured loans	49,661,086	97.4	49,092,991	97.3
	51,025,707	100.0	50,449,683	100.0

	Parent			
	2015		2014	
	Amount	%	Amount	%
Secured loans				
Deposit hold-out	985,451	1.93	933,836	1.8
Real estate and chattel	290,591	0.58	307,711	0.6
Others	-	-	52,595	0.1
	1,276,042	2.51	1,294,142	2.5
Unsecured loans	49,656,516	97.49	49,084,375	97.5
	50,932,558	100.0	50,378,517	100.0

Other collaterals include machineries and inventories.

The information on the Group and Parent Company's concentration of credit as to class of loans follows:

	Consolidated		Parent	
	2015	2014	2015	2014
Community, social and personal activities	49,832,325	49,261,061	49,739,176	49,189,895
Real estate and chattel	171,504	202,204	171,504	202,204
Others	1,021,878	986,418	1,021,878	986,418
	51,025,707	50,449,683	50,932,558	50,378,517

Non-performing loans (NPL) of the Parent Company are as follows:

	2015	2014
Non-performing loans		
Secured	56,292	40,402
Unsecured	4,799,394	4,165,630
	4,855,686	4,206,032

The Parent Company provided allowance for credit losses amounting to P4,300 million and P3,700 million on its NPLs as at December 31, 2015 and 2014, respectively. Details of the movement in allowance for credit losses are disclosed in Note 17.

Generally, NPLs refer to loans whose principal and/or interest is unpaid for 30 days or more after due date or after they become past due in accordance with existing rules and regulations. This shall apply to loans collectible in lump sum and loans collectible in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are collectible in monthly installments, the total outstanding balance thereof shall be considered nonperforming when six or more installments are in arrears or when the total amount of arrears reaches 20.0% of total outstanding balance of the loan irrespective of the number of installments.

In the case of receivables that are collectible in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.0% of the total receivable balance.

Receivables are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management and based on the historical experience of the Association, collection of interest or principal is doubtful. Receivables are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations and future payments appear assured.

Note 6 - Investment in a subsidiary

This account at December 31, 2015 and 2014 consists of the Parent Company's investment in shares of stock of CFC carried at cost of P75 million. CFC was incorporated in the Philippines primarily for the purpose of engaging in general financing and investing business. The Parent Company owns 78% of the Subsidiary.

The audited financial information of the Subsidiary as at and for the years ended December 31 are as follows:

	2015	2014
Total assets	113,736	105,722
Total equity	110,822	104,720
Net income	7,196	3,593

Note 7 - Property and equipment, net

This account at December 31 consists of:

Consolidated

	2015				
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
January 1, 2015	61,492	287,164	365,587	93,845	808,088
Additions	-	5,196	25,983	3,533	34,712
Disposals	-	-	(5,506)	-	(5,506)
December 31, 2015	61,492	292,360	386,064	97,378	837,294
Accumulated depreciation					
January 1, 2015	-	219,447	279,498	91,197	590,142
Depreciation	-	12,358	34,529	2,102	48,989
Disposals	-	-	(5,361)	-	(5,361)
December 31, 2015	-	231,805	308,666	93,299	633,770
Allowance for impairment losses (Note 17)	8,702	8,431	-	-	17,133
Net book value, December 31, 2015	52,790	52,124	77,398	4,079	186,391
	2014				
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
January 1, 2014	61,492	277,858	353,117	92,269	784,736
Additions	-	9,262	29,771	1,576	40,609
Disposals	-	-	(17,257)	-	(17,257)
Reclassifications	-	44	(44)	-	-
December 31, 2014	61,492	287,164	365,587	93,845	808,088
Accumulated depreciation					
January 1, 2014	-	208,321	258,656	90,010	556,987
Depreciation	-	11,092	36,121	1,187	48,400
Disposals	-	-	(15,245)	-	(15,245)
Reclassifications	-	34	(34)	-	-
December 31, 2014	-	219,447	279,498	91,197	590,142
Allowance for impairment losses (Note 17)	8,702	8,431	-	-	17,133
Net book value, December 31, 2014	52,790	59,286	86,089	2,648	200,813

Parent Company

	2015				
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
January 1, 2015	61,492	285,694	364,456	93,067	804,709
Additions	-	5,196	25,977	3,533	34,706
Disposals	-	-	(5,506)	-	(5,506)
December 31, 2015	61,492	290,890	384,927	96,600	833,909
Accumulated depreciation					
January 1, 2015	-	218,190	278,433	90,448	587,071
Depreciation and amortization	-	12,260	34,507	2,088	48,855
Disposals	-	-	(5,361)	-	(5,361)
December 31, 2015	-	230,450	307,579	92,536	630,565
Allowance for impairment losses (Note 17)	8,702	8,431	-	-	17,133
Net book value, December 31, 2015	52,790	52,009	77,348	4,064	186,211

	2014				
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
January 1, 2014	61,492	276,388	351,974	91,511	781,365
Additions	-	9,262	29,771	1,556	40,589
Disposals	-	-	(17,245)	-	(17,245)
Reclassifications	-	44	(44)	-	-
December 31, 2014	61,492	285,694	364,456	93,067	804,709
Accumulated depreciation					
January 1, 2014	-	207,161	257,625	89,276	554,062
Depreciation and amortization	-	10,995	36,075	1,172	48,242
Disposals	-	-	(15,233)	-	(15,233)
Reclassifications	-	34	(34)	-	-
December 31, 2014	-	218,190	278,433	90,448	587,071
Allowance for impairment losses (Note 17)	8,702	8,431	-	-	17,133
Net book value, December 31, 2014	52,790	59,073	86,023	2,619	200,505

Depreciation and amortization is included as part of operating expenses in the statement of income.

Details of disposals of property and equipment follow:

	Consolidated		Parent	
	2015	2014	2015	2014
Proceeds	98	12,517	98	12,517
Net book value	(145)	(2,012)	(145)	(2,012)
(Loss) gain on disposal	(47)	10,505	(47)	10,505

As at December 31, 2015 and 2014, the cost of fully depreciated property and equipment that are still in use by the Parent Company amounts to P389.0 million and P358.9 million, respectively. There are no fully depreciated assets that are still being used by the Subsidiary as at December 31, 2015 and 2014.

Note 8 - Investment properties, net

This account at December 31 consists of:

Consolidated

	2015			2014		
	Land	Buildings and improvements	Total	Land	Buildings and improvements	Total
Cost						
January 1	325,785	25,774	351,559	335,110	32,124	367,234
Additions	21,171	6,337	27,508	234	1,986	2,220
Disposals	(45,384)	(611)	(45,995)	(9,559)	(8,336)	(17,895)
December 31	301,572	31,500	333,072	325,785	25,774	351,559
Accumulated depreciation						
January 1	-	6,801	6,801	-	7,724	7,724
Depreciation	-	1,820	1,820	-	2,068	2,068
Disposals	-	(204)	(204)	-	(2,991)	(2,991)
December 31	-	8,417	8,417	-	6,801	6,801
Allowance for impairment losses (Note 17)	178,453	2,618	181,071	180,581	2,646	183,227
Net book value, December 31	123,119	20,465	143,584	145,204	16,327	161,531

Parent Company

	2015			2014		
	Land	Buildings and improvements	Total	Land	Buildings and improvements	Total
Cost						
January 1	325,785	19,816	345,601	335,110	26,283	361,393
Additions	20,209	1,055	21,264	234	241	475
Disposals	(45,384)	(499)	(45,883)	(9,559)	(6,708)	(16,267)
December 31	300,610	20,372	320,982	325,785	19,816	345,601
Accumulated depreciation						
January 1	-	6,542	6,542	-	7,608	7,608
Depreciation	-	1,660	1,660	-	1,926	1,926
Disposals	-	(204)	(204)	-	(2,992)	(2,992)
December 31	-	7,998	7,998	-	6,542	6,542
Allowance for impairment losses (Note 17)	178,453	2,618	181,071	180,581	2,646	183,227
Net book value, December 31	122,157	9,756	131,913	145,204	10,628	155,832

As at December 31, 2015, investment properties have aggregate fair value using level 2 fair value technique amounting to P231.6 million (2014 - P240 million) for the Group and P215.6 million (2014 - P231.8 million) for the Parent Company. Fair value of investment property is determined on the basis of appraisal made by an external appraiser. Valuation method primarily employed by the appraisers is using the market data approach.

Details of disposals of investment properties follow:

	Consolidated		Parent	
	2015	2014	2015	2014
Proceeds	45,943	16,905	45,575	15,275
Net book value	(45,791)	(14,905)	(45,679)	(13,275)
(Loss) gain on disposal	(152)	2,000	(104)	2,000

Depreciation is included as part of operating expenses in the statement of income.

Rent income from investment properties and direct operating expenses for investment properties of the Group are as follows:

	2015	2014
Rent income from investment properties	974	431
Direct operating expenses for investment properties generating rental income	(702)	(132)
Direct operating expenses for investment properties not generating rental income	(5,147)	(7,391)
	(4,875)	(7,092)

Rent income and direct operating expenses on investment properties are recorded as other income under miscellaneous income and other expenses under miscellaneous expenses, respectively, in the statement of income.

Note 9 - Retirement plan

The Parent Company has a funded, non-contributory defined pension plan covering all permanent and full-time officers and employees which is managed by a group of Trustees designated by the Parent Company. The plan is payable upon a member's normal retirement at age 60 and separation from employment with at least five (5) years of credited service. For voluntary retirement, the benefit is equivalent to 150% of the employee's basic monthly salary for a minimum of 5 years of service.

The Subsidiary maintains an unfunded defined benefit retirement plan covering its regular employees and corporate officers and directors. The plan is payable upon a member's normal retirement at age 60 and separation from employment with at least one year of credited service. For voluntary retirement for employees, the benefit is equivalent to 50% of the employee's basic monthly salary for a minimum of 1 year of service with the rate factor progressing to a maximum of 125% of basic monthly salary for service years of 10 or more and 100% of monthly salary for every year of credited service for voluntary retirement for corporate officers and directors.

The retirement liability recognized in the statement of financial position as at December 31 are determined as follows:

	Consolidated		Parent	
	2015	2014	2015	2014
Present value of obligation	653,762	632,022	653,284	631,521
Fair value of plan assets	(548,028)	(493,300)	(548,028)	(493,300)
Retirement liability recognized in the statements of financial position	105,734	138,722	105,256	138,221

The components of retirement expense recognized as part of compensation and fringe benefits and in the statement of total comprehensive income are as follows:

	Consolidated		Parent	
	2015	2014	2015	2014
<i>Recognized in profit or loss</i>				
Current service cost	33,510	34,835	33,394	34,601
Net interest cost	6,101	8,738	6,082	8,687
	39,611	43,573	39,476	43,288

The components of remeasurements recognized in other comprehensive income follow:

	Consolidated		Parent	
	2015	2014	2015	2014
<i>Remeasurements recognized in other comprehensive income</i>				
Changes in financial assumption	10,998	38,132	10,915	37,426
Changes in demographic assumption	-	(1,133)	-	(1,747)
Experience adjustments	4,583	637	4,509	637
Return on plan assets	547	(33)	598	363
	16,128	37,603	16,022	36,679

The movements in the present value of defined benefit obligations for the years ended December 31 are as follows:

	Consolidated		Parent	
	2015	2014	2015	2014
At January 1	632,022	621,743	631,521	620,207
Current service cost	33,510	34,835	33,395	34,601
Interest cost	27,806	29,200	27,787	29,149
Benefits paid	(23,995)	(16,120)	(23,995)	(16,120)
Remeasurements	(15,581)	(37,636)	(15,424)	(36,316)
At December 31	653,762	632,022	653,284	631,521

The movements in the fair value of plan assets of the Parent Company for the years ended December 31 are as follows:

	2015	2014
At January 1	493,300	435,370
Interest income	21,705	20,462
Contributions	56,420	53,225
Benefits paid	(23,995)	(16,120)
Remeasurement - return on plan assets	598	363
At December 31	548,028	493,300

The Subsidiary's retirement plan is unfunded as at December 31, 2015 and 2014.

The following comprises the Parent Company's plan assets at December 31:

	2015		2014	
	Amount	%	Amount	%
Government securities	328,246	60.00	349,543	71.00
Cash and cash equivalents	162,133	30.00	78,296	16.00
Others	57,649	10.00	65,461	13.00
	548,028	100.00	493,300	100.00

Others pertain to loans and receivables from employees, other accrued income and other miscellaneous assets.

The carrying value of the plan assets as at December 31, 2015 and 2014 is equivalent to its fair value.

The Parent Company has no other transactions with the fund other than contributions and benefit payments presented above for the year ended December 31, 2015 and 2014.

In 2015, the actual return on plan assets was P22.3 million (2014 - P20.8 million).

Expected contributions to the retirement plan of the Parent Company for the year ended December 31, 2016 amount to P57.6 million

The principal actuarial assumptions used were as follows:

	Parent Company		Subsidiary	
	2015	2014	2015	2014
Discount rate	4.6%	4.4%	4.8%	3.9%
Future salary increases	5.0%	5.0%	5.0%	5.0%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics generally used for local actuarial valuation purposes.

Discount rate

Discount rates were based on PDEX PDST-R2 government bond rates at various tenors as at valuation dates, adjusted to zero-coupon rates using the re-investment method. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus further increases for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The defined benefit plan typically exposes the Group to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk of the plan of the Parent Company. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Parent Company. However, the Parent Company believes that due to the long-term nature of the pension liability, the mix of investment holdings of the plan is an appropriate element of the Parent Company's long term strategy to manage the plan efficiently.

The Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Group's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is discussed as necessary to better ensure the appropriate asset-liability matching.

The projected maturity analysis of retirement benefit payments as at December 31 follows:

	2015	2014
Less than a year	39,380	42,831
Between 1 to 5 years	254,703	215,925
Between 5 to 10 years	404,355	390,755
Between 10 to 15 years	383,975	383,892
More than 15 years	681,162	701,656

The sensitivity of the defined benefit obligation of the Parent Company to changes in the weighted principal assumptions as at December 31, 2015 and 2014 follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decrease by 8.0%	Increase by 9.0%
Future salary increases	1.0%	Increase by 9.0%	Decrease by 8.0%

The sensitivity of the defined benefit obligation of the Subsidiary to changes in the weighted principal assumptions as at December 31 follows:

	Impact on retirement benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
December 31, 2015			
Discount rate	+/-1%	Decrease by 9%	Increase by 10%
Future salary increases	+/-1%	Increase by 11%	Decrease by 9%
December 31, 2014			
Discount rate	+/-1%	Decrease by 20%	Increase by 20%
Future salary increases	+/-1%	Increase by 18%	Decrease by 18%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the project unit credit method at the end of the reporting period) has been applied as when calculating the retirement asset recognized within the statements of financial position.

Note 10 - Other assets, net

This account at December 31 consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Software cost, net	94,360	139,488	94,360	139,488
Stationeries and other unused supplies	10,425	18,337	10,425	18,337
Deferred tax assets, net (Note 20)	6,413	7,725	4,825	4,421
Prepaid expenses	1,132	1,967	1,132	1,967
Miscellaneous	8,249	4,942	7,963	4,658
	120,579	172,459	118,705	168,871
Allowance for impairment loss (Note 17)	(1,987)	(1,987)	(1,987)	(1,987)
	118,592	170,472	116,718	166,884

Miscellaneous assets include creditable withholding taxes and refundable security deposits

The movements in software cost of the Group and Parent Company are summarized as follows:

	2015	2014
At January 1	139,488	112,932
Additions	67,662	73,080
Amortization	(112,790)	(46,524)
At December 31	94,360	139,488

Note 11 - Capital contribution repayable on demand

The account represents contributions of the members of the Parent Company. These contributions are required to have a maintaining balance amounting to one thousand pesos (P1,000).

As at December 31, 2015 and 2014, capital contributions amounted to P42 billion and P39.9 billion, respectively. The Subsidiary has no capital contribution repayable on demand or any liability of similar nature as December 31, 2015 and 2014.

Capital contributions earns an effective interest of 15.5% in 2015 and 2014 which the Association pays to its members in the form of dividends pursuant to requirements of BSP. On February 29, 2016, the Association, through its BOT, declared dividends to be distributed to its members amounting to P6.2 billion (2014 - P5.8 billion).

For financial reporting purposes, the above dividends are recognized as interest expense in the statement of income as capital contributions are considered as a financial liability. Total interest expense in 2015 amounts to P6.2 billion (2014 - P5.8 billion), of which, P3.0 billion was accrued as at December 31, 2015 (2014 - P1.5 billion).

Note 12 - Deposit liabilities

This account consists of savings deposit from members of the Parent Company amounting to P11.9 billion as at December 31, 2015 (2014 - P10.6 billion). The Subsidiary has no deposit liabilities or any liability of similar nature as at December 31, 2015 and 2014.

In 2015 and 2014, deposit liabilities carry an annual interest rate of 3.0%. Interest expense on deposit liabilities for the year ended December 31, 2015 amounts to P337 million (2014 - P302.5 million).

Note 13 - Other liabilities

This account at December 31 consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Accounts payable	933,110	895,898	932,707	895,679
Insurance payable	25,944	48,934	25,944	48,934
Documentary stamp tax payable	4,686	9,188	4,686	9,188
Taxes payable	14,990	11,179	14,947	11,141
Unearned income and other deferred credits	10,965	2,837	8,984	2,776
Miscellaneous	77,114	113,331	38,282	76,841
	1,066,809	1,081,367	1,025,550	1,044,559

Accounts payable pertains to remittances from members with issued retirement clearances, unclaimed check payments and unclaimed dividends.

Miscellaneous liabilities consist of sundry credits, retention payable and other payables.

Note 14 - Equity

Surplus Reserves

The Consolidated and Parent Company's reserves as at December 31 consist of:

	2015	2014
Withdrawable share reserve	839,982	797,374
Building fund reserve	542,807	542,807
Ledger discrepancies reserve	175,854	175,854
Contingency reserve	5,435,816	4,881,271
	6,994,459	6,397,306

a. Withdrawable share reserve

In compliance with the BSP regulations, the Parent Company maintains, at a minimum, withdrawable share reserve equivalent to 2.0% of the aggregate capital contributions of the members. The reserve shall first be adjusted before the Parent Company declares and pays dividends at any time of the year. The Parent Company shall not distribute to its members any portion of its net income if the withdrawable share reserve is less than the required balance, or if by such payment of distribution, the reserve is reduced to an amount below the required balance.

b. Building fund reserve

This reserve is maintained to cover cost of the construction or expansion of buildings, acquisition of furniture, fixtures and equipment. In 1992, BSP granted an exemption from the previously required 5.0% building fund reserve under the Manual of Regulations for Non-Bank Financial Institutions. Appropriations subsequent to that date are based on amounts set by management amounting to P542.8 million as at December 31, 2015 and 2014.

c. Ledger discrepancies reserve

Under Resolutions Nos. 1374 and 1096 of the Monetary Board of the BSP, the Parent Company was required to set up reserves to cover unrecoverable ledger discrepancies.

d. Contingency reserve

Contingency reserve is set up:

- to meet the capital ratio set by the board based on the combined surplus free and surplus reserves against the total assets of the Parent Company
- as reserve, in case there are unbooked capital adjustments required by the BSP
- for accrued interest and other income not yet received but already recorded by the Parent Company
- for valuation reserve for Centennial Savings Bank (CSB) assets transferred to Parent Company; and
- to support certain major projects that are to be undertaken in the following year.

This is also set aside for social projects of the Parent Company until the funds are fully utilized.

The respective fund for each project may be freed up upon utilization of the corresponding amount.

The allocation or set up of these reserves are with prior approval of the BOT. In 2015, the BOT approved the appropriation of its surplus free amounting to P597.2 million (2014 - P742.8 million).

Accumulated other comprehensive loss

Accumulated other comprehensive loss pertains to fair value reserves on available-for-sale securities and remeasurements on retirement liability. The movement of the account for the years ended December 31 are summarized below:

	Notes	Consolidated		Parent Company	
		2015	2014	2015	2014
Fair value reserve on available-for-sale securities					
At January 1		3,489	7,830	3,489	7,830
Net unrealized fair value (loss) gain	3	(4,469)	(4,341)	(4,469)	(4,341)
At December 31		(980)	3,489	(980)	3,489
Remeasurement of retirement liability					
At January 1		(174,568)	(212,125)	(175,376)	(212,055)
Remeasurement	9	16,128	37,603	16,022	36,679
At December 31		(158,440)	(174,522)	(159,354)	(175,376)
		(159,420)	(171,033)	(160,334)	(171,887)
Attributable to:					
Non-controlling interest		165	188	-	-
Members of the Parent Company		(159,585)	(171,221)	(160,334)	(171,887)

Note 15 - Maturity profile of assets and liabilities

The tables below summarize the maturity profile of the financial assets and liabilities of the Group and the Parent Company.

Consolidated

	2015		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	13,728,375	-	13,728,375
AFS investments	-	95,855	95,855
HTM investments	2,945,698	2,129,719	5,075,417
Loans and receivables			
Loans and discount	4,917,233	46,108,474	51,025,707
Other receivables	948,186	14,684	962,870
	22,539,492	48,348,732	70,888,224
Liabilities			
Capital contribution repayable on demand	41,999,099	-	41,999,099
Deposit liabilities	11,910,693	-	11,910,693
Accrued expenses and other expenses	2,996,150	-	2,996,150
Other liabilities	1,066,809	-	1,066,809
	57,972,751	-	57,972,751

	2014		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	8,823,911	-	8,823,911
AFS investments	32,276	68,152	100,428
HTM investments	671,899	3,483,627	4,155,526
Loans and receivables			
Loans and discount	4,226,541	46,223,142	50,449,683
Other receivables	510,658	18,343	529,001
	14,265,285	49,793,264	64,058,549
Liabilities			
Capital contribution repayable on demand	39,868,792	-	39,868,792
Deposit liabilities	10,554,941	-	10,554,941
Accrued expenses and other expenses	1,542,007	-	1,542,007
Other liabilities	1,081,868	-	1,081,868
	53,047,608	-	53,047,608

Parent

	2015		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	13,718,362	-	13,718,362
AFS investments	-	95,855	95,855
HTM investments	2,945,698	2,129,719	5,075,417
Loans and receivables			
Loans and discount	46,081,175	4,851,383	50,932,558
Other receivables	923,518	14,684	938,202
	63,668,753	7,091,641	70,760,394
Liabilities			
Capital contribution repayable on demand	41,999,099	-	41,999,099
Deposit liabilities	11,910,693	-	11,910,693
Accrued expenses and other expenses	2,996,150	-	2,996,150
Other liabilities	1,025,550	-	1,025,550
	57,931,492	-	57,931,492

	2014		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	8,789,980	-	8,789,980
AFS investments	32,276	68,152	100,428
HTM investments	671,899	3,483,627	4,155,526
Loans and receivables			
Loans and discount	4,207,816	46,170,701	50,378,517
Other receivables	485,875	18,342	504,217
	14,187,846	49,740,822	63,928,668
Liabilities			
Capital contribution repayable on demand	39,868,792	-	39,868,792
Deposit liabilities	10,554,941	-	10,554,941
Accrued expenses and other expenses	1,542,007	-	1,542,007
Other liabilities	1,044,559	-	1,044,559
	53,010,299	-	53,010,299

Note 16 - Leases

The Parent Company leases the premises occupied by most of its branches. The lease contracts are for periods ranging from one to five years, renewable upon mutual agreement of the Parent Company and the lessors. The major component of the lease expenditures of the Parent Company pertain to leased lines for various communication links. Rent expense in the statements of income amounted to P32 million and P31 million in 2015 and 2014, respectively for both the Group and the Parent Company.

Future minimum lease payments of the Parent Company under non-cancellable lease agreements as at December 31 follow:

	2015	2014
Within one year	2,222	3,536
After one year but not more than five years	2,180	3,911
More than five years	2,865	3,737
	7,267	11,184

Note 17 - Allowance for credit and impairment losses

Consolidated

	Loans and discounts (Note 5)	Investment properties (Note 8)	Other receivables (Note 5)	Property and equipment (Note 7)	Other assets (Note 10)	Total
January 1, 2014	4,178,588	174,003	96,524	17,133	6,017	4,472,265
Provision for (reversal of) impairment losses	1,675,713	9,224	3,958	-	(4,030)	1,684,865
Write-offs	(1,041,849)	-	-	-	-	(1,041,849)
December 31, 2014	4,812,452	183,227	100,482	17,133	1,987	5,115,281
January 1, 2015	4,812,452	183,227	100,482	17,133	1,987	5,115,281
Provision for (reversal of) impairment losses	698,414	4,507	40,397	-	-	743,318
Write-offs	-	-	(13,744)	-	-	(13,744)
Adjustments	(16,635)	(6,663)	-	-	-	(23,298)
December 31, 2015	5,494,231	181,071	127,135	17,133	1,987	5,821,557

Parent Company

	Loans and discounts (Note 5)	Investment properties (Note 8)	Other receivables (Note 5)	Property and equipment (Note 7)	Other assets (Note 10)	Total
January 1, 2014	4,164,913	174,003	72,955	17,133	6,017	4,435,021
Provision for (reversal of) impairment losses	1,676,616	9,224	4,029	-	(4,030)	1,685,839
Write-offs	(1,041,849)	-	-	-	-	(1,041,849)
December 31, 2014	4,799,680	183,227	76,984	17,133	1,987	5,079,011
January 1, 2015	4,799,680	183,227	76,984	17,133	1,987	5,079,011
Provision for (reversal of) impairment losses	698,362	4,507	40,397	-	-	743,266
Write-offs	-	-	(13,695)	-	-	(13,695)
Adjustments	(12,329)	(6,663)	-	-	-	(18,992)
December 31, 2015	5,485,713	181,071	103,686	17,133	1,987	5,789,590

Note 18 - Miscellaneous income

This account at December 31 consists of:

	Consolidated		Parent	
	2015	2014	2015	2014
Recovery on charged-off assets	34,936	26,488	34,936	25,821
Insurance experience refund	28,070	-	28,070	-
Rental income	974	566	974	431
Profits from assets sold, net	199	10,505	151	10,505
Others	5,033	-	1,616	1,220
	69,212	37,559	65,747	37,977

Income from insurance experience refund pertains to refund from the Parent Company's loan insurer.

Note 19 - Miscellaneous expense

This account at December 31 consists of:

	Consolidated		Parent	
	2015	2014	2015	2014
Computerization	33,038	24,959	33,038	24,959
Stationeries and supplies	22,050	18,514	22,001	18,447
Traveling, fuel and lubricants	15,775	16,337	15,698	16,276
Commissions	15,408	19,780	15,408	19,780
Postage, telephone, cable and telegram	11,788	10,210	11,719	10,144
Repairs and maintenance	9,410	12,123	9,397	12,111
Litigation/Asset acquired expense	6,124	8,215	5,918	7,604
Meetings and conferences	5,121	4,882	5,045	4,849
Freight	4,690	3,936	4,690	3,936
Insurance	1,603	1,043	1,600	1,042
Membership fees and dues	508	1,432	470	1,393
Others	13,533	12,345	12,068	10,773
	139,048	133,776	137,052	131,314

Note 20 - Income tax expense

As discussed in Note 1, the Parent Company is organized under R.A. No. 8367, "Revised Non-Stock Savings and Loan Association Act of 1997", which exempts the Parent Company from payment of taxes in relation to income derived from its savings and loan activities.

Components of income tax expense at December 31 arising from activities not covered by exemptions under R.A. No. 8367 are as follows:

	Consolidated		Parent	
	2015	2014	2015	2014
Current	9,303	6,550	7,443	5,854
Deferred	1,268	(3,674)	(1)	(4,422)
	10,571	2,876	7,442	1,432

The above activities not covered in the exemptions under R.A. No. 8367 pertain to the activities of Centennial Savings Bank that was absorbed by the Parent Company.

The components of the Group and the Parent Company's recognized deferred tax assets (liability) (DTA/DTL) follow:

	Consolidated		Parent	
	2015	2014	2015	2014
Deferred tax assets				
Retirement asset	144	-	-	-
Allowance for credit and losses	7,513	8,533	4,825	4,421
	7,657	8,533	4,825	4,421
Deferred tax liabilities				
Retirement liability	-	(131)	-	-
Unrealized gain on foreclosure of collateral	(1,244)	(677)	-	-
	(1,244)	(808)	-	-
	6,413	7,725	4,825	4,421

The Subsidiary did not recognize deferred tax assets on certain provision for credit and impairment losses on loans and receivables amounting to P7.03 million as at December 31, 2015 (2014 - P7.05 million) in view of management's assessment of not being able to generate sufficient future taxable income from which the deferred tax asset can be utilized.

The Group's net deferred tax assets are included as part of other assets (Note 10) in the statement of financial position.

A reconciliation between the income tax expense at the statutory income tax rate to the effective income tax expense relating to taxable activities follows:

	Consolidated		Parent	
	2015	2014	2015	2014
Statutory income tax	343,321	95,757	341,749	95,434
Tax impact of:				
Non-deductible expenses	2,591,563	2,740,739	2,591,489	2,740,710
Income subjected to lower tax rate	(43)	(54)	-	-
Movement in unrecognized DTA	-	-	-	-
Non-taxable income	(2,924,270)	(2,833,566)	(2,925,796)	(2,834,712)
Effective income tax expense	10,571	2,876	7,442	1,432

Note 21 - Related party transactions

The table below summarizes the transactions and balances with its related parties.

Consolidated

	2015	2014	Description
Salaries and other short-term benefits			
Key management personnel and trustees			
Salaries	11,815	12,575	Compensation of key management personnel, which are also decision makers of the Group and the Parent Company
Retirement expense	-	4,772	
Other employee benefits	27,083	29,365	
	38,898	46,712	

Parent

	2015	2014	Description
Salaries and other short-term benefits			
Key management personnel and trustees			
Salaries and wages	10,632	11,295	Compensation of key management personnel, which are also decision makers of the Group and the Parent Company
Retirement expense	-	4,772	
Other allowances and benefits	26,813	29,095	
	37,445	45,162	

In 2015, the Parent Company received dividend income from the Subsidiary amounting to P0.94 million (2014 - P1.7 million) which was eliminated in the consolidated financial statements.

Details of dealings with Directors, Officers, Stockholders and Related Interest (DOSRI) loans of the Parent Company are as follows:

	2015	2014
Total outstanding DOSRI loans (in millions)	18.45	18.64
Percent of DOSRI loans to total loans	0.04%	0.0%
Percent of unsecured DOSRI loans to total DOSRI loans	99.05%	99.69%
Percent of past due or NPL DOSRI loans to total DOSRI loans	0.0%	0.0%

Note 22 - Basic quantitative indicators of financial performance

The key financial performance indicators of the Parent Company are as follows:

	2015	2014
Return on average equity	16.03%	5.01%
Return on average assets	1.81%	0.55%
Net interest margin	5.15%	5.73%

Note 23 - Cash generated from operations

Details of cash generated from operations for the years ended December 31 follow:

		Consolidated		Parent	
	Notes	2015	2014	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES					
Income before income tax		1,144,403	319,190	1,139,162	318,113
Adjustments for:					
Interest income		(9,717,713)	(9,425,835)	(9,711,109)	(9,420,024)
Interest received		9,661,389	9,251,924	9,704,962	9,246,088
Interest expense		6,533,458	6,134,413	6,533,458	6,134,413
Interest paid		(5,079,489)	(6,004,778)	(5,079,489)	(6,004,778)
Depreciation and amortization	7,8,10	97,989	96,992	97,855	96,692
Retirement expense	9	39,611	43,573	39,476	43,288
Provision for (reversal of) credit and impairment losses	17	743,318	1,684,865	743,266	1,685,839
Profit from assets sold	18	199	(10,505)	151	(10,505)
Fair value gain, net	8	(4,469)	-	(4,469)	-
Changes in operating assets and liabilities:		3,418,696	2,089,839	3,463,263	2,089,126
(Increase) decrease in assets:					
Loans and receivables		(1,046,331)	(2,750,602)	(1,063,994)	(2,729,044)
Other assets		72,362	(15,872)	70,488	(12,984)
Increase (decrease) in liabilities:					
Capital contribution repayable on demand		2,130,307	2,962,615	2,130,307	2,962,615
Deposit liabilities		1,355,752	1,004,343	1,355,752	1,004,343
Accrued interest and other expenses		174	180,581	174	180,606
Other liabilities		(18,615)	94,831	(16,043)	76,925
Cash generated from operations		5,912,345	3,565,735	5,939,947	3,571,587

Note 24 - Contingent liabilities

As at December 31, 2015 and 2014, there are pending lawsuits and claims against the Group. In the opinion of the Management, after reviewing all legal actions and proceedings with legal counsels, the aggregate liability, if any, arising there from will not have a material effect on the Group's financial condition and performance.

Note 25 - Critical accounting estimates, assumptions and judgments

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgments 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.

25.1 Critical accounting estimates and assumptions

(a) Credit losses of loans and receivables

The Group reviews its impaired loans and receivables at each reporting date to assess whether additional provision for credit losses should be recorded in the statements of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical loss experience of the Group with its borrowers.

As at December 31, 2015 and 2014, allowance for credit losses on loans and receivables amounted to P5.6 billion and P4.9 billion, respectively, for the Group and P5.6 billion and P4.9 billion, respectively, for the Parent Company (Notes 5 and 17). As at December 31, 2015 and 2014, loans and receivables, net of allowance for credit losses are carried at P46.4 billion and P46.1 billion, respectively, for the Group and P46.3 billion and P46.0 billion, respectively, for the Parent Company (Note 5).

(b) Retirement obligation

The Group estimates its pension benefit obligation and expense for defined benefit pension plans based on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 9 and include, among others, the discount rate and future salary increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. The present value of the defined benefit obligations of the Group at December 31, 2015 and 2014 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either government securities, corporate bonds or other forms of investments. Bond markets may experience volatility, which could affect the value of pension plan assets. Actual results that differ from the Group's assumptions are reflected as remeasurements in other comprehensive income. The Group's assumptions are based on actual historical experience and external data regarding compensation and discount rate trends. The sensitivity analysis on key assumptions is disclosed in Note 9.

25.2 Critical judgments in applying the entity's accounting policies

(a) Classification of capital contribution repayable on demand

The classification of capital contribution repayable on demand as financial liability or equity instrument requires significant judgment. In making this judgment, the Group evaluates the characteristics and features of its capital contribution repayable on demand.

As at December 31, 2015 and 2014, management assessed that the capital contribution repayable on demand is a financial liability. Details of capital contribution repayable on demand are disclosed in Note 11.

(b) Impairment of investment in a subsidiary, property and equipment, investment properties and software cost

The Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. The factors that the Group considers when assessing recoverability includes significant under performance relative to expected historical or projected future operating results, significant negative industry or economic trends, or significant changes in the manner of use of the assets or strategy for the business. If any such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

In determining the present value of the estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the financial statements.

Management believes that the amount of impairment losses recognized as at December 31, 2015 and 2014 is adequate to bring the Group's non-financial assets to its carrying recoverable balance at each reporting date. Details of the Group's and Parent Company's non-financial assets are disclosed in Notes 6, 7, 8 and 10.

(c) Classification to held-to-maturity investments

The classification to held-to-maturity investments requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. Ability to hold the debt securities to maturity is demonstrated by the availability of financial resources to continue to finance the investments until maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire portfolio as Available-for-sale investments. The investments would therefore be measured at fair value and not at amortized cost.

As of December 31, 2015 and 2014, the Group and the Parent Company's held-to-maturity investments amounted to P5 billion and P4 billion, respectively (Note 4).

Note 26 - Financial risk and capital management

26.1 Financial risks

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including fair value interest rate risk and price risk), liquidity risk and cash flow interest rate risk.

The Group recognizes that risk management is an activity critical to its success. It is committed to ensure constant adherence to best practices and standards and to apply prudence and accountability in its risk-taking activities. The Group exposes itself to a variety of risks, particularly financial risks arising from the use of financial instruments. Consequently, it has put in place the appropriate risk management structures, policies and processes to address each type of risk.

The succeeding sections will discuss the Parent Company's risk management structure. The Subsidiary is yet to formalize its risk management policies, but it is under the direct supervision of the Parent Company.

Risk Management Structure of the Parent Company

The following principles summarize the Parent Company's overall approach to risk management:

The Board of Trustees has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The BOT has established six standing committees, which are responsible for developing and monitoring the Parent Company's risk management policies in their specified areas. All board committees have executive and non- executive members and report regularly to the BOT on their activities.

The committees are as follows:

- *Risk Oversight Committee* - maintains and ensures that an adequate risk management plan is in place and working properly which includes comprehensive risk management approach, detailed structure of limits, guidelines and other parameters.
- *Audit and Compliance Committee* - resolves any disagreements between management and the auditors (internal and external) regarding financial reporting and to ensure that the Parent Company is in compliance with the statutory requirement of the regulatory bodies.
- *Governance Committee* - ensures that the BOT governance system works effectively and that the members of the BOT and the senior management strictly observe proper corporate governance practices.
- *Compensation Committee* - formulates policies and establish transparent procedures for developing compensation package, and other benefits to rank and file, supervisors and officers to ensure sound wage and salary structure that gives due recognition to occupational skills, responsibilities and potentials of individuals.
- *Credit and Collection Committee* - formulates credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements; to establish authorization structure for approval and renewal of credit facilities.

- *Amendment Committee* - recommends and endorses any changes in the Parent Company's By-laws.

The risk management policies are established to identify and analyze the risks faced by the Parent Company, to set and monitor appropriate risk limits and controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions in products and services offered. The Parent Company, through its standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit and Compliance Committee is responsible for monitoring compliance with the Parent Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Parent Company. The Audit and Compliance Committee is assisted in these functions by Internal Audit Division (IAD) and Corporate Compliance Office (CCO). IAD undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee.

Risk Management Structure of the Subsidiary

Risk management of its Subsidiary is under the supervision of the Parent Company which is considered appropriate given the limited volume of transactions.

26.1.1 Credit risk

Credit risk, the risk of financial loss of the Group if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, arises principally from the Group's loans and receivables and investment securities. For risk management reporting purposes, the Group considers the elements of its credit risk exposure and monitors these exposures regularly.

Credit risk is the single largest risk for the Group's operations; management therefore carefully manages its exposure to credit risk. Each branch has a chief credit risk officer who reports on all credit related matters to regional management and to the Credit and Collection Committee. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to central approval. Regular audit of business units and Credit and Collection Committee processes are undertaken by IAD.

Credit risk and concentration of assets and liabilities

The Group manages credit risk by setting limits for individual borrowers. The Group also monitors credit exposures and continually assesses the creditworthiness of counterparties.

With respect to loans and receivables, there is no concentration of credit risk given that there is a large volume of individual borrowers with similar credit characteristics and loan availments.

The maximum exposure to credit risk relating to significant on-balance sheet financial assets are as follows:

Consolidated

	2015	2014
Cash and cash equivalents (excluding cash on hand)	13,706,588	8,792,999
Available-for-sale investments - debt securities	94,040	97,165
Held-to-maturity investments	5,075,417	4,155,526
Loans and receivables, net	46,356,356	46,054,006
	65,232,401	59,099,696

Parent

	2015	2014
Cash and cash equivalents (excluding cash on hand)	13,696,580	8,759,073
Available-for-sale investments - debt securities	94,040	97,165
Held-to-maturity investments	5,075,417	4,155,526
Loans and receivables, net	46,270,506	45,994,326
	65,136,543	59,006,090

The Group does not have financial guarantees and loan commitments and other credit related liabilities.

For secured lending, the Parent Company grants loan up to 70% of the fair market value of the collateral. The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Group follows the guidelines on the acceptability of the types of collateral and valuation parameters. The main types of collateral obtained for loans and receivables are deposit hold-out, real estate and chattels. For unsecured lending, the Group performs a comprehensive credit evaluation process before each loan is approved.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during review of the adequacy of the allowance for impairment losses.

Where possible, the Group seeks to grant special accommodation to borrowers with past due account modifying some, if not all, the terms and conditions of the previous loans. This may involve extending the payment arrangements and the agreement of new loan conditions. This is to assist borrowers towards the settlement of the obligation, taking into account their capacity to pay.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

Management is confident in its ability to continue to control and sustain minimal exposures of credit risk to the Group at reporting date based on the following:

- 88.86% (2014 - 83.46%) of the loans and receivables portfolio are considered neither past due nor impaired.
- The Group continues to adopt a stringent selection process upon granting of loans and receivables;
- 100% (2014 - 100%) of held-to-maturity and available-for-sale debt securities are invested in fixed rate treasury notes and retail treasury bonds which are fully guaranteed by the Republic of the Philippines.

Concentrations of risks of financial assets with credit risk exposure

The Group's main credit exposure at their carrying amounts, as categorized by industry sectors follow:

Consolidated

2015				
	Loans and Receivables	Loans and Advances to Banks and Others	Investment Securities	Total
Community, social and personal activities	49,832,325	-	-	49,832,325
Government	-	-	5,038,972	5,038,972
Financial intermediaries	-	13,838,888	-	13,838,888
Real estate	171,504	-	-	171,504
Others	1,984,748	-	-	1,984,748
	51,988,577	13,838,888	5,038,972	70,866,437
Less:				
Unearned discount	10,855	-	-	10,855
Allowance for credit and impairment losses	5,621,366	-	-	5,621,366
	46,356,356	13,838,888	5,038,972	65,234,216

2014				
	Loans and Receivables	Loans and Advances to Banks and Others	Investment Securities	Total
Community, social and personal activities	49,261,061	-	-	49,261,061
Government	-	-	4,120,391	4,120,391
Financial intermediaries	-	8,925,299	-	8,925,299
Real estate	202,204	-	-	202,204
Others	1,515,419	-	-	1,515,419
	50,978,684	8,925,299	4,120,391	64,024,374
Less:				
Unearned discount	11,744	-	-	11,744
Allowance for credit and impairment losses	4,912,934	-	-	4,912,934
	46,054,006	8,925,299	4,120,391	59,099,696

Parent Company

2015				
	Loans and Receivables	Loans and Advances to Banks and Others	Investment Securities	Total
Community, social and personal activities	49,739,176	-	-	49,739,176
Government	-	-	5,038,972	5,038,972
Financial intermediaries	-	13,828,880	-	13,828,880
Real estate	171,504	-	-	171,504
Others	1,960,080	-	-	1,960,080
	51,870,760	13,828,880	5,038,972	70,738,612
Less:				
Unearned discount	10,855	-	-	10,855
Allowance for credit and impairment losses	5,589,399	-	-	5,589,399
	46,270,506	13,828,880	5,038,972	65,138,358

2014				
	Loans and Receivables	Loans and Advances to Banks and Others	Investment Securities	Total
Community, social and personal activities	49,189,895	-	-	49,189,895
Government	-	-	4,120,391	4,120,391
Financial intermediaries	-	8,891,373	-	8,891,373
Real estate	202,204	-	-	202,204
Others	1,490,636	-	-	1,490,636
	50,882,735	8,891,373	4,120,391	63,894,499
Less:				
Unearned discount	11,744	-	-	11,744
Allowance for credit and impairment losses	4,876,665	-	-	4,876,665
	45,994,326	8,891,373	4,120,391	59,006,090

Loans and advances to banks and others comprise of cash and cash equivalents and other investments. Investment securities comprise of available-for-sale debt investments and held-to-maturity investments.

Credit quality of financial assets

The tables below show the credit quality per class of financial assets based on the Group's rating system:

Consolidated

	2015			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Investment securities				
Available-for-sale investments	94,040	-	-	94,040
Debt securities	5,075,417	-	-	5,075,417
Held-to-maturity investments				
Loans and receivables				
Loans and discounts				
Consumption and others	44,144,772	839,416	4,813,042	49,797,230
Commercial and business	976,735	6,085	37,488	1,020,308
Real estate and housing	182,153	10,766	15,692	208,611
Other receivables	852,821	83,283	26,766	962,870
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	1,852,161	-	-	1,852,161
	53,178,099	939,550	4,892,988	59,010,637
Less:				
Unearned discount	10,855	-	-	10,855
Allowance for credit and impairment losses	444,270	757,298	4,419,798	5,621,366
	52,722,974	182,252	473,190	53,378,416

	2014			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Investment securities				
Available-for-sale investments				
Debt securities	97,165	-	-	97,165
Held-to-maturity investments	4,155,526	-	-	4,155,526
Loans and receivables				
Loans and discounts				
Consumption and others	40,927,906	4,117,868	4,180,272	49,226,046
Commercial and business	973,321	837	14,816	988,974
Real estate and housing	206,170	5,173	23,320	234,663
Other receivables	428,519	-	100,482	529,001
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	8,792,999	-	-	8,792,999
	55,581,606	4,123,878	4,318,890	64,024,374
Less:				
Unearned discount	11,744	-	-	11,744
Allowance for credit and impairment losses	481,529	653,972	3,777,433	4,912,934
	55,088,333	3,469,906	541,457	59,099,696

Parent Company

	2015			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Investment securities				
Available-for-sale investments				
Debt securities	94,040	-	-	94,040
Held-to-maturity investments	5,075,417	-	-	5,075,417
Loans and receivables				
Loans and discounts				
Consumption and others	44,097,249	839,416	4,804,080	49,740,745
Commercial and business	976,735	6,085	37,488	1,020,308
Real estate and housing	145,046	10,766	15,692	171,504
Other receivables	828,152	83,283	26,766	938,201
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	13,696,580	-	-	13,696,580
	64,913,219	939,550	4,884,026	70,736,795
Less:				
Unearned discount	10,855	-	-	10,855
Allowance for credit and impairment Losses	444,270	757,298	4,387,831	5,589,399
	64,458,094	182,252	496,195	65,136,541
	2014			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Investment securities				
Available-for-sale investments				
Debt securities	97,165	-	-	97,165
Held-to-maturity investments	4,155,526	-	-	4,155,526
Loans and receivables				
Loans and discounts				
Consumption and others	40,896,878	4,117,028	4,175,989	49,189,895
Commercial and business	973,321	837	12,260	986,418
Real estate and housing	179,994	4,425	17,785	202,204
Other receivables	427,234	-	76,984	504,218
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	8,759,073	-	-	8,759,073
	55,489,191	4,122,290	4,283,018	63,894,499
Less:				
Unearned discount	11,744	-	-	11,744
Allowance for credit and impairment losses	445,260	653,972	3,777,433	4,876,665
	55,032,187	3,468,318	505,585	59,006,090

i. Neither past due nor impaired

(a) Loans and discounts

The credit quality of the portfolio of loans and discounts can be assessed by reference to the historical experience of the Group with the borrower. All loans and other receivables neither past due nor impaired are considered high grade and can withstand weak economic conditions. These are borrowers with strong repayment capacity, have excellent liquidity and low leverage. Mostly, these are the accounts with updated amortization payments.

The credit risk grading for loans and discounts shall be applicable for both new and existing borrowers.

The classification of loans and discount is as follows:

- Commercial and business - consists mostly of back-to-back loans wherein the loans are secured by hold-outs on deposits.
- Real estate and housing - consists of loans for acquisition of house and lot and condominium units or construction or improvement of an existing unit.
- Consumption and others - consists of salary, emergency, pension and car loans.

(b) Investment securities

The Group invests in fixed rate Treasury notes and retail Treasury bonds which are fully guaranteed by the Philippine government.

(c) Loans and advances to banks and others

The Group has savings, short-term and long-term time deposits with various financial institutions. Cash transactions are limited to financial institutions with good credit standing. The Group has policies that limit the amount of credit exposure to any financial institution. The Group's existing deposit arrangements are with universal and commercial banks, which are considered top tier banks in terms of capitalization as categorized by the Bangko Sentral ng Pilipinas. Overall credit risk, if any, is not assessed to be significant.

ii. Past due but not impaired

Late processing and other administrative delays can lead to a financial asset to become past due. Therefore, loans and other receivables up to 180 days are not usually considered impaired, unless other information is available to indicate the contrary. Allowance for credit and impairment losses of past due but not impaired loans and receivables arise from collective assessment for impairment.

Reduction in amount is due to the changes in certain parameters in the system for classifying accounts to past due relating to billing gaps.

An aging analysis of past due but not impaired financial assets of the Group as at December 31 is shown below:

2015					
	Less than 30 days	30 - 60 days	61 - 90 days	91 - 180 days	Total
Consumption and others	65,614	41,290	40,825	691,687	839,416
Commercial and business	-	-	-	6,085	6,085
Real estate and housing	-	2,474	1,205	7,087	10,766
Other receivables	-	10,514	5,702	67,067	83,283
	65,614	54,278	47,732	771,926	939,550
2014					
	Less than 30 days	30 - 60 days	61 - 90 days	91 - 180 days	Total
Consumption and others	88,718	61,714	285,020	3,683,163	4,118,615
Commercial and business	-	-	-	837	837
Real estate and housing	-	525	-	3,901	4,426
	88,718	62,239	285,020	3,687,901	4,123,878

iii. Past due and impaired loans and other receivables

Individually impaired loans are primarily due from borrowers who are deceased, in absence without official leave and/or terminated from service.

Other financial assets are due from various counterparties with good credit standing.

26.1.2 Market risk

The Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Treasury Department is responsible for the identification of investments that provide a relatively stable rate of return and submit these identified investments to the management of the Parent Company for approval. In addition, the Treasury Department monitors the investment portfolio performance and reports regularly to the management of the Parent Company. Considering the components of the financial assets and liabilities as at December 31, 2015 and 2014, the Group is not exposed to significant foreign exchange risk.

(a) Cash flow and fair value interest rate risk

There are two types of interest rate risk - (i) fair value interest risk and (ii) cash flow interest risk. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its fair value risks.

The Parent Company's market risk policy requires it to manage interest rate risk by managing the maturities of interest-bearing financial assets, and monitoring the fluctuation of interest rates in the market. Interest rate risk applies only to available-for-sale debt securities amounting to P92.8 million as at December 31, 2015 (2014 - P96.6 million). The Group's loans and receivable carry fixed interest rate, thus, not exposed to changes arising from fluctuation in interest rate.

At December 31, 2015, if interest rates had been higher/lower by 85 basis points (2014 - 50 basis points) with all other variables held constant, other comprehensive income and equity of the Group and Parent Company would have been P8,268 thousand/P98 thousand (2014 - P5,705 thousand/P47 thousand) lower/higher mainly as a result of a decrease/increase in the fair value of debt securities classified as Available-for-sale investments. The assumed interest rate shift represents the defined shift used by the Group to monitor the fair values of investments in interest-bearing debt instruments. There is no impact to the statement of income.

(b) Price risk

The Group is exposed to equity price risk because of investments in club shares and other equity securities held by the Group and classified on the statements of financial position as Available-for-sale investments amounting to P4.9 million (2014 - P3.3 million) as at December 31, 2015. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

At December 31, 2015, the impact of 58% increase/decrease (2014 - 50%) in the bid share price of equity securities, with all other variables held constant, would have been an increase/decrease of P1.72 million in the Group's total comprehensive income and equity for the year (2014 - P1.48 million). The assumed shift in equity prices represents the defined shift used by the Group to monitor the fair values of investments in equity securities.

26.1.3 Fair value of financial assets and liabilities

The table below summarizes the carrying amount and fair value of those significant financial assets and liabilities not presented on the statements of financial position of the Group and Parent Company at fair value at December 31:

Consolidated

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Held-to-maturity investments	5,075,417	5,726,147	4,155,526	4,344,354
Loans and receivables				
Loans and discounts	45,520,621	59,085,895	45,625,487	59,222,011
Other receivables	835,735	835,735	428,519	428,519
	51,431,773	65,647,777	50,209,532	63,994,884

Parent Company

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Held-to-maturity investments	5,075,417	5,726,147	4,155,526	4,344,354
Loans and receivables				
Loans and discounts	45,435,990	58,980,660	45,567,093	59,150,845
Other receivables	834,516	834,516	427,233	427,233
	51,345,923	65,541,323	50,149,852	63,922,432

The methods and assumptions used by the Group and the Parent Company in estimating the fair value of financial instruments are as follows:

(i) Cash and cash equivalents

The fair value of floating rate placements and overnight deposits approximates their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Investment securities

Fair value of held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(iii) Loans and receivables

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted with the use of assumptions regarding appropriate credit spread for the loan, derived from other market instruments.

(iv) Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities approximate their fair values considering their short-term maturities.

26.1.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet current obligations and to repay withdrawals from members. This can also lead to immediate sale of securities outside of its intended holding period.

To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The table below analyzes the Group and the Parent Company's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated

	2015			2014		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
<i>Financial assets</i>						
Cash and cash equivalents	13,755,841	-	13,755,841	8,841,565	-	8,841,565
AFS investments	-	120,898	120,898	36,185	90,481	126,666
HTM investments	3,187,325	2,161,262	5,348,587	937,351	3,559,041	4,496,392
Loans and receivables						
Loans and discount	4,638,047	46,692,480	51,330,527	4,255,842	46,549,672	50,805,514
Other receivables	854,115	108,755	962,870	510,658	18,343	529,001
	22,435,328	49,083,395	71,518,723	14,581,601	50,217,537	64,799,138
<i>Financial liabilities</i>						
Capital contribution repayable on demand	41,999,099	-	41,999,099	39,868,792	-	39,868,792
Deposit liabilities	11,910,693	-	11,910,693	10,554,941	-	10,554,941
Accrued expenses and other expenses	2,996,150	-	2,996,150	1,542,007	-	1,542,007
Other liabilities	1,047,133	-	1,047,133	1,061,501	-	1,061,501
	57,953,075	-	57,953,075	53,027,241	-	53,027,241

Parent Company

	2015			2014		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
<i>Financial assets</i>						
Cash and cash equivalents	13,745,914	-	13,745,914	8,807,634	-	8,807,634
AFS investments	-	120,898	120,898	36,185	90,481	126,666
HTM investments	3,187,325	2,161,262	5,348,587	937,351	3,559,041	4,496,392
Loans and receivables						
Loans and discount	4,585,635	46,626,630	51,212,265	4,237,117	46,497,230	50,734,347
Other receivables	829,447	108,755	938,202	485,875	18,343	504,218
	22,348,321	49,017,545	71,365,866	14,504,162	50,165,095	64,669,257
<i>Financial liabilities</i>						
Capital contribution repayable on demand	41,999,099	-	41,999,099	39,868,792	-	39,868,792
Deposit liabilities	11,910,693	-	11,910,693	10,554,941	-	10,554,941
Accrued expenses and other expenses	2,996,150	-	2,996,150	1,542,007	-	1,542,007
Other liabilities	1,005,917	-	1,005,917	1,024,230	-	1,024,230
	57,911,859	-	57,911,859	52,989,970	-	52,989,970

26.1.5 Fair value hierarchy

The following presents the fair value hierarchy of the Group and the Parent Company's assets and liabilities at December 31:

Consolidated

	2015		
	Level 1	Level 2	Total
Recurring measurements			
<i>Financial assets</i>			
Available-for-sale investments			
Debt securities	94,040	-	94,040
Quoted equity securities	1,815	-	1,815
	95,855	-	95,855
<hr/>			
	2015		
	Level 1	Level 2	Total
Fair values disclosed			
<i>Financial assets</i>			
Cash and cash equivalents	-	13,728,375	13,728,375
Held-to-maturity investments	5,593,847	132,300	5,726,147
Loans and receivables			
Loans and discount	-	59,085,895	59,085,895
Other receivables	-	835,735	835,735
Investment properties	-	231,600	231,600
	5,593,847	74,013,905	79,607,752
<hr/>			
	2014		
	Level 1	Level 2	Total
Recurring measurements			
<i>Financial assets</i>			
Available-for-sale investments			
Debt securities	97,165	-	97,165
Quoted equity securities	2,950	313	3,263
	100,115	313	100,428
<hr/>			
	2014		
	Level 1	Level 2	Total
Fair values disclosed			
<i>Financial assets</i>			
Cash and cash equivalents	-	8,823,911	8,823,911
Held-to-maturity investments	4,212,054	132,300	4,344,354
Loans and receivables			
Loans and discount	-	59,222,011	59,222,011
Other receivables	-	428,519	428,519
Investment properties	-	240,000	240,000
	4,212,054	68,846,741	73,058,795

Parent Company

	2015		
	Level 1	Level 2	Total
Recurring measurements			
<i>Financial assets</i>			
Available-for-sale investments			
Debt securities	94,040	-	94,040
Quoted equity securities	1,815	-	1,815
	95,855	-	95,855
<hr/>			
	2015		
	Level 1	Level 2	Total
Fair values disclosed			
<i>Financial assets</i>			
Cash and cash equivalents	-	13,718,362	13,718,362
Held-to-maturity investments	5,593,847	132,300	5,726,147
Loans and receivables			
Loans and discount	-	58,980,660	58,980,660
Other receivables	-	834,516	834,516
Investment properties	-	215,600	215,600
	5,593,847	73,881,438	79,475,285
<hr/>			
	2014		
	Level 1	Level 2	Total
Recurring measurements			
<i>Financial assets</i>			
Available-for-sale investments			
Debt securities	97,165	-	97,165
Quoted equity securities	2,950	313	3,263
	100,115	313	100,428
<hr/>			
	2014		
	Level 1	Level 2	Total
Fair values disclosed			
<i>Financial assets</i>			
Cash and cash equivalents	-	8,789,980	8,789,980
Held-to-maturity investments	4,212,054	132,300	4,344,354
Loans and receivables			
Loans and discount	-	59,150,845	59,150,845
Other receivables	-	427,233	427,233
Investment properties	-	231,800	231,800
	4,212,054	68,732,158	72,944,212

In 2015 and 2014, there were no transfers between the levels of the fair value hierarchy above.

26.2 Capital management

The Parent Company, in fulfillment of its mission, plans and monitors its capital contributions and deposits in order to fully utilize the accumulation of savings and its lending operations thus maximizing each member's value. The capital of the Group is represented by the total equity and capital contribution repayable on demand. Regular and associate members are required to maintain minimum contribution amounting to P1,000 but not to exceed P3.0 million and P1.0 million, respectively. Additional capital contributions in excess of the minimum contribution of P1,000 can be withdrawn anytime.

The core deposits are capital contributions of members whose capital contribution accounts were retained at maximum limit, as mandated per Board Resolution Nos. 2007-004-2357 and 2010-006-3575. Details are as follows:

Type of membership	2015		2014	
	Volume	Amount (In millions)	Volume	Amount (In millions)
Associate	5,450	5,450	5,289	5,291
Corporate	57	63	58	64
Regular	1,395	4,179	1,353	4,059
	6,902	9,692	6,700	9,414

Regulatory Qualifying Capital

In accordance with section 4116S of BSP Manual of Regulations for Non-stock Savings and Loan Associations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth). This includes the Parent Company's capital contribution amounting to P42 billion and P39.9 billion as at December 31, 2015 and 2014, respectively, which is determined on the basis of regulatory accounting policies and the total equity in the statement of financial position.

In addition, the risk-based capital ratio of the Parent Company as non-stock savings and loan association, expressed as a percentage of qualifying capital-to-risk assets, should not be less than ten (10%) percent. Qualifying capital and risk assets are computed based on BSP regulations. Risk assets consist of total assets less cash on hand, government securities, loans covered by hold-out or assignment of deposits and other non-risk items determined by the Monetary Board of the BSP. Combined capital consists of capital contributions repayable on demand and the equity of the Parent Company.

As of December 31, 2015 and 2014, the Parent Company's capital-to-risk assets ratio, in compliance with BSP circular 789, follows:

	2015	2014
Total capital	13,126,396	11,812,507
Risk assets	59,330,911	54,236,250
Capital-to-risk assets ratio	22.12%	21.78%

In 2015 and 2014, the capital adequacy ratio of the Parent Company based on fixed capital is 13.71% and 12.86%, respectively. Fixed capital pertains to the total equity plus the fixed capital contribution.

Note 27 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and parent financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

27.1 Basis of preparation

The consolidated and parent financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The consolidated and parent financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of operations of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and parent financial statements are disclosed in Note 25.

27.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Group

The following standards have been adopted by the Group effective January 1, 2015:

- *Amendment to PFRS 13, 'Fair value measurement' on short-term receivables and payables and portfolio exception.* This amendment confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. The amendment also clarifies that the portfolio exception in PFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of PAS 39 'Financial instruments: Recognition and measurement'. The amendment did not have a significant effect on the Group's financial statements.
- *Amendment to PAS 16, 'Property, plant and equipment' and PAS 38 'Intangible assets' on proportionate restatement of accumulated depreciation using the revaluation method.* This amendment clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts. The amendment did not have a significant effect on the Group's financial statements.

- *Amendments to PAS 24, 'Related party disclosures' on key management personnel.* This amendment clarifies that where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors. The amendment did not have a significant effect on the Group's financial statements.
- *Amendments to PAS 40, 'Investment property' on mutual exclusivity of PAS 40 and PFRS 3, 'Business combinations'.* This amendment clarifies that PAS 40 and PFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination. The amendment did not have a significant effect on the Group's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2015 are considered not relevant to the Group.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these financial statements. None of these standards are expected to have a significant effect on the financial statements of the Group, except the following as set out below:

- *PFRS 9, 'Financial instruments'* will replace the multiple classification and measurement models in PAS 39 'Financial instruments: Recognition and measurement' with a single model that has initially only two classification categories: amortized cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option, entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than in profit or loss. The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. In December 2014, the International Accounting Standards Board (IASB) made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, PFRS 9 is now complete. The changes introduce: (1) a third measurement category (FVOCI) for certain financial assets that are debt instruments, and (2) a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial years commencing before February 1, 2015, entities can elect to apply PFRS 9 early for any of the following: (1) the own credit risk requirements for financial liabilities, (2) classification and measurement (C&M) requirements for financial assets, (3) C&M requirements for financial assets and financial liabilities, or (4) C&M requirements for financial assets and liabilities and hedge accounting. After February 1, 2015, the new rules must be adopted in their entirety. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is assessing the full impact of PFRS 9.

- PFRS 15, 'Revenue from contracts with customers'* will replace PAS 18, 'Revenue' which covers contracts for goods and services and PAS 11, 'Construction contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognized: (1) identify contracts with customers, (2) identify the separate performance obligation, (3) determine the transaction price of the contract, (4) allocate the transaction price to each of the separate performance obligations, and (5) recognize the revenue as each performance obligation is satisfied. Key changes to current practice are: (1) Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements; (2) Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, and success of an outcome) – minimum amounts must be recognized if they are not at significant risk of reversal; (3) The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa; (4) There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few; and (5) As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Group is assessing the impact of PFRS 15.
- PFRS 16, 'Leases'* will replace the current guidance in PAS 17, 'Leases'. This will require far-reaching changes in accounting by lessees in particular. Under PAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off-balance sheet). PFRS 16 will require lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under the new standard, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with PFRS 15. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Group is assessing the impact of PFRS 16.

There are no other standards, amendments or interpretations that are not yet effective that have a material impact on the Group.

27.3 Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2015. The Subsidiary financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between the Subsidiary and Parent Company are adjusted properly.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

(b) Non-controlling interests

Non-controlling interest represents the portion of the statement of income and the net assets of the Subsidiary not owned, directly or indirectly, by the Parent Company. The Group treats transactions with non-controlling interests as transactions with equity holders of the Group.

Non-controlling interests are presented separately in the consolidated statement of income and consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to members of the Parent Company.

Any losses applicable to the non-controlling interests are allocated against the non-controlling interest. Acquisitions of non-controlling interests that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company

27.4 Investments in subsidiary

The financial statements include the consolidated and parent financial statements.

Investments in subsidiary in the parent financial statements are accounted for at cost method in accordance with PAS 27. Under the cost method, income from investment is recognized in statement of income only to the extent that the investor receives distributions from accumulated net income of the investee arising subsequent to the date of acquisition.

The Parent Company determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary is impaired. If impaired, the Parent Company calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in the statement of income.

Investments in subsidiary is derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statement of financial position. Any gains and losses on disposal is determined by comparing the proceeds with the carrying amount of the investment and recognized in statement of income.

The Parent Company recognizes a dividend from a subsidiary in statement of income in parent financial statements when its right to receive the dividend is established.

27.5 Cash and cash equivalents; Other investments

Cash and cash equivalents include cash and other cash items, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

Highly liquid investments that do not qualify as cash equivalents (i.e. original maturities exceeded 3 months) are classified as Other Investments in the statement of financial position.

27.6 Financial instruments

27.6.1 Classification

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

The Group does not hold financial assets under this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Group's loans and receivables comprise of Cash and cash equivalents, Loans and receivables, and security deposits included in Other assets in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months from the reporting date.

(b) Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); and financial liabilities at amortized cost.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

The Group does not hold financial liabilities under this category.

(ii) Other liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's capital contribution repayable on demand, deposit liabilities, accrued interest and other expenses and other liabilities are classified under this category.

27.6.2 Recognition and measurement

(a) Initial recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the asset. Financial assets and liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

(b) Subsequent measurement

Available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Other financial liabilities are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of available-for-sale securities are recognized directly in other comprehensive income as net change in unrealized gain (loss) on available-for-sale investments, until the available-for-sale financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in statement of income. However, interest income calculated on these securities using the effective interest method is recognized in the statement of income. Dividends on equity instruments are recognized in the statement of income when the Group's right to receive payment is established.

27.6.3 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at each reporting date 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 impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in contractual payments of principal or interest;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Deterioration in the value of collateral;
- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payments status of borrowers in the portfolio, and national or local economic conditions that correlate with defaults on the assets in the portfolio.

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial 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). The estimated future cash flows are discounted at the financial asset's original effective interest rate. 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.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. Financial assets at amortized cost, 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 year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is credited to provision for credit and impairment losses in the statement of income and the allowance account is reduced. If a write-off is later recovered, any amounts formerly charged are credited to recovery on charged-off assets presented under miscellaneous income in the statement of income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as loan type, collateral type, 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. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in property prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Loans that are either subject to individual or collective impairment assessment and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

(b) Assets classified as available-for-sale

For available-for-sale debt securities, the Group uses the criteria referred to above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 20% or more as 'significant' and greater than twelve months as 'prolonged'. If any such evidence exists for available-for-sale financial assets, 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 profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale 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.

27.6.4 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. If risks and rewards have not been substantially transferred, the Group performs tests of control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or expires.

27.6.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

None of the financial instruments presented in the financial statements were offset.

27.7 Classes of financial instruments

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

		Classes (as determined by the Bank)		
	Categories (as defined by PAS 39)	Main classes	Sub-classes	
Financial assets	Loans and receivables	- Cash and cash equivalents		
		- Loans and receivables	- Loans and discounts	- Consumption and others - Commercial and business - Real estate and housing
			- Other receivables	- Accounts receivable - Accrued interest receivable - Sales contract receivable - Installment sales receivable - Due from contractors and suppliers - Advances and receivables from officers and employees
		- Other assets	- Security deposits	
	Held-to-maturity investments	- Investment securities (debt securities) - Other investments	- Government	
	Available-for-sale financial assets	- Investment securities (debt securities) - Investment securities (equity securities)	- Government - Others - Quoted - Unquoted	
Financial liabilities	Financial liabilities at amortized cost	- Capital contribution repayable on demand		
		- Deposits liabilities		
		- Accrued interest and other expenses		
		- Others liabilities	- Accounts payable - Insurance payable - Others	

27.8 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and amortization, and any impairment loss. Land is stated as cost less any allowance for impairment.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost consists of its purchase price, including 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

	Useful life
Buildings, condominiums and improvements	20 year
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	5 year or lease term, whichever is shorter

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in accordance with the policy described in Note 27.11.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognized as profit from assets sold under miscellaneous income in the statement of income.

27.9 Investment properties

Properties that are held either to earn rental income or for capital appreciation or for both and that are not significantly occupied by the Group are classified as investment properties. Foreclosed properties are classified under Investment properties at the time of foreclosure.

Investment property is initially recorded at cost and subsequently accounted for using the cost model.

Transfers to, and from, investment property are made when, and only when, there is a change in use, evidenced by:

- (a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
- (c) End of owner occupation, for a transfer from owner-occupied property to investment property; or
- (d) Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for impairment losses. Depreciation and amortization of investment property is computed using the straight-line method over its useful life, regardless of utilization. The estimated useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful life of buildings and improvements classified as investment properties is 10 years.

Non-financial assets are reviewed for impairment using the policy described in Note 27.11.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on derecognition of the asset is included in statement of income in the period the item is derecognized.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in statement of income.

27.10 Software costs

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over five (5) years.

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

27.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, for which an impairment loss has been recognized, are reviewed for possible reversal of impairment at each reporting date.

27.12 Capital contribution repayable on demand and Deposit liabilities

Capital contribution repayable on demand and deposit liabilities are the Parent Company's sources of funding.

Capital contribution repayable on demand and deposit liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

The Group classifies capital contributions as financial liabilities in accordance with the substance of the contractual terms of the instrument. Capital contributions of members of the Parent Company are payable on demand and are, therefore, considered as financial liabilities. Accordingly, dividends on the capital contribution repayable on demand are presented as interest expense in the statement of income.

27.13 Fair value measurement

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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.

- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The Group has no assets or liabilities classified under Level 3 as at December 31, 2015 and 2014.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

(a) Financial instruments

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from Bloomberg.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting dates.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as financial liabilities are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

(b) Non-financial assets or liabilities

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses observable inputs, such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets.
- Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

The fair values of the Group's investment properties fall under level 2 of the fair value hierarchy (Note 8). The Group has no other non-financial assets or liabilities measured at fair value or for which fair value is disclosed as at December 31, 2015 and 2014.

27.14 Accrued interest and other expenses and Other liabilities

Accrued interest and other expenses and Other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established.

27.15 Revenue and expense recognition

Revenue is recognized to the extent that it is probable that 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 and expense is recognized.

(a) Interest income and expense

Interest income and expense are recognized in the statement of income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method and shown as deduction from loans.

(b) Loan fees, service charges and penalties

Loan fees that are directly related to the acquisition and origination of loans are included in the cost of receivable and are amortized using the effective interest method over the term of the loan. Service charges and other fees are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability. Service fees and charges pertain to dormancy charges, pre-termination fees and ID renewals.

(c) Dividend income

Dividend income is recognized in statement of income when the Group's right to receive payment is established.

(d) Rental income

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

(e) Other income

Other income is recognized when earned.

(f) Expenses

Expenses are recognized as incurred.

27.16 Income taxes (for income not covered by R.A. 8367)

The tax expense for the period comprises current and deferred tax. Tax is recognized in statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

Deferred income tax is provided on temporary differences arising on investments in subsidiary, except to the extent that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

27.17 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

27.18 Employee benefits

(a) Pension obligations

The Parent Company and Subsidiary maintains separate defined benefit plans. The Parent Company has a funded noncontributory defined benefit plan while the Subsidiary has an unfunded noncontributory defined benefit plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statements of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

27.19 Dividends

Dividends are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Board of Directors of the Subsidiary.

27.20 Leases

Group as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the related asset are classified as operating leases. Fixed lease payments are recognized as rent expense on a straight-line basis over the lease term.

Group as lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Lease payments received are recognized as income in statement of income in the statements of total comprehensive 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.

27.21 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of income.

27.22 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel and trustees. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

27.23 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Note 28 - Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulations No. 15-2010 that is relevant to the Parent Company. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) *Output value-added tax (VAT)*

The Parent Company is a non-VAT registered company engaged in the business of general financing and investing business.

(ii) *Documentary stamp tax (DST)*

DST on loan releases are shouldered by customers, hence, the Parent Company does not incur any expense arising from its transactions.

(iii) *All other local and national taxes*

All other local and national taxes for the years ended December 31, 2015 consist of:

	Amount
Deficiency tax assessment	62,308
Real estate tax	1,194
Business tax	787
Documentary stamp tax	1,889
Donors tax	18
Fringe benefit tax	611
Community tax	19
Others	473
	67,299

(iv) *Withholding taxes*

Withholding taxes paid and accrued/withheld for the years ended December 31, 2015 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	112,756	11,868	124,624
Expanded withholding taxes	25,275	3,062	28,337
Final withholding taxes	688	17	705
	138,719	14,947	153,666

At December 31, 2015, the Parent Company has no creditable withholding taxes.

(v) *Tax assessment*

On June 23, 2015, the management received a Formal Assessment Notice (FAN) on the results of examination of the books of accounts for taxable year 2012. The management subsequently filed a protest/request for reinvestigation on July 21, 2015 and completed the submission of relevant supporting documents on September 21, 2015. As at December 31, 2015, no response was received from the BIR.

On September 23, 2015, the management received a Final Decision on Disputed Assessment (FDDA) for 2011 taxable year. As a resort, the management filed a Request for Reconsideration to BIR. Favorable decision was granted in favor of the Association. However, the tax assessments on Percentage Tax/GRT, Documentary Stamp Tax (DST), and withholding tax on compensation were not settled as at December 31, 2015.

The Parent Company's open taxable years are 2013, 2014 and 2015

BRANCHES

Reaching out to members

- 1 AGUINALDO BRANCH
- 2 CRAME BRANCH
- 3 BONIFACIO BRANCH
- 4 SANGLEY BRANCH
- 5 CLARK BRANCH
- 6 BAGUIO BRANCH
- 7 ISABELA BRANCH
- 8 LUCENA BRANCH
- 9 LEGAZPI BRANCH
- 10 PALAWAN BRANCH
- 11 CEBU BRANCH
- 12 ILOILO BRANCH
- 13 TACLOBAN BRANCH
- 14 CATBALOGAN BRANCH
- 15 ZAMBOANGA BRANCH
- 16 PAGADIAN BRANCH
- 17 CAGAYAN DE ORO BRANCH
- 18 DAVAO BRANCH
- 19 GENERAL SANTOS BRANCH
- 20 COTABATO BRANCH
- 21 BUTUAN BRANCH



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CEBU BRANCH
Molave St., Camputhaw, Cebu City
PLDT: (032) 233 6507 / 233 6587
GLOBE: (032) 412 2021

DUMAGUETE EXTENSION OFFICE
Infante Bldg., National Highway,
Dumaguete City, Negros Oriental
PLDT: (035) 422 5050 / 225 2652

TAGBILARAN EXTENSION OFFICE
Camp Dagohoy, Tagbilaran City, Bohol
PLDT: (038) 501 8199 / 411 5903

MACTAN EXTENSION OFFICE
BGBNEAB, Lapu-Lapu City, Cebu
PLDT: (032) 341 4082
CEL #: 0943 633 9380

CENTCOM EXTENSION OFFICE
CentCom, Camp Lapu-Lapu, Apas, Cebu City
PLDT: (032) 231 2768 local 3232
CEL #: 0915 261 7122

ILOILO BRANCH

Jalandoni St., Brgy Villa Anita, Iloilo City
PLDT: (033) 336 1187 / 338 1689
GLOBE: (033) 508 8393
CEL #: 0927 884 9577 / 0928 345 0116

BACOLOD EXTENSION OFFICE

Esteban Bldg., Galo Gatuslao St.,
Bacolod City, Negros Occidental
PLDT: (034) 434 0737

KALIBO EXTENSION OFFICE

Camp Pastor Martelino, Kalibo, Aklan

JAMINDAN EXTENSION OFFICE

Sitio Agbalagon, Jaena Norte, Jamindan, Capiz
CEL #: 0928 551 5777

TACLOBAN BRANCH

Camp Ruperto K Kangleon,
Campetic, Palo, Leyte
PLDT: (053) 323 3460 / 832 4016
CEL #: 0917 499 8830

CATBALOGAN BRANCH

Camp Lukban, Brgy Maulong,
Catbalogan City, Western Samar
BAYANTEL: (055) 251 2837 / 251 5352 /
544 0103
MKTG CEL #: 0927 245 7730 / 0917 300 9650

ZAMBOANGA BRANCH

Camp Navarro, Lower Calarian, Zamboanga
PLDT: (062) 991 5396 / 983 0674
CEL #: 0910 657 6491

SULU EXTENSION OFFICE

Finance Section, PHQ, Sulu PPO, Camp Kasim,
Asturias, Jolo, Sulu

TAWI-TAWI EXTENSION OFFICE

PIAS Office, Tubig Boh, Bongao, Tawi-Tawi

BASILAN EXTENSION OFFICE

Basilan PPO Compound, Brgy Menzi,
Isabela, Basilan

PAGADIAN BRANCH

Camp Abelon, Pagadian City
PLDT: (062) 214 1359 / 215 2916
CEL #: 0910 541 1349

DIPOLOG EXTENSION OFFICE

G/F, WTO Bldg., Gen Luna St., Dipolog City
PLDT: (065) 908 2191

OZAMIZ EXTENSION OFFICE

Dr 2 Sanciangko Bldg., Gomez St., Ozamiz City
PLDT: (088) 545 0618

TUBOD EXTENSION OFFICE

Purok 5, Quezon Ave., Crossing Tubod,
Poblacion Tubod, Lanao del Norte
PLDT: (063) 341 5480

IPIL EXTENSION OFFICE

PPO (Sibugay) Sanito, Ipil, Zamboanga Sibugay
PLDT: (062) 955 5877

CAGAYAN DE ORO BRANCH

Calamansi Drive, Carmen,
Cagayan de Oro City
PLDT: (088) 233 2758 / 233 4259

ILIGAN EXTENSION OFFICE

WilNid Bldg., Purok 4-A,
Tambo Highway, Iligan City

CAMP ALAGAR EXTENSION OFFICE

Camp Alagar, Lapasan Road Highway,
Cagayan de Oro

MALAYBALAY EXTENSION OFFICE

Camp Onahon, Malaybalay City, Bukidnon

DAVAO BRANCH

Pres Carlos P Garcia Highway, Diversion Rd.,
Brgy Cabantian, Buhangin District,
Davao City
PLDT: (082) 234 7391 / 234 8870
CEL #: 0926 755 1681 / 0999 726 1681

TAGUM EXTENSION OFFICE

Masonic Bldg., J Abad Santos St.,
Brgy Poblacion, Tagum City
PLDT: (084) 655 9647

DIGOS EXTENSION OFFICE

Alcazaren Bldg., Jose Abad St., Digos City

GENERAL SANTOS BRANCH

ML Quezon Ave., General Santos City
PLDT: (083) 301 9049 / 552 7404
CEL #: 0999 557 3873 / 0932 373 8935

KORONADAL EXTENSION OFFICE

Door 3, Villa Amor Hotel, General Santos Drive,
Koronadal City, South Cotabato

COTABATO BRANCH

JP Garcia St., Rosary Heights 13,
Cotabato City
PLDT: (064) 421 3451 / 421 9287
CEL #: 0912 400 6277

KIDAPAWAN EXTENSION OFFICE

Zepol Annex Bldg., Quezon Blvd.,
Kidapawan City
PLDT: (064) 572 7087

BUTUAN BRANCH

Bancasi, Butuan City
PLDT: (085) 341 9779 / 342 5862 / 815 3203
CEL #: 0909 226 8987

SURIGAO DEL NORTE EXTENSION OFFICE

Surigao del Norte PPO, Borromeo St.,
Surigao City

AGUSAN DEL SUR EXTENSION OFFICE

Agusan del Sur PPO, Patin-ay Prosperidad,
Agusan del Sur

2015 AFPSLAI Annual Report


The financial information in this report is for the period ended December 31, 2015, filed with the Bureau of Internal Revenue on April 29, 2016, and Securities and Exchange Commission on May 16, 2016. Members may access a complete copy of the 2015 Annual Report at www.afpslai.com.ph. Members may also request a CD copy by calling (02) 911-8364 or writing to Corporate Affairs Office, 4/F, AFPSLAI Head Office, Capinpin Avenue, Camp General Emilio Aguinaldo, EDSA cor. Col. Bonny Serrano Road, Quezon City, Philippines 1110.

The information in this report is as of
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Corporate Affairs Office



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