NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Annual Report 2014

31st Floor, Ayala Life-FGU Center
6811 Ayala Avenue, Makati City, 1227, Philippines
Trunk Line: +632 988-7400 • Fax: +632 988-7457
E-mail Address: nrcp@nrcp.com.ph

www.nrcp.com.ph

Contents

Our Profile

National Reinsurance Corporation of the Philippines (the Company, PhilNaRe) was incorporated in 1978 pursuant to Presidential Decree No. 1270 as a domestic professional reinsurance firm to provide life and non-life reinsurance capacity to the Philippines and neighbouring insurance markets. The Company's registered office and principal place of business is located at the 31st Floor, Ayala Life-FGU Center, 6811 Ayala Avenue, Makati City. The Company is listed on the Philippine Stock Exchange with stock symbol NRCP.

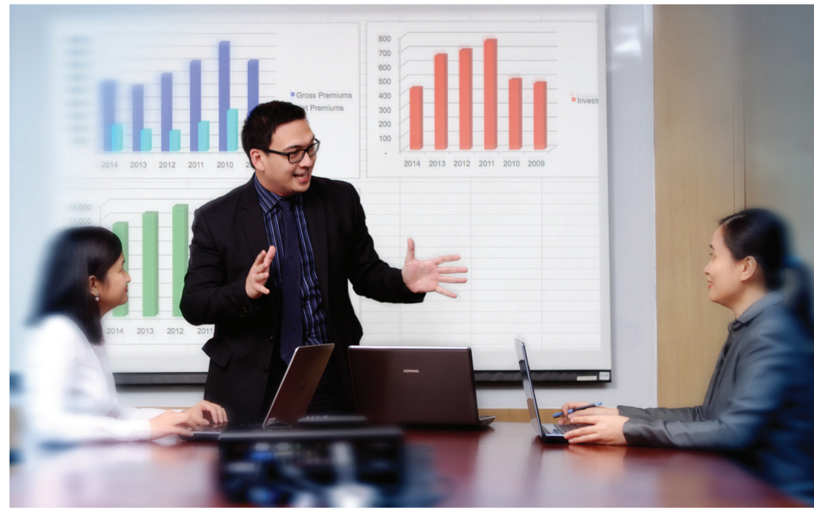
Financial Highlights

(amounts in million pesos except book value per share)

	2014	2013	2012	2011	2010	2009
Gross Premiums	**2,747**	2,561	3,025	3,524	4,279	3,538
Net Premiums	**1,022**	820	779	1,126	1,598	1,352
Underwriting Income (Loss)	**(372)**	(122)	(365)	(107)	(658)	31
Investment & Other Income	**433**	664	702	768	491	467
Net Profit (Loss)	**(287)**	19	34	346	(480)	103
Total Assets	**13,104**	14,602	15,615	12,638	12,553	11,096
Stockholders' Equity	**5,555**	5,688	5,934	6,053	5,948	6,155
Book Value Per Share	**2.62**	2.68	2.79	2.85	2.75	2.85
Return on Average Equity	**-5.1%**	0.32%	0.57%	5.81%	-7.90%	1.70%
Expense Ratio	**29.36%**	57.16%	30.40%	21.59%	15.06%	24.04%
Loss Ratio	**100.57%**	79.77%	108.50%	79.81%	113.75%	70.20%
Combined Ratio	**165.69%**	172.30%	177.29%	132.08%	156.08%	124.33%

Message To Stockholders

The Philippine economy – the second fastest growth rate among emerging economies in the Asian region – grew its GDP 6.1% in 2014. Due to the country's strong macro-economic fundamentals, increasing consumer buying and spending power, which is also manifested through increased investor confidence; the outlook for Philippine economy remains to be affirmative.



The Philippines continues to adroitly manage its path towards economic growth. Despite dampened Gross Domestic Product growth in the first three quarters of 2014, the country's GDP surged to 6.9% in the fourth quarter riding on the robust performance of the Agriculture (+4.8%), Industry (+9.2%) and Services sectors (+6.0%).

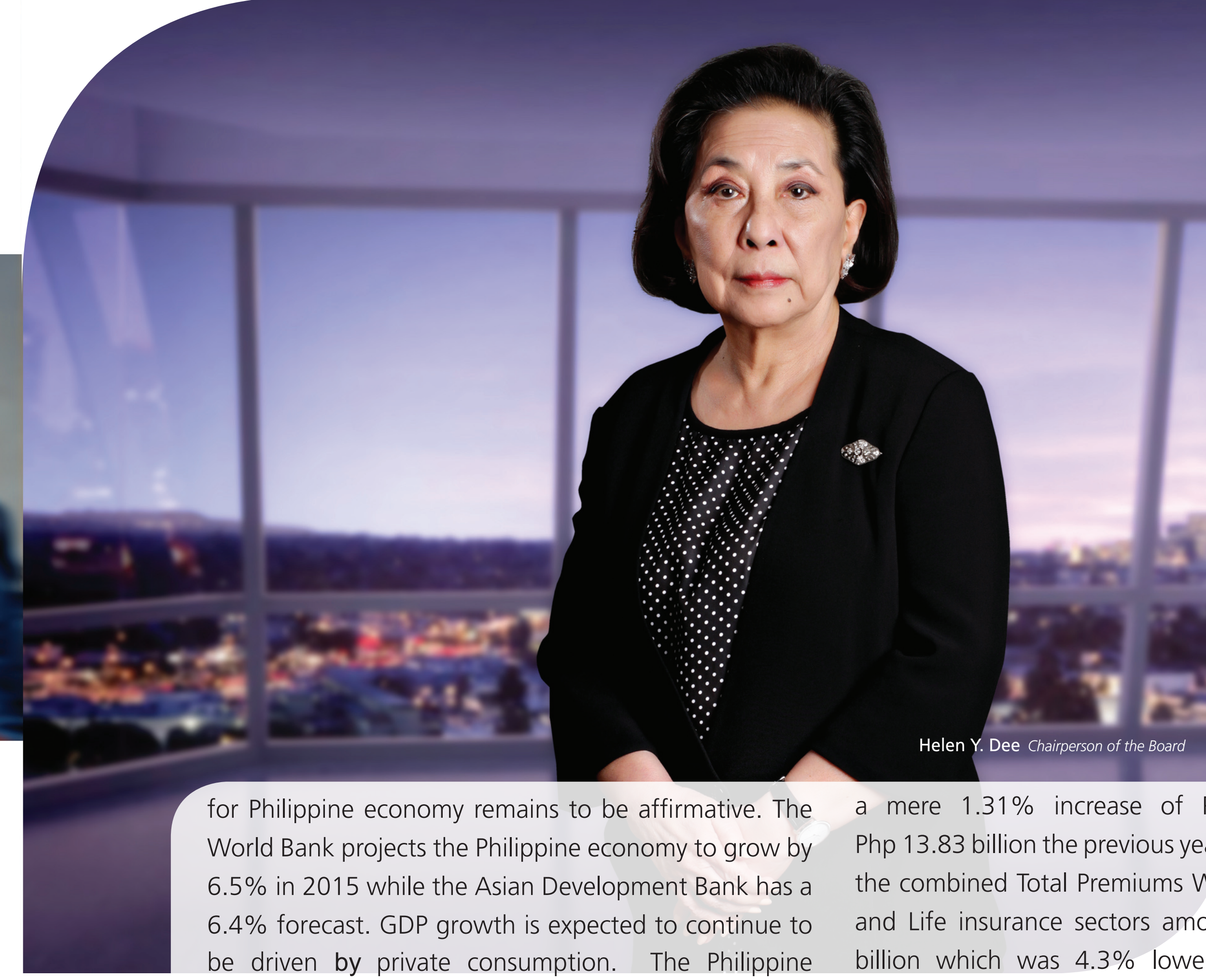
Overall, the Annual GDP grew 6.1% which, while lower than previous year's growth of 7.2%, was still the fastest growth rate among emerging economies in the region -- next to China's 7.4% and ahead of Vietnam's 6% growth rates. The country's inflation rate of 4.1% remains within government's target range, albeit a slight increase from previous year's 3.0% rate. And the nation's unemployment rate also improved leading to increased private consumption which accounted for 60% of the GDP growth along with fixed capital formation and net exports earnings.

On the investment side, the Philippines' ranking in ease in doing business greatly improved from 105th rank to 95th according to the report released by The World Bank. Improvements in resolving insolvency, getting electricity, registering property and paying taxes were the transactions cited as reasons for the ranking upgrade.

Investor confidence continued to strengthen as evidenced by the $ 6.2 Billion Foreign Direct Investments made into the Philippines in 2014, according to the Bangko Sentral ng Pilipinas (BSP). This is a 65.9% increase in FDI from the $ 3.7 billion net inflows of 2013. Other than the FDI, net equity capital infusion significantly improved to US $2Billion from $ 664 million the previous year. This increase accounted for 6.2% of the equity capital placement in the market which were invested in financial and insurance; manufacturing; real estate; mining and quarrying; and wholesale and retail sectors.

Also contributing to this investment growth is the upgrade in the Philippine Credit Rating by major international credit rating agencies. In May 8, 2014 Standard & Poor's Financial Services (S&P) upgraded the Philippines credit rating from BBB- to BBB Stable, categorizing the country as investment grade. The rating asserts the Philippines' adequate capacity to pay debts fully and on time, while Stable refers to the outlook for the Country. Moody's Investors Service (Moody's) on the other hand, upgraded the Country's rating from Baa2 Stable to Baa3 as of December 11, 2014 citing improvements in the Country's fiscal management. While Fitch Ratings (Fitch) maintained the BBB Stable rating given as of May 2013.

Due to the Country's strong macro-economic fundamentals, increasing consumer buying and spending power and manifest investor confidence, the outlook



Helen Y. Dee *Chairperson of the Board*

for Philippine economy remains to be affirmative. The World Bank projects the Philippine economy to grow by 6.5% in 2015 while the Asian Development Bank has a 6.4% forecast. GDP growth is expected to continue to be driven by private consumption. The Philippine government, through the National Economic Development Authority, is targeting a seven percent to eight percent GDP growth for the country. Economic ministers are still optimistic that private sector spending and investments will propel towards continuous economic growth in 2015.

Philippine Insurance Industry

Clearly benefiting from the advancing economy, the Philippine Insurance Industry reported a 12.02% growth in total net income amounting to Php 16.41 billion in 2014.

Last year, and due mainly to the continuing favorable economic climate and absence of significant natural catastrophes, the Non-Life industry scored a robust 17.84% growth in gross written premium income equivalent to Php 64 billion. This translated to a remarkable 192.12% increase from Php 822 million in 2013 to Php 2.40 billion last year.

The Life Industry's Gross Premiums on the other hand contracted due primarily to the decline in the Single Premium Variable income which managed a mere 1.31% increase of Php 14 billion versus Php 13.83 billion the previous year. This clearly disrupted the combined Total Premiums Written for the Non-Life and Life insurance sectors amounting to Php 188.96 billion which was 4.3% lower than previous year's performance of Php 198.13 billion.

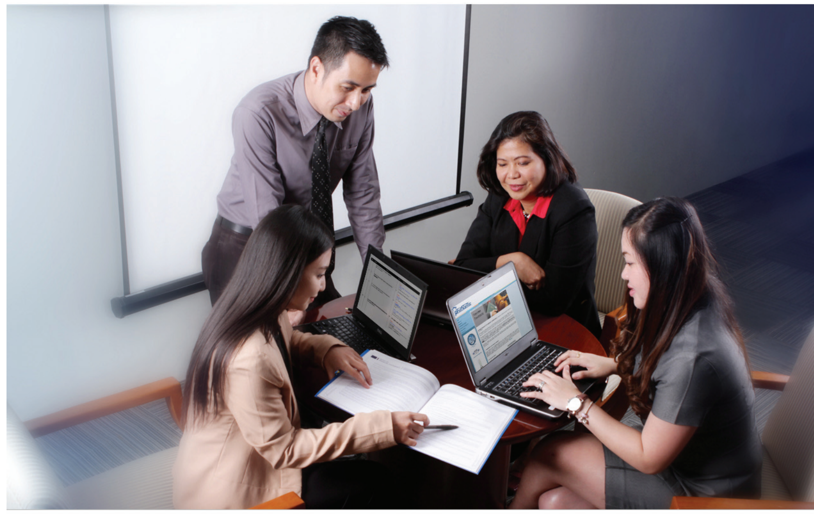
Insurance Industry Assets, however, strengthened to Php 1.016 trillion from Php 891.8 billion in 2013. Total Paid-Up Capital also grew by 6.94% to Php 39.92 billion from Php 37.3 billion, while Investments increased 8.64% to Php 863.28 billion of which half are in government securities.

In terms of the insurance industry's penetration rate (or the premium written as percent of local output or Gross Domestic Product), it was around 1.8% in 2014, the deepest yet ever according to the Insurance Commission. This was due mainly to the micro-insurance industry wherein coverage in the Philippines rose from 20% to 28.1% in 2014. Even registering an annual growth rate of 18.4% equating to approximately 28 million people covered by micro-insurance plans. Micro-insurance's primary attraction is its ability to provide financial protection to low-income individuals through low premiums, contributions, and fees.

The Insurance Commission also expressed optimism that the industry can achieve a record Php 200 billion premium income by the end 2015 as increasing

Message To Stockholders

The Philippine Insurance Industry reported a 12.02% growth in total net income, with the Non-Life industry scoring a robust 17.84% growth in gross written premium income. Meanwhile, a 1.31% increase in Single Premium Variable income contracted the Life Industry's Gross Premiums. Insurance Industry Assets, however, strengthened to Php 1.016 trillion from Php 891 billion in 2013. The Insurance Commission is optimistic that the industry can achieve a record Php 200 billion in total premiums written by the end 2015 as increasing consumer buying power is seen to prosper simultaneously with the need for financial protection.



Augusto P. Hidalgo *President and CEO*

consumer buying power is seen to prosper simultaneously with the need for financial protection.

On regulatory matters, the Amended Insurance Code of the Philippines will usher changes designed to strengthen the financial solvency of insurance companies with the adoption of the Risk Based Capital Framework 2 in 2016. Lastly, to achieve sustainability, a public and private partnership towards disaster risk reduction is being propagated by the industry to ensure economic resilience and immediate recovery against the country's natural catastrophes.

National Reinsurance Corporation – Highlights of Operations

Due to a confluence of challenges, your Company registered a net loss of Php 287 million or (Php 0.14) earnings per share in 2014 as against net income of Php 19 million or Php 0.01 per share in 2013.

Gross reinsurance premiums written in 2014 totaled Php 2.747 billion or 7.3% better than the Php 2.561 billion achieved the previous year. Of this, Fire accounted for 50%, Life at 23%, Casualty (including Motor) and Surety at 21% and Marine at 6%.

Non-Life Reinsurance Treaty business grew 25% to Php 1.371 billion in 2014, around Php 273 million higher than the previous year's Php 1.098 billion. Life Premiums markedly increased as well by 36.1% to Php 628 million from only Php 462 million in 2013.

Premiums from the non-life facultative business however declined by 25% to Php 253 million due mainly to the non-renewal of high risk accounts. This is consistent with the shift of your company to more selective risk acceptances for a more stable and profitable facultative portfolio.

Net retained reinsurance premiums increased 25% to Php 1.022 billion last year from Php 820 million in 2013. Overall retention ratio last year likewise improved to 37% from 32% in 2013.

Premiums earned surged as well to 29.5% or about Php 245 million more than the Php 831 million achieved in 2013. The increase is attributed to higher net premiums retained and the release of unearned premium reserves of Php 53 million compared to only Php 11 million in 2013.

But the year was also beset by challenges. Amidst this growth, your Company's share in claims and losses amounted to Php1.082 billion, which is 63% higher than the previous year's loss of Php 663 million. This share in claims and losses also includes the reserve for incurred but not reported or IBNR and these are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserve are continuously reviewed and updated. The Fire Reinsurance business registered a 220% loss ratio due mainly to impact of Typhoon Glenda that hit Southern Luzon in July 2014 and other previous year's catastrophes. Casualty also manifested a loss of some 43.4% while Marine suffered a loss ratio of 74.3% greatly affecting the underwriting income of your Company.

Our investment portfolio meanwhile remains at approximately Php 7 billion. Of the total, 71% are invested in fixed income obligations of the Philippine Government and large corporations, while the balance of 29% is invested in equities traded in the Philippine Stock Exchange.

The Company continues to maintain investments in both local currency and in US dollar denominated securities. However, fluctuations in the fair market value of these assets adversely affected the investment income of your Company, resulting in a 34.8% decrease to Php 443 million in 2014 from Php 664 million the previous year.

Citing results of the company's 2014 performance, AM Best affirmed the financial strength rating of your Company to B++ and Issue Credit Rating of BBB but modified the Outlook for both ratings from Stable to Negative. Factors behind the negative outlook include continuing unsatisfactory underwriting performance, poor combined ratio, challenging investment environment and the country's significant exposure to catastrophe. On the positive side, AM Best acknowledged the company's solid capitalization and established market presence.

Indeed, the year 2014 was not without challenges in operations and business for your Company. However, with the ground work laid in 2014, your Management Team is optimistic that your Company will enter a new phase of transformation towards a better and profitable business for the coming years.

In closing, we would like to thank all the Company's stockholders for their continued support in our efforts to turn this company into the world's Best Small National Reinsurer.

HELEN Y. DEE
Chairperson of the Board

AUGUSTO P. HIDALGO
President and CEO

Board of Directors

Helen Y. Dee
Chairperson of the Board

Robert G. Vergara
Vice Chairman

Augusto P. Hidalgo
President and CEO

Rafael G. Ayuste, Jr.
Director

Romeo L. Bernardo
Independent Director

Cezar P. Consing
Director

Rafael C. Gallaga
Director

Ermilando D. Napa
Independent Director

Medel T. Nera
Independent Director

Simon R. Paterno
Director

Roman Felipe S. Reyes
Director

Gregorio T. Yu
Director and Treasurer

Yvonne S. Yuchengco
Director

Board Advisor
JOLI CO WU

Corporate Secretary
NOEL A. LAMAN

Assistant Corporate Secretary
MA. PILAR M. PILARES-GUTIERREZ

Treasurer
GREGORIO T. YU

External Auditor
PUNONGBAYAN & ARAULLO

External Legal Counsel
CASTILLO LAMAN TAN PANTALEON & SAN JOSE LAW OFFICES

Management Team

EXECUTIVE OFFICE

AUGUSTO P. HIDALGO
President & CEO

CLAUDIA KAREN S. FIDELINO
Assistant Vice President

ALLAN L. FONG
Senior Manager

LIFE REINSURANCE

VICTOR R. TANJUAKIO
First Vice President & Head

FRANCISCO B. KABIGTING*
Assistant Vice President

ARIEL G. MARTINEZ*
Assistant Vice President

VICENTE R. SANOY, JR.*
Assistant Vice President

NON-LIFE REINSURANCE

ALEXANDER L. REYES
Senior Vice President & Claims Head

ROBERTO S. DE LEON II*
First Vice President

EDEN R. TESORO
Vice President & Property Underwriting Head

GLENN JOSEPH B. AQUINO*
Assistant Vice President

RONNIERICK E. GUERA*
Assistant Vice President

INVESTMENT

JOHN E. HUANG
Senior Vice President & Head

DAISY C. SALONGA
Assistant Vice President

SHARED SERVICES

REGINA S. RAMOS
Vice President & Controller

VICENTE B. VILLARAMA, JR.
Vice President

AMERFIL V. BASCO*
Vice President

ROSARIO V. ENGRACIA*
Assistant Vice President

EDITHA B. GERONIMO
Assistant Vice President

NOLI MARIO H. BENITO
Vice President & Treasury,
Risk & Compliance Head

HONORATA S. LUCOS
Assistant Vice President

REGINA LOURDES D. PAPA
Senior Assistant Vice President
& Human Resources Head

JEFFREY R. LACSON
Assistant Vice President
& Project/Support Office Head

NORMANDO ANTONIO S. AGUILAR*
Assistant Vice President

RENE O. DE GUZMAN*
Vice Pesident

*No longer connected with NRCP.

Left to right: Jeffrey R. Lacson, Regina S. Ramos, Claudia Karen S. Fidelino, Victor R. Tanjuakio, Alexander L. Reyes, Augusto P. Hidalgo, John E. Huang, Eden R. Tesoro, Regina Lourdes D. Papa, Noli Mario H. Benito

Gross reinsurance premiums written in 2014 grew 7.3% better than the previous year. Our Non-Life Reinsurance Treaty business also grew 25% in 2014 along with the 36.1% increase in Life Premiums, and 25% increase in Net Retained Premiums. But due to a confluence of challenges, your Company registered a net loss of Php 287 million or (P 0.14) earnings per share in 2014. On the positive side, AM Best acknowledged the company's solid capitalization and established market presence.

REPORT OF THE AUDIT COMMITTEE

In line with Article V. Board Committees of the Amended By-Laws of the National Reinsurance Corporation of the Philippines (PhilNaRe, the "Company"), the Audit Committee assists the Board of Directors in carrying out its responsibilities as they relate to the oversight of the Company's financial and operational risks, internal control, internal audit function, independent auditors, legal or regulatory compliance, corporate governance, risk management process and fraud risks.

The Audit Committee's roles and responsibilities are likewise defined in the Audit Committee Charter approved by the Company's Board of Directors (Board).

In compliance with the Audit Committee Charter, we confirm that:

- The Audit Committee was composed of three (3) independent directors;
- We had eight (8) meetings during the year. The Company's President & Chief Executive Officer (CEO), the Controller, and other members of Management attended the Committee meetings. External subject experts, such as the appointed Independent External Auditors, were also invited to the meetings.
- The Committee met with the Internal Audit Head and the Independent External Auditors in private sessions during the year.
- We have reviewed and discussed the quarterly unaudited financial statements and the audited annual financial statements of the Company, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, with the Management, who has the primary responsibility for the financial statements and the financial reporting process, the Internal Audit, and with Punongbayan & Araullo (P&A), the Independent External Auditor, who is responsible for expressing an opinion on the conformity of the Company's audited financial statements with Philippine Financial Reporting Standards (PFRS);
- We have reviewed and discussed the adequacy of the Company's enterprise risk management framework and risk management processes specific to financial statement reporting, business continuity, fraud, revenue assurance and regulatory risks with Management who is primarily responsible for the risk management process;
- We have reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- We have discussed and approved the overall scope and plans for the respective audit reviews of the Internal Auditors and P&A. We have also discussed the results of their audits and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- We have reviewed and discussed the reports of the Internal and Independent External Auditors ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing internal control and any regulatory compliance issues;
- We have reviewed the effectiveness of the internal audit function, ensuring compliance with the International Standards for the Professional Practice of Internal Auditing (ISSPIA), and the Internal Audit's annual and quarterly reports to the Audit Committee covering:
  - Work plan and Key Performance Indicators (KPI) Accomplishments
  - Critical Risk Areas, including investigative reviews and resolutions
  - Organizational Structure, Resource Utilization and Staff Competencies
- We have reviewed and recommended for Board approval the audit services of P&A and approved audit-related and permitted non-audit services provided by P&A to the Company and the related fees for such services, in accordance with existing policies, standards, and regulatory requirements, and concluded that the non- audit fees are not significant to impair their independence.
- We have evaluated the performance of the Committee, for the year ended December 31, 2014 and benchmarked the practices against the expectations set out in the Audit Committee Charter. We have ascertained that the Audit Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Manual of Corporate Governance and other relevant regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations of our roles and responsibilities, the Audit Committee recommended to the Board of Directors the inclusion of the audited financial statements in the December 31, 2014 Annual Report, filed with the Securities and Exchange Commission.

Considering the independent auditor's performance and qualifications and based on a fair and transparent tender process, we recommended to the Board of Directors, subject for ratification of the Stockholders during the annual stockholders meeting, the re-appointment of Punongbayan & Araullo as the Company's Independent Auditor for the year 2015.

By the Audit Committee:

Ermilando D. Napa Chairman	Romeo L. Bernardo Member	Medel T. Nera Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **National Reinsurance Corporation of the Philippines** (the Company), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013 in accordance with Philippine Financial Reporting Standards, including the following additional components attached therein:

a. Supplementary schedules required under Annex 68-E of the SRC
b. Reconciliation of retained earnings available for dividend declaration
c. List of standard and interpretations under Philippine Financial Reporting Standards as of December 31, 2014

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 Directors reviews and approves the financial statements and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

HELEN Y. DEE
Chairperson of the Board

AUGUSTO P. HIDALGO
President & Chief Executive Officer

REGINA S. RAMOS
Vice President & Controller

SUBSCRIBED AND SWORN TO before me this 14th day of April 2015 at the City of Makati. Affiants exhibited to me their passport numbers.

Name	Passport No.	Date Issued	Place of issue
HELEN Y. DEE	EB9694250	November 27, 2013	DFA Manila
AUGUSTO P. HIDALGO	EB5668453	June 15, 2012	PCG Toronto
REGINA S. RAMOS	EB7725426	March 25, 2013	DFA Manila

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2015-2016)
PTR No. 4748512 Jan. 5, 2015
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc. No. 445
Page No. 90
Book No. XX
Series of 2015

Punongbayan & Araullo
An instinct for growth™

Financial Statements
and Independent Auditors' Report

National Reinsurance Corporation of the Philippines

December 31, 2014, 2013 and 2012

Punongbayan & Araullo
An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T + 63 2 988 2288
F + 63 2 886 5506
www.punongbayan-araullo.com

The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor Ayala Life FGU Center
6811 Ayala Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of National Reinsurance Corporation of the Philippines, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, 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 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.

Punongbayan & Araullo
An instinct for growth™

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Reinsurance Corporation of the Philippines as at December 31, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 1 2015 SDS
RECEIVED
ELMER B. TA

Punongbayan & Araullo
An instinct for growth™

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2014 required by the Bureau of Internal Revenue as disclosed in Note 28 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the 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.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 4748317, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 19, 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 1 2015
RECEIVED
ELMER B. TA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	2014	2013
A S S E T S			
CASH AND CASH EQUIVALENTS	5	P 886,643,838	P 605,045,799
REINSURANCE BALANCES RECEIVABLE - Net	6	5,175,072,044	6,548,123,440
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	6,107,737,706	6,391,696,049
LOANS AND RECEIVABLES	8	322,338,295	320,047,429
PROPERTY AND EQUIPMENT - Net	9	76,346,345	102,753,246
DEFERRED ACQUISITION COSTS	2	49,322,031	85,207,534
DEFERRED REINSURANCE PREMIUMS	10	142,058,572	218,898,489
OTHER ASSETS	11	344,446,320	329,960,974
TOTAL ASSETS		P 13,103,965,151	P 14,601,732,960
LIABILITIES AND EQUITY			
REINSURANCE BALANCES PAYABLE	6	P 6,974,870,479	P 8,210,083,119
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	12	151,554,847	137,729,054
RESERVE FOR UNEARNED REINSURANCE PREMIUMS	10	411,855,614	541,893,656
DEFERRED REINSURANCE COMMISSIONS	2	10,767,573	23,587,283
TOTAL LIABILITIES		7,549,048,513	8,913,293,112
EQUITY	18	5,554,916,638	5,688,439,848
TOTAL LIABILITIES AND EQUITY		P 13,103,965,151	P 14,601,732,960

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 1 2015
RECEIVED
ELMER B. TA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	19	**P 2,747,078,557**	P 2,561,126,445	P 3,025,410,991
Retroceded premiums	19	**1,724,793,648**	1,741,505,765	2,246,692,148
Reinsurance premiums retained		**1,022,284,909**	819,620,680	778,718,843
Decrease (increase) in reserve for unearned reinsurance premiums	10	**53,198,125**	10,936,328	(945,578)
		1,075,483,034	830,557,008	777,773,265
UNDERWRITING DEDUCTIONS	14			
Share in claims and losses		**1,081,572,704**	662,547,481	843,897,848
Commissions - net		**365,604,406**	289,904,723	298,907,847
		1,447,177,110	952,452,204	1,142,805,695
NET UNDERWRITING LOSS		**(371,694,076)**	(121,895,196)	(365,032,430)
INVESTMENT AND OTHER INCOME - Net	13	**433,166,382**	664,399,633	702,151,965
PROFIT AFTER INVESTMENT AND OTHER INCOME		**61,472,306**	542,504,437	337,119,535
GENERAL AND ADMINISTRATIVE EXPENSES	15	**300,183,899**	468,494,074	236,752,181
PROFIT (LOSS) BEFORE TAX		**(238,711,593)**	74,010,363	100,367,354
TAX EXPENSE	17	**48,178,004**	55,281,861	66,272,420
NET PROFIT (LOSS)		**(P 286,889,597)**	P 18,728,502	P 34,094,934
Earnings (Loss) Per Share - Basic and diluted	22	**(P 0.14)**	P 0.01	P 0.02

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
NET PROFIT (LOSS)		**(P 286,889,597)**	P 18,728,502	P 34,094,934
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit liability	16	**27,902,377**	(10,394,122)	(4,350,219)
Items that will be reclassified subsequently to profit or loss	7			
Fair valuation of available-for-sale (AFS) financial assets				
Fair value gains (losses) during the year		**156,523,885**	(41,637,686)	231,502,395
Fair value losses (gains) on disposal of AFS financial assets reclassified to profit or loss		**(31,059,875)**	(169,428,132)	(168,515,563)
		125,464,010	(211,065,818)	62,986,832
		153,366,387	(221,459,940)	58,636,613
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 133,523,210)**	(P 202,731,438)	P 92,731,547

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 1 2015
RECEIVED
ELMER B. T

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Philippine Pesos)

	Notes	Capital Stock: No. of Shares	Capital Stock: Amount	Additional Paid-in Capital	Treasury Shares - At Cost	Revaluation Reserves: Available-for-sale Financial Assets	Revaluation Reserves: Remeasurements of Defined Benefit Liability	Retained Earnings: Appropriated	Retained Earnings: Unappropriated	Total Equity
Balance as of January 1, 2014		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 204,821,823	(P 101,702,472)	P 270,342,396	P 214,330,475	P 5,688,439,848
Total comprehensive income for the year	7, 16	-	-	-	-	125,464,010	27,902,377	-	(286,889,597)	(133,523,210)
Total equity as of December 31, 2014		**2,181,954,600**	**P 2,181,954,600**	**P 3,019,218,458**	**(P 100,525,432)**	**P 330,285,833**	**(P 73,800,095)**	**P 270,342,396**	**(P 72,559,122)**	**P 5,554,916,638**
Balance as of January 1, 2013		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 415,887,641	(P 91,308,350)	P 268,469,546	P 239,946,935	P 5,933,643,398
Cash dividends	18	-	-	-	-	-	-	-	(42,472,112)	(42,472,112)
Appropriated for contingencies	18	-	-	-	-	-	-	1,872,850	(1,872,850)	-
Total comprehensive income for the year	7, 16	-	-	-	-	(211,065,818)	(10,394,122)	-	18,728,502	(202,731,438)
Total equity as of December 31, 2013		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 204,821,823	(P 101,702,472)	P 270,342,396	P 214,330,475	P 5,688,439,848
Balance as of January 1, 2012		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 352,900,809	(P 86,958,131)	P 265,673,762	P 421,008,345	P 6,053,272,411
Cash dividends	18	-	-	-	-	-	-	-	(212,360,560)	(212,360,560)
Appropriated for contingencies	18	-	-	-	-	-	-	2,795,784	(2,795,784)	-
Total comprehensive income for the year	7, 16	-	-	-	-	62,986,832	(4,350,219)	-	34,094,934	92,731,547
Total equity as of December 31, 2012		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 100,525,432)	P 415,887,641	(P 91,308,350)	P 268,469,546	P 239,946,935	P 5,933,643,398

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		**(P 238,711,593)**	P 74,010,363	P 100,367,354
Adjustments for:				
Interest income	13	**(250,119,737)**	(298,209,165)	(356,372,204)
Gain on sale of available-for-sale financial assets	13	**(101,284,924)**	(327,352,764)	(298,137,689)
Increase (decrease) in reserve for unearned reinsurance premiums	10	**(53,198,125)**	(10,936,328)	945,578
Dividend income	13	**(41,831,599)**	(34,303,900)	(30,947,188)
Depreciation and amortization	9, 11, 15	**33,569,191**	34,481,368	34,413,916
Gain on sale of property and equipment	13	**(33,209,877)**	-	(26,786)
Impairment losses	6, 15	**31,122,832**	236,932,939	20,000,000
Unrealized foreign exchange loss (gain)		**(6,756,940)**	2,622,301	(11,303,838)
Operating loss before working capital changes		**(660,420,772)**	(322,755,186)	(541,060,857)
Decrease (increase) in reinsurance balances receivable		**1,286,227,098**	365,985,399	(3,230,841,824)
Decrease (increase) in loans and receivables		**(8,640,326)**	384,928,134	(134,073,052)
Decrease (increase) in deferred acquisition costs		**23,065,793**	(8,181,969)	5,209,927
Increase in other assets		**(34,915,499)**	(47,431,520)	(37,751,432)
Increase (decrease) in reinsurance balances payable		**(1,170,078,455)**	(557,688,544)	3,290,673,039
Increase (decrease) in accounts payable and accrued expenses		**41,728,170**	(110,116,576)	52,824,707
Cash used in operations		**(523,033,991)**	(295,260,262)	(595,019,492)
Cash paid for income taxes		**(48,178,004)**	(55,281,861)	(66,272,420)
Net Cash Used in Operating Activities		**(571,211,995)**	(350,542,123)	(661,291,912)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
Available-for-sale financial assets	7	**1,833,198,966**	3,905,563,050	7,291,351,598
Property and equipment	9	**62,112,569**	1,607,354	26,786
Interest received		**256,094,817**	307,987,449	361,212,469
Dividends received	13	**41,831,599**	34,303,900	30,947,188
Acquisitions of:				
Available-for-sale financial assets	7	**(1,322,097,053)**	(4,477,286,405)	(7,260,278,243)
Property and equipment	9	**(14,497,689)**	(2,298,273)	(5,852,051)
Intangible assets	11	**(1,137,140)**	(2,401,348)	(14,012,160)
Net Cash From (Used in) Investing Activities		**855,506,069**	(232,524,273)	403,395,587
CASH FLOWS FROM FINANCING ACTIVITY				
Payments of dividends	18	**-**	(42,472,112)	(212,360,560)
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		**(2,696,035)**	4,085,034	(3,050,231)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**281,598,039**	(621,453,474)	(473,307,116)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**605,045,799**	1,226,499,273	1,699,806,389
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 886,643,838**	P 605,045,799	P 1,226,499,273

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

National Reinsurance Corporation of the Philippines (the Company) was incorporated on June 7, 1978 by virtue of Presidential Decree No. 1270 (the Decree), as a domestic professional reinsurance firm to provide life and non-life reinsurance capacity to the Philippines and neighboring insurance markets. Under the Decree, it became the vehicle for the Philippine insurance industry's participation in the Asian Reinsurance Corporation (ARC), a multi-government-initiated reinsurance entity, based in Bangkok, Thailand, which was established to foster regional cooperation among insurance companies doing business in Asia. The Company's shares are listed in the Philippine Stock Exchange (PSE).

The Company's registered office and principal place of business is located at 31st floor Ayala Life FGU Center, 6811 Ayala Avenue, Makati City.

The financial statements of the Company as of and for the year ended December 31, 2014 (including the comparative financial statements for the years ended December 31, 2013 and 2012) were authorized for issue by the Company's Board of Directors (BOD) on March 19, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income in two statements: a statement of income and a statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Company

In 2014, the Company adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Company and effective for financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Financial Liabilities Derivatives and Continuation of Hedge Accounting
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The Company's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Company's financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the financial statements since the recoverable amounts of the Company's non-financial assets where impairment losses have been recognized were determined based on value-in-use which have been adequately disclosed in accordance with PAS 36.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Company neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Company's financial statements.

(iv) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Company's financial statements.

(b) Effective in 2014 that are not Relevant to the Company

Among the amendments to PFRS which are effective for annual period beginning on or after January 1, 2014, the Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*, in relation to the exception from consolidation for investment entities of their investment in subsidiaries is not relevant to the Company.

(c) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are issued by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Company does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(v) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Company but management does not expect those to have material impact on the Company's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(b) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The categories of financial assets that are currently relevant to the Company are fully described below.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Company provides money or services directly to a debtor with no intention of trading the receivables.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Reinsurance Balances Receivable, and Loans and Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's AFS financial assets include listed equity securities, government and corporate bonds, and golf club shares.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity.

When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses relating to financial assets that are recognized in profit or loss are presented as part of Investment and Other Income account in the statement of income, except for impairment losses which are presented as part of General and Administrative Expenses account.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Condominium units	40 years
Office improvements	10 years
Office furniture and equipment	5 years
Transportation equipment	5 years
Electronic data processing (EDP) equipment	5 years

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 (see Note 2.17).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.5 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

2.6 Investment Property

Investment property (included as part of Other Assets account) is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Except for land, investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The cost of the investment property comprises its purchase price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Depreciation is computed using the straight-line basis over the estimated useful life of the properties which is ten years.

The carrying amount of investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of income in the year of retirement or disposal.

2.7 Intangible Assets

Intangible assets (presented as part of Other Assets account) include acquired software licenses which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over five years as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.17.

Acquired computer software licenses are capitalized on the cost incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

2.8 Financial Liabilities

Financial liabilities, which include Reinsurance Balances Payable and Accounts Payable and Accrued Expenses [excluding deferred output value-added tax (VAT), defined benefit liability and other taxes payable], are recognized when the Company becomes a party to the contractual terms of the agreement. All interest-related charges are recognized as an expense in the statement of income.

Reinsurance Balances Payable and Accounts Payable and Accrued Expenses are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.9 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Reinsurance premiums* – Premiums from short duration insurance contracts are recognized over the period of the contracts using the "24th method", except for revenues from marine cargo risks wherein the premiums written during the first ten months of the current year and the last two months of the preceding year are recognized as revenue in the current year. The "24th method" assumes that the average date of issue of all policies written during any one month is the middle of that month. Accordingly, 1/24th of the net premiums are considered earned in the month the reinsurance contracts are issued and 2/24th for every month thereafter (or 1/24th for every 15-day period after the issue month). The portion of the gross reinsurance premiums that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as Reserve for Unearned Reinsurance Premiums and is presented in the liability section of the statement of financial position while the portion of the retroceded reinsurance premiums that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as Deferred Reinsurance Premiums and is presented in the asset section of the statement of financial position. The net changes in the account Reserve for Unearned Reinsurance Premiums and Deferred Reinsurance Premiums between the end of the reporting periods are recognized in the statement of income.

(b) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(c) *Dividend income* – Revenue is recognized when the Company's right to receive the payment is established.

(d) *Gain on sale of assets* – Revenue is recognized when the risks and rewards of ownership of the investments have passed to the buyer.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.12 Claim Costs Recognition

Share in claims and losses relating to insurance contracts are accrued when insured events occur. They arise from events that have occurred up to reporting date even if they have not yet been reported to the Company. The share in claims (including those for incurred but not reported or IBNR) are based on the estimated ultimate cost of settling the claims and are not discounted for time value of money. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverables. Recoveries on settled claims are recognized in statement of income in the period the recoveries are made while estimated recoveries are presented as part of Reinsurance Balances Receivable account in the statement of financial position.

2.13 Acquisition Costs

Costs that vary with and are primarily related to the acquisition of new and renewal reinsurance contracts such as commissions, certain underwriting costs and inspection fees, are deferred and charged to expense in proportion to reinsurance premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as Deferred Acquisition Costs.

2.14 Commissions on Retrocessions

Commissions on retrocessions are deferred and are subjected to the same amortization method as the related acquisition costs. Deferred portion are presented in the statement of financial position as Deferred Reinsurance Commissions.

2.15 Leases – Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency 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 the statement of income as part of profit or loss from operations.

2.17 Impairment of Non-financial Assets

The Company's property and equipment, investment property and intangible assets (presented as part of Other Assets in the statement of financial position) are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value-in-use. In determining value-in-use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements.

Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan 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 a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & Exchange Corporation, 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 post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance costs account under General and Administrative Expenses in the statement of income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accounts Payable and Accrued Expenses account in the statements of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.19 Income Taxes

Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, 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.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.20 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close member of the family of any such individual; and, (d) the Company's retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.21 Equity

Capital stock represents the nominal value of shares that have been issued or reissued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of defined benefit liability.

Retained earnings represent all current and prior period results of operations as reported in the statement of income, reduced by the amounts of dividends declared.

2.22 Earnings (Loss) Per Share

Basic earnings per share is determined by dividing net profit (loss) by the weighted average number of shares issued, adjusted for stock dividends and stock split, less shares held in treasury during the period.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.23 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstance affecting the Company's AFS financial assets, management concluded that AFS financial assets are not impaired as of December 31, 2014 and 2013. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinguishing Investment Properties and Owner-managed Properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

Some properties comprise a portion that is held to earn rental and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

(c) Distinguishing Operating and Finance Leases

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.10 and relevant disclosures are presented in Note 23.

3.2 *Key Sources of Estimation Uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Reinsurance Balances Receivable and Loans and Receivables

Adequate amount of allowance for impairment is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of reinsurance balances receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6. The carrying value of loans and receivables is shown in Note 8.

(b) Fair Value Measurement of Financial Assets Other than Loans and Receivables

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

The carrying values of the Company's AFS financial assets and the amounts of fair value changes recognized are disclosed in Note 7.

(c) Estimating Useful Lives of Property and Equipment, Investment Property and Intangible Assets

The Company estimates the useful lives of property and equipment, investment property and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment property and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 9, and of investment property and intangible assets in Note 11. Based on management's assessment as at December 31, 2014 and 2013, there is no change in the estimated useful lives of those assets during these years. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

(d) Impairment of Non-financial Assets

The Company's policy on estimating the impairment of non-financial assets is discussed in Note 2.17. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2014, 2013 and 2012.

(e) Determining Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. As of December 31, 2014 and 2013, no deferred tax assets were recognized by the Company since management believes that they will not be able to utilize the amount prior to its expiration (see Note 17).

(f) Valuation of Post-employment Defined Benefit

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 16.2.

(g) Valuation of Insurance Contract Liabilities

The Company estimates the cost of IBNR through the use of past claims settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities are not discounted for the time value of money.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs and delays in settlement for each year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix and policy conditions. Judgment is further used to assess the extent to which external factors such as juridical decisions and government legislation affect the estimates.

As of December 31, 2014 and 2013, the carrying values of provision for claims reported and IBNR are recognized as Claims payable under Reinsurance Balances Payable account that is presented in Note 6 to the financial statements.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's main risk mitigation strategies generally include adoption of underwriting and investment policies and guidelines, annual budget provision and internal audit checks and assessments.

The Company's risk management, in close cooperation with the respective duly constituted Board Committees on Underwriting, Investment and Budget, Risk Management and Audit, focuses on implementing risk control measures addressing underwriting acceptances, claims control, securing short to medium-term cash flows by minimizing exposure to financial markets while managing long-term financial investments to generate lasting returns.

The most significant financial risks to which the Company may be exposed to are described below and in the succeeding pages.

4.1 Reinsurance Risk

As a professional reinsurer, the Company underwrites reinsurance business from life and non-life insurance companies and brokers, with the objective of realizing profits and being a dependable partner to its clients. To attain this objective, it is essential for the Company to have a balanced portfolio, wherein there is diversification of risks. For non-life business, each risk that is accepted or treaty arrangement entered into is carefully evaluated based on the Company's underwriting guidelines, such as maximum limits per type of risk, existing exposures, premium adequacy, financial condition of the client and the like.

The Company's retention on the larger risks that the Company accepts, or possible accumulation of the same in a given area, including losses that could arise from catastrophes such as earthquakes and typhoons, is protected by an excess of loss coverage to limit the Company's exposure up to a specified amount. Significant risk concentrations may result in potential losses not only in certain areas but also within a particular type of business such as property, motor car and casualty. The Company therefore always monitors and controls its exposures in various lines.

The Company's reinsurance and retroceded premiums per line of risk for the years ended are shown below.

	Reinsurance Premiums	Retroceded Premiums	Retention
December 31, 2014			
Fire	P 1,367,625,900	P 1,187,813,798	P 179,812,102
Life	628,625,827	280,686,358	347,939,469
Casualty	582,662,612	186,666,726	395,995,886
Marine and aviation	168,164,218	69,626,766	98,537,452
	P 2,747,078,557	**P 1,724,793,648**	**P 1,022,284,909**
December 31, 2013			
Fire	P 1,353,766,718	P 1,203,345,007	P 150,421,711
Life	462,050,128	208,931,266	253,118,862
Casualty	619,889,521	277,372,841	342,516,680
Marine and aviation	125,420,078	51,856,651	73,563,427
	P 2,561,126,445	P 1,741,505,765	P 819,620,680
December 31, 2012			
Fire	P 770,670,521	P 653,305,344	P 117,365,177
Life	512,623,373	201,575,653	311,047,720
Casualty	1,609,744,510	1,323,412,512	286,331,998
Marine and aviation	132,372,587	68,398,639	63,973,948
	P 3,025,410,991	P 2,246,692,148	P 778,718,843

Retrocession or reinsuring what the Company had earlier accepted as reinsurance is resorted to enable the Company to write risk whose amounts are in excess of its retention, and to reduce the volatility of its results and protect its capital. In doing so, the Company also sets minimum requirements and standards in determining with whom it wishes to reinsure with, foremost of which is the rating of the particular security by international rating agencies such as Standard and Poor's and A.M. Best.

On the other hand, life business, which constitutes about 23% of gross premium written, follows a schedule of retention per life or group life as determined by the actuarial department. Any amount in excess of this is retroceded or reinsured with reputable foreign reinsurers whose ratings from the same rating agencies are above par and meet the Company's standards.

The Company has implemented an Enterprise Risk Management Process, which is an organization-wide approach to the identification, assessment, communication and management of enterprise risks which are, defined as issues which may prevent the Company from achieving its strategic objectives. This process has been fully integrated into the Company's operations and is overseen by a Risk Management Council, comprised of members of senior management. At the same time, a Risk Management Committee has been established by the Company's BOD to assist the Board in the development and oversight of the Company's risk management program. The Risk Management Council is required to provide the Board with a comprehensive enterprise risk assessment at least annually and to establish plans to ensure that risks are being managed and monitored effectively. The Risk Management Committee's main task is to oversee that risk management is an integral part of the planning and operations of the Company in order to meet corporate goals and objectives.

Also, the Company continues to practice prudent underwriting with the objective of attaining underwriting profits. In evaluating a claim, the Company follows set guidelines such as setting up of reserves upon its receipt of a preliminary loss advice, and requiring the cedant-claimant to submit other necessary documents such as the adjuster's report, affidavits and proof of loss, among others.

The Company's outstanding claims and the retrocessionaires' share in such claims per line of risk are shown below (see Note 6).

	Outstanding Claims	Retrocessionaires' Share in Claims	Net
December 31, 2014			
Fire	P 3,459,781,027	P 2,378,575,871	P 1,081,205,156
Casualty	1,192,633,027	591,168,231	601,464,796
Marine and aviation	1,160,724,323	508,675,702	652,048,621
Life	70,635,804	4,309,567	66,326,237
	P 5,883,774,181	**P 3,482,729,371**	**P 2,401,044,810**
December 31, 2013			
Fire	P 3,951,800,331	P 2,995,525,267	P 956,275,064
Casualty	2,029,021,706	1,566,612,430	462,409,276
Marine and aviation	1,234,733,390	484,700,841	750,032,549
Life	55,715,095	13,455,575	42,259,520
	P 7,271,270,522	P 5,060,294,113	P 2,210,976,409

The Company ensures that all valid claims are settled promptly and judiciously, as part of its commitment to its clients.

Most of the risks reinsured by the Company are situated in the domestic market with only a small portion coming from overseas market.

4.2 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to the financial statements) as summarized below:

	Notes	2014	2013
Cash and cash equivalents	5	**P 886,643,041**	P 605,028,681
Reinsurance balances			
Receivable – net	6	**5,175,072,044**	6,548,123,440
AFS financial assets	7	**4,528,920,562**	5,068,571,037
Loans and receivables	8	**322,338,295**	320,047,429
		P 10,912,973,942	P 12,541,770,587

The Company continuously monitors defaults of ceding companies and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on ceding companies and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all the above financial assets that are not impaired or past due for each reporting period are of good credit quality.

As part of Company's policy, bank deposits are only maintained with reputable financial institution having high quality external credit ratings. Cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P500,000 per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, *Amendment to Charter of PDIC*, are still subjected to credit risk. However, the credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. For the determination of credit risk, cash and cash equivalents do not include cash on hand amounting to P797 and P17,118 as of December 31, 2014 and 2013, respectively.

Some of the unimpaired reinsurance balance receivables are past due as at the end of the reporting period. No other financial assets are past due at the end of the reporting period. The reinsurance balance receivables that are past due but not impaired are as follows:

	2014	2013
More than six months but not more than one year	**P 57,417,704**	P 40,084,448
More than one year	**774,797,738**	609,585,928
	P 832,215,442	P 649,670,376

None of the Company's financial assets are secured by collateral or other credit enhancements.

4.3 Liquidity Risk

The Company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities. Currently, the Company's excess cash is invested in AFS financial assets.

As of December 31, 2014, the Company's obligations arising from reinsurance agreements and other financial liabilities have contractual maturities which are presented below.

	Current	Non-current
Reinsurance balances payable	P 5,719,393,792	P 1,255,476,687
Accounts payable and accrued expenses	80,720,312	-
	P 5,800,114,104	**P 1,255,476,687**

This compares to the maturity of the Company's financial liabilities as of December 31, 2013 as follows:

	Current	Non-current
Reinsurance balances payable	P 6,732,268,158	P 1,477,814,961
Accounts payable and accrued expenses	36,395,466	-
	P 6,768,663,624	P 1,477,814,961

4.4 Market Risk

The market risks to which the Company may be exposed are as follows:

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the foreign currency-denominated investments, receivables and payables. The Company recognized net foreign currency gains of P11,467,754 in 2014, P10,095,088 in 2013 and P21,115,982 in 2012 (see Note 13).

Exposures to currency exchange rates arise from the Company's foreign currency reinsurance transactions, which are primarily denominated in United States (U.S.) dollars, Indonesian rupiah, Thailand baht, Malaysian ringgit, Euro, Singaporean dollars, Indian rupee, Japanese yen, South Korean won, Pakistan rupee, Hong Kong dollars, Australian dollar, Nepalese rupee and Bangladesh taka. The Company also holds U.S. dollar-denominated cash and cash equivalents and investment in equity securities.

To mitigate the Company's exposure to foreign currency risk, foreign-currency denominated cash flows are monitored.

Foreign-currency denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are presented below:

	2014		2013	
	U.S. Dollars	**Other Currencies**	U.S. Dollars	Other Currencies
Financial assets	**P 1,689,583,896**	**P 140,621,662**	P 1,970,727,399	P 277,989,491
Financial liabilities	**(1,245,149,322)**	**(274,922,067)**	(2,071,042,064)	(437,145,186)
Total net exposure	**P 444,434,574**	**(P 134,300,405)**	(P 100,314,665)	(P 159,155,695)

The following table illustrates the sensitivity of the Company's profit before tax with respect to changes on Philippine peso (Php) against foreign currencies exchange rates. The percentage changes in rates have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months at a 99% confidence level. If the Philippine peso had strengthened against the foreign currencies, the effect would be as follows:

	2014			2013		
	Reasonably Possible Change in Rate	**Effect in Loss Before Tax**	**Effect in Equity**	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity
Php - U.S. Dollars	**27.88%**	**(P 123,891,420)**	**(P 123,891,420)**	23.61%	P 23,685,274	P 23,685,274
Php - North Korean Won	**40.82%**	**27,712,618**	**27,712,618**	30.57%	-	-
Php - Singaporean Dollars	**25.60%**	**13,588,100**	**13,588,100**	17.96%	9,786,111	9,786,111
Php - Indonesian Rupiah	**55.14%**	**13,057,649**	**13,057,649**	40.76%	18,151,948	18,151,948
Php - Euro	**85.29%**	**6,204,071**	**6,204,071**	33.14%	1,529,812	1,529,812
Php - Hongkong Dollars	**27.08%**	**4,866,640**	**4,866,640**	23.73%	4,241,188	4,241,188
Php - Thailand Baht	**22.01%**	**3,050,117**	**3,050,117**	9.70%	1,147,679	1,147,679
Php - Vietnamese Dong	**48.72%**	**2,363,790**	**2,363,790**	0.00%	-	-
Php - China Yuan	**33.40%**	**698,361**	**698,361**	28.02%	-	-
Php - Malaysian Ringgit	**36.92%**	**(555,382)**	**(555,382)**	10.93%	(104,966)	(104,966)
Php - Indian Rupee	**28.41%**	**504,058**	**504,058**	26.54%	(89,536)	(89,536)
Php - Pakistan Rupee	**51.35%**	**474,128**	**474,128**	17.72 %	-	-
Php - Nepalese Rupee	**30.88%**	**423,024**	**423,024**	25.31%	(9,793)	(9,793)
Php -Japanese Yen	**102.57%**	**304,719**	**304,719**	22.23%	-	-
Php - New Zealand Dollar	**75.88%**	**96,213**	**96,213**	19.22%	-	-
Php - Seychelles Rupee	**121.09%**	**28,630**	**28,630**	0.00%	-	-
Php - British Pound	**47.01%**	**13,019**	**13,019**	36.30%	-	-
Php - Canadian Dollar	**33.65%**	**12,946**	**12,946**	14.02%	-	-
Php - Myanmar Kyat	**45.68%**	**10,920**	**10,920**	16.61%	-	-
Php - Sri Lankan Rupee	**24.37%**	**6,633**	**6,633**	13.05%	-	-
Php - Bangladesh Taka	**28.15%**	**(848)**	**(848)**	29.00%	(883)	(883)
Php - Australian Dollar	**68.23%**	**(149)**	**(149)**	20.94%	(50)	(50)
Php - South Korean Won	**25.56%**	**(61)**	**(61)**	22.09%	(249,461)	(249,461)
Total		**(P 51,032,224)**	**(P 51,032,224)**		P 58,087,323	P 58,087,323

If the Philippine peso had weakened against the foreign currencies, the effect would be the reverse of the above.

Exposures to foreign currency rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be a representative of the Company's currency risk.

(b) Market Price Risk

The Company's investments are regulated under the pertinent provisions of the New Insurance Code, otherwise known as RA 10607. The Insurance Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may require the immediate sale or disposal of investments deemed too risky.

In the area of equity investments, Section 207 of the New Insurance Code further provides, among other things, that insurance companies may invest in listed equities of other financial institutions without need of prior approval by the Commissioner.

Beyond the provisions of the Insurance Code, the Company, through its Investment Committee, has established additional guidelines to control the risks inherent in equity investments. The Company's own investment policy requires that the Company invest only in shares of common stock of companies listed in the PSE. Furthermore, these listed companies must have profitable business operations and market capitalizations which are on a scale that would qualify them as blue chips.

The Investment Committee regularly reviews and approves a list of publicly traded stocks authorized for investments on the basis of the foregoing considerations. Furthermore, the Investment Committee seeks to avoid unwarranted concentration of funds in a single asset class by regularly monitoring and limiting the proportion of equity investments to the Company's total investment portfolio. As of December 31, 2014 and 2013, investments in listed equities amounted to 22% and 18%, respectively, of the Company's total investment portfolio.

The observed volatility rates of the fair values of the Company's AFS financial assets held at fair value and their impact on the Company's other comprehensive income (loss) as of December 31, 2014 and 2013 are summarized as follows:

	2014		2013	
	Observed Volatility Rates	**Effect in Other Comprehensive Income**	Observed Volatility Rates	Effect in Other Comprehensive Income
Government bonds	**12.18%**	**P 301,003,101**	4.15%	P 117,047,619
Equity securities listed in the Philippines:				
Common shares	**26.23%**	**345,389,073**	18.63%	205,853,102
Preferred shares	**8.63%**	**19,878,649**	2.77%	5,175,804
Corporate bonds				
Dollar	**14.79%**	**10,702,554**	4.54%	5,501,132
Mutual funds	**38.20%**	**18,437,797**	24.50%	131,157,801
		P 695,411,174		P 464,735,458

(c) Interest Rate Risk

The Company has limited exposure to interest rate risk because of its fixed income investments which amounted to approximately 71% and 75% of the Company's total investment portfolio as of December 31, 2014 and 2013, respectively. The Company attempts to limit interest rate risk by establishing limits on the duration and average maturity of its variable income portfolio.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2014	2013
Short-term placements	**P 737,428,357**	P 526,193,501
Cash on hand and in banks	**149,215,481**	78,852,298
	P 886,643,838	P 605,045,799

Short-term placements include time deposits and special deposit accounts made for varying periods between one day and one month depending on the liquidity requirements of the Company.

Peso short-term placements earn annual interest rates ranging from 0.25% to 1.88% in 2014, from 0.48% to 1.38% in 2013 and from 1.50% to 3.68% in 2012, while dollar short-term placements earn annual interest rates ranging from 0.25% to 2.00% in 2014, from 0.50% to 1.00% in 2013 and from 1.00% to 1.20% in 2012. Cash in banks generally earn interest at rates based on daily bank deposit rates. The Cash and Cash Equivalents account includes U.S. dollar denominated cash of $7,845,611 (P350,047,638) as of December 31, 2014 and $1,916,084 (P85,100,933) as of December 31, 2013.

6. REINSURANCE BALANCES

The details of reinsurance balances are as follows:

	2014	2013
Reinsurance balances receivable:		
Reinsurance recoverable on unpaid losses	**P 3,482,729,371**	P 5,060,294,113
Due from ceding companies	**1,209,089,581**	833,040,221
Reinsurance recoverable on paid losses	**956,677,133**	1,072,506,104
Funds held by ceding companies	**130,261,689**	154,845,900
	5,778,757,774	7,120,686,338
Allowance for impairment	**(603,685,730)**	(572,562,898)
	P 5,175,072,044	P 6,548,123,440

	2014	2013
Reinsurance balances payable:		
Claims payable	**P 5,883,774,181**	P 7,271,270,522
Due to retrocessionaires	**1,016,675,866**	858,462,597
Funds held for retrocessionaires	**74,420,432**	80,350,000
	P 6,974,870,479	P 8,210,083,119

Reinsurance balances receivable pertains to the following:

- Reinsurance recoverable on paid and unpaid losses represent amounts due from retrocessionaires under treaty and facultative agreements as their share in losses.
- Due from ceding companies refers to the premiums receivable from the cedants as a result of treaty and facultative acceptances.
- Funds held by ceding companies pertains to the portion of reinsurance premiums withheld by ceding companies in accordance with treaty and facultative agreements.

Reinsurance balances payable relates to the following:

- Claims payable are losses and claims due to ceding companies under treaty and facultative agreements inclusive of provision for IBNR losses.
- Due to retrocessionaires are unremitted share in premiums of retrocessionaires.
- Funds held for retrocessionaires represents portion of the reinsurance premium ceded to retrocessionaires which was withheld by the Company in accordance with treaty and facultative agreements.

All of the Company's reinsurance balances receivables have been reviewed for indicators of impairment. Certain reinsurance balances receivable were found to be impaired and provisions have been recorded accordingly.

A reconciliation of the allowance for impairment at the beginning and end of 2014 and 2013 is shown below.

	Note	2014	2013
Balance at beginning of year		**P 572,562,898**	P 335,629,959
Impairment losses during the year	15	**31,122,832**	236,932,939
Balance at end of year		**P 603,685,730**	P 572,562,898

The fair values of these short-term financial assets and liabilities are not individually determined as their carrying amounts are reasonable approximation of their fair values.

7. AFS FINANCIAL ASSETS

This account is composed of the following:

	2014	2013
Bonds	**P 4,049,823,361**	P 4,601,588,981
Equity securities	**1,574,372,297**	1,318,680,165
Investment in ARC	**4,444,847**	4,444,847
Various funds	**479,097,201**	466,982,056
	P 6,107,737,706	P 6,391,696,049

Bonds include investments in corporate bonds, long-term negotiable instruments and government securities. This also includes government securities amounting to P250,000,000 both in 2014 and 2013, which are on deposit with the IC as security for the benefit of policyholders and creditors of the Company in accordance with the provisions of the Insurance Code.

Bonds earn interest at annual rates ranging from 2.13% to 15.00% both in 2014 and 2013, and from 3.90% to 15.00% in 2012. Interest income recognized are presented as part of Investment and Other Income account in the statements of income (see Note 13).

The following presents the fair values of investments in bonds by contractual maturity dates:

	2014	2013
Due within one year	P 219,072,654	P 178,360,037
Due after one year through five years	1,442,173,049	1,396,331,798
Due after five years through ten years	1,921,891,112	2,277,689,961
Due after ten years	466,686,546	749,207,185
	P 4,049,823,361	P 4,601,588,981

The balance of equity securities classified as AFS financial assets consists of:

	2014	2013
Cost:		
Quoted in the stock exchange	P 1,388,821,282	P 1,302,628,348
Not quoted in the stock exchange	38,346,335	40,636,735
	1,427,167,617	1,343,265,083
Fair value gains (losses):		
Quoted in the stock exchange	165,859,088	(4,413,687)
Not quoted in the stock exchange	(18,654,408)	(20,171,231)
	147,204,680	(24,584,918)
	P 1,574,372,297	P 1,318,680,165

Equity securities consist mainly of investments in companies listed in the PSE.

The shares of ARC have been issued in the name of the Government of the Philippines (GoP) as the Philippine government's participation in the joint undertaking of Asian countries to organize a reinsurance company that will service the needs of the region. The GoP assigned such shares, including any interest accruing thereon, to the Company. The GoP designated the Company as the national institution authorized to subscribe and pay for the said shares of stock. The shares of stock of ARC, while not for sale, were classified under this category since these do not qualify for inclusion in any other categories of financial assets.

The fair value of investment in ARC shares amounted to P4,444,847 both for December 31, 2014 and 2013.

The reconciliation of the carrying amounts of AFS financial assets is as follows:

	2014	2013
Balance at beginning of year	P 6,391,696,049	P 5,690,040,419
Additions	1,322,097,053	4,477,286,405
Disposals/maturities	(1,731,914,042)	(3,578,210,286)
Fair value gains (losses) – net	125,464,010	(211,065,818)
Foreign currency gains – net	394,636	13,645,329
Balance at end of year	P 6,107,737,706	P 6,391,696,049

Changes in fair value of AFS financial assets recognized as Fair Value Gains (Losses) account under Other Comprehensive Income (Loss) section in the statements of comprehensive income amounted to P125,464,010 and P62,986,832 fair value gains in 2014 and 2012, respectively, and P211,065,818 fair value loss in 2013.

The fair values of AFS financial assets have been determined directly by reference to published prices in active market. Certain investments where fair value is not reliably determinable either through reference of similar instruments or valuation techniques, are carried at cost.

Various funds pertain to the Company's investments in mutual funds.

8. LOANS AND RECEIVABLES

This account includes the following:

	2014	2013
Current:		
Accrued interest receivable	P 55,214,152	P 61,189,232
Others	18,121,292	4,591,915
	73,335,444	65,781,147
Non-current:		
Term loans	245,000,000	247,500,000
Loans receivable	4,002,851	6,766,282
	249,002,851	254,266,282
	P 322,338,295	P 320,047,429

Loans and receivables are usually due within one to ten years. These financial assets are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regard to loans and receivables.

Term loans mainly pertain to the Company's participation in syndicated loans of other companies. These loans are unsecured, interest-bearing and with terms ranging from two to five years. The annual effective interest rate on these loans ranges from 4.30% to 5.86% both in 2014 and 2013, and from 4.53% to 6.62% in 2012.

Loans receivable includes unsecured housing and car loans to Company's employees which have annual effective interest rates of 11.00% to 13.00%. These loans are collected through salary deductions with a term of five to twenty years.

In 2014, Others includes receivables from retirement fund and remaining balance from sale of condominium unit amounting to P10.9 million and P6.7 million, respectively.

In 2013, Others includes receivable from sale of various stocks amounting to P1.56 million.

The fair value of these financial assets is not individually determined as the carrying amount is a reasonable approximation of this fair value since the interest rates are approximately the same as the market interest rate.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2014 and 2013 are shown below.

	Condominium Units	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
December 31, 2014						
Cost	P 101,310,361	P 10,885,911	P 10,680,460	P 8,673,928	P 36,680,077	P 168,230,737
Accumulated depreciation and amortization	(51,218,016)	(3,530,088)	(9,416,029)	(3,723,535)	(23,996,724)	(91,884,392)
Net carrying amount	P 50,092,345	P 7,355,823	P 1,264,431	P 4,950,393	P 12,683,353	P 76,346,345
December 31, 2013						
Cost	P 154,882,915	P 14,845,258	P 10,095,760	P 10,426,898	P 34,391,666	P 224,642,497
Accumulated depreciation and amortization	(73,064,749)	(8,744,816)	(9,022,515)	(5,097,303)	(25,959,868)	(121,889,251)
Net carrying amount	P 81,818,166	P 6,100,442	P 1,073,245	P 5,329,595	P 8,431,798	P 102,753,246
January 1, 2013						
Cost	P 154,882,915	P 14,767,509	P 10,094,260	P 12,822,772	P 34,881,506	P 227,448,962
Accumulated depreciation and amortization	(68,348,425)	(7,790,629)	(8,685,698)	(5,144,167)	(22,527,374)	(112,496,293)
Net carrying amount	P 86,534,490	P 6,976,880	P 1,408,562	P 7,678,605	P 12,354,132	P 114,952,669

A reconciliation of the carrying amounts at the beginning and end of 2014 and 2013, of property and equipment is shown below.

	Condominium Units	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 81,818,166	P 6,100,442	P 1,073,245	P 5,329,595	P 8,431,798	P 102,753,246
Additions	-	2,344,353	584,700	3,319,643	8,248,993	14,497,689
Disposals	(27,121,104)	-	-	(1,723,358)	(58,230)	(28,902,692)
Depreciation and amortization charges for the year	(4,604,717)	(1,088,972)	(393,514)	(1,975,487)	(3,939,208)	(12,001,898)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 50,092,345	P 7,355,823	P 1,264,431	P 4,950,393	P 12,683,353	P 76,346,345
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 86,534,490	P 6,976,880	P 1,408,562	P 7,678,605	P 12,354,132	P 114,952,669
Additions	-	77,749	1,500	2,043,148	175,876	2,298,273
Disposals	-	-	-	(1,607,354)	-	(1,607,354)
Depreciation and amortization charges for the year	(4,716,324)	(954,187)	(336,817)	(2,784,804)	(4,098,210)	(12,890,342)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 81,818,166	P 6,100,442	P 1,073,245	P 5,329,595	P 8,431,798	P 102,753,246

In 2014, the Company sold certain assets with a book value of P28,902,692 and recognized gain amounting to P33,209,877, which is presented as part of Investment and Other Income account in the 2014 statement of income (see Note 13). In 2013, the Company sold certain assets at their net book value amounting to P1,607,354 and in 2012, the Company sold certain fully depreciated assets and recognized gain amounting to P26,786.

The cost of fully depreciated property and equipment recorded in the books that are still in use amounting to P19,508,133 and P29,165,291 as of December 31, 2014 and 2013, respectively.

10. DEFERRED REINSURANCE PREMIUMS AND RESERVE FOR UNEARNED REINSURANCE PREMIUMS

The movement of these accounts follows:

	Deferred Reinsurance Premiums		Reserve for Unearned Reinsurance Premiums	
	2014	2013	**2014**	2013
Balance at beginning of year	**P 218,898,489**	P 400,632,000	**P 541,893,656**	P 734,563,495
Decrease during the year	**(76,839,917)**	(181,733,511)	**(130,038,042)**	(192,669,839)
Balance at end of year	**P 142,058,572**	P 218,898,489	**P 411,855,614**	P 541,893,656

Deferred Reinsurance Premiums pertains to the portion of reinsurance premiums ceded out that relate to the unexpired periods of the policies at the end of each reporting period.

Reserve for Unearned Reinsurance Premiums is the portion of reinsurance premiums assumed that relate to the unexpired periods of the policies at the end of each reporting period.

The difference between the increase in Deferred Reinsurance Premiums and Reserve for Unearned Reinsurance Premiums for the year is presented as Decrease (Increase) in Reserve for Unearned Reinsurance Premiums account in the statements of income.

11. OTHER ASSETS

The Other Assets account includes the following:

	Note	2014	2013
Creditable withholding tax		**P 144,083,852**	P 126,131,327
Input VAT	28.1	**86,794,566**	68,517,247
Deferred input VAT	28.1	**74,470,070**	74,123,058
Intangible assets – net		**20,582,988**	41,008,141
Deferred withholding VAT	28.1	**9,202,886**	9,200,181
Prepayments		**3,248,228**	4,729,864
Investment properties – net		**2,834,909**	2,839,909
Deposit		**791,268**	619,385
Security fund		**192,888**	192,888
Others		**2,244,665**	2,598,974
		P 344,446,320	P 329,960,974

Input VAT pertains to input VAT on commissions paid to ceding companies.

Deferred Input VAT includes unapplied input taxes resulting from unpaid premiums on ceded out transactions and unamortized input VAT on capital asset acquisitions.

Intangible assets pertain to acquired computer software licenses used in production and administration. The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of December 31, 2014 and 2013 follow:

	2014	2013
Cost	**P 111,245,674**	P 110,108,534
Accumulated amortization	**(90,662,686)**	(69,100,393)
Balance at end of year	**P 20,582,988**	P 41,008,141

A reconciliation of the carrying amounts at the beginning and end of 2014 and 2013, of intangible assets is shown below.

	Note	2014	2013
Balance at beginning of year, net of accumulated amortization		**P 41,008,141**	P 60,192,819
Additions		**1,137,140**	2,401,348
Amortization charges for the year	15	**(21,562,293)**	(21,586,026)
Balance at end of year		**P 20,582,988**	P 41,008,141

Deferred withholding VAT relates to the unapplied input VAT on unpaid premiums on ceded out transactions to the Company from a certain government entity.

Prepayments include substantially the prepaid insurance on property and equipment and the group life insurance.

Investment property consists mainly of land, with improvements, which are owned for capital appreciation. The changes to the carrying amounts of the investment property can be summarized as follows as of December 31:

	Note	2014	2013
Balance at beginning of year		**P 2,839,909**	P 2,844,909
Depreciation and amortization charges for the year	15	**(5,000)**	(5,000)
Balance at end of year		**P 2,834,909**	P 2,839,909

These properties are classified as Level 3 in the fair value hierarchy. The total estimated fair values based on the latest available selling price of the properties obtained by the Company amount to P5,880,000 both in 2014 and 2013 (see Note 25.4).

Security fund represents amount deposited with the IC, as required by the IC, to be used for the payment of valid claims against insolvent insurance companies. The balance of the fund earns interest at rates determined by the IC annually.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Note	2014	2013
Accounts payable		**P 50,362,325**	P 28,616,632
Deferred output VAT	28.1	**33,087,669**	34,949,912
Accrued expenses		**30,857,886**	5,039,574
Defined benefit liability	16.2	**7,786,976**	64,429,415
Withholding taxes payable		**6,959,043**	1,954,261
Other liabilities		**22,500,948**	2,739,260
		P 151,554,847	P 137,729,054

Management considers the carrying amounts of accounts payable and accrued expenses recognized in the statements of financial position to be a reasonable approximation of their fair values due to their short duration.

13. INVESTMENT AND OTHER INCOME - Net

The details of this account follow:

	Notes	2014	2013	2012
Interest income	5, 7, 8, 19.2	**P 250,119,737**	P 298,209,165	P 356,372,204
Gain on sale of AFS financial assets		**101,284,924**	327,352,764	298,137,689
Dividend income		**41,831,599**	34,303,900	30,947,188
Gain on sale of property and equipment	9	**33,209,877**	-	26,786
Foreign currency gains	4.4	**11,467,754**	10,095,088	21,115,982
Other charges	19.2	**(4,747,509)**	(5,561,284)	(4,447,884)
		P 443,166,382	P 664,399,633	P 702,151,965

14. UNDERWRITING DEDUCTIONS

14.1 Share in Claims and Losses

This account represents the aggregate amount of the Company's share in net losses and claims relative to its acceptances under treaty and facultative reinsurances.

14.2 Commissions – net

This account consists of the following:

	2014	2013	2012
Commission expense	**P 469,649,985**	P 458,096,397	P 476,797,208
Reinsurance revenues	**(104,045,579)**	(168,191,674)	(177,889,361)
	P 365,604,406	P 289,904,723	P 298,907,847

Commission expense refers to fees deducted by ceding companies from reinsurance premiums assumed during the period under treaty and facultative agreements.

Reinsurance revenues pertain to fees charged by the Company related to reinsurance premiums retroceded during the period under treaty and facultative agreements.

15. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account follow:

	Notes	2014	2013	2012
Salaries and employee benefits	16.1	**P 141,342,041**	P 127,150,814	P 119,604,651
Depreciation and amortization	9, 11	**33,569,191**	34,481,368	34,413,916
Impairment losses	6	**31,122,832**	236,932,939	20,000,000
Taxes and licenses	28.1	**28,220,859**	4,517,157	5,238,242
Professional fees		**20,416,340**	18,434,981	13,316,868
Repairs and maintenance		**9,148,884**	10,167,495	6,523,983
Association and pool expense		**4,336,410**	3,782,149	4,400,915
Transportation and travel		**4,142,253**	2,667,442	3,182,223
Representation and entertainment		**2,993,451**	4,384,392	4,272,864
Rental	23.1	**2,764,393**	763,003	655,989
Light and water		**2,714,806**	3,748,705	4,511,400
Contract labor		**2,696,296**	1,775,967	1,979,812
Finance costs	16.2	**2,519,190**	4,887,048	4,638,651
Communication and postages		**1,905,009**	2,054,624	2,661,263
Advertising and publicity		**1,346,984**	1,490,267	1,383,533
Printing and office supplies		**974,859**	1,222,261	1,353,887
Insurance		**959,446**	1,049,218	1,021,647
Miscellaneous		**9,010,655**	8,984,244	7,592,337
		P 300,183,899	P 468,494,074	P 236,752,181

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries, Wages and Employee Benefit Expense

Expenses recognized for salaries and employee benefits are presented below.

	2014	2013	2012
Short-term employee benefits	**P 98,156,264**	P 102,703,527	P 105,659,720
Post-employment defined benefit	**21,995,333**	9,416,731	9,276,730
Separation benefits	**11,452,215**	5,818,015	-
Compensated absences	**9,738,229**	9,212,541	4,668,201
	P 141,342,041	P 127,150,814	P 119,604,651

16.2 Post-employment Defined Benefit

(a) *Characteristics of the Defined Benefit Plan*

The Company maintains a wholly-funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The normal retirement age is 60 with a minimum of 10 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service. Normal retirement benefit is an amount equivalent to 175% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2014 and 2013. The amounts of defined benefit liability (presented as part of Accounts Payable and Accrued Expenses – see Note 12) recognized in the statements of financial position are determined as follows:

	2014	2013	2012
Present value of the obligation	**P 90,007,834**	P 144,762,543	P 174,933,081
Fair value of plan assets	**(82,220,858)**	(80,333,128)	(80,951,387)
Defined benefit liability	**P 7,786,976**	P 64,429,415	P 93,981,694

The movements in the present value of the retirement benefit obligation are as follows:

	2014	2013	2012
Balance at beginning of year	**P 144,762,543**	P 174,933,081	P 152,043,509
Current service cost	**8,222,834**	9,581,702	9,276,730
Interest expense	**5,660,215**	9,096,520	8,362,393
Remeasurement on actuarial losses (gains) arising from:			
Changes in financial assumptions	**(1,153,040)**	11,708,682	4,147,740
Changes in demographic assumptions	**-**	25,294	-
Experience adjustments	**(16,495,240)**	921,633	5,486,134
Settlement loss (gain)	**13,772,499**	(164,971)	-
Benefits paid by the plan	**(64,761,977)**	(61,339,398)	(4,383,425)
Balance at end of year	**P 90,007,834**	P 144,762,543	P 174,933,081

The movement in the fair value of plan assets is presented below.

	2014	2013	2012
Balance at beginning of year	**P 80,333,128**	P 80,951,387	P 67,704,396
Interest income	**3,141,025**	4,209,472	3,723,742
Return on plan assets (excluding amounts included in net interest)	**10,254,097**	2,261,487	5,283,655
Contributions paid into the plan	**53,254,585**	54,250,180	8,623,019
Benefits paid by the plan	**(64,761,977)**	(61,339,398)	(4,383,425)
Balance at end of year	**P 82,220,858**	P 80,333,128	P 80,951,387

The plan assets as of December 31 consist of:

	2014	2013	2012
Cash and cash equivalents	**P 19,798,028**	P 4,798,403	P 22,707,549
Equity securities	**24,152,947**	26,137,227	17,197,422
Philippine government securities	**48,892,150**	49,159,686	39,631,244
Loans and receivables	**293,162**	237,812	1,415,172
Benefits payable	**(10,773,889)**	-	-
Accounts payable	**(141,540)**	-	-
Balance at end of year	**P 82,220,858**	P 80,333,128	P 80,951,387

The fair values of the equity and government bonds are determined based on quoted market prices in active markets.

The plan assets earned a return of P13,395,122 in 2014 and P6,470,959 in 2013.

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2014	2013	2012
Reported in profit or loss:			
Current service cost	**P 8,222,834**	P 9,581,702	P 9,276,730
Settlement loss (gain)	**13,772,499**	(164,971)	-
Net interest expense	**2,519,190**	4,887,048	4,638,651
	P 24,514,523	P 14,303,779	P 13,915,381

	2014	2013	2012
Reported in other comprehensive loss (income):			
Actuarial losses arising from changes in:			
Financial assumptions	**(P 1,153,040)**	P 11,708,682	P 4,147,740
Experience adjustments	**(16,495,240)**	921,633	5,486,134
Demographic assumptions	**-**	25,294	-
Return on plan assets (excluding amounts included in net interest)	**(10,254,097)**	(2,261,487)	(5,283,655)
	(P 27,902,377)	P 10,394,122	P 4,350,219

Current service cost and settlement gain are presented as part of Salaries and employee benefits; while net interest expense is presented as Finance costs. These accounts are presented in the statements of income under General and Administrative Expenses section (see Notes 15 and 16.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2014	2013	2012
Discount rate	**4.1%**	5.2%	5.2%
Expected rate of salary increase	**5.0%**	5.0%	5.0%
Employee turn-over rate	**10.0%**	5.0% to 9.5%	5.0% to 9.5%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 25. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, loans receivables, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Inflation Risk

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Company's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

	2014		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	+/- 1.0%	P 6,371,957	(P 6,250,853)
Salary growth	+/- 1.0%	6,250,853	(6,371,957)
Turn-over rate	+/-10.0%	(485,321)	485,321
	2013		
Discount rate	+/- 1.0%	(P 10,374,312)	P 10,374,312
Salary growth	+/- 1.0%	10,131,427	(10,131,427)
Turn-over rate	+/-10.0%	(722,277)	722,277

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The Company applies asset-liability matching techniques to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. Retirement funds are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations, and maximize opportunities for higher potential returns at the least risk.

The Company is guided by a formal Asset-Liability Management Study conducted by the Company's actuary. In the study, expected benefit payments are projected and classified into short-term, medium-term or long-term liabilities. Investment instruments that would match the liabilities are identified. Finally, the investment mixes that would yield the maximum returns at certain risk levels are identified using the Markowitz Portfolio Theory (MPT) or the Mean Variance Framework.

The study is conducted every three years to capture changes in the demographic profile of the employees and changes in the economic environment affecting the amounts of maturing obligations and rates of return of available investment instruments.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2014 and 2013 consists of debt and equity securities, although the Company also invests in cash equivalents and loans receivables. The Company believes that debt securities offer the most secure returns over the long term as they have the least acceptable level of risk which is in line with their asset-liability matching techniques.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently underfunded by P7,786,976 based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 20 years time when a significant number of employees is expected to retire.

The Company expects to make contribution of P4,013,331 to the plan during the next financial year.

As of December 31, 2014, the maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows.

		Amount
Within one year	P	4,013,331
More than one year to five years		47,930,077
More than five years to ten years		62,017,749
More than ten years to 15 years		26,166,415
More than 15 years to 20 years		15,195,249
	P	155,322,821

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

17. CURRENT AND DEFERRED TAXES

The components of tax expense as reported in statements of income.

	2014	2013	2012
Current tax expense –			
Final tax at 20% and 7.5%	**P 48,178,004**	P 55,281,861	P 66,272,420

The reconciliation of the tax on pretax profit (loss) computed at the applicable statutory rates to tax expense in profit or loss is as follows:

	2014	2013	2012
Tax on pretax profit (loss) at 30%	**(P 71,613,478)**	P 22,203,109	P 30,110,206
Adjustment for income			
subjected to lower tax rates	**(40,063,816)**	(75,972,541)	(62,556,657)
Tax effects of:			
Net unrecognized deferred tax assets	**112,301,486**	56,429,302	18,836,832
Unrecognized net operating			
loss carry-over (NOLCO)	**66,654,979**	110,698,445	146,993,990
Non-taxable income	**(26,001,421)**	(58,136,454)	(67,111,951)
Non-deductible expenses	**6,900,254**	60,000	-
Tax expense reported			
in statements of income	**P 48,178,004**	P 55,281,861	P 66,272,420

In accordance with the applicable accounting standards, the Company has taken a conservative position by not recognizing the net deferred tax assets on the following temporary differences as of December 31, 2014 and 2013:

	2014		2013	
	Tax Base	**Tax Amount**	Tax Base	Tax Amount
Deferred tax assets:				
NOLCO	**P 1,081,158,043**	**P 324,347,413**	P 1,023,478,868	P 307,043,661
Allowance for impairment	**603,685,730**	**181,105,719**	572,562,898	171,768,870
Claims payable (IBNR)	**343,439,790**	**103,031,937**	-	-
Unamortized past service cost	**93,752,744**	**28,125,823**	60,944,728	18,283,418
Defined benefit liability	**7,786,976**	**2,336,092**	64,429,415	19,328,824
Accrued expense	**3,888,452**	**1,166,535**	890,669	267,201
Accrued leave benefits	**2,289,502**	**686,850**	2,822,635	846,790
Revaluation reserves on				
AFS financial assets	**716,392**	**214,917**	716,392	214,917
MCIT	-	-	111,174	111,174
Deferred tax liabilities:				
Unrealized foreign				
currency gains	**(13,611,750)**	**(4,083,525)**	(6,854,810)	(2,056,443)
Excess of reserves for				
unearned reinsurance				
premiums per books				
over tax basis	-	-	(193,760,536)	(58,128,160)
Deferred acquisition				
costs - net	-	-	(61,620,251)	(18,486,076)
Net Unrecognized				
Deferred Tax Assets	**P 2,123,105,879**	**P 636,931,761**	P 1,463,721,182	P 439,194,176

The details of the unrecognized NOLCO is shown below.

Year Incurred	Amount	Expired	Balance	Until
2014	P 222,183,263	P -	P 222,183,263	2017
2013	368,994,815	-	368,994,815	2016
2012	489,979,965	-	489,979,965	2015
2011	164,504,088	164,504,088	-	2014
	P 1,245,662,131	P 164,504,088	P 1,081,158,043	

The Company is subject to MCIT which is computed at 2% of gross income, or regular corporate income tax (RCIT), whichever is higher. In 2014, 2013 and 2012, the Company has not paid MCIT because the Company resulted in a gross loss.

In 2014, 2013 and 2012, the Company claimed itemized deductions.

18. EQUITY

18.1 Capital Stock

Capital stock (net of treasury shares – see Note 18.2) consists of common shares with P1 par value per share with details as follows:

	Number of Shares		
	2014	2013	2012
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning and end of year	**2,123,605,600**	2,123,605,600	2,123,605,600

	Amount		
	2014	2013	2012
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning and end of year	**P 2,123,605,600**	P 2,123,605,600	P 2,123,605,600

On April 27, 2007, the SEC approved the listing of the Company's shares totalling 741,902,600. The shares were initially issued at an offer price of P3.80 per share. As of December 31, 2014 and 2013, there are 282 and 281 holders of the listed shares, respectively. Such listed shares closed at P0.90 and P1.36 per share, as of those dates, respectively.

18.2 Treasury Shares

In 2011, the Company acquired 36,072,000 of its own shares at a total cost of P60,443,621. There are no treasury stock transactions in 2014 and 2013. As of December 31, 2014 and 2013, total shares in treasury is 58,349,000 amounting to P100,525,432.

18.3 Appropriation for Contingencies

On April 18, 1989, the Company's BOD approved the establishment of a special reserve which will serve as cushion to the paid-up capital in the event of extraordinarily high loss occurrences or severe catastrophic losses. As such, at December 31 of each year where there is profit, 10% of such profit is set aside as additional reserve for contingencies. The reserve balance, which is shown as Appropriated under Retained Earnings account in the statements of changes in equity, should not exceed, at any time, the amount of paid-up capital. The balance of appropriation for contingencies amounted to P270,342,396 as of December 31, 2014 and 2013, and P268,469,546 as of December 31, 2012. No additional appropriation was made in 2014 since the Company incurred net loss.

18.4 Declaration of Cash Dividends

The BOD approved the declaration of cash dividends of P0.02 per share (or a total of P42,472,112) on May 16, 2013 and P0.10 per share (or a total of P212,360,560) on May 17, 2012, payable to stockholders of record as of June 14, 2013 and June 1, 2012, respectively. There was no declaration of cash dividends in 2014. The total outstanding dividends payable amounted to P2,542,536 and P2,739,261 as of December 31, 2014 and 2013, respectively.

19. RELATED PARTY TRANSACTIONS

The Company's related parties include its principal stockholders, related parties under common ownership, retirement plan and the Company's key management personnel with which the Company had transactions as described below and in the succeeding pages.

19.1 Reinsurance Contracts with Related Parties

The Company accepts and cedes insurance business under various reinsurance contracts with related parties. The details of which follow:

	2014		2013	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Premiums	**P 353,442,391**	**P 49,545,015**	P 365,120,220	P 4,074,436
Retrocessions	**908,118**	**811,770**	1,221,459	(1,343,046)
Commission income	**31,626**	**-**	59,360	-
Commission expenses	**108,042,840**	**-**	97,893,969	-
Losses incurred	**150,150,352**	**3,950,722**	352,657,903	5,304,356
Losses recoveries	**39**	**388,699**	8,262	122,875

As a result of the transactions in the preceding page, reinsurance balances receivable from and payable to related parties are as follows (see Note 6):

	2014		2013	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	**P 217,855,945**	**P 48,406,620**	P 252,395,929	P 5,531,868
Reinsurance recoverable on losses	**89,291,265**	**-**	97,064,646	-
Funds held by ceding companies	**64,021,845**	**-**	63,791,182	-
Claims payables	**1,342,005,997**	**6,499,019**	1,778,046,311	4,458,459
Due to retrocessionaires	**7,192,935**	**1,895,203**	13,568,173	166,279
Funds held for retrocessionaire	**164,032**	**-**	164,032	-

The balance of due from ceding companies pertaining to related parties is presented net of P37.3 million and P30.7 million allowance for impairment as of December 31, 2014 and 2013, respectively. There are no other impairment losses recognized on other receivables.

19.2 Other Transactions

The Company's other transactions with related parties follow:

		2014		2013	
	Notes	**Amount of Transactions**	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholders					
Cash and cash equivalents	(a)	**P 1,761,206**	**P 4,722,008**	(P 183,905)	P 2,960,806
Interest income – bank accounts	(a)	**25,550**	**-**	19,380	-
Trading gains	(b)	**-**	**-**	(100,197)	-
Service fees	(d)	**(64,655)**	**-**	31,526	-
Related Party Under Common Ownership					
Cash and cash equivalents	(a)	**102,834,993**	**288,240,628**	(195,025,988)	185,405,635
AFS financial assets	(b)	**48,368,650**	**235,664,397**	(101,632,209)	187,295,747
Loans and receivables	(c)	**(1,055,988)**	**2,145,320**	(132,059,922)	3,201,308
Interest income – bank accounts	(a)	**2,452,830**	**-**	6,898,130	-
Interest income – AFS financial assets	(b)	**10,469,169**	**-**	16,528,796	-
Interest income – loans and receivables	(c)	**-**	**-**	5,308,681	-
Trading gains	(b)	**-**	**-**	1,285,723	-
Service fees	(d)	**(1,168)**	**-**	454,541	-

(a) Cash and Cash Equivalents

The Company maintains several savings and current accounts with a stockholder and related party under common ownership. Interest income recognized is presented as part of Interest income under Investment and Other Income account in the statements of income (see Note 13).

(b) AFS Financial Assets

The Company has investments in shares of stock of a related party under common ownership classified as AFS financial assets. Relative to these transactions, the Company recognized interest income and trading gains which are presented as part of Investment and Other Income account in the statements of income (see Note 13).

(c) Loans and Receivables

The Company has term loans with certain related parties under common ownership. Relative to this, the Company recognized interest income which are presented as part of Interest income under Investment and Other Income account in the statements of income (see Note 13). The term loan is unsecured and earns interest of 5.00% to 5.50% in 2014, 2013, and 2012. As of December 31, 2014, management assessed that these term loans are not impaired.

(d) Investment Management and Custodianship

The Company has entered into agreements known as "Investment Management Agreement" and "Custodianship Agreement" with a stockholder and an affiliate bank for the management and custodianship of certain investible funds of the Company subject to terms and conditions in the said agreements. In consideration for the services rendered, the Company pays the stockholder and the affiliate bank service fees equivalent to a certain percentage of the market value of the investments. Total service fees paid is charged against Other charges under Investment and Other Income account (see Note 13) in the statements of income. There are no outstanding liabilities from these transactions as of December 31, 2014 and 2013.

19.3 Retirement Fund Investment Management

In 2007, the Company entered into a "Retirement Fund Investment Management Agreement" with its stockholder for the management of the investments of the Company's retirement funds subject to the terms and conditions in the said agreement.

19.4 Transactions with Retirement Fund

As discussed in Note 16.2, the Company maintains a wholly-funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. The Company has no other transaction with its retirement fund in 2014 and 2013 except for its contribution of P53,254,585 and P54,250,180, respectively.

19.5 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2014	2013	2012
Short-term benefits	**P 47,798,421**	P 41,126,946	P 41,419,166
Post-employment benefits	**3,610,068**	2,671,986	1,017,770
	P 51,408,489	P 43,798,932	P 42,436,936

20. SOLVENCY

Under the New Insurance Code, an insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and adopted only after due consultation with the insurance industry associations.

Whenever the aforementioned requirement is found to be less than the required to be maintained, the Commissioner shall direct the Company to make good any such deficiency by cash, to be contributed by all stockholders of record in proportion with their respective interests, and paid to the treasurer of the Company, within 15 days from receipt of the order. Provided, that the Company in the interim shall not be permitted to take any new risk of any kind or character unless and until it make good any such deficiency. In case that a stockholder pays the contribution due from another stockholder by reason of failure or refusal of the latter to do so, shall have a lien on the certificates of stock of the Company appearing in its books in the name of the defaulting stockholder on the date of default, as well as on any interests or dividends that have accrued or will accrue to the said certificates of stocks, until the corresponding payment or reimbursement is made by the defaulting stockholder.

21. RECONCILIATION OF NET PROFIT (LOSS) UNDER PFRS TO STATUTORY NET PROFIT (LOSS)

Republic Act No. 10607 also known as "The New Insurance Code" was approved on August 15, 2013. Under Section 219 of the new code, every insurance company, other than life, shall maintain a reserve for unearned premiums on its policies in force, which shall be calculated based on the twenty fourth (24th) method. Effective 2014, the Company no longer applied the use of 40% (previous statutory method) in its reporting of unearned premium reserve to the IC; thus, net loss under PFRS and statutory reporting is now the same, amounting to P286,889,597 in 2014.

The reconciliation of PFRS net profit (loss) and statutory net profit (loss) follows:

	2014	2013	2012
PFRS net profit (loss)	**(P 286,889,597)**	P 18,728,502	P 34,094,934
Difference in change in reserve for unearned reinsurance premiums – net	**-**	(37,224,178)	47,302,566
Deferred acquisition costs – net	**-**	(8,181,969)	5,209,927
Statutory net profit (loss)	**(P 286,889,597)**	(P 26,677,645)	P 86,607,427

22. EARNINGS (LOSS) PER SHARE

The earnings (loss) per share amounts are as follows:

	2014	2013	2012
Net profit (loss) available to common shareholders	**(P 286,889,597)**	P 18,728,502	P 34,094,934
Divided by the average number of outstanding common shares	**2,123,605,600**	2,123,605,600	2,123,605,600
	(P 0.14)	P 0.01	P 0.02

Diluted earnings (loss) per share is not determined since the Company does not have dilutive shares as of December 31, 2014, 2013 and 2012.

23. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

23.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under various operating leases covering warehouse and parking lots having a term of one year with renewal options. The future minimum rentals payable under this non-cancellable operating lease as of December 31, 2014 and 2013 is P3,331,184 and P4,417,671, respectively.

Rental expense recognized amounted to P2,764,393, P763,003, and P655,989 in 2014, 2013 and 2012, respectively, and is presented in the statements of income as Rental under General and Administrative Expenses section (see Note 15).

23.2 Legal Claims

The Company is a defendant in a third party claim filed by a government agency against the Company and other reinsurers. Management believes that as of December 31, 2014, the reserve set up relating to this case is adequate to cover any liability that may arise from the ultimate outcome of the case.

23.3 Others

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. Management believes that losses as of December 31, 2014, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

24. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

24.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below and in the succeeding page.

		2014		2013	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 886,643,838**	**P 886,643,838**	P 605,045,799	P 605,045,799
Reinsurance balances receivables	6	**5,175,072,044**	**5,175,072,044**	6,548,123,440	6,548,123,440
Loans and receivables	8	**322,338,295**	**322,338,295**	320,047,429	320,047,429
		P 6,384,054,177	**P6,384,054,177**	P 7,473,216,668	P 7,473,216,668
AFS financial assets:	7				
Debt securities		**P 4,049,823,361**	**P4,049,823,361**	P 4,601,588,981	P 4,601,588,981
Equity securities		**1,574,372,297**	**1,574,372,297**	1,318,680,165	1,318,680,165
Investment in ARC		**4,444,847**	**4,444,847**	4,444,847	4,444,847
Various funds		**479,097,201**	**479,097,201**	466,982,056	466,982,056
		P 6,107,737,706	**P6,107,737,706**	P 6,391,696,049	P 6,391,696,049

	Notes	2014 Carrying Values	2014 Fair Values	2013 Carrying Values	2013 Fair Values
Financial liabilities					
Financial liabilities at amortized cost					
Reinsurance balances payable	6	**P 6,974,870,479**	**P6,974,870,479**	P 8,210,083,119	P 8,210,083,119
Accounts payable and other accrued expenses	12	**80,720,312**	**80,720,312**	36,395,466	36,395,466
		P 7,055,590,791	**P7,055,590,791**	P 8,246,478,585	P 8,246,478,585

Due to the short-term duration, management considers the carrying values of the Company's financial assets and financial liabilities approximate their fair values as of the end of the reporting periods.

See Notes 2.3 and 2.8 for a description of the accounting policies for each category of financial instrument including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

24.2 Offsetting of Financial Assets and Financial Liabilities

For financial assets and financial liabilities, particularly, reinsurance balances, subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties, including related parties, allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

Reinsurance balances as at December 31 are as follows:

	Note	2014	2013
Reinsurance balances receivable	6	**P 5,778,757,774**	P 7,120,686,338
Reinsurance balances payable	6	**6,974,870,479**	8,210,083,119

25. FAIR VALUE MEASUREMENT AND DISCLOSURES

25.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

i. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

ii. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

iii. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active 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.

25.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis, as of December 31, 2014 and 2013 (amounts in thousand Philippine Peso).

	Level 1	Level 2	Level 3	Total
December 31, 2014				
AFS financial assets	**P 3,980,728**	**P 498,789**	**P 590,796**	**P 5,070,313**
December 31, 2013				
AFS financial assets	P 4,312,494	P 487,448	P 494,103	P 5,294,045

The Company's AFS financial assets includes certain investments measured at cost amounting to P1,037,425 and P1,097,652 (amounts in thousand Philippine Peso) as of December 31, 2014 and 2013, respectively.

The Company has no financial liabilities measured at fair value as of December 31, 2014 and 2013.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

a) Equity securities

As of December 31, 2014 and 2013, instruments included in Level 1 comprise equity securities classified as AFS financial assets. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

b) Debt securities

The fair value of the Company's debt securities which consist of government and corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Levels 1 and 3.

25.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 886,643,838	P -	P -	P 886,643,838
Reinsurance balances receivables	-	-	5,175,072,044	5,175,072,044
Loans and receivables	-	-	322,338,295	322,338,295
	P 886,643,838	**P -**	**P5,497,410,339**	**P6,384,054,177**
Financial liabilities:				
Reinsurance balances payable	P -	P -	P 6,974,870,479	P6,974,870,479
Accounts payable and other accrued expenses	-	-	80,720,312	80,720,312
	P -	**P -**	**P7,055,590,791**	**P7,055,590,791**

	2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 605,045,799	P -	P -	P 605,045,799
Reinsurance balances receivables	-	-	6,548,123,440	6,548,123,440
Loans and receivables	-	-	320,047,429	320,047,429
	P 605,045,799	P -	P 6,868,170,869	P7,473,216,668
Financial liabilities:				
Reinsurance balances payable	P -	P -	P 8,210,083,119	P8,210,083,119
Accounts payable and other accrued expenses	-	-	36,395,466	36,395,466
	P -	P -	P 8,246,478,585	P8,246,478,585

For financial assets, other than AFS investments, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

25.4 Fair Value Measurement for Non-financial Assets

The Company used market comparable approach as a valuation technique in measuring the fair values of its investment properties to arrive at fair values that are more representative of the investment properties' highest and best use. As of December 31, 2014 and 2013, the fair value of the investment properties is P5,880,000, classified as under Level 3 of the fair value hierarchy. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are (a) to ensure the Company's ability to continue as a going concern; and, (b) to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Company's operational strategy to its corporate goals. The capital requirements and limitations are as follows:

26.1 Minimum Capitalization

Under section 289 of the New Insurance Code, any partnership, association, or corporation authorized to transact solely reinsurance business must have a capitalization of at least P3,000,000,000 paid in cash of which at least 50% is paid-up capital and the remaining portion thereof is contributed surplus, which in no case shall be less than P400,000,000 or such capitalization as may be determined by the Secretary of Finance, upon the recommendation of the Commissioner.

The Insurance Commission issued Circular Letter No. 2015-02-A dated January 13, 2015, to clarify the minimum capitalization requirements under sections 194, 197, 200 and 289 of Republic Act 10607 (The Amended Insurance Code). Under the said circular letter, all existing reinsurance companies authorized to transact solely reinsurance business must have a networth of at least P2,000,000,000 by December 31, 2013. The minimum networth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	Compliance Date
P 2,250,000,000	December 31, 2016
2,500,000,000	December 31, 2019
3,000,000,000	December 31, 2022

As of December 31, 2014, the Company has complied with the minimum capital requirements.

26.2 Risk-Based Capital Requirements

As per Insurance Memorandum Circular No. 7-2006, every non-life insurance company is annually required to maintain a minimum Risk-Based Capital (RBC) ratio of 100%. RBC ratio is computed by dividing the Company's net worth by an RBC requirement prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC.

26.3 Limitation on Dividend Declaration

The Company's BOD is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. However, a stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the BOD may determine and in accordance with law.

Section 201 of the New Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock unless it has met the minimum paid-up capital and net worth requirements under Section 194 and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the solvency requirements defined by Section 200;
- the legal reserve fund required by Section 219; and,
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

The Company is required to report such dividend declaration or distribution to the IC within 30 days from the date of such declaration.

Moreover, the SEC, through its Memorandum Circular 11 dated December 5, 2008 has set guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution. This shall be based on the net profit for the year based on the audited financial statements, adjusted for unrealized items which are considered not available for dividend declaration. These unrealized items consist of the following:

- share/equity in net income of the associate or joint venture;
- unrealized foreign currency gains, except those attributable to cash and cash equivalents;
- unrealized actuarial gains arising from the exercise of the option of recognizing actuarial gains or losses directly to the statement of comprehensive income;
- fair value adjustment arising only from marked-to-market valuation which are not yet realized;
- the amount of deferred tax asset that reduced the amount of income tax expense;
- adjustment due to deviation from PFRS/Generally Accepted Accounting Principles which results to gain; and,
- other unrealized gains or adjustments to the retained earnings.

27. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following basic ratios measure the financial performance of the Company:

	2014	2013
Current ratio	**1.75**	1.66
Asset-to-equity	**2.36**	2.57
Liability-to-equity	**1.36**	1.57

28. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented below is the supplementary information which is required by the BIR under its existing revenue regulations (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

28.1 Requirements under RR 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Output VAT

In 2014, the Company declared output VAT amounting to P23,103,695, which is set off against input VAT (see Note 28.1b), based on the following gross receipts:

	Tax Base	**Output VAT**
Commission earned on retrocession	P 192,530,793	P 23,103,695
Exempt receipts	1,892,937,702	-
	P 2,085,468,495	**P 23,103,695**

Pursuant to RR 04-07 effective April 6, 2007, "Non-life insurance premiums are subject to VAT whereas non-life reinsurance premiums are not subject to VAT, the latter being already subject to VAT upon receipt of the insurance premiums."

The tax bases of commission earned on retrocession are included as net of Underwriting Deductions account in the 2014 statement of income. The tax bases for commission are based on the Company's gross receipts for the year, hence, may not be the same with the amounts accrued in the 2014 statement of income.

As of December 31, 2014, the Company also has Deferred output VAT amounting to P33,087,669 pertaining to uncollected commission income from retrocessionaires (see Note 12).

(b) Input VAT

The movements in input VAT in 2014 are summarized below.

Balance at beginning of year	P 68,517,247
Services lodged under other accounts	44,939,608
Goods other than for resale or manufacture	169,759
Capital goods subject to amortization	1,053,021
Applied against output VAT	(23,103,695)
Input VAT on exempt sales	(4,781,374)
Balance at end of year	**P 86,794,566**

The balance of Input VAT as of December 31, 2014 is recorded under Other Assets account in the 2014 statement of financial position (see Note 11).

As of December 31, 2014, the Company also has Deferred Input VAT amounting to P74,470,070 pertaining to VAT on unpaid commission to ceding companies, and Deferred Withholding VAT amounting to P9,202,886 representing VAT on unapplied input VAT on unpaid premiums on ceded out transactions to the Company from a certain government entity (see Note 11).

(c) Taxes on Importation

The Company does not have any customs duties or tariff fees in 2014 since it does not have any importation.

(d) Excise Tax

The Company does not have excise tax in 2014 since it does not have any transactions which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

Reinsurance contracts are not subject to DST. The Company is liable to DST when it issues original shares of stocks or transfer certificate of stock. The Company did not issue original shares of stocks nor transfer certificate of stocks for the year ended December 31, 2014.

(f) Taxes and Licenses

The details of Taxes and licenses account for the year ended December 31, 2014 presented under General and Administrative section is broken down as follows (see Note 15):

Deficiency taxes	P	23,000,847
Municipal license and permits		2,984,309
Fringe benefit tax		1,023,498
Real estate taxes		657,520
Registration		498,926
Miscellaneous		55,759
	P	**28,220,859**

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2014 are shown below.

Compensation and benefits	P	29,852,567
Expanded		3,670,841
Final		891,181
	P	**34,414,589**

(h) Deficiency Tax Assessments and Tax Cases

As of December 31, 2014, the Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.

28.2 Requirements Under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, and itemized deductions, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2014 statement of income.

(a) Taxable Revenues

The Company's taxable revenues from rendering of services amounted to P1,075,483,035 for the year ended December 31, 2014.

(b) Deductible Costs of Services

Deductible cost of services for the year ended December 31, 2014 comprises the following:

Claims and losses	P	738,132,914
Commission – net		365,604,406
Salaries and allowances		40,774,024
Interest expense		1,984,040
	P	**1,146,495,384**

(c) Taxable Non-operating and Other Income

The details of taxable non-operating and other income in 2014, which are subject to regular tax rate are shown below.

Gain on sale of assets	P	33,209,877
Interest income		14,409,497
Realized foreign currency gains		4,710,814
Miscellaneous		553,416
	P	**52,883,604**

(d) *Itemized Deductions*

The amounts of itemized deductions for the year ended December 31, 2014 are as follows:

Salaries and allowances	P	63,025,099
Depreciation and amortization		33,569,192
Professional fees		17,053,650
Amortization of past service cost		12,223,735
Separation benefit		11,452,215
Repairs and maintenance		9,186,356
Current service cost		8,222,834
Other investment expenses		5,300,920
Taxes and licenses		5,220,012
Directors' fees		5,160,780
Association dues		4,305,828
Transportation and travel		4,124,712
Representation and entertainment		3,020,231
Rental		2,736,279
Light and water		2,715,908
Other services		2,696,296
Meetings and conferences		2,135,861
Communication and postage		1,868,954
Advertising and promotions		1,346,984
Office supplies		918,386
Insurance		902,863
Miscellaneous		6,867,423
	P	**204,054,518**

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T + 63 2 988 2288
F + 63 2 886 5506
www.punongbayan-araullo.com

The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor Ayala Life FGU Center
6811 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of National Reinsurance Corporation of the Philippines for the year ended December 31, 2014, on which we have rendered our report dated March 19, 2015. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 4748317, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 19, 2015

Certified Public Accountants
P&A is a member firm within Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002
SEC Group A Accreditation No. 0002-FR-3

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Index to Supplementary Schedules
December 31, 2014

Statement of Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report on the SEC Supplementary Schedules
Filed Separately from the Basic Financial Statements

Supplementary Schedules to Financial Statements
(Form 17-A, item 7)

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
SCHEDULE A - Financial Assets
December 31, 2014

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
AVAILABLE FOR SALE				
STOCKS:				
Ayala Corporation	160,360	P 111,289,840.00	P 111,289,840.00	P 814,560.00
Aboitiz Equity Ventures	541,870	28,556,549.00	28,556,549.00	420,966.00
Alliance Global Group	1,504,200	33,919,710.00	33,919,710.00	414,124.00
Ayala Land Inc.	2,689,024	90,620,108.80	90,620,108.80	976,616.43
Aboitiz Power	1,114,300	47,803,470.00	47,803,470.00	1,065,222.00
Banco de Oro	124,800	13,703,040.00	13,703,040.00	137,880.00
Belle Corp.	1,884,000	9,212,760.00	9,212,760.00	17,680.00
Bloomberry Resorts Corp.	100,000	1,240,000.00	1,240,000.00	
Bank of Phil Islands	480,559	45,172,546.00	45,172,546.00	733,788.00
DMCI Holdins Inc.	782,800	12,289,960.00	12,289,960.00	476,707.20
PNOC-Energy Dev't.	870,000	7,134,000.00	7,134,000.00	252,540.00
EEI Corp	300,000	3,270,000.00	3,270,000.00	55,000.00
Emperador, Inc.	1,000,000	10,380,000.00	10,380,000.00	133,168.00
First Gen Corporation	581,800	14,835,900.00	14,835,900.00	203,630.00
First Phil. Holdings Corp.	30,000	2,697,000.00	2,697,000.00	60,000.00
Globe TeleCom	28,200	48,786,000.00	48,786,000.00	1,573,968.75
GT Capital Hldgs. Inc	3,385	3,493,320.00	3,493,320.00	
Integ. Micro-Electronics	1,333,400	9,027,118.00	9,027,118.00	
Int'l Container Terminal Service(ICT)	513,490	59,051,350.00	59,051,350.00	345,406.00
Jollibee Foods Corporation	176,420	37,930,300.00	37,930,300.00	218,554.70
JG Summit Holdings Inc.	865,600	57,129,600.00	57,129,600.00	203,232.00
Max's Group, Inc.	563,400	13,831,470.00	13,831,470.00	
Metropolitan Bank & Trust	524,533	43,536,239.00	43,536,239.00	379,363.00
Megaworld	5,901,800	27,620,424.00	27,620,424.00	131,215.39
Meralco	132,660	33,960,960.00	33,960,960.00	2,384,376.00
Metro Pac Inv. Corp.	8,702,700	40,032,420.00	40,032,420.00	732,778.20
Manila Water Corporation	889,400	25,792,600.00	25,792,600.00	710,262.20
Petron Corporation	1,716,700	18,197,020.00	18,197,020.00	65,835.00
RCBC	200,000	9,600,000.00	9,600,000.00	100,000.00
Robinsons Land	979,000	25,943,500.00	25,943,500.00	366,228.00
Robinsons Retail Hldgs	344,000	26,040,800.00	26,040,800.00	141,040.00
The Travelers Hotel & Groups Inc.	607,000	4,977,400.00	4,977,400.00	
Semirara Mining Corp.	155,690	22,107,980.00	22,107,980.00	358,248.00
SM Investment Corp	179,542	146,326,730.00	146,326,730.00	1,746,653.48
SM Prime Holdings, Inc.	3,152,900	53,725,416.00	53,725,416.00	884,169.00
Trans-Asia Oil and Energy Dev't. Corp.	2,452,000	5,467,960.00	5,467,960.00	
PLDT	34,665	100,736,490.00	100,736,490.00	9,350,495.00
Universal Robina Corp.	396,490	77,712,040.00	77,712,040.00	924,900.00
Ayala Corp. Pref "B"	100,000	50,100,000.00	50,100,000.00	2,625,000.00
First Gen - Pref	156,000	17,940,000.00	17,940,000.00	778,080.00
First Gen Corp. Pref. G	200,000	21,400,000.00	21,400,000.00	2,026,080.00
Globe Telecom Preferred Sh	100,000	50,200,000.00	50,200,000.00	
Petron Perpetual Preferred Shares	450,000	45,810,000.00	45,810,000.00	4,764,000.00
Petron Preferred Shares	50,000	5,090,000.00	5,090,000.00	
San Miguel Corp Series 2-A - Pref	134,000	10,130,400.00	10,130,400.00	1,143,398.44
San Miguel Corp Series 2-B - Pref	133,000	10,393,950.00	10,393,950.00	570,445.32
San Miguel Corp Series 2-C - Pref	133,000	10,374,000.00	10,374,000.00	598,500.00
San Miguel Purefoods - Pref	10,000	10,090,000.00	10,090,000.00	448,000.00

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
Asian Reinsurance Corp	980	P 4,444,846.52	P 4,444,846.52	P
Evercrest Golf Club-A	1	50,000.00	50,000.00	
Makati Sports Club "A"	1	300,000.00	300,000.00	
Calatagan Golf Club, Inc.	1	30,000.00	30,000.00	
Benguet Consolidated	18	61.92	61.92	
Heritage Park - Garden	4	880,000.00	880,000.00	
Philippine Nuclear	100	10,000.00	10,000.00	
Rancho Palos Verdes	2	1,000,000.00	1,000,000.00	
Orchard Golf Club - C	1	190,000.00	190,000.00	
Batangas Venture(BAC)	2,200,000	845,724.97	845,724.97	
Phil. Hotel C (Hot)	750	96,971.77	96,971.77	7,500.00
Phil. Nuclear (PN)	200	20,000.00	20,000.00	
Roxas	2,628	262,800.00	262,800.00	
Roxas C	110,490	4,921,612.27	4,921,612.27	
Roxas Pref. others C (RXC-1)	189,305	8,432,328.66	8,432,328.66	
Seneca Holdings Inc. (SHI)	746,453	746,453.00	746,453.00	
Shell Co. (SHEP)	660	1,905,974.40	1,905,974.40	
Sold				2,491,989.06
SUB-TOTAL FOR STOCKS		**P 1,578,817,144.31**	**P 1,578,817,144.31**	**P 41,831,599.17**
BONDS				
Fixed Rate Treasury Notes				
FXTN 5-72	P 200,000,000.00	P 196,742,325.20	P 196,742,325.20	P 5,417,092.52
FXTN 7-56	102,760,000.00	104,820,427.66	104,820,427.66	3,055,417.60
FXTN1053	202,220,000.00	227,819,780.42	227,819,780.42	12,006,283.49
RTB 10-3	150,000,000.00	163,948,987.29	163,948,987.29	8,625,000.00
FXTN 1055	20,000,000.00	21,824,225.81	21,824,225.81	1,084,978.73
FXTN1054	622,416,280.00	703,247,589.77	703,247,589.77	40,392,874.29
FXTN10-58	50,000,000.00	50,314,348.99	50,314,348.99	1,850,229.90
RTB 15-1	150,000,000.00	175,435,598.59	175,435,598.59	12,387,152.79
MATURED/SOLD				5,150,369.59
	1,497,396,280.00	**1,644,153,283.73**	**1,644,153,283.73**	**89,969,398.91**
ROP BONDS				
ROP 24	106,439,925.35	111,328,383.02	111,328,383.02	3,352,020.97
RCBC 2015	76,874,000.00	76,072,654.26	76,072,654.26	4,714,047.76
RCBC 2017	8,785,600.00	9,317,992.75	9,317,992.75	463,906.63
PCORPM	10,163,250.00	11,540,633.22	11,540,633.22	831,922.50
PCORPM	10,163,250.00	11,540,633.22	11,540,633.22	831,922.50
SMIC 2019	8,376,000.00	8,956,862.75	8,956,862.75	382,688.40
SMC US$	20,365,530.44	20,830,561.88	20,830,561.88	1,107,154.34
FGEN CSUFN	21,654,500.00	23,382,877.36	23,382,877.36	1,463,366.93
MATURED				1,154,214.80
TOTAL DOLLAR BONDS	**262,822,055.79**	**272,970,598.45**	**272,970,598.45**	**14,301,244.82**
(BPI Managed)				
FXTN-748cr	185,703,199.00	193,017,831.80	193,017,831.80	12,999,223.95
RT BONDMC	20,000,000.00	23,083,115.27	23,083,115.27	1,450,000.00
FXTN1054MC	85,632,706.00	96,753,565.16	96,753,565.16	3,998,562.95
FXTN2002C	55,000,000.00	86,307,107.06	86,307,107.06	6,109,877.96
FXTN2017	55,000,000.00	76,506,883.62	76,506,883.62	2,566,299.87
RTBOND	160,000,000.00	191,352,652.03	191,352,652.03	6,578,481.53
MATURED/SOLD				1,858,019.52
	561,335,905.00	**667,021,154.94**	**667,021,154.94**	**35,560,465.78**

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
(RCBC Managed)				
FXTN 10-42	40,000,000.00	43,423,574.06	43,423,574.06	1,560,361.18
FXTN 7-51	41,000,000.00	42,918,717.16	42,918,717.16	895,303.33
FXTN 7-56	41,000,000.00	41,822,085.79	41,822,085.79	915,132.87
FXTN1054	5,000,000.00	5,649,334.80	5,649,334.80	124,820.94
RTB 15-1	20,000,000.00	23,391,413.15	23,391,413.15	1,019,553.04
MATURED/SOLD				2,178,933.72
	147,000,000.00	**157,205,124.96**	**157,205,124.96**	**6,694,105.08**
Mandatory Reserves				
FXTN 1042	P 241,000,000.00	P 261,627,033.66	P 261,627,033.66	P 14,106,261.77
FXTN 7-51	9,000,000.00	9,421,181.82	9,421,181.82	396,582.71
MATURED				
	250,000,000.00	**271,048,215.48**	**271,048,215.48**	**14,502,844.48**
CORPORATE BONDS				
Meg Bond	50,000,000.00	50,000,000.00	50,000,000.00	4,230,000.00
EDC Bond	50,000,000.00	50,000,000.00	50,000,000.00	4,320,900.00
EDC-BOND	13,000,000.00	13,000,000.00	13,000,000.00	1,123,434.00
SMIC Series B	12,000,000.00	12,000,000.00	12,000,000.00	1,092,000.00
SMIC Series B	10,000,000.00	10,000,000.00	10,000,000.00	910,000.00
FLI Bond	50,000,000.00	50,000,000.00	50,000,000.00	3,098,100.00
San Miguel Brewery	71,550,000.00	71,550,000.00	71,550,000.00	4,328,775.00
San Miguel Brewery	5,000,000.00	5,000,000.00	5,000,000.00	302,500.00
Globe Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,875,000.00
GLOBE-BOND	23,000,000.00	23,000,000.00	23,000,000.00	1,322,500.00
ALI Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,812,500.00
FLI Bond	20,000,000.00	20,000,000.00	20,000,000.00	1,254,620.00
SMIC	50,000,000.00	50,000,000.00	50,000,000.00	3,000,000.00
JGS-BOND	25,000,000.00	25,000,000.00	25,000,000.00	1,100,836.88
JGS-BOND	25,000,000.00	25,000,000.00	25,000,000.00	1,100,836.88
EDC Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,079,150.00
EDC-BOND	10,000,000.00	10,000,000.00	10,000,000.00	415,830.00
SMB-BOND	70,000,000.00	70,000,000.00	70,000,000.00	4,620,000.00
SMIC	80,000,000.00	87,401,239.38	87,401,239.38	4,645,217.57
FLI	50,000,000.00	50,000,000.00	50,000,000.00	2,428,100.00
Rockwell 2021	50,000,000.00	50,000,000.00	50,000,000.00	2,546,600.00
Filinvest Dev't. Corp(FDC)	20,000,000.00	20,000,000.00	20,000,000.00	1,147,216.00
RCBC Tier2	50,000,000.00	50,000,000.00	50,000,000.00	1,366,145.83
MATURED				8,179,318.47
	884,550,000.00	**891,951,239.38**	**891,951,239.38**	**60,299,580.63**
LONG-TERM NEGOTIABLE INSTRUMENT				
RCBC LTNCD	30,000,000.00	30,000,000.00	30,000,000.00	1,950,000.00
RCBC LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,617,708.32
RCBC LTNCD	15,000,000.00	15,473,749.95	15,473,749.95	666,313.53
EWB LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,500,000.00
MATURED				
	145,000,000.00	**145,473,749.95**	**145,473,749.95**	**7,734,021.85**
SUB-TOTAL FOR INVESTMENT IN BONDS	**P 3,748,104,240.79**	**P 4,049,823,366.89**	**P 4,049,823,366.89**	**P 229,061,661.55**
PREMIUM FIXED INCOME FUND	**4,690,671.00**	**479,097,200.71**	**479,097,200.71**	**-**
TOTAL AVAILABLE FOR SALE		**P 6,107,737,711.90**	**P 6,107,737,711.90**	**P 270,893,260.72**

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
LOANS AND RECEIVABLE				
TERM LOANS				
SMPH	P 98,000,000.00	P 98,000,000.00	P 98,000,000.00	P 5,730,267.53
SMART 2017	98,000,000.00	98,000,000.00	98,000,000.00	5,235,096.39
SMPH	49,000,000.00	49,000,000.00	49,000,000.00	2,185,829.17
MATURED/SOLD	-	-	-	
SUB-TOTAL TERM LOAN	**P 245,000,000.00**	**P 245,000,000.00**	**P 245,000,000.00**	**P 13,151,193.09**
ACCRUED INTEREST RECEIVABLE		P 55,214,151.54	P 55,214,151.54	
ACCOUNTS RECEIVABLE		18,121,292.16	18,121,292.16	
MORTGAGE LOANS		-	-	32,000.00
LOAN RECEIVABLES		4,002,851.01	4,002,851.01	
TOTAL LOANS AND RECEIVABLE		**P 322,338,294.71**	**P 322,338,294.71**	**P 13,183,193.09**
GRAND TOTAL FOR FINANCIAL ASSETS		**P 6,430,076,006.61**	**P 6,430,076,006.61**	**P 284,076,453.81**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2014

					Deductions		Ending Balance		
	Name of employee	Designation	Bal. at beg. of period	Additions	Amounts collected	Amounts Written off	Current	Non-Current	Balance at end of period
A. Emergency Loans									
1	Aguilar, Normando Antonio S.	Asst. Vice President	P 41,196.62	P 80,000.00	P 121,196.62	P -	P -	P -	P -
2	Albina, Ruby	Rank & File	12,779.09	10,000.00	22,779.09	-	-	-	-
3	Aman, Ma. Socorro J.	Rank & File	14,411.86	20,000.00	34,411.86	-	-	-	-
4	Arcangel, Tristan Russell T.	Rank & File	15,222.16	20,000.00	24,092.21	-	11,129.95	-	11,129.95
5	Bariring, Juluis	Rank & File	10,299.19	20,000.00	22,517.28	-	7,781.91	-	7,781.91
6	Barit, Roanna Katrina C.	Rank & File	6,082.67		6,082.67	-	-	-	-
7	Bautista, Jonathan B.	Rank & File	-	20,000.00	12,218.09	-	7,781.91	-	7,781.91
8	Castillo, Jocelyn	Rank & File	8,625.19	20,000.00	14,213.34	-	14,411.85	-	14,411.85
9	Collantes, Jereco L.	Rank & File	11,956.58	20,000.00	20,000.00	-	11,956.58	-	11,956.58
10	Cruz, Bethzayda	Rank & File	6,082.67	20,000.00	25,200.62	-	882.05	-	882.05
11	De Guzman, Mary Ann	Rank & File	11,129.95		11,129.95	-	-	-	-
12	De Leon II, Roberto S.	First Vice President	63,049.48		63,049.48	-	-	-	-
13	Fandialan, Jocelyn SP	Manager	36,029.63	25,000.00	61,029.63	-	-	-	-
14	Guerra, Ronnierick	Asst. Vice President	19,454.68	50,000.00	69,454.68	-	-	-	-
15	Ignaciao, Jose Alladin	Rank & File	19,152.46	20,000.00	21,698.63	-	17,453.83	-	17,453.83
16	Lacson. Jeffrey	Asst. Vice President	76,854.35		76,854.35	-	-	-	-
17	Lampa, Kathy	Rank & File	8,625.19	20,000.00	14,213.33	-	14,411.86	-	14,411.86
18	Magalona, Natalie S.	Asst. Manager	39,871.70	50,000.00	55,877.95	-	33,993.75	-	33,993.75
19	Magalona, Wilmar	Asst. Manager	17,335.92	50,000.00	58,581.50	-	8,754.42	-	8,754.42
20	Magtalas, Ivy I.	Manager	32,727.61	50,000.00	61,164.71	-	21,562.90	-	21,562.90
21	Malabanan, Daryl Casey	Rank & File	15,694.22	10,000.00	16,879.73	-	8,814.49	-	8,814.49
22	Malana, Jackilyn	Rank & File	-	10,000.00	6,532.80	-	3,467.20	-	3,467.20
23	Mirano, Seth Louis	Rank & File	-	20,000.00	3,169.31	-	16,830.69	-	16,830.69
24	Navarrete, Ma Doris	Rank & File	8,625.19	20,000.00	28,625.19	-	-	-	-
25	Pascual, Teofista	Asst. Manager	-	30,000.00	15,803.63	-	14,196.37	-	14,196.37
26	Paz, Anjo Raval	Rank & File	-	20,000.00	11,374.81	-	8,625.19	-	8,625.19
27	Ramos, Rizza Glein	Rank & File	-	20,000.00	3,169.31	-	16,830.69	-	16,830.69
28	Avila, Lylibeth	Rank & File	8,625.18	20,000.00	20,000.00	-	8,625.18	-	8,625.18
29	Sabiano, Henry	Rank & File	5,564.99		5,564.99	-	-	-	-
30	Salesa, Mario	Rank & File	16,830.68		16,830.68	-	-	-	-
31	Salesa, Marjorie	Rank & File	10,299.18	20,000.00	14,270.76	-	16,028.42	-	16,028.42
32	Sanoy, Vicente	Asst. Vice President	17,465.35	80,000.00	79,999.90	-	17,465.45	-	17,465.45
33	Toledo, Warlito	Rank & File	8,625.14	20,000.00	28,625.14	-	-	-	-
34	Velasquez, Florlene	Rank & File	15,948.69		15,948.69	-	-	-	-
35	Velasquez, Rolly M.	Asst. Manager	40,071.19	-	40,071.19	-	-	-	-
36	Yamat, Jennifer	Rank & File	4,109.00	20,000.00	22,349.34	-	1,759.66	-	1,759.66
			602,745.81	785,000.00	1,124,981.46	-	262,764.35	-	262,764.35
B. Emergency/Calamity Loan									
1	Albina, Ruby	Rank & File	394.70		394.70		-		-
2	Bariring, Juluis	Rank & File	394.70		394.70		-		-
3	Bantad, Benedict C.	Rank & File	1,342.05		1,342.05		-		-
4	Fandialan, Jocelyn SP	Manager	1,184.10		1,184.10		-		-
5	Ignacio, Jose Aladin	Rank & File	3,947.39		3,947.39		-		-
6	Joson, Wilflor	Rank & File	4,736.75		4,736.75		-		-
7	Reyes, Lylibeth	Rank & File	7,894.72		6,842.16		1,052.56		1,052.56
			19,894.41	-	18,841.85	-	1,052.56	-	1,052.56
C. Car Facility Loan									
1	Aguilar, Normando Antonio S.	Asst. Vice President	383,498.78		383,498.78			-	-
2	Basco, Amerfil V.	Vice President	234,581.64		234,581.64			-	-
3	Benito, Noli Mario	Vice President	-	440,000.00	21,126.28			418,873.72	418,873.72
4	De Guzman, Rene	Vice President	21,616.74		21,616.74			-	-
5	De Leon II, Roberto S.	First Vice President	227,223.69		227,223.69			-	-
6	Engracia, Rosario V.	Asst. Vice President	528,851.62		107,550.46			421,301.16	421,301.16
7	Fandialan, Jocelyn	Manager	399,832.62		399,832.62			-	-
8	Fidelino, Karen	Asst. Vice President	-	600,000.00	32,980.51			567,019.49	567,019.49
9	Fong, Allan	Sr. Manager	351,862.39		91,961.72			259,900.67	259,900.67
10	Geronimo, Editha B.	Asst. Vice President	354,479.84		122,048.23			232,431.61	232,431.61
11	Guerra, Ronnierick	Asst. Vice President	423,081.30		423,081.30			-	-
12	Kabigting, Francisco B.	Asst. Vice President	120,840.29		120,840.29			-	-
13	Lacson, Jeffrey	Asst. Vice President	183,648.99		90,189.41			93,459.58	93,459.58
14	Lucos, Honarata S.	Asst. Vice President	354,479.84		122,048.23			232,431.61	232,431.61

	Name of employee	Designation	Bal. at beg. of period	Additions	Deductions: Amounts collected	Deductions: Amounts Written off	Ending Balance: Current	Ending Balance: Non-Current	Balance at end of period
15	Martinez, Ariel D.	Asst. Vice President	524,539.75		107,908.96			416,630.79	416,630.79
16	Papa, Regina	Sr. Asst. Vice President	240,099.77		101,405.50			138,694.28	138,694.28
17	Ramos, Regina S.	Vice President	234,581.64		91,611.41			142,970.23	142,970.23
18	Reyes, Angelita U.	Manager	258,344.30		258,344.30			-	-
19	Salonga, Daisy Cua	Asst. Vice President	369,062.22		120,835.83			248,226.39	248,226.39
20	Sanoy, Jr., Vicente R.	Asst. Vice President	359,357.05		121,642.75			237,714.30	237,714.30
21	Tanjuakio, Viktor	Vice President	-	440,000.00	21,127.16			418,872.84	418,872.84
22	Villarama, Jr., Vicente B.	Vice President	263,529.05		89,204.70			174,324.35	174,324.35
			5,833,511.52	1,480,000.00	3,310,660.50	-	-	4,002,851.01	4,002,851.01
D. Receivables on Insurance coverage of Co. Car (Officers share)									
1	Aguilar, Normando Antonio S.	Asst. Vice President	P -	P 16,978.61	P 16,978.61	P -	P -	P -	P -
2	Basco, Amerfil V.	Vice President	3,138.80	13,392.78	16,531.58		-		-
3	Benito, Noli Mario	Vice President	-	15,421.67	3,855.42		11,566.25		11,566.25
4	De Guzman, Rene	Vice President	5,132.03	-	5,132.03		-		-
5	De Leon II, Roberto S.	First Vice President	4,657.49	13,211.02	17,868.51		-		-
6	Engracia Rosario	Asst. Vice President	5,932.51	18,065.53	18,728.92		5,269.12		5,269.12
7	Fandialan Jocelyn	Manager	8,016.26	10,614.68	18,630.94		-		-
8	Fidelino, Karen	Asst. Vice President	-	17,051.25	3,552.35		13,498.90		13,498.90
9	Fong, Allan	Sr. Manager	8,730.15	17,387.41	17,423.91		8,693.65		8,693.65
10	Geronimo, Editha B.	Asst. Vice President	10,859.59	13,304.84	14,740.18		9,424.25		9,424.25
11	Guerra, Ronnierick	Asst. Vice President	3,784.41	15,064.04	18,848.45		-		-
12	Kabigting, Francisco	Asst. Vice President	3,850.52	-	3,850.52		-		-
13	Lacson, Jeffrey	Asst. Vice President	4,702.38	10,501.60	10,828.36		4,375.62		4,375.62
14	Lucos, Honarata S.	Asst. Vice President	10,859.59	13,304.84	14,740.18		9,424.25		9,424.25
15	Martinez, Ariel	Asst. Vice President	3,354.56	11,634.83	11,595.82		3,393.57		3,393.57
16	Papa, Regina	Sr. Asst. Vice President	3,412.74	12,506.24	12,792.36		3,126.62		3,126.62
17	Ramos, Regina S.	Vice President	5,792.80	12,082.37	11,833.96		6,041.21		6,041.21
18	Reyes, Angelita U.	Manager	11,764.46	15,904.64	27,669.10		-		-
19	Salonga, Daisy Cua	Asst. Vice President	13,855.78	5,519.06	19,374.84		-		-
20	Sanoy, Vicente	Asst. Vice President	3,019.44	15,009.98	15,147.97		2,881.45		2,881.45
21	Tanjuakio, Viktor	Vice President		13,228.99	2,204.84		11,024.15		11,024.15
22	Villarama, Jr., Vicente B.	Vice President	3,806.06	18,898.58	19,168.64		3,536.00		3,536.00
			114,669.57	279,082.96	301,497.49	-	92,255.04	-	92,255.04
E. Housing Loan									
1	De Leon II, Roberto S.	First Vice President	877,196.20	-	877,196.20			-	-
2	Kabigting, Francisco B.	Asst. Vice President	55,574.34	-	55,574.34			-	-
			932,770.54	-	932,770.54	-	-	-	-
	GRAND TOTAL		**P 7,503,591.85**	**P 2,544,082.96**	**P 5,688,751.84**	**P -**	**P 356,071.95**	**P 4,002,851.01**	**P 4,358,922.96**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2014

Name of employee	Designation	Bal. at beg. of period	Additions	Deductions: Amounts collected	Deductions: Amounts Written off	Ending Balance: Current	Ending Balance: Non-Current	Balance at end of period

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule D - Intangible Assets
December 31, 2014

Description (i)	Beginning Balance	Additions at cost (ii)	Deduction: Charged to cost & exp.	Deduction: Charged to ther accts.	Deduction: Other charges add'l. (deductions) (iii)	Ending Balance
A. Intangible Assets						
SAP Software Licences	P 24,536,505.54	P -	P 17,319,886.00	P -	P -	P 7,216,619.54
ARIMA Insurance Software	14,140,264.71	168,492.00	4,242,407.00			10,066,349.71
RMS LIFE MODULE CUSTOMISATION	1,461,814.10	-	-			1,461,814.10
RMS GL INTERFACE	470,151.00	-	-			470,151.00
RMS CAT Accumulation Report	215,895.00	-	-			215,895.00
RMS TRANSACTION REPORT	183,510.75	-	-			183,510.75
RMS Dashboard Software	-	818,648.00	-			818,648.00
Custom System Dev't-RADSL	-	150,000.00				150,000.00
Sub-Total	**P 41,008,141.10**	**P 1,137,140.00**	**P 21,562,293.00**	**P -**	**P -**	**P 20,582,988.10**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule E - Long-term Debt
December 31, 2014

Title of Issue and type of obligation (i)	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2014

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2014

Name of issuing entity of securities guaranteed by the company for which this statement is file	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is file	Nature of guarantee (ii)

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule H- Capital Stock
December 31, 2014

	Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by: Related parties	Directors, officers and employees	Others
1	PCD NOMINEE CORP. (F)	Common	1,644,569,400	NIL	820,182,500	60,000	824,326,900
2	BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500	NIL	290,795,500		-
3	FGU INSURANCE CORPORATION	Common	36,126,000	NIL	36,126,000		-
4	PHILIPPINE CHARTER INSURANCE CORP.	Common	15,305,900	NIL			15,305,900
5	PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200	NIL			11,075,200
6	PHILIPPINE AMERICAN LIFE INSURANCE CO.	Common	8,628,600	NIL			8,628,600
7	PA, ANA GO &/OR GO KIM	Common	7,500,000	NIL			7,500,000
8	EMPIRE INSURANCE COMPANY	Common	7,498,900	NIL			7,498,900
9	PCD NOMINEE CORP. (NF)	Common	7,296,100	NIL			7,296,100
10	PHIL. INT'L LIFE INSURANCE CO., INC.	Common	4,450,200	NIL			4,450,200
11	NEW INDIA ASSURANCE CO., LTD.	Common	4,168,300	NIL			4,168,300
12	SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700	NIL			4,152,700
13	FEDERAL PHOENIX ASSURANCE COMPANY INC.	Common	3,786,300	NIL			3,786,300
14	ORIENTAL ASSURANCE CORPORATION	Common	3,560,800	NIL			3,560,800
15	VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500	NIL			3,545,500
16	BPI/MS INSURANCE CORP.	Common	3,347,500	NIL	3,347,500		-
17	BENEFICIAL LIFE INSURANCE COMPANY INC.	Common	3,193,500	NIL			3,193,500
18	MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400	NIL			3,168,400
19	ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000	NIL			3,000,000
20	MERCANTILE INSURANCE CO., INC.	Common	2,997,700	NIL			2,997,700
21	STRONGHOLD INSURANCE CO., INC.	Common	2,817,600	NIL			2,817,600
22	UNITED LIFE ASSURANCE CORP.	Common	2,518,100	NIL			2,518,100
23	PREMIER INSURANCE & SURETY CORPORATION	Common	2,456,100	NIL			2,456,100
24	STERLING INSURANCE CO., INC.	Common	2,453,900	NIL			2,453,900
25	ANSALDO GODINEZ & CO. INC. FAO : MARK V. PANGILINAN	Common	2,451,000	NIL			2,451,000
26	PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300	NIL			2,435,300
27	COUNTRY BANKERS INS. CORP.	Common	2,220,300	NIL			2,220,300
28	UNION INSURANCE SOCIETY OF CANTON LTD.	Common	2,197,300	NIL			2,197,300
29	UNITED INSURANCE CO., INC	Common	2,006,600	NIL			2,006,600
30	CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPHINE S. DEL	Common	1,896,000	NIL			1,896,000
31	EASTERN ASSURANCE & SURETY CORPORATION	Common	1,872,400	NIL			1,872,400
32	UTILITY ASSURANCE CORP.	Common	1,837,900	NIL			1,837,900
33	PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900	NIL			1,771,900
34	MONARCH INSURANCE CO., INC.	Common	1,674,000	NIL			1,674,000
35	ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900	NIL			1,578,900
36	PACIFIC UNION INSURANCE CO.	Common	1,351,600	NIL			1,351,600
37	TABACALERA INSURANCE CO. INC.	Common	1,278,700	NIL			1,278,700
38	ASIA UNITED INSURANCE, INC	Common	1,252,300	NIL			1,252,300
39	MANILA INSURANCE COMPANY INC.	Common	1,148,400	NIL			1,148,400
40	ANTONIO ROXAS CHUA	Common	1,089,500	NIL			1,089,500
41	PARAMOUNT LIFE & GENERAL INS. CORP.	Common	940,900	NIL			940,900
42	FIDELITY INSURANCE COMPANY INC.	Common	818,800	NIL			818,800
43	ZENITH INSURANCE CORPORATION	Common	805,800	NIL			805,800
44	ENRIQUE M. REYES	Common	752,600	NIL			752,600
45	PHILIPPINE GENERAL INSURANCE CORP.	Common	750,000	NIL			750,000
46	INSURANCE CO. OF NORTH AMERICA	Common	705,600	NIL			705,600
47	TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100	NIL			696,100
48	PHILIPPINE BRITISH ASSURANCE CO., INC.	Common	590,400	NIL			590,400
49	GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700	NIL			544,700
50	REPUBLIC SURETY & INSURANCE COMPANY INC.	Common	542,300	NIL			542,300
51	EMPIRE INSURANCE COMPANY	Common	500,000	NIL			500,000
52	CHENG, BERCK Y.	Common	500,000	NIL			500,000
53	GARCIA, WINSTON F.	Common	442,300	NIL			442,300
54	PHILIPPINE REMNANTS CO., INC.	Common	399,300	NIL			399,300
55	BF LIFE INSURANCE CORP.	Common	397,300	NIL			397,300
56	SUNGA, PROSPERO S. SUNGA &/OR CLARITA J.	Common	375,000	NIL			375,000
57	WU, JOLI CO	Common	344,100	NIL			344,100
58	GENERAL INSURANCE & SURETY CORPORATION	Common	313,300	NIL			313,300
59	SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700	NIL			305,700
60	STERLING INSURANCE COMPANY, INC.	Common	300,000	NIL			300,000
61	SUNGA, PETER EDWIN J. SUNGA &/OR ROSANNA MARIE S.	Common	300,000	NIL			300,000
62	JAYMERLI C. BAUTISTA	Common	298,100	NIL			298,100
63	JENNIFER C. MARTIN	Common	294,000	NIL			294,000
64	JACQUELINE M. HALILI CO	Common	293,800	NIL			293,800
65	FIRST INTEGRATED BONDING & INS. CO INC.	Common	275,300	NIL			275,300
66	MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800	NIL			271,800
67	CENTENNIAL GUARANTEE ASSURANCE CORP.	Common	265,200	NIL			265,200
68	HYDEE MANAGEMENT & RESOURCE CORPORATION	Common	264,000	NIL			264,000
69	ANSALDO, GODINEZ &CO INC.FAO: MARK V. PANGILINAN	Common	254,000	NIL			254,000
70	LEE, LEA B.	Common	250,000	NIL			250,000
71	VISAYAN SURETY & INSURANCE CORPORATION	Common	200,000	NIL			200,000
72	GO, IRENE CHAN	Common	185,000	NIL			185,000
73	ADELITA VERGEL DE DIOS	Common	171,500	NIL			171,500
74	PLARIDEL SURETY & INSURANCE COMPANY INC.	Common	162,500	NIL			162,500
75	CONSOLIDATED INSURANCE CO., INC.	Common	144,600	NIL			144,600
76	PHIL. PHOENIX SURETY & INS. INC.	Common	134,900	NIL			134,900
77	AYUSTE JR., RAFAEL G.	Common	100,000	NIL		100,000	-
78	TAN, LOZANO A.	Common	100,000	NIL			100,000
79	UY, FRANCISCO A.	Common	100,000	NIL			100,000
80	INVESTOR'S ASSURANCE CORP.	Common	99,000	NIL			99,000
81	TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300	NIL			92,300
82	LIM, IAN VINCENT &/OR FLORA &/OR ERNESTO	Common	86,000	NIL			86,000
83	KAWSEK, PAUL L.	Common	80,000	NIL			80,000
84	MANUEL A. TORRES JR.	Common	79,100	NIL			79,100
85	ARAVAL, INC	Common	77,100	NIL			77,100
86	FRANCISCO JOSE ELIZALDE YTURRALDE	Common	75,700	NIL			75,700
87	COOPERATIVE INSURANCE SYSTEM OF THE PHILS.	Common	72,900	NIL			72,900
88	LO, JOSEPHINE NG	Common	71,000	NIL			71,000
89	SM SAVINGS & LOAN ASSOCIATION	Common	70,000	NIL			70,000
90	LIM, ROQUE A.	Common	66,000	NIL			66,000
91	INSURANCE OF THE PHIL. ISLANDS CO., INC.	Common	59,100	NIL			59,100
92	BANZON JR., JOSE G.	Common	54,000	NIL			54,000
93	NELIA M. MALUBAY	Common	54,000	NIL			54,000
94	YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000	NIL			50,000
95	ALMEDA, VALERIANO &/OR TITA JANE	Common	40,000	NIL			40,000
96	GILI JR., GUILLERMO F.	Common	38,000	NIL			38,000
97	B.F. GENERAL INSURANCE CO., INC.	Common	36,900	NIL			36,900
98	MABASA & COMPANY, INC.	Common	36,500	NIL			36,500
99	ALEGAR CORPORATION	Common	32,600	NIL			32,600
100	LUZON INSURANCE & SURETY CO., INC.	Common	32,300	NIL			32,300
101	COUNTRY BANKERS LIFE INSURANCE CORP.	Common	30,000	NIL			30,000
102	YAO, WILSON A.	Common	30,000	NIL			30,000
103	TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000	NIL			29,000
104	DAVID C. MERCADO	Common	27,300	NIL			27,300
105	DIZON, VLADEMIR S.	Common	26,000	NIL			26,000
106	FLORES, WALDO Q.	Common	25,000	NIL			25,000
107	ANTONIO S. ROXAS-CHUA JR.	Common	24,900	NIL			24,900
108	MALAYAN INSURANCE CO., INC.	Common	21,600	NIL	21,600		-
109	MENDIOLA, JORGE T.	Common	20,000	NIL			20,000
110	OLIVA, DULCE MARIA S.	Common	20,000	NIL			20,000
111	NORMANDO ANTONIO S. AGUILAR	Common	16,900	NIL		16,900	-
112	PEDRO P. BENEDICTO JR.	Common	15,800	NIL			15,800
113	CASTRO, WILLIAM Y.	Common	15,000	NIL			15,000
114	EDITHA B. GERONIMO	Common	15,000	NIL		15,000	-
115	HONORATA S. LUCOS	Common	15,000	NIL		15,000	-
116	ISABELITA M. CABANGUNAY	Common	14,500	NIL			14,500
117	RITA LEGARDA., INC.	Common	13,700	NIL			13,700
118	RAFAEL C. GALLAGA	Common	13,500	NIL		13,500	-
119	BETTY RC YAO	Common	13,400	NIL			13,400
120	LUCITA R.C. LIMPE	Common	13,400	NIL			13,400
121	LUZ NER CRUZ	Common	13,400	NIL			13,400
122	PACITA RODRIGUEZ	Common	13,400	NIL			13,400
123	PETER T. ROXAS-CHUA	Common	13,400	NIL			13,400
124	SEVERINO T. ROXAS-CHUA	Common	13,400	NIL			13,400
125	REYES, CARLOS, R.	Common	12,000	NIL			12,000
126	BASCO, AMERFIL V.	Common	11,800	NIL		11,800	-
127	ANDRES E. SIOCHI	Common	11,700	NIL			11,700
128	MAURO PRIETO	Common	11,600	NIL			11,600
129	CHUA, CARLOS T.	Common	10,000	NIL			10,000
130	YU, PAN	Common	10,000	NIL			10,000
131	RIVARA, INC.	Common	8,700	NIL			8,700
132	BANCOM DEVELOPMENT CORP.	Common	8,300	NIL			8,300
133	TIMES SURETY & INSURANCE CO., INC.	Common	7,500	NIL			7,500
134	CONRADO BENITEZ	Common	7,400	NIL			7,400
135	DANILO J. CABERO	Common	7,200	NIL			7,200
136	ROSARIO M. LLORA	Common	7,100	NIL			7,100
137	ALICIA S. CRUZ	Common	6,400	NIL			6,400
138	PAZ VDA. DE RODAS	Common	6,200	NIL			6,200
139	REGINA CAPITAL DEV. CORP. 018400	Common	6,000	NIL			6,000
140	DINOY, MARILOU A.	Common	6,000	NIL			6,000
141	GALVEZ, ANTONIO R.	Common	6,000	NIL			6,000
142	LAO, EDMUND Y.	Common	6,000	NIL			6,000
143	LIM, WILLIAM S.	Common	6,000	NIL			6,000
144	TIU, ALFONSO SY	Common	6,000	NIL			6,000
145	UY, ALVIN CHRIS SY	Common	6,000	NIL			6,000
146	VILLANUEVA, NICERATA C.	Common	6,000	NIL			6,000
147	UNION BANK OF THE PHILIS.	Common	5,000	NIL			5,000
148	CHAVEZ, RAMON NONATO D.	Common	5,000	NIL			5,000
149	CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I.	Common	5,000	NIL			5,000
150	NATIVIDAD CANTAJAL	Common	4,800	NIL			4,800
151	ANTONIO P. MADRIGAL	Common	4,200	NIL			4,200
152	LUCINA OCAMPO LEGASPI	Common	3,800	NIL			3,800
153	AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300	NIL			3,300
154	REGINA CAPITAL DEV. CORP.018414	Common	3,000	NIL			3,000
155	CRUZ, MARY ANN PINEDA DELA	Common	3,000	NIL			3,000
156	LIM, PEDRO C.	Common	3,000	NIL			3,000
157	ANGELITA U. REYES	Common	2,800	NIL		2,800	-
158	EUGENIA G. SILVA	Common	2,800	NIL			2,800
159	LILY VICTORIA G. GALO	Common	2,800	NIL			2,800

	Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by Related parties	Directors, officers and employees	Others
160	VICENTE B. VILLARAMA JR.	Common	2,800	NIL		2,800	-
161	MACARIA P. MADRIGAL	Common	2,300	NIL			2,300
162	HANS MENZI	Common	2,100	NIL			2,100
163	MAMERTA ANDAYA	Common	2,100	NIL			2,100
164	GABAT, MA. ANGELA C.	Common	2,000	NIL			2,000
165	GABAT, ROMAN O.	Common	2,000	NIL			2,000
166	GAPUZ, CO KIAN CHAY &/OR RITA	Common	2,000	NIL			2,000
167	PRIETO, MAURO R.	Common	1,934	NIL			1,934
168	MARILEX REALTY DEVELOPMENT CORPORATION	Common	1,933	NIL			1,933
169	LEON, BEATRIZ P. DE	Common	1,933	NIL			1,933
170	PRIETO JR., BENITO R.	Common	1,933	NIL			1,933
171	PRIETO, MERCEDES R.	Common	1,933	NIL			1,933
172	GERARDO A.S. MADRIGAL	Common	1,600	NIL			1,600
173	VICENTE A.S. MADRIGAL	Common	1,600	NIL			1,600
174	CONSUELO P. MADRIGAL	Common	1,200	NIL			1,200
175	FRANCISCO M. BAYOT	Common	1,100	NIL			1,100
176	LOURDES S. RODAS	Common	1,100	NIL			1,100
177	SUSANA B. ORTIGAS	Common	1,100	NIL			1,100
178	VICENTE M. BAYOT	Common	1,100	NIL			1,100
179	M.J. SORIANO TRADING, INC.	Common	1,000	NIL			1,000
180	PNB GENERAL INSURERS CO., INC.	Common	1,000	NIL			1,000
181	CHUA, VICKY B.	Common	1,000	NIL			1,000
182	CRISOL, ROBERTO B.	Common	1,000	NIL			1,000
183	GO, GEORGE L.	Common	1,000	NIL			1,000
184	GOZO, DANILO A.	Common	1,000	NIL			1,000
185	HIDALGO, AUGUSTO PEDROSA III	Common	1,000	NIL		1,000	-
186	MANANSALA, CONSUELO D.	Common	1,000	NIL			1,000
187	NAPA, ERMILANDO D.	Common	1,000	NIL		1,000	-
188	NERA, MEDEL T.	Common	1,000	NIL		1,000	-
189	REYES, ROMAN FELIPE S.	Common	1,000	NIL		1,000	-
190	TURNER, PHILIP &/OR ELNORA	Common	1,000	NIL			1,000
191	VERGARA, ROBERT G.	Common	1,000	NIL		1,000	-
192	YU, GREGORIO T.	Common	1,000	NIL		1,000	-
193	PRIETO, MARTIN L.	Common	967	NIL			967
194	TEODORO, MONICA P.	Common	967	NIL			967
195	MANUEL DYTOC	Common	900	NIL			900
196	ROSARIO RODAS	Common	900	NIL			900
197	CONCEPCION S. ARANETA	Common	700	NIL			700
198	SUSANA REALTY	Common	600	NIL			600
199	ESTATE OF VICENTE M. WARNS	Common	600	NIL			600
200	GONZALEZ, GIZELA M.	Common	600	NIL			600
201	MANUEL B. ENRIQUEZ	Common	500	NIL			500
202	MA. LUISA MADRIGAL VASQUEZ	Common	400	NIL			400
203	ROMEO ECHAUZ	Common	400	NIL			400
204	VICTORIANO G. BELIZARIO	Common	300	NIL			300
205	ARAGON, BIENVENIDO M.	Common	200	NIL			200
206	CARREDO, RAMON M.	Common	200	NIL			200
207	DAVID C. COYUKIAT	Common	200	NIL			200
208	MERCEDES U. GONZALES	Common	200	NIL			200
209	REYES, OSCAR C.	Common	200	NIL			200
210	WONGAIHAM, ANTHONY T.	Common	200	NIL			200
211	WORLDWIDE INSURANCE & SURETY COMPANY	Common	100	NIL			100
212	AFRICA, ISABELO P.	Common	100	NIL			100
213	ALVENDIA, JOSE P.	Common	100	NIL			100
214	BELTRAN, AURELIO M.	Common	100	NIL			100
215	BERNARDO, ROMEO L.	Common	100	NIL		100	-
216	BUENO, FRANCIS EDWIN I.	Common	100	NIL			100
217	CABANGON CHUA, ANTONIO L.	Common	100	NIL			100
218	CASTANEDA JR., CONSTANCIO T.	Common	100	NIL			100
219	CHENG, GEMA O.	Common	100	NIL			100
220	CORPUS, SERGIO	Common	100	NIL			100
221	COTOCO, DOMINGO	Common	100	NIL			100
222	COTOCO, NAZARIO	Common	100	NIL			100
223	CRUZ JR., ROMAN A.	Common	100	NIL			100
224	CUYEGKENG, ROSARIO W.	Common	100	NIL			100
225	DEE, HELEN Y.	Common	100	NIL		100	-
226	DESIDERIO JR., JOSE O.	Common	100	NIL			100
227	DESIDERIO, RODOLFO O.	Common	100	NIL			100
228	DOMINO, JUAN	Common	100	NIL			100
229	EDUARDO ECHAUZ	Common	100	NIL			100
230	FERNANDEZ, JAIME C.	Common	100	NIL			100
231	FERNANDEZ, VICENTE T.	Common	100	NIL			100
232	FRANCISCO CORPUS	Common	100	NIL			100
233	FRANCISCO, CLEOTILDE B.	Common	100	NIL			100
234	FRANCISCO, ROLANDO B.	Common	100	NIL			100
235	RAFAEL C. GALLAGA	Common	100	NIL		100	-
236	HARI, ABDON M.	Common	100	NIL			100
237	INDON, REYNALDO P.	Common	100	NIL			100
238	JACINTO JR., FERNANDO P.	Common	100	NIL			100
239	JOSE R. RODAS	Common	100	NIL			100
240	JUAN, FRISCO F. SAN	Common	100	NIL			100
241	JUNTEREAL JR., FILEMON A.	Common	100	NIL			100
242	KO PIO, RODERICK C.	Common	100	NIL			100
243	KO PIO, RUFFY C.	Common	100	NIL			100
244	KO PIO, RUFINO H.	Common	100	NIL			100
245	KOH, ANTONIO M.	Common	100	NIL			100
246	LA'O, LUIS C.	Common	100	NIL			100
247	LEE, JOSE C.	Common	100	NIL			100
248	LEON, JAIME S. DE	Common	100	NIL			100
249	LICAROS JR., GREGORIO B.	Common	100	NIL			100
250	LICAROS, ABELARDO B.	Common	100	NIL			100
251	LIM, JAMES ORTEGA	Common	100	NIL			100
252	LOCSIN, JULIAN J.	Common	100	NIL			100
253	MACROHON JR., IGNACIO	Common	100	NIL			100
254	MALLILLIN, MELECIO C.	Common	100	NIL			100
255	MALONG, ALEJANDRO V.	Common	100	NIL			100
256	MANUEL U. CO	Common	100	NIL			100
257	MARIANO JR., JORGE T.	Common	100	NIL			100
258	MERCADO JR., DANIEL M.	Common	100	NIL			100
259	MERCADO JR., DAVID P.	Common	100	NIL			100
260	MORALES, RHODORA B.	Common	100	NIL			100
261	ONGKINGCO, FLORENCIO N.	Common	100	NIL			100
262	PADIERNOS, GAY G.	Common	100	NIL			100
263	PUYAT, ALFONSO G.	Common	100	NIL			100
264	RAMAJO, HONORIO J.	Common	100	NIL			100
265	REMO JR., JOSE H.	Common	100	NIL			100
266	ROMAN, VICTOR B.	Common	100	NIL			100
267	SALCEDO JR., ALFONSO L.	Common	100	NIL			100
268	SALVADOR, BIENVENIDO C.	Common	100	NIL			100
269	SAUCO, NORBERTO V.	Common	100	NIL			100
270	SUDHAKAR, RANIPETA RANI	Common	100	NIL			100
271	TANCO, EUSEBIO H.	Common	100	NIL			100
272	TRINIDAD, ARMANDO C.	Common	100	NIL			100
273	UNSON JR., ALEJANDRO F.	Common	100	NIL			100
274	UNSON JR., EDMUNDO L.	Common	100	NIL			100
275	UNSON, MA. ANICIA F.	Common	100	NIL			100
276	UY JR., CARLOS F.	Common	100	NIL			100
277	VALENCIA, JESUS SAN LUIS	Common	100	NIL			100
278	VILLAMAYOR, ANTONIO S.	Common	100	NIL			100
279	YAO, BONIFACIO N.	Common	100	NIL			100
280	YUCHENGCO, YVONNE S.	Common	100	NIL		100	-
281	CONSING, CEZAR P.	Common	50	NIL		50	-
282	LIMCAOCO, JOSE TEODORO K.	Common	50	NIL		50	-
	Total		**2,123,605,600**		**1,150,473,100**	**244,300**	**972,888,200**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
31st floor Ayala Life FGU Center, 6811 Ayala Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2014

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
DECEMBER 31, 2014 AND 2013
Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Philippine Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosure for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * (effective January 1, 2016)			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative *(effective from January 1, 2016).*			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits, (Revised)	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions * *(effective July 1, 2014)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies**	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures**	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

CONTACT INFORMATION

INVESTOR SERVICES

Mr. Augusto Hidalgo
President and Chief Executive Officer
Phone: (632) 988-7402

Mr. John E. Huang
Senior Vice President & Head, Investments
Phone: (632) 988-7465

E-mail: ir@nrcp.com.ph

MAIN OFFICE

31st Floor, Ayala Life-FGU Center,
6811 Ayala Avenue,
Makati City, 1227, Philippines
Trunk line: (632) 988-7400 (Connecting all departments)
E-mail: nrcp@nrcp.com.ph

Non-Life Business

Mr. Alexander L. Reyes - Senior Vice President
Phone: (632) 988-7426
Fax: (632) 988-7458
E-mail: reyes.al@nrcp.com.ph

Ms. Eden R. Tesoro - Vice President
Phone: (632) 988-7409
Fax: (632) 988-7458
E-mail: tesoro.er@nrcp.com.ph

Life Business

Mr. Victor R. Tanjuakio - First Vice President
Phone: (632) 988-7412
Fax: (632) 988-7458
E-mail: tanjuakio.vr@nrcp.com.ph