

**MANILA BANKERS LIFE INSURANCE  
CORPORATION**

**FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

# MANILA BANKERS LIFE INSURANCE CORPORATION

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

The management of **MANILA BANKERS LIFE INSURANCE CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (*Annual Income Tax Return or Annual Information Return*) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of **MANILA BANKERS LIFE INSURANCE CORPORATION** complete and correct in all material respects. Management likewise affirms that:

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

Signature :  JOSE ENRIQUE R. DE LAS PEÑAS  
President/ Chief Executive Officer

Signature :  LOUIS BARTOLOME J. BORJA  
Treasurer

Signed this 16<sup>th</sup> day of April 2018





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **MANILA BANKERS LIFE INSURANCE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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

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

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

Signature :  JOSE ENRIQUE R. DE LAS PEÑAS  
President/ Chief Executive Officer

Signature :  LOUIS BARTOLOME J. BORJA  
Treasurer

**Signed this 16<sup>th</sup> day of April 2018**





**MB Life**  
INSURANCE CORPORATION

**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE  
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **MANILA BANKERS LIFE INSURANCE CORPORATION** for the period ended **December 31, 2017**.

In discharging this responsibility, I hereby declare that I am the **Accounting Manger** of **MANILA BANKERS LIFE INSURANCE CORPORATION** and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of **Valdes Abad & Company, CPAs** who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under the penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: **JEFFREY O. SAGUN**

PROFESSIONAL IDENTIFICATION CARD NUMBER: **0135705**

VALID UNTIL: **09/24/2019**

ACCREDITATION NUMBER: **3517 Board Resolution No. 179 dated 04/07/2017**

VALID UNTIL: **09/24/2019**

SUBSCRIBED AND SWORN to before me this APR 26 2018 day of \_\_\_\_\_  
City, and exhibited to me Gov't ID No. \_\_\_\_\_

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Page No. 28  
Book No. XXI  
Series 706

**ATTY. GERARDO B. ORTIZ JR.**  
Notary Public, City of Makati  
Until December 31, 2018  
IBP No. 656155-Lifetime Member  
MCLE Compliance No. V-0006934  
Appointment No. M-104 (2017-2018)  
PTE No. 6607879 Jan. 3, 2018  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.



# Valdes Abad & Company

(Formerly: Valdes Abad & Associates)

certified public accountants

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BOA/PRC Reg. No. 0314

SEC Accreditation No. A-142-F



PARTNERING FOR SUCCESS

## INDEPENDENT AUDITOR'S REPORT

### The Board of Directors

#### MANILA BANKERS LIFE INSURANCE CORPORATION

3/F VGP Center, 6772 Ayala Avenue  
Makati City

### Opinion

We have audited the financial statements of **MANILA BANKERS LIFE INSURANCE CORPORATION** which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **MANILA BANKERS LIFE INSURANCE CORPORATION** as of December 31, 2017 and 2016 and of its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) and generally accepted insurance accounting principles and reporting practices in the Philippines.

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- (v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



## Report on Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Note 43 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. A-142-F

Issued on September 7, 2017, Valid until April 30, 2018

IC Accreditation No. SP-2017-006-R

Issued on April 26, 2017, Valid until April 25, 2020

For the firm:



**ORLANDO ROMANO N. SAGUN**

Partner

CPA Registration No. 95831

Issued on October 26, 2016, Valid until May 31, 2019

TIN No. 181-521-244-000

PTR No. 6617715, Issued Date: January 5, 2018, Makati City

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-003-2017

Issued on December 13, 2017, Valid until December 13, 2020

IC Accreditation No. SP-2017-008-R

Issued on April 26, 2017, Valid until April 25, 2020

Makati City, Philippines  
April 16, 2018

**MANILA BANKERS LIFE INSURANCE CORPORATION**

**STATEMENTS OF FINANCIAL POSITION**

*(In Philippine Peso)*

ASSETS	Notes	December 31,	
		2017	2016
CURRENT ASSETS			
Cash and cash equivalents	2,7	23,130,340	20,529,182
Insurance contract receivables, net	2,8	6,192,019	13,592,482
Financial assets:			
Loans and other receivables, net	2,9	105,516,020	36,832,400
Accrued interest	2,10	793,975	1,023,403
Prepayments and other current assets	2,11	15,143,684	14,510,743
Deferred tax assets	2,12	16,716,474	13,988,214
Total Current Assets		167,492,512	100,476,424
NON-CURRENT ASSETS			
Financial assets:			
Available for sale financial assets	2,13	21,596,061	21,941,784
Held to maturity investments	2,14	79,318,320	79,434,151
Loans and other receivables, net	2,9	72,519,216	129,446,187
Accrued interest	2,10	24,028,611	24,726,240
Assets held for sale	2,15	-	58,656,818
Investment property	2,16	93,817,818	35,161,000
Property and equipment, net	2,17	10,963,428	24,751,368
Other non-current assets	2,18	5,812,721	7,068,218
Total Non-Current Assets		308,056,175	381,185,766
TOTAL ASSETS		475,548,687	481,662,190
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Policy and contract claims payable	2,19	20,110,358	14,043,118
Premium deposit fund	2,20	31,128,433	16,854,483
Insurance payables		-	-
Payables and accrued expenses	2,21	13,264,583	25,102,371
Income tax payable		-	-
Total Current Liabilities		64,503,374	55,999,972
NON-CURRENT LIABILITIES			
Legal policy reserves	2,22	128,599,796	129,734,177
Post employment benefit obligation	2,24	654,107	4,334,211
Deferred tax liabilities	2,12	-	3,093,900
Total Non-Current Liabilities		129,253,903	137,162,288
EQUITY			
Share capital	2,25	200,000,000	250,000,000
Surplus	2,26	3,589,340	3,589,340
Available for sale financial assets reserve	2,13	595,183	592,530
Asset revaluation reserve	2,17	17,651,825	29,233,800
Legal policy revaluation reserve	2,22	48,811,462	-
Accumulated unrealized gain (loss) from remeasurement of net benefit liability	2,24	690,742	(300,922)
Retained earnings	2,27	10,452,858	5,385,182
Total Equity		281,791,410	288,499,930
TOTAL LIABILITIES AND EQUITY		475,548,687	481,662,190

*See Notes to Financial Statements*



**MANILA BANKERS LIFE INSURANCE CORPORATION**

**STATEMENTS OF COMPREHENSIVE INCOME**

*(In Philippine Peso)*

<b>For the Years Ended December 31,</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>INSURANCE PREMIUMS</b>			
Gross premiums on insurance contracts	2,32	240,626,701	242,513,909
Reinsurers's share of gross premiums on insurance contracts	2,32	(110,552)	(880,175)
Insurance Premiums, Net		<u>240,516,149</u>	<u>241,633,734</u>
<b>OTHER INCOME, NET</b>			
Finance	2,33	5,807,712	5,388,527
Other	2,34	5,945,533	6,796,335
Total Other Income		<u>11,753,245</u>	<u>12,184,862</u>
<b>TOTAL INCOME</b>		<u>252,269,394</u>	<u>253,818,596</u>
<b>BENEFITS AND EXPENSES</b>			
Increase in aggregate life policy reserve	2,22	47,677,081	54,445,813
Gross benefits and claims paid on insurance contract	2,35	41,245,771	27,220,153
Commission	2,36	71,375,477	79,291,916
Underwriting	2,37	21,892,798	21,992,543
Net Insurance Benefits and Claims		<u>182,191,127</u>	<u>182,950,425</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	2,38	<u>81,442,164</u>	<u>96,076,977</u>
<b>TOTAL EXPENSES</b>		<u>263,633,291</u>	<u>279,027,402</u>
<b>OPERATING LOSS</b>		<u>(11,363,897)</u>	<u>(25,208,806)</u>
<b>FINANCE COST</b>	2,39	<u>(4,328,737)</u>	<u>(5,109,439)</u>
<b>LOSS BEFORE TAX</b>		<u>(15,692,634)</u>	<u>(30,318,245)</u>
<b>AGGREGATE TAX INCOME</b>		<u>3,185,122</u>	<u>8,984,672</u>
<b>LOSS BEFORE OTHER COMPREHENSIVE INCOME</b>		<u>(12,507,512)</u>	<u>(21,333,573)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealized gain on remeasurement of legal policy reserve	2,22	48,811,462	-
Unrealized fair value gain (loss) on available-for-sale financial assets for the year	2,13	(6,590)	1,103,287
Reclassification to profit and loss of loss on sale of available-for-sale financial assets for the year	2,13	(9,243)	-
Unrealized gain for remeasurement of net benefit liability	2,24	991,664	737,960
Appraisal increment	2,17	<u>(11,581,975)</u>	<u>11,376,500</u>
Total Other Comprehensive Income		<u>38,205,318</u>	<u>13,217,747</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u>25,697,806</u>	<u>(8,115,826)</u>

*See Notes to Financial Statements*

MANILA BANKERS LIFE INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(In Philippine Peso)

	Share Capital (Note 25)	Surplus (Note 26)	Available for Sale Financial Asset Reserve (Note 13)	Asset Revaluation Reserve (Note 17)	Legal Policy Revaluation Reserve (Note 22)	Unrealized Actuarial Loss (Note 24)	Retained Earnings (Deficit) (Note 27)	Total
<b>BALANCES AS OF DECEMBER 31, 2015</b>	<b>250,000,000</b>	<b>3,589,340</b>	<b>1,695,817</b>	<b>17,857,300</b>	<b>-</b>	<b>(1,038,882)</b>	<b>42,074,238</b>	<b>314,177,813</b>
Prior period adjustment (Note 40)	-	-	-	-	-	-	(5,356,500)	(5,356,500)
Cash dividend declared (Note 31)	-	-	-	-	-	-	(9,998,983)	(9,998,983)
Loss before other comprehensive income	-	-	-	-	-	-	(21,333,573)	(21,333,573)
Other comprehensive income	-	-	(1,103,287)	-	-	737,960	-	(365,327)
Appraisal Increment	-	-	-	11,376,500	-	-	-	11,376,500
<b>BALANCES AS OF DECEMBER 31, 2016</b>	<b>250,000,000</b>	<b>3,589,340</b>	<b>592,530</b>	<b>29,233,800</b>	<b>-</b>	<b>(300,922)</b>	<b>5,385,182</b>	<b>288,499,930</b>
Retirement of capital stock-Preferred (50,000,000)	-	-	-	-	-	-	-	(50,000,000)
Prior period adjustment (Note 40)	-	-	-	-	-	-	26,351,609	26,351,609
Cash dividend declared (Note 31)	-	-	-	-	-	-	(8,776,421)	(8,776,421)
Loss before other comprehensive income	-	-	-	-	-	-	(12,507,512)	(12,507,512)
Other comprehensive income	-	-	2,653	(11,581,975)	48,811,462	991,664	-	38,223,804
<b>BALANCES AS OF DECEMBER 31, 2017</b>	<b>200,000,000</b>	<b>3,589,340</b>	<b>595,183</b>	<b>17,651,825</b>	<b>48,811,462</b>	<b>690,742</b>	<b>10,452,858</b>	<b>281,791,410</b>



**MANILA BANKERS LIFE INSURANCE CORPORATION**

**STATEMENTS OF CASH FLOWS**

*(In Philippine Peso)*

<b>For the Years Ended December 31,</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(15,692,634)	(30,318,245)
Adjustment for:			
Depreciation	2,38	5,852,721	5,846,350
Prior period adjustment	2,40	26,351,609	(5,356,500)
Net plan cost on post employment benefit obligation	2,24	1,933,560	1,830,938
Provision for doubtful accounts	2,38	1,018,791	10,638,168
Allowance for Impairment of investment in associates		-	2,901,000
Gain on sale of available-for-sale financial assets	2,39	(202,380)	-
Loss on sale of property and equipment	2,38	48,572	-
Amortization of bond premium		115,831	272,214
Interest income from banks	2,33	(51,109)	(65,521)
Interest income from investment in bonds, gross of amortization of bond premium	2,33	(4,158,061)	(3,866,228)
Interest income from mortgage and collateral loans	2,34	(3,208,484)	(4,242,366)
Dividend income	2,33	(1,553,923)	(1,425,371)
Appraisal increment		(5,156,500)	5,156,500
Revaluation adjustment on legal policy reserve	2,22	48,811,462	-
Operating income before working capital changes		54,109,455	(18,629,061)
Changes in assets and liabilities:			
Decrease / (increase) in insurance contract receivables	2,8	7,400,463	(6,117,689)
Decrease in prepayments and other current assets	2,11	373,953	(2,649,341)
Increase in deferred tax asset	2,12		
Decrease / (increase) in other assets	2,18	1,255,497	(3,703,332)
Increase in claims payable	2,19	6,067,240	6,672,634
Increase / (decrease) in legal policy reserves	2,22	(1,134,381)	54,445,814
Increase / (decrease) in premium deposit fund	2,20	14,273,950	(1,459,133)
Increase / (decrease) in payable and accrued expenses	2,21	(12,116,455)	58,432
Cash generated from operations		70,229,722	28,618,324
Income tax paid		(550,032)	(1,831,909)
Net Cash from Operating Activities		69,679,690	26,786,415
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of available for sale financial assets	2,13	550,756	-
Proceeds from disposal of held to maturity investment	2,14	-	1,000,000
Net decrease of loans and receivables	2,9	(12,775,440)	(22,332,144)
Acquisition of property and equipment	2,17	(2,538,256)	(4,972,810)
Proceeds from sale of property and equipment	2,17	905,528	-
Interest received		8,344,711	7,722,399
Dividend received	2,33	1,553,923	1,425,371
Contributions to the plan	2,24	(4,622,000)	(800,000)
Net Cash from Investing Activities		(8,580,778)	(17,957,184)
Net Increase in Cash Flow Before Financing Activities		61,098,912	8,829,231

**MANILA BANKERS LIFE INSURANCE CORPORATION**

**STATEMENTS OF CASH FLOWS - Continuation**

*(In Philippine Peso)*

<b>For the Years Ended December 31,</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Net Increase in Cash Flow Before Financing Activities		<u>61,098,912</u>	<u>8,829,231</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Retirement of preferred share capital	2,25	(50,000,000)	-
Cash dividend declared and paid	2,31	<u>(8,497,754)</u>	<u>(9,854,598)</u>
Net Cash from Financing Activities		<u>(58,497,754)</u>	<u>(9,854,598)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,601,158</b>	<b>(1,025,367)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	2,7	<b>20,529,182</b>	<b>21,554,549</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	2,7	<b>23,130,340</b>	<b>20,529,182</b>

*See Notes to Financial Statements*