(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Unrecognized Deferred Tax Liabilities
As of December 31, 2015, there was a deferred tax liability of ₱788.2 million (₱551.6 million in 2014) for temporary differences of ₱2.6 billion (₱1.8 billion in 2014) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
FCDU income before tax	**(4.62)**	(6.05)	(5.16)	**(5.10)**	(7.20)	(5.17)
Non-deductible expenses	**10.14**	16.34	7.43	**8.12**	23.14	7.15
Optional standard deduction	**(0.38)**	0.02	(0.27)	**–**	–	–
Tax-exempt income	**(6.85)**	(7.09)	(19.14)	**(8.17)**	(8.14)	(18.83)
Tax-paid income	**(3.77)**	(4.14)	(0.14)	**(3.15)**	(3.54)	0.24
Net unrecognized deferred tax assets	**(3.66)**	(8.65)	5.66	**(7.67)**	(10.61)	2.74
Effective income tax rate	**20.86%**	20.43%	18.38%	**14.03%**	23.65%	16.13%
Continuing operations	**20.31%**	19.80%	17.91%			
Discontinued operations	**0.55**	0.63	0.47			
	20.86%	20.43%	18.38%			

Current tax regulations define expenses to be classified as entertainment, amusement and recreation (EAR) and set a limit for the amount that is deductible for tax purposes. EAR are limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expense' in the statements of income) amounted to ₱86.1 million in 2015, ₱151.4 million in 2014, and ₱214.9 million in 2013for the Group, and ₱72.8 million in 2015, ₱126.7 million in 2014, and ₱174.1 million in 2013 for the Parent Company (Note 28).

32. Earnings Per Share

The following tables reflect the net income and share data used in the earnings per share computations:

Earnings per share attributable to equity holders of the Parent Company:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	**₱6,113,508**	₱5,358,669	₱5,146,315
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,020**	1,163,938	1,067,822
c) Basic/Diluted earnings per share (a/b)	**₱4.89**	₱4.60	₱4.82

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	**₱5,827,163**	₱5,147,341	₱4,988,971
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,020**	1,163,938	1,067,822
c) Basic/Diluted earnings per share (a/b)	**₱4.67**	₱4.42	₱4.67

As of December 31, 2015, 2014 and 2013, there are no potential common shares with dilutive effect on the basic earnings per share.

33. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱78.7 billion and ₱65.8 billion as of December 31, 2015 and 2014, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱747.8 million and ₱711.8 million (included under 'AFS Investments') as of December 31, 2015 and 2014, respectively, are deposited with the BSP in compliance with trust regulations.

Trust fee income in 2015, 2014 and 2013 amounting to ₱256.2 million, ₱230.1 million and ₱189.9 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱16.6 million, ₱13.6 million and ₱9.5 million in 2015, 2014 and 2013, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital. In 2013, an additional ₱136.3 million was transferred by the Parent Company from surplus to surplus reserve which corresponds to reserves allotted to the trust business acquired from ABC.

34. Related Party Transactions

<u>Regulatory Reporting</u>
In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15% of the Parent Company's total loan portfolio, whichever is lower.