

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
OF
THE FIRST NATIONWIDE ASSURANCE CORPORATION**

DATE : April 04, 2016
TIME : 2:30 p.m.
PLACE : 4th Floor Y Tower II,
Makati City

DIRECTORS PRESENT

DIRECTOR ABSENT

Mr. Antonio G. Puyat
Mr. Edmundo L. Bunyi

I. The Members of the Audit Committee convened to deliberate on the results of Audit for the Company's 2015 Operations, and 2015 versus 2014 Financial Statements.

II. SYCIP, GORRES, VELAYO & COMPANY ("SGV"), the Company's external auditor, presented to the Audit Committee the following Audit Results:

A. 2015 Audit Observations:

- Decline in fair value of Available for Sale (AFS) financial assets assessed as impaired

SGV mentioned that PAS¹ 39, Financial Instruments and Measurement requires entities to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group is impaired, and that objective evidence of impairment in an equity instrument may include:

- a) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity may not be recovered; and
- b) significant or prolonged decline in the fair value of an investment in an equity below its cost.

SGV noted that the Company's equity securities in PetroEnergy Resource have been subject to a significant decline above 30%.

Significant decline above 30%:

¹ Philippine Accounting Standards.

	No. of Shares	Cost per share	Book Value	MV Per Share*	Market Value	Difference	% Decline	Volatility
PetroEnergy Resource	1,400,566	₱6.06	₱8,491,820	₱3.88	₱5,434,196	₱3,057,624	36%	14.56%

PetroEnergy equity securities had a book value of P8,491,820.00 and market value of P5,434,196.00, or a difference of P3,057,624.00 which, according to the E&Y Global guide, is an evidence of impairment. The impairment may also be attributed to the volatility of these securities.

As such, SGV opined that the impairment loss amounting to P3.06 Million be booked by the Company. It also recommended that the Company regularly assess the recoverability of its investments in AFS equity securities should indicators of impairment exist.

Mr. Antonio G. Puyat mentioned that the report should highlight that the impairment is due to the volatility of the market.

B. 2014 Financial Highlights:

SGV presented to the Audit Committee the Company's Audited Financial Statements for the year ended December 31, 2015, and reported on the following financial highlights:

• 2015 Statements of Income

STATEMENTS OF INCOME	2015	2014
INCOME	P 146,075,537	P 151,343,131
Gross earned premiums on insurance contracts		21,442,361
Reinsurer's share of gross earned premiums on insurance contracts	21,707,411	129,901,771
Net Insurance earned premiums	124,168,126	58,513,412
Investment Income and Other Income - net of Impairment	32,753,075	4,100,000
Foreign exchange gain - net	4,399,403	1,347,113
Commission income	2,959,376	39,394,569
Total Other Income	40,111,858	109,296,371
TOTAL INCOME	164,479,984	167,809,783
EXPENSE	52,984,964	60,144,540
Net Insurance Benefits and Claims Paid		70,085,855
General Expenses	68,520,635	20,020,411
Other Underwriting Expense	20,509,480	1,103,529
Commission expense	1,248,404	
Interest expense		91,219,847
Total other expenses	90,278,519	152,301,447
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES	143,263,483	152,301,447
INCOME BEFORE INCOME TAX	21,216,501	17,934,924
PROVISION FOR INCOME TAX	1,836,902	3,750,954
NET INCOME	P 19,379,599	P 14,183,970

• 2015 Statements of Financial Position

STATEMENTS OF FINANCIAL POSITION		December 31, 2015	December 31, 2014
ASSETS			
Cash and Cash Equivalents		P26,227,330	P17,535,396
Short-term Investments		3,649,184	4,793,100
Insurance Receivables - net		76,755,349	75,794,761
Available-for-sale		559,114,881	487,201,401
Investment in Mutual Funds		24,103,834	
Loans and receivables		56,462,076	15,037,100
Accrued Income		4,796,387	4,130,905
Deferred Acquisition Costs		9,014,998	1,508,900
Reinsurance Assets		372,843,884	357,718,031
Investment Properties - net			2,291
Property and Equipment - net		20,642,937	22,795,445
Deferred Income Tax - net		1,337,554	1,337,754
Other Assets		5,573,931	2,967,400
Total Assets		P1,160,522,363	P1,217,791,413

STATEMENTS OF FINANCIAL POSITION		December 31, 2015	December 31, 2014
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities		P514,251,927	P474,198,251
Insurance payables		1,808,492	1,169,259
Accounts payable and accrued expenses		36,233,409	4,320,000
Deferred reinsurance commissions		2,015,603	1,407,677
Pension Liability (Asset)		6,244,677	4,594,215
Dividends Payable			2,000,000
Income Tax Payable			281,267
Total Liabilities		560,554,108	517,129,962
Equity			
Capital stock		250,000,000	250,000,000
Capital paid in excess of par value		112,431	112,431
Contributed surplus		100,000	100,000
Other comprehensive income		277,244,140	4,131,678
Retained earnings		72,511,684	7,132,226
Total Equity		599,968,255	699,661,447
Total Liabilities and Equity		P1,160,522,363	P1,217,791,413

• 2015 Significant Ratios

Comparative analysis for 2015 and 2014 follow:

	2015	2014
Retention ratio	85%	81
Loss ratio	43%	46%
Net commission ratio	1%	1%
Other underwriting expense ratio	16%	15%
General expense ratio	5.4%	5.4%
Combined ratio	114%	116%

C. Communication with the Audit Committee

SGV communicated to the Audit Committee specific matters required by PSA 260 (Communication with Those Charged with Governance).

After discussion and careful deliberation, and upon motion made and duly seconded, the Audit Committee duly noted the 2015 Audited Results of SGV and instructed Management to implement measures to address the foregoing.

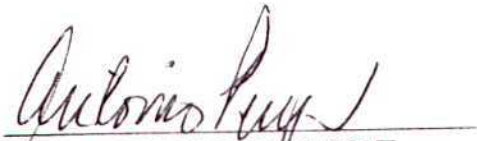
The Audit Committee also resolved to endorse to the Board the approval of the Audited Financial Statements of the Company for the year ended December 31, 2015.

Furthermore, the Committee agreed to recommend to the Board the re-appointment of SYCIP, GORRES, VELAYO & COMPANY ("SGV"), as the Company's external auditor.

There being no further business to discuss, the meeting was adjourned.


ATTY. SAMUEL V. TORRES
Corporate Secretary

READ AND APPROVED BY:



ANTONIO G. PUYAT
Director



EDMUNDO L. BUNYI
Director