

TRAVELLERS INSURANCE & SURETY CORPORATION

Ermita, Manila

Reconciliation of Figures in the Income Statement
Annual Statement versus figures in the Adjusted Trial Balance
December 31, 2016

| | Per Annual Statement | | Per Adjusted Trial Balance | | |
|-----------------------------------------------|-----------------------|--|----------------------------|--|----------------------------------------------------|
| UNDERWRITING INCOME | | | | | UNDERWRITING INCOME |
| 1 Gross Underwriting Income | P 400,706,254.72 | | | | Premium income - direct |
| | | | | | 419,414,147.23 |
| | | | | | Reinsurance premium assumed - facultative |
| | | | | | 7,105,114.83 |
| | | | | | Reinsurance premium assumed - treaty |
| | | | | | 34,634,179.41 |
| | | | | | Reinsurance premium ceded - facultative |
| | | | | | (16,341,842.47) |
| | | | | | Reinsurance premium ceded - treaty |
| | | | | | (9,262,371.79) |
| | | | | | Increase in Reserves for Unearned Premiums |
| | | | | | (64,383,355.70) |
| | | | | | Commission Income- Facultative |
| | | | | | 5,773,631.58 |
| | | | | | Commission Income- Treaty |
| | | | | | 2,738,159.82 |
| | | | | | Gross Underwriting Income |
| | | | | | 379,677,662.91 |
| | | | | | Diff. in Increase in Reserves for Unearned Premium |
| | | | | | 18,160,024.43 |
| | | | | | Diff. in Reinsurance Premium Ceded |
| | | | | | 4,248,438.42 |
| | | | | | Diff. in Commission Income |
| | | | | | (1,379,871.04) |
| | | | | | Adjusted Gross Underwriting Income |
| | | | | | (1,379,871.04) 400,706,254.72 |
| | | | | | |
| 2 GROSS UNDERWRITING INCOME | 400,706,254.72 | | | | GROSS UNDERWRITING INCOME |
| | | | | | 400,706,254.72 |
| UNDERWRITING DEDUCTIONS | | | | | UNDERWRITING DEDUCTIONS |
| 3 Losses Incurred during the year | 56,408,340.08 | | | | Losses Incurred |
| | | | | | Losses - direct |
| | | | | | 48,072,006.40 |
| | | | | | Losses on reins. assumed - facultative |
| | | | | | 2,316,115.51 |
| | | | | | Losses on reins. assumed - treaty |
| | | | | | 6,020,218.17 |
| | | | | | 56,408,340.08 |
| 4 Loss adjustment expense | 311,890.00 | | | | Loss adjustment expense - direct |
| | | | | | 311,890.00 |
| 5 Commission Expense Incurred during the year | 113,317,950.82 | | | | Commission expense - direct |
| | | | | | 85,511,068.16 |
| | | | | | Commission on reinsurance assumed - facultative |
| | | | | | 2,012,988.63 |
| | | | | | Commission on reinsurance assumed - treaty |
| | | | | | 12,221,630.12 |
| | | | | | Commission expense |
| | | | | | 99,745,686.91 |
| | | | | | Diff. in Commission expense |
| | | | | | 13,572,263.91 |
| | | | | | Adjusted Commission expense |
| | | | | | 113,317,950.82 |
| 6 Other Underwriting Deductions | 17,533,899.35 | | | | Other underwriting expenses |
| | | | | | 17,426,534.71 |
| | | | | | Increase in Catastrophe Loss Reserve |
| | | | | | 107,364.64 |
| | | | | | 17,533,899.35 |
| 7 TOTAL UNDERWRITING DEDUCTIONS | 187,572,080.25 | | | | TOTAL UNDERWRITING DEDUCTIONS |
| | | | | | 187,572,080.25 |
| 8 NET UNDERWRITING INCOME | 213,134,174.47 | | | | NET UNDERWRITING INCOME |
| | | | | | 213,134,174.47 |

| Per Annual Statement | |
|----------------------------------------------------------------------------------|----------------|
| INVESTMENT INCOME | |
| 9 Gross Interest, Dividends and Rent Earned During the Year | 6,800,910.91 |
| INVESTMENT EXPENSES | |
| 10 Investment Expenses Paid During the year | 213,473.83 |
| GAIN ON INVESTMENTS | |
| 11 Gain on Sale of Investments | 110,340.02 |
| 12 Gain on Revaluation | - |
| 13 Gain from Increase in Book Value of Investments | 118,354.00 |
| 14 Total Gain on Investments | 228,694.02 |
| LOSS ON INVESTMENTS | |
| 15 Loss from Sale of Investments | 906,392.75 |
| GENERAL, ADMINISTRATIVE AND OPERATING EXPENSES | |
| 16 General, Administrative and Other Operating Expenses Incurred During the year | 194,332,042.96 |

| Per Adjusted Trial Balance | | |
|-------------------------------------------------------|---------------|--------------|
| INVESTMENT INCOME | | |
| Gross Investment Income | | |
| Interest income | 6,178,980.91 | |
| Rental income | 621,930.00 | 6,800,910.91 |
| INVESTMENT EXPENSES | | |
| Real estate tax | | 213,473.83 |
| GAIN ON INVESTMENTS | | |
| Foreign exchange gain(loss) | | 110,340.02 |
| Gain on Revaluation | | - |
| Decline in MV- prior year | 195,213.35 | |
| Revaluation Reserve- current year | 313,567.35 | 118,354.00 |
| Total gain on investments | | 228,694.02 |
| LOSS ON INVESTMENTS | | |
| Loss on sale of property & equipment/investment | | 906,392.75 |
| GENERAL, ADMINISTRATIVE AND OPERATING EXPENSES | | |
| General, Administrative & Other Operating Expenses | | |
| Impairment loss | - | |
| Bank charges | 124,192.55 | |
| Books, subscription and periodicals | 59,525.00 | |
| Depreciation expense | 2,108,099.22 | |
| Documentary expense | 60,769.73 | |
| Donation and contribution | 979,551.52 | |
| Dues and fees | 2,779,502.75 | |
| EC and maternity contribution | 25,100.00 | |
| EDP expense | 591,782.63 | |
| Employees privileges | 9,040,747.83 | |
| Heat, light and water | 1,307,347.97 | |
| Insurance expense | 228,566.58 | |
| Interest expense | 639,026.93 | |
| Legal and documentation expense | 1,098,463.50 | |
| Philhealth premium contribution | 253,512.50 | |
| Meetings and conferences | 2,114,085.77 | |
| Miscellaneous expense | 378,856.15 | |
| Notarial fees expense | 31,390.00 | |
| Directors fee | 581,250.00 | |
| Postage, freight and fees | 1,729,882.75 | |
| Printing and office supplies | 7,501,296.16 | |
| Promotion and advertisement | 3,381,118.24 | |
| Rent expense | 5,398,035.61 | |
| Repairs and maintenance | 2,480,299.07 | |
| Representation expense | 4,652,510.58 | |
| Retainers fee | 290,000.00 | |
| Salaries & wages | 26,456,605.71 | |
| SSS premium contribution | 1,191,835.20 | |
| Taxes and licenses | 1,060,317.33 | |

Per Annual Statement

| | | |
|----|---------------------------------------------------|----------------------|
| | | |
| 16 | Other Income/ Miscellaneous | 506,382.99 |
| 18 | Provision for (Benefit from) income tax- current | 7,394,671.58 |
| 19 | Provision for (Benefit from) income tax- deferred | (2,570,604.39) |
| 20 | NET INCOME (LOSS) FOR THE YEAR | 20,394,185.66 |

Per Adjusted Trial Balance

| | | | |
|--|---------------------------------------------------|---------------|----------------------|
| | | | |
| | Real estate tax | (213,473.83) | |
| | Telephone and telegrams | 2,047,308.45 | |
| | Training expense | 3,206,482.54 | |
| | Transportation and travel | 9,917,788.48 | |
| | HDMF premium contribution | 114,000.00 | |
| | Marketing expense | 90,353,255.14 | |
| | ECOLA | 85,710.92 | |
| | Amortization expense | 1,312,224.53 | |
| | Management fee | 1,200,000.00 | |
| | Professional fees | 2,860,559.44 | |
| | Bad debts | 2,968,886.71 | |
| | Deficiency tax | 3,935,629.30 | 194,332,042.96 |
| | | | |
| | Miscellaneous income | 506,382.99 | |
| | Other income | - | 506,382.99 |
| | | | |
| | Provision for (Benefit from) income tax- current | | 7,394,671.58 |
| | Provision for (Benefit from) income tax- deferred | | (2,570,604.39) |
| | | | |
| | NET INCOME (LOSS) FOR THE YEAR | | 20,394,185.66 |