NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES

April 30, 2019

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 30 2019
MARKET REGULATION DEPT.
TIME

Attention: Dir. Vicente Graciano P. Felizmenio, Jr.
Market and Securities Regulation Department

Re: Preliminary Information Statement for 2019 Annual Meeting
- National Reinsurance Corporation of the Philippines

Gentlemen:

We respectfully submit the following documents of National Reinsurance Corporation of the Philippines (the "Corporation") in relation to the conduct of its annual stockholders' meeting on June 27, 2019, at 3:00 p.m. at the Carlos P. Romulo Auditorium, RCBC Plaza, 6819 Ayala Avenue, Makati City (the "2019 ASM"):

(1) Notice of Meeting, with original signature of the Corporate Secretary;
(2) Preliminary Information Statement ("PIS"), with original signature of the Corporate Secretary;
(3) Management Report together with the 2018 Audited Financial Statements ("AFS");
(4) Statement of Management Responsibility ("SMR") for the 2018 AFS, with original signature of the required signatories;
(5) Certification and Undertaking of the Compliance Officer stating that (i) except for Mr. Wilfredo Maldia, Atty. Nora Malubay, Ms. Jocelyn DG Cabreza who are connected with the GSIS, and Mr. Rex Ma. Mendoza who is connected with the Philhealth, none of the other nominees for directors / officers is connected with the government; and (2) the Corporation will submit the consent letter of Philhealth on or before the date of filing of the Definitive Information Statement for the 2019 ASM;
(6) Consent Letter of the GSIS on the nomination of Mr. Wilfredo Maldia, Atty. Nora Malubay, and Ms. Jocelyn DG Cabreza;
(7) Certifications of the nominees for Independent Directors, Messrs. Medel T. Nera, Ermilando D. Napa, and Rex Maria Mendoza, with original signature of each nominee for independent director.

Thank you.

Very truly yours,

MA. PILAR M. PILARES-GUTIERREZ
Asst. Corporate Secretary

31/F BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City, Philippines 1227
Trunk Line: +632 988-7400 • Fax: +632 988-7457 • Website: nat-re.com

COVER SHEET

8 0 1 1 8

SEC Registration Number

N A T I O N A L   R E I N S U R A N C E

C O R P O R A T I O N   O F   T H E

P H I L I P P I N E S

(Company's Full Name)

3 1 F   B P I - P H I L A M   L I F E   M A K A T I

6 8 1 1   A Y A L A   A V E N U E , M A K A T I   C I T Y

(Business Address: No., Street City / Town / Province)

Atty. Noel A. Laman
Atty. Ma. Pilar Pilares-Gutierrez

Contact Person

817-6791 to 95

Company Telephone Number

1 2	3 1	**SEC Form 20-IS** **Preliminary Information Statement**	0 6	2 7
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DEAR STOCKHOLDERS:

Please be advised that the Annual Meeting of Stockholders of National Reinsurance Corporation of the Philippines (the "Corporation") will be held on June 27, 2019, Thursday, at 3:00 p.m., at the Carlos P. Romulo Auditorium, Podium 4, Tower II, RCBC Plaza, 6819 Ayala Avenue, Makati City, with the following agenda:

1. Call to Order
2. Proof of Notice of Meeting and Certification of Quorum
3. Approval of Minutes of Previous Stockholders' Meeting held on July 5, 2018
4. Management Report for the Year Ended December 31, 2018
5. Ratification of All Acts of the Board of Directors and Officers during the Preceding Year
6. Appointment of Independent Auditors
7. Election of Directors, including the Independent Directors
8. Other Matters
9. Adjournment

A brief explanation of each item in the agenda is hereto attached as **Annex "A"** for your reference and guidance.

Only stockholders of record at the close of business on May 14, 2019 are entitled to notice of, to attend, and to participate in this year's Annual Meeting. Stockholders who are unable to attend the Annual Meeting in person may execute a proxy. Proxies must be submitted and addressed to the attention of the Corporate Secretary at 31st Floor BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City, Philippines not later than 3:00 p.m. on or before June 17, 2019.

A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the proxy. Attached as **Annex "B"** is a sample board resolution to designate a proxy for the annual stockholders' meeting. Validation of proxies shall be held on June 21, 2019 at 2:00 p.m. at the principal office of the Corporation.

To avoid any inconvenience in registering your attendance at the meeting, you or your duly designated proxy, are required to bring this Notice, and any identification documents containing a photograph and signature, such as a passport, driver's license, or any government-issued identification. Registration starts at exactly 2:00 p.m. and will close at 3:00 p.m.

For your information and guidance.

For the Board of Directors,

NOEL A. LAMAN
Corporate Secretary

Annex "A"

EXPLANATION OF AGENDA ITEMS

1. Call to Order

The Chairman, Cezar P. Consing, will welcome the stockholders and guests and formally begin the 2019 Annual Stockholders' Meeting of National Reinsurance Corporation of the Philippines.

2. Proof of Notice of Meeting and Certification of Quorum

Atty. Noel Laman, Corporate Secretary, will certify the date the Notice of Meeting was sent to stockholders of record as of May 14, 2019.

He will further certify the existence of a quorum. The stockholders present, in person or by proxy, representing a majority of the outstanding capital shares constitute a quorum for the transaction of business.

3. Approval of Minutes of Previous Stockholders' Meeting

Stockholders will be asked to approve the minutes of the Stockholders' Meeting held on July 5, 2018, which contain, among others (a) report of the president (b) ratification of the acts of the board of directors/officers (c) appointment of the external auditors, (d) election of directors, (e) amendment of Article I of the Articles of Incorporation on the adoption of 'Nat Re' as an additional business name, and (f) amendment of Article III of the Articles of Incorporation to reflect the current name of the building where the principal office is located from 'Ayala Life-FGU Center' to 'BPI-Philam Life Makati'.

The minutes of the meeting are posted at the Corporation's website, www.nat-re.com. Copies of the minutes will also be distributed to the stockholders before the meeting.

4. Management Report for the Year Ended December 31, 2018

The President will report to the stockholders the Corporation's accomplishments for the year 2018.

5. Ratification of All Acts of the Board of Directors and Officers During the Preceding Year

All acts, decisions, and resolutions of the Board of Directors, and Officers of National Reinsurance Corporation of the Philippines made or undertaken in the year 2018 and until the date of the Stockholders' Meeting on June 27, 2019, as these are recorded in the books and records of the Corporation.

6. Appointment of Independent Auditors

The stockholders will be asked to approve, ratify and confirm the appointment of Punongbayan & Araullo as the Independent Auditors of the Corporation.

7. Election of Directors, including the Independent Directors

The Chairman will present to the stockholders the nominees for election as members of the Board of

Directors, including the independent directors. The list of nominees with their profiles are included in the Definitive Information Statement to be sent to stockholders for reference.

10. Other Matters

The Chairman will open the floor for comments or queries by the stockholders. Stockholders may raise matters which may be properly taken up during the 2019 Annual Stockholders Meeting.

11. Adjournment

After consideration of all business, the Chairman shall declare the meeting adjourned. This formally ends the 2019 Annual Meeting of Stockholders of the National Reinsurance Corporation of the Philippines.

Annex "B"

REPUBLIC OF THE PHILIPPINES)
CITY OF _____) S.S.

SECRETARY'S CERTIFICATE

I, [*Name of Corporate Secretary*], of legal age, Filipino, with office address at [*Address of Corporate Secretary*], after having been sworn in accordance with law hereby depose and state that:

1. I am the Corporate Secretary of [*name of corporate stockholder of NRCP*] **(the "Corporation")**, with offices at _____;

2. In a meeting of the Board of Directors of the Corporation held at its office on _____, the following resolution was approved:

> *"**RESOLVED**, That the Board of Directors of the Corporation authorize, as it hereby authorizes the following officers of the Corporation, to designate the proxy or otherwise act as proxy of the Corporation, authorized to vote the shares of the Corporation during the 2019 annual stockholders' meeting of National Reinsurance Corporation of the Philippines, and any of the following is likewise authorized to sign, execute and deliver, any proxy form and such other documents, forms, instruments, or papers as may be required in order to represent the shares of the Corporation at the said annual stockholders' meeting:*
>
> *Name* *Specimen Signature*
>
> _____
>
> _____

IN WITNESS WHEREOF, I hereunto affixed my signature this _____, at Makati City, Metro Manila.

_____
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of _____, Philippines, this _____, by the affiant, whose identity I have confirmed through his/her Passport No. _____, bearing the affiant's photograph and signature, and who showed to me his/her Community Tax Certificate No. _____ issued at _____ City, on _____, 2019.

Doc. No. _____;
Page No. _____;
Book No._____;
Series of 2019.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [√] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Corporation as specified in its charter:
   National Reinsurance Corporation of the Philippines, doing business under the names and styles of Nat Re; Philippine National Reinsurance Company; PhilNaRe

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **80118**

5. BIR Tax Identification Code: **000-480-869**

6. Address of principal office Postal Code: **31st Floor BPI-Philam Life Makati**
   6811 Ayala Avenue, Makati City
   1227 Philippines

7. Corporation's telephone number, including area code: **(632) 988-7400**

8. Date, time and place of the meeting of security holders:
   June 27, 2019
   Thursday 3:00 P.M.
   Carlos P. Romulo Auditorium
   Podium 4, Tower II, RCBC Plaza
   6819 Ayala Avenue, Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
   June 5, 2019

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: **The Management of the Corporation**

    Address and Telephone No.: **31st Floor, BPI-Philam Life Makati**
    6811 Ayala Avenue, Makati City
    1227 Philippines
    Telephone number: (632)-988-7400

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	No. of Shares Outstanding	Amount
Common Shares	2,123,605,600	Php2,123,605,600.00
TOTAL	2,123,605,600	Php2,123,605,600.00

12. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?

Yes (√) No ()

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting

The enclosed proxy is solicited for and on behalf of the Management of **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**, *doing business under the names and styles of Nat Re; Philippine National Reinsurance Company; PhilNaRe* (hereinafter called the "Corporation") for use in connection with the annual meeting of the stockholders to be held on June 27, 2019 (Thursday), at 3:00 P.M. at the Carlos P. Romulo Auditorium, Podium 4, Tower II, RCBC Plaza, 6819 Ayala Avenue, Makati City.

The information statement and form of proxy will be sent to the stockholders of record as of May 14, 2019 (the "Record Date") on or before June 5, 2019.

The matters to be considered and acted upon at such meeting are referred to in the Notice and are more fully discussed in this statement.

The complete mailing address of the Corporation is:

31st Floor, BPI-Philam Life Makati
6811 Ayala Avenue, Makati City
1227 Philippines.
Telephone Number (632) 988-7400

Item 2. Dissenter's Right of Appraisal

The dissenter's right of appraisal under Section 81 of the Corporation Code of the Philippines is not applicable in any of the matters to be submitted to the stockholders.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon, other than election to office. No director has informed the Corporation in writing of any intention to oppose any action to be taken during the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders thereof

(a) As of the Record Date which is May 14, 2019, the date to determine the stockholders entitled to notice and to vote at the annual stockholders meeting on June 27, 2019, the Corporation has the following outstanding shares:

Common shares (voting)	-	2,123,605,600 shares*

**As of 31 March 2019, outstanding common shares of 11,920,610 under PCD nominee account representing 0.56% of the outstanding capital stock are held by foreign shareholders.*

(b) Only holders of Common Shares as of the Record Date shall be entitled to vote in the election of directors in the manner provided hereunder. On the approval of the minutes of the previous meeting,

ratification of all acts of the Board of Directors and officers during the previous year, and appointment of the independent auditor, each share of outstanding common stock is entitled to one vote.

(c) In the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of common shares of stock standing in his name at record date. A stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by a stockholder shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

(d) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of March 31, 2019, the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent Per Class
Common	Bank of Philippine Islands[1] Ayala North Exchange Tower 1, Ayala Avenue cor Salcedo St., Legaspi Village, Makati City	Bank of Philippine Islands[1] Ayala North Exchange Tower 1, Ayala Avenue cor Salcedo St., Legaspi Village, Makati City	Filipino	290,795,500	13.69%
Common	PCD Nominee Corporation. (Filipino)[2],[3] G/F MSE Building 6754 Ayala Ave. Makati City	Government Service Insurance System[2],[3] New GSIS Headquarters, Financial Center, Pasay City	Filipino	546,465,397	25.73%
Common	PCD Nominee Corporation. (Filipino) [2],[4] G/F MSE Building 6754 Ayala Ave. Makati City	MICO Equities Inc. [2,4] Yuchengco Bldg., 484 Quintin Paredes Street, Manila	Filipino	273,716,100	12.89%

[1] The shares of BPI will be voted by the person to be designated by BPI in the proxy that will be submitted to the Corporation. The deadline for submission of proxies is on June 17, 2019.

[2]The PCD is not related to the Company. The 546,465,397 shares and 273,716,100 shares beneficially owned by GSIS and MICO Equities, respectively, form part of the 1,669,716,187 shares registered in the name of PCD Nominee Corporation (Filipino).

[3] The shares of GSIS will be voted by the person to be designated by GSIS in the proxy that will be submitted to the Corporation on or before June 17, 2019.

[4] The shares of MICO Equities, Inc. will be voted by the person to be designated by MICO Equities in the proxy that will be submitted to the Corporation on or before June 17, 2019.

(e) Security Ownership of Management

The following table sets forth as of March 31, 2019, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Cezar P. Consing	50 Record	Filipino	0.000002%
Common	Allan R. Santos	5,000 Record	Filipino	0.000235%
Common	Joli Co Wu	344,100 Record 260,000 Beneficial	Filipino	0.028446%
Common	Yvonne S. Yuchengco	100 Record 26,000 Beneficial	Filipino	0.001229%
Common	Maria Consuelo A. Lukban	50 Record	Filipino	0.000002%
Common	Ermilando D. Napa	1,000 Record	Filipino	0.000047%
Common	Romeo L. Bernardo	100 Record 4,000 Beneficial	Filipino	0.000193%
Common	Medel T. Nera	1,000 Record	Filipino	0.000047%
Common	Antonio M. Rubin	1,000 Record 10,000 Beneficial	Filipino	0.000518%
Common	Rafael G. Ayuste, Jr.	100,000 Record	Filipino	0.004709%
Common	Wilfredo C. Maldia	1 Record	Filipino	0.00000%
Common	Jocelyn DG Cabreza	1 Record	Filipino	0.00000%
Common	Nora M. Malubay	1 Record	Filipino	0.00000%
	TOTAL FOR DIRECTORS	**752,403**		**0.040000%**
	GRAND TOTAL	**752,403**		**0.040000%**

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

(f) Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.

(g) Changes in Control

From January 1, 2018 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement which may result in a change in control of it.

Item 5. Directors and Executive Officers

(a) Incumbent Directors and Executive Officers.

The Company's Amended Articles of Incorporation provide for a 13-seat Board of Directors. Following is the list of the incumbent members of the Board:

Name	Position	Age	Citizenship
Cezar P. Consing	Director/Chairman of the Board	59	Filipino
Wilfredo C. Maldia	Director/Vice Chairman of the Board	70	Filipino
Allan R. Santos	Director/President/Chief Executive Officer	52	Filipino
Joli Co Wu	Director/Treasurer	52	Filipino
Nora M. Malubay	Director	60	Filipino
Jocelyn DG Cabreza	Director	62	Filipino
Maria Consuelo A. Lukban	Director	54	Filipino
Yvonne S. Yuchengco	Director	64	Filipino
Antonio M. Rubin	Director	68	Filipino
Rafael G. Ayuste, Jr.	Director	55	Filipino
Romeo L. Bernardo[5]	Independent Director	64	Filipino
Ermilando D. Napa	Independent Director	69	Filipino
Medel T. Nera	Independent Director	63	Filipino

Following is the list of the Corporation's key executive officers as of the date of this report:

Name	Position	Age	Citizenship
Allan R. Santos	President and Chief Executive Officer	52	Filipino
Joli Co Wu	Treasurer	52	Filipino
Noel A. Laman	Corporate Secretary	79	Filipino
Ma. Pilar M. Pilares-Gutierrez	Assistant Corporate Secretary	42	Filipino
Christian Ladoux	Vice President and Chief Underwriting Officer	58	French
Alexander L. Reyes	Senior Vice President and Head of Non-Life Reinsurance	58	Filipino
Victor R. Tanjuakio	First Vice President and Head of Life Reinsurance	52	Filipino
Tisha T. Darvin	Vice President and Head of Data Administration and Analytics	49	Filipino
Daisy C. Salonga	Vice President and Head of Investments	52	Filipino
Regina S. Ramos	Vice President and Head of Risk & Compliance	56	Filipino

[5] Mr. Bernardo resigned as independent director effective April 24, 2019.

(b) Term of office.

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

(c) Business experience of the Directors and Officers during the past five (5) years.

Cezar P. Consing, Chairman of the Board since January 2018, Director of the Corporation since July 2014.
Mr. Consing is the President and CEO of the Bank of the Philippine Islands (BPI) since April 2013. Mr. Consing serves as chairman of BPI's thrift bank, investment bank, UK bank, property and casualty insurance, leasing, and rental subsidiaries, and vice chairman of its foundation; and is also a board director of BPI's life insurance, asset management and micro finance subsidiaries. He is also the current President of the Bank Association of the Philippines (BAP). From 2004 to 2013, he was a Partner of The Rohatyn Group, an international investment company that manages about $7.0 billion in investments in the global emerging markets. He was responsible for the firm's private equity business in Asia, managed its Hong Kong based operations and was a member of the board of partners of the firm's management company. Mr. Consing was an investment banker with J.P. Morgan & Co. from 1985 to 2004, where he was based in Hong Kong and Singapore. From 1999 to 2004, he was President of J.P. Morgan Securities (Asia Pacific) and, as a senior Managing Director, co-headed or headed the firm's investment banking group in the Asia Pacific region. He worked for BPI in Manila in corporate planning and corporate banking from 1980 to 1985. Mr. Consing serves as President and board director of Bancnet, Inc. and board director of LGU Guarantee Corporation, two banking industry consortium institutions. Mr. Consing served as an independent director of the boards of CIMB Group Holdings Berhad from 2004 to 2012, and First Gen Corporation from 2005 to 2013. He has been an independent director of the board of Jollibee Foods Corporation since 2010. He has been a member of the Trilateral Commission since 2014. Mr. Consing served as a board director of BPI from 1995 to 2000, 2004 to 2007, and most recently since 2010. He received an M.A. in Applied Economics from the University of Michigan in 1980, and an A.B. in Economics, magna cum laude, from De La Salle University in 1979.

Wilfredo C. Maldia, Vice Chairman of the Board since July 2018 and Director of the Corporation since December 2017.
Mr. Maldia is a member of the Government Service Insurance System (GSIS) Board of Trustees since December 2016. He sits as an independent director in the Board of the First Valley Development Bank and as member of the Board of ROTECO, Yamang Lupa't Dagat Corporation, and CEAM Corporation. Prior to his appointment to the GSIS Board, he served as senior adviser to the Ropali Group of Companies, and as director of the Farmers Savings & Loan Bank, Inc. and Banco Alabang Inc. (A Rural Bank). He also worked as a consultant to the Asian Development Bank as financial & organizations specialist for Agricultural Development Bank of Nepal, Agricultural Credit Specialist for Bangladesh Krishi Bank, and as rural credit specialist of the Estanislao Lavin & Associates. He was likewise the financial specialist/expert of the Urban Integrated Consultants, Incorporated and Livestock Development Program Office (LDPO) & the Kilusang Kabuhayan at Kaunlaran (KKK). He also worked as Farm Manager at Universal Robina Corporation, a private company engaged in food manufacturing business. Mr. Maldia has also worked in the government sector for about 40 years, of which, 36 years were spent at the Land Bank of the Philippines (LANDBANK). He started his career at LANDBANK as a senior project analyst in 1976 (for 3 years), after a short stint working as an agronomist and researcher in the Bureau of Plant Industry and Bureau of Agricultural Economics, respectively, from 1971 to 1974. With his passion to work, he consistently rose from the ranks. In 2007, he became the Executive Vice President and head of the LANDBANK's Agrarian and Domestic Banking Sector (ADBS) covering the agrarian, banking and lending operations until his retirement in 2012. With his leadership, Mr. Maldia has developed and introduced various innovative lending programs in the field of agriculture and finance. As ADBS head, he also chaired various committees, namely: Domestic Banking Loans Committee, Branch Operations Committee, Official Development Assistance Bids and Awards Committee, ADBS Sectoral Committee. He was likewise a member of the Board of LANDBANK subsidiaries (i.e, Masaganang Sakahan

Incorporated and LANDBANK Insurance Brokerage Inc), and member of the Governing Board of the Agricultural Guarantee Fund Pool. In 2008, he was recognized as one of the most distinguished alumni of the University of the Philippines – Los Baños. Mr. Maldia graduated with a Bachelor of Science degree in Agriculture, major in Agricultural Economics from the University of the Philippines Los Baños, Laguna in 1969. In 1979, he also completed his Bachelor's degree in Commerce major in Accounting from the Polytechnic University of the Philippines, and immediately obtained his license as a Certified Public Accountant (CPA). He earned his Master's degree in Business Administration from the Philippine Christian University in 1984.

Allan R. Santos, Director, President and Chief Executive Officer from August 2018.
Mr. Allan R. Santos, President and Chief Executive Officer, has 25+ years of experience in local and international insurance/reinsurance markets in the US, Asia and Europe. Prior to his current role, he was Nat Re's Chief Operating Officer, overseeing Finance, Investments, Data and Analytics, HR, and Technology. He has held various leadership positions in several companies including Chief Operating Officer for the Affiliate Companies of Philam Life, Regional Chief Financial Officer for Europe at Cigna, Global Head of Product Development at Cigna, and Chief Actuary for Asia at Allied World Assurance Company. Mr. Santos holds a Master's Degree in Applied Math and Bachelor of Science in Math both from the University of the Philippines. He is a Fellow of both the Actuarial Society of Philippines and the Society of Actuaries (US), and is a Member of the American Academy of Actuaries.

Joli Co Wu, Treasurer since January 2017 and Director since 2013.
Ms. Joli Co Wu is the President and Chief Executive Officer of QBE Seaboard Insurance Philippines. Prior to this, she was with Seaboard Eastern Insurance where she started her insurance career and eventually lead the company as its President/CEO until March 2014. She has extensive experience in Marine, Aviation, Casualty and Motor Insurance. Throughout her career, she has attended management, insurance and reinsurance courses, both local and international, to help hone her experience in the Industry. She is a member of the Board of Directors of QBE Seaboard Insurance Philippines; Trustee of the Philippine Insurance and Reinsurance Association as well as the Insurance Institute for Asia and the Pacific. She is also an officer of the Marine Underwriters of the Philippines. Ms. Wu attended the Immaculate Concepcion Academy for her primary and secondary education and graduated with a degree in Bachelor of Arts, Major in Financial Management from the Catholic University of America, Washington DC.

Nora M. Malubay, Director of the Corporation since January 2019.
Atty. Nora M. Malubay graduated from the Pamantasan ng Lungsod ng Maynila with a degree in Bachelor of Science in Business Administration major in Accountancy, Magna cum laude in 1979. She passed the CPA board examination on that same year. In 1979, she worked as Staff Auditor at Sycip, Gorres, Velayo & Co. Believing that it is time for her to step up and make a difference, she chose to serve in public office and entered Government Service Insurance System (GSIS) in 1981. Year 1995 when she finished her Bachelor of Laws at San Beda College and passed the Bar Examination in September of same year. Rose from the ranks, she has been assigned to different departments of GSIS from Internal Auditor I to Senior Vice President of National Capital Region (NCR) Operations Group. In 2016, she was appointed by the GSIS Board of Trustees as the Officer-in-Charge President and General Manager of GSIS, until the President of the Philippines appointed a new PGM in November 2017. Currently she is the Executive Vice President for Core Business Sector which covers the operations for Social Insurance, Housing, and General Insurance.

Jocelyn De Guzman Cabreza, Director of the Corporation since December 2016.
Ms. Cabreza is a member of the Board of Trustees of the Government Service Insurance System (GSIS) and chairs its Audit Committee. She is also a member of GSIS Board's Risk Oversight Committee, Corporate Governance Committee, Legal Oversight Committee and GSIS Provident Fund Committee of Trustees. She is also a director of Banco Laguna, Inc. Ms. Cabreza was a former Executive Vice President of Land Bank of the Philippines, Director of Land Bank Resources Development Corp and Land Bank Countryside Development Foundation. She is a certified public accountant, a master's degree holder and a

seasoned banker with 37 years of extensive experience in different areas of banking and finance, internal audit and operations and strategic policy formulation and implementation.

Ma. Consuelo A. Lukban, Director of the Corporation since October 2018.
Ms. Lukban is the Head of the Strategic and Corporate Planning Department of Bank of the Philippine Islands (BPI). She is primarily responsible for financial planning and capital management, investor relations and enterprise development projects. She has over 30 years of banking experience, taking on various senior roles within BPI in its asset management and trust business, insurance business, corporate banking marketing and deposit product management. Ms. Lukban completed her MBA at the University of Chicago in 1992 and BS Management Engineering in 1986 at the Ateneo de Manila University.

Yvonne S. Yuchengco, Director since June 2006.
Ms. Yuchengco is the President and Director of Malayan Insurance Company, Inc. and MICO Equities, Inc. since 1995, Alto Pacific Corporation, and Philippine Integrated Advertising Agency, Inc. She is currently the Chairperson and Director of the RCBC Capital Corporation; Chairperson and President of Yuchengco Tower Office Condominium Corporation, Y Tower II Office Condominium Owners Asso. Inc. and Malayan Securities Corp; Chairperson of First Nationwide Assurance Corporation and XYZ Assets Corporation; Advisory Board Member of Rizal Commercial Banking Corporation; Director, Vice President and Treasurer of Pan Managers, Inc.; Treasurer and Director of Pan Malayan Management & Investment Corporation, Honda Cars Kalookan, Inc, Mona Lisa Development Corp., Malayan High School of Science, Inc. and Petroenergy Resources Corporation; Director of Pan Malayan Realty Corporation, Malayan Insurance (H.K), Malayan International Insurance Corporation, Manila Memorial Park, Inc., La Funeraria Paz Sucat Inc., iPeople Inc., Seafront Resources Corporation, House of Investments, Inc., HYDee Management and Resource Corporation, Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology, Luisita Industrial Park Corporation, Malayan Colleges Laguna, Inc., Asia-Pac Reinsurance Co., Ltd., AY Holdings, Inc., Pan Malayan Express, Inc., Pan Pacific Computer, Inc., Shayamala Corporation, and YGC Corporate Services, Inc.; Trustee of AY Foundation, and Philippine Asia Assistance Foundation, Inc.; Trustee and Chairperson of the Malayan Plaza Condominium Owners Asso., Inc.; Trustee and Vice Chairperson of Yuchengco Museum, Inc.; and Assistant Treasurer of Enrique T. Yuchengco Inc. She was also formerly President of the PIA/Phil-Asia Assistance Foundation, Inc. She graduated with a Bachelor of Arts degree from Ateneo de Manila University in 1977 and took up further studies in UAP under SBEP program.

Antonio M. Rubin, Director of the Corporation since January 2018.
Mr. Rubin is the Executive Vice President of Malayan Insurance Company, the Chairman of the Board of Directors of Bankers Assurance Corporation (BAC), and the President of the First Nationwide Assurance Corporation (FNAC). Mr. Rubin is a seasoned underwriter in the insurance industry, having been in the practice of insurance for more than twenty-five years. Prior to his current role as EVP of Malayan Insurance Company, he headed various divisions in the company namely the Risk Analysis Department, the Fire and Motor Car Underwriting Divisions, the Sales Division, and finally, the entire Underwriting Division. He was also the Chairman of the Board of Directors of the Philippine Insurance Rating Association (PIRA) and Philippine Machinery Management Services Corporation (MacPool), and Head of Risk Management Group of the National Steel Corporation. His expertise in the industry was further solidified and reinforced by the various specialized seminars, conventions and trainings he attended locally and abroad. Mr. Rubin went to Mindanao State University in 1974 for his degree in Bachelor of Science in Mechanical Engineering and Ateneo De Manila University for his MBA.

Rafael G. Ayuste, Jr. Director since June 2012.
Mr. Rafael G. Ayuste, Jr. is a Senior Vice President (Wealth Advisory and Trust Group) of BDO Private Bank, Inc. Prior to this, he was First Senior Vice President and Head of the Trust Banking Group of Philippine National Bank from 2009-2013; Vice President and Head of Retail Branch Business, Citibank Savings of Citibank N.A. Philippines from August 2008 to November 2009; Senior Vice President/Deputy Group Head of Trust banking of the Metropolitan Bank and Trust Company through merger with Global Business Bank from 2000 to 2008; Vice President/Head-Securities Distribution of the Banco Santander

Philippines, Inc. from 1999 to 2000; Vice President/Head-Trust Division, Security Bank Corporation from 1996 to 1999; Assistant Vice President and Head of Peso and Dollar Trading Desks of Citibank, N.A., Citibank Global Asset Management (CGAM) from 1989 to 1996. Concurrently, he is the President and Director of the Trust Officers Association of the Philippines (TOAP) and former Director from 2003 to 2006 where he was elected President in 2005. He has attended various seminars such as Risk Management, Citibank Phils., 1995; Financial Risk Management, Pi Eta Singapore, 2004; Risk Management, BNP Paribas, 2006; Corporate Governance, Bankers Association of the Philippines (BAP), 2007. He obtained his Bachelor of Science degree major in Business Administration from the University of Sto. Tomas in1986.

Romeo L. Bernardo, Independent Director since June 2006. (*resigned effective April 24, 2019*)
Mr. Romeo L. Bernardo is the Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a financial advisory firm based in Manila. He is also a GlobalSource economist in the Philippines. He is Chairman of ALFM Family of Funds, ALFM Euro Bond Fund, ALFM Growth Fund, ALFM Money Market Fund, ALFM Peso Bond Fund, RL Bernardo & Associates, Inc. and Philippine Stock Index Fund. He is likewise an Independent Director of several companies and organizations including Aboitiz Power, Ayala Plans, Inc., BPI, RFM Corporation, Philippine Investment Management, Inc. (PHINMA), Trans-Asia Petroleum Corporation, BPI Globe BanKo Inc., BPI Family Savings Bank, Inc., BPI Direct Savings Bank, Inc., BPI Capital Corporation, BPI-Philam Life Assurance Corporation and BPI/MS Insurance Corporation. Mr. Bernardo is also a Director of Globe Telecom Inc.; and Board of Trustee of Institute for Development & Econometric Analysis, Inc.. (IDEA) and Philippine Institute for Development Studies. He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was an Advisor of the World Bank and the IMF (Washington D.C.). Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (*magna cum laude*) and a Masters degree in Development Economics at Williams College from Williams College in Williamstown, Massachusetts.

Ermilando D. Napa, Independent Director since June 2011.
Mr. Napa is the Founding CEO of Manila Consulting & Management Co., Inc., and Catanauan Resources and Development Corporation. Currently, Mr, Napa is an Independent Director at the National Reinsurance Corporation of the Philippines (Nat Re), House of Investments Inc. (HOI) and iPeople Inc. He is the Chairman of the Audit Committee of Nat Re and Chairman of the Risk Oversight Committee of HOI as well as the Chairman of the Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC). He is also the Chairman of the Court Appointed Board of Liquidators of Capitol Hills Golf and Country Club Inc. His previous professional experience includes being a President and CEO, and Vice Chairman of the Board of Trade and Investment Development Corporation aka Philippine Export – Import Credit Agency, Partner of SyCip Gorres & Velayo Company (Philippines), a Principal of Kassim Chan & Company in Kuala Lumpur, Malaysia (a former member firm of SGV Group and Delloite Haskins & Sells International), and a Manager of Arthur Andersen in New York. In 2013, he was appointed as Conservator of the National Life Insurance Company (NLIC) and spearheaded its rehabilitation. Mr. Napa has attended special trainings and various courses such as Strategic Management and IMPACT Productivity Improvement in Chicago and Corporate Finance in New York and various corporate governance courses. He holds a bachelor's degree in Business Management from Aquinas University (1970) and a master's degree in Management from the Asian Institute of Management (1980).

Medel T. Nera, Independent Director since July 2011.
Mr. Medel T. Nera is the President and CEO of House of Investments, Inc.; Director and President of RCBC Realty Corp. He serves as Director of House of Investments and its significant subsidiaries and associates. He also serves as Director of EEI Corporation and Seafront Resources Corp. His past experiences include: Director, Chairman of Risk Oversight Committee and member of the Audit Committee of Rizal Commercial Banking Corp.; and Senior Partner of SyCip, Gorres, Velayo and Co., CPAs (SGV) where he served as Financial Services Practice Head. Mr. Nera holds a degree in Bachelor of Science in Commerce from Far Eastern University where he graduated in 1976. He obtained his Master of Business Administration degree from New York University in 1982.

Noel A. Laman, Corporate Secretary since June 2007.
Atty. Noel A. Laman is a founder and a Senior Partner of Castillo Laman Tan Pantaleon & San Jose Law Offices. He serves as Corporate Secretary of Boehringer Ingelheim (Phils.), Inc., Merck Inc. and Eli Lilly (Phils.), Inc. He also serves as Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. He obtained his Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of the Philippines College of Law. He obtained a Master of Laws degree in 1963 from the University of Michigan Law School as a De Witt scholar. His law practice concentrates on corporation and general business law, foreign investments, mergers and acquisitions and intellectual property law. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, and the Philippine Bar Association. Atty. Laman is the recipient of a number of awards, plaques, citations, and certificates of appreciation as invited speaker, resource person and conference chairman of various law and business symposia. He is the firm representative to the SGC Legal, an international association of law firms and to the German Philippines Chamber of Commerce (Makati City).

Ma. Pilar M. Pilares-Gutierrez, Assistant Corporate Secretary since December, 2002.
She is presently a Partner at Castillo Laman Tan Pantaleon & San Jose Law Offices. She obtained her Bachelor of Science degree major in Legal Management from the Ateneo de Manila University in 1997 and her Bachelor of Laws Degree from the University of the Philippines, College of Law in 2001. Her law practice concentrates on corporations, foreign investments, mergers and acquisitions, banking and finance and securities. She is the Assistant Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. She holds the position of Corporate Secretary/Assistant Corporate Secretary in several other Philippine corporations.

Christian Ladoux, Senior Vice President and Chief Underwriting Officer, French.
Mr. Christian Ladoux joined the Company in August 2018. He has over thirty-five years of international experience in reinsurance underwriting, having handled proportional and non-proportional treaties covering risks in France, Germany, Japan, Australia, Belgium, East and South East Asia, and the Indian subcontinent. As General Manager and Chief Executive of the Arab Insurance Group (ARIG) Singapore Branch, Mr. Christian Ladoux managed the underwriting, claims (for both treaty and facultative), accounting, administration, and compliance functions. He played a strategic role in planning for and implementing operational enhancements in ARIG; in recruiting and training of its Singapore branch personnel; and, in helping the company earn its AM Best credit rating upgrade to A-minus. Ladoux also had a stint as Senior Underwriter at R+V Versicherung AG Reinsurance in Germany where he was responsible for underwriting and marketing strategies in the major markets of Japan and Australia/New Zealand.

Alexander L. Reyes, Senior Vice President & Head of Non-Life Reinsurance, Filipino.
Mr. Reyes joined the Company in October 2014 as Senior Vice President and Head of Claims. Prior to this, Mr. Reyes held various senior management positions covering Marketing, Sales, Underwriting and Claims operations in leading non-life insurance direct-writing Companies in the Philippines. He graduated from the University of the Philippines, Diliman with a B.S. in Business Administration degree in 1982.

Victor R. Tanjuakio, First Vice President & Head of Life Reinsurance, Filipino.
Mr. Victor Tanjuakio joined the Company in September 2014 as Head of Life Reinsurance. Prior to this, Mr. Tanjuakio was Head of Corporate Solutions of Philippine AXA Life. He is an actuary by profession and was Chief Actuary of various companies including Maxicare Healthcare Corporation, Asian Life and General Assurance, and Great Pacific Life (now Sunlife Grepa). He is a Fellow of the Actuarial Society of the Philippines and has served as member of its Board of Governors many times. He also chaired the Technical Committee of the Philippine Life Insurance Association in 2002-2004. He earned his B.S. Mathematics degree from Ateneo de Manila University in 1988.

Tisha T. Darvin, Vice President and Head of Data and Analytics, Filipino.
Ms. Tisha Darvin, Vice President and Head of Data Administration and Analytics, joined the Company in August 2018. She is an actuary by profession with over twenty-five years of experience in product

development, mergers and acquisitions, demutualization, distribution channels compensation, financial planning, employee benefits valuation, and actuarial studies, among others. She was previously the Chief Actuary of Philippine American Life Insurance Company and its affiliates and Pricing Head of Manulife Philippines. She managed the profitability of the company's product lines, product pricing, reserving and reporting processes. She is a Fellow of the Actuarial Society of Philippines (FASP), an Associate of the Society of Actuaries (ASA) and a Fellow of Life Management Institute (FLMI). She earned her Bachelor of Science, a Math major in Actuarial Science, and her Masters in Applied Math from the University of the Philippines.

Daisy C. Salonga, Vice President & Head of Investments, Filipino.
Ms. Daisy Salonga joined Nat Re in July 2011. Prior to joining Nat Re, Ms. Salonga held various executive positions in treasury covering foreign exchange, fixed income, sales and market studies in leading financial institutions like Citibank N.A. Manila, Credit Agricole Indosuez Offshore Bank Manila, China Banking Corporation, and Greenwich Associates. She was nominated as one of the Most Astute Investors in the Philippine Peso Bonds by The Asset Benchmark Research for three consecutive years from 2012 to 2014. She earned her degree in Bachelor of Science in Commerce, major in Business Management from De La Salle University.

Regina S. Ramos, Vice President and Head of Risk and Compliance, Filipino.
Ms Regina Ramos, Vice President and Head of Risk and Compliance, is a Certified Public Accountant and a Certified Internal Auditor. Prior to joining Nat Re in July 2000, Ms. Ramos held positions in various capacities in Accounting, Finance and Operations in a non-life direct insurer. She also worked with the SyCip, Gorres, Velayo & Co., CPAs (SGV), the largest professional services firm in the Philippines. She obtained her degree in Bachelor of Science in Commerce, major in Accounting from St. Paul College Manila.

(d) Independent Directors.

Mr. Ermilando D. Napa and Mr. Medel T. Nera are currently the Corporation's Independent Directors. Mr. Romeo L. Bernardo recently resigned as an independent director effective April 24, 2019. Messrs. Napa and Nera have been independent directors of the Corporation since June 2011 and July 2011, respectively.

For the year 2019-2020, the Corporation intends to have a total of three (3) independent directors. The Final List of Candidates for Independent Directors (Annex A) includes:

1. Mr. Rex Ma. A. Mendoza,[6] who was nominated by Editha Geronimo;
2. Mr. Ermilando D. Napa, who was nominated by Honorata Lucos; and
3. Mr. Medel T. Nera, who was nominated by Editha Geronimo.

The nominees for independent directors are not related to the persons who have nominated them as such. The three (3) nominees for Independent Directors were selected by the Board Nomination Committee in accordance with the guidelines in the Manual of Corporate Governance, the Insurance Commission Circular No. 31-2005 dated September 26, 2005, the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009), and the Guidelines on the nomination and election of Independent Directors (SRC Rule 38). The Nomination and Compensation Committee is composed of the following:

Chairman:	Cezar P. Consing
Vice Chairman:	Yvonne S. Yuchengco
Members:	Ermilando D. Napa (Independent Director)
	Joli Co Wu
	Wilfredo C. Maldia

[6] Mr. Mendoza is being nominated for the first time as independent director of the Corporation. He is effectively replacing Mr. Romeo L. Bernardo who recently resigned on April 24, 2019.

(e) Other directorships held in reporting companies naming each company.

Cezar P. Consing	Bank of the Philippine Islands Jollibee Foods Corporation
Yvonne S. Yuchengco	iPeople Inc. Seafront Resources Corporation, House of Investments, Inc. Petro Energy Resources Corporation
Ermilando D. Napa	House of Investments, Inc. iPeople, Inc.
Medel T. Nera	House of Investments, Inc. Seafront Resources Corporation iPeople, Inc. EEI Corporation

Ermilando D. Napa and Medel T. Nera are currently the Corporation's Independent Directors. To be considered an independent director under IC Circular Letter No. 31-2005, one: (i) has not been an officer or employee of the company for the last three years immediately preceding his term or incumbency; (ii) is not related by consanguinity or affinity to an officer in a senior management position in the company; and (iii) does not provide services, and receives no income for other professional services to the company. The Corporation has no transactions with Messrs. Napa and Nera.

(f) Family Relationship

There is no family relationship up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers, or nominees for election as directors.

(g) Resignation/Re-election

Since the last annual stockholders' meeting of the Corporation, no Director has resigned or declined to stand for reelection to the Board of Directors of the Corporation because of disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

(h) Involvement in Legal Proceedings

To the best of the Corporation's knowledge, there has been no occurrence during the past 5 years up to the present date of this Information Statement of any of the following events that are material to an evaluation of the ability and integrity of any director, any nominee for election as director, executive officer, or controlling person of the Corporation:

- Any bankruptcy petition filed by or against any business of which the person was a general partner or executive officer, either at the time of the bankruptcy or within 2 years prior to that time;

- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, traffic violations and other minor offenses;

- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining,

barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Annual Continuing Training of Directors and Key Officers:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
1. Cezar P. Consing (Chairman)	October 5, 2018	Corporate Governance	Institute of Corporate Directors
	August 11, 2017	Annual Corporate Governance Training Program	Institute of Corporate Directors
	March 8, 2016	Annual Corporate Governance Training Program	Institute of Corporate Directors
	September 7, 2015	Annual Corporate Governance Training Program	Institute of Corporate Directors
2. Allan R. Santos (President and CEO)	May 6-9, 2018 May 6-9, 2018	29th East Asian Insurance Congress (EAIC)	Philippine Insurers and Reinsurers Association (PIRA) and EAIC
	June 8, 2018	CEO Forum 2018: Harnessing the Power of People and Technology	Nat Re
	September 3, 2018	Training on IFRS 17	PIRA
	September 14, 2018	4th Annual Non-life and LIfe Technical Forum	Nat Re
	October 18, 2018	Training on IFRS 17	Actuarial Society of the Philippines
	November 15-16, 2018	59th Actuarial Society of the Philippines (ASP) Annual Convention	Actuarial Society of the Philippines
	November 28, 2018	Association of Southeast Asian Nations (ASEAN) Insurance Summit	ASEAN
	December 6, 2018	Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	December 7, 2017 September 15, 2017	Corporate Governance CEO Forum on Insurance Regulations & Governance	SGV & Co. Insurance Commission and Institute of Corporate Directors
3. Rafael G. Ayuste, Jr. (Director)	December 13, 2018 August 10, 2017 August 18, 2016 December 9, 2015	Corporate Governance Wrap-up Corporate Governance Corporate Governance Corporate Governance	GGAPP Institute of Corporate Directors SGV & Co. SGV & Co.
4. Yvonne S. Yuchengco (Director)	October 27, 2018 September 26, 2017 November 12, 2016 September 5, 2015	Annual CG Seminar for Directors and Key Officers Cyber Security & AMLC Corporate Governance Corporate Governance	RCBC Group FireEye and IBM Security Services ROAM, Inc. SGV & Co.
5. Antonio M. Rubin (Director)	February 13, 2018 June 8, 2018	Distinguished Corporate Governance CEO Forum	Institute of Corporate Directors Nat Re
6. Ma. Consuelo A. Lukban (Director)	September 10, 2018	Ayala Group Corporate Governance & Risk Management Summit	Ayala Group
7. Joli Co Wu (Director)	June 8, 2018 September 15, 2017 November 12, 2016 September 5, 2015	CEO Forum CEO Forum on Insurance Regulations & Governance Corporate Governance Corporate Governance	Nat Re Insurance Commission and Institute of Corporate Directors SGV & Co.
8. Wilfredo C. Maldia (Director)	December 13, 2018 February 21, 2018	CG Wrap-Up 2018 Corporate Governance	Good Governance Advocates and Practitioners of the Philippines (GGAPP)

Name of Director/Officer	Date of Training	Program	Name of Training Institution
			Institute of Corporate Directors
9. Jocelyn DG Cabreza (Director)	December 6, 2018 March 22, 2017	Sustainability Reporting and Audit Committee Effectiveness Corporate Governance	SGV & Co. Institute of Corporate Directors
10. Alan C. Luga (Director)	March 22, 2017	Corporate Governance	Institute of Corporate Directors
11. Romeo L Bernardo (Independent Director; resigned effective April 24, 2019)	September 10, 2018 31 August 2018 26 July 2017 24 November 2017 30 August 2017 30 August 2017 March 28, 2016 March 25, 2015	Advance Corporate Governance Training Corporate Governance Seminar on Digital Disruption: Reshaping Leadership, Innovation & Risk, Cyber Risk, and Discussion on the Asia-Pacific Corporate Governance Seminar on Adopting Changes of the Corporate Governance and Internal Control Environment Corporate Governance Seminar on Data Privacy Act Corporate Governance Seminar on Cyber Security Corporate Governance Seminar on Anti-Money Laundering & Combating the Financing of Terrorism Corporate Governance Orientation Course for Corporate Governance	Institute of Corporate Directors Aboitiz Equity Ventures, Inc. (in-house seminar) SGV SGV Fire Eye Inc & Bank of the Philippine Islands SGV Aboitiz Power Institute of Corporate Directors
12. Ermilando D. Napa (Independent Director)	October 27, 2018 September 26, 2017	Annual CG Seminar for Directors and Key Officers	RCBC Group RCBC Group

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	November 12, 2016 September 5, 2015	Cyber Security & Anti-Money Laundering updates Corporate Governance Corporate Governance	ROAM, Inc. SGV & Co.
13. Medel T. Nera (Independent Director)	October 27, 2018 September 26, 2017 November 12, 2016 December 9, 2015	Annual CG Seminar for Directors and Key Officers Cyber Security Seminar Corporate Governance Corporate Governance	RCBC Group FireEye and IBM Security Services ROAM, Inc. SGV & Co.
14. Atty. Noel A. Laman	November 9, 16, 23, December 7, 2018 February 27, 2017 April 11, 2016	Mandatory Continuing Legal Education Corporate Governance Corporate Governance	Integrated Bar of the Philippines, Makati SGV & Co. SGV & Co.
15. Atty. Ma. Pilar P. Guitierrez	November 14, 2018 February 1-2, 2018 November 22, 2017 February 27, 2017 April 11, 2016	4th Annual Investment Conference – Insights into Investment Trends and Opportunities in the Philippines Forum on Competition in Developing Countries 4th SEC-PSE Corporate Governance Forum Corporate Governance Corporate Governance	Financial Executives Institute of the Philippines Philippine Competition Commission SEC and PSE SGV & Co. SGV & Co.
16. Christian Ladoux	December 6, 2018	Corporate Governance, Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.
17. Alexander L. Reyes (Senior Vice President)	June 8, 2018 September 15, 2017	CEO Forum CEO Forum on Insurance Regulations & Governance	Nat Re Insurance Commission and

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	November 10, 2016	Corporate Governance: Board Effectiveness Best Practices	Institute of Corporate Directors Center for Global Best Practices
	October 15-16, 2015	Corporate Governance and Risk Management (for Publicly-Listed Companies)	Ateneo Center for Continuing Education
18. Victor R. Tanjuakio (First Vice President)	June 8, 2018	CEO Forum	Nat Re
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
	August 3, 2016	SEC Corporate Governance Forum	Securities & Exchange Commission (SEC)
	May 29, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management (ROAM), Inc.
19. Tisha T. Darvin	December 6, 2018	Corporate Governance, Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.
20. Daisy C. Salonga (Vice President)	June 8, 2018	CEO Forum	June 8, 2018
	December 7, 2017	Corporate Governance	SGV & Co.
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
21. Regina S. Ramos (Vice President)	July 18, 2018	ASEAN Corporate Governance Scorecard for Publicly Listed Companies	Institute of Corporate Directors
	October 09, 2018	Corporate Governance Conference on Sustainability	SEC-PSE
	October 23, 2018	The 5th SEC-PSE Corporate Governance Forum	Institute of Corporate Directors
	September 26, 2017	Corporate Governance Conference: Competing Against Risk	Insurance Commission
	September 15, 2017		

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	August 10, 2017 June 14, 2016 July 24, 2015	CEO Forum on Insurance Regulations & Governance Corporate Governance Corporate Governance Corporate Governance	Institute of Corporate Directors Institute of Corporate Directors Institute of Corporate Directors ROAM, Inc.
22. Santino U. Sontillano	December 6, 2018	Corporate Governance, Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.

The Company, on the other hand, is presently a party to the following litigation cases:

1. *National Reinsurance Corporation of the Philippines vs. Stronghold Insurance Company*
   Civil Case No. 10-1036
   Regional Trial Court, Makati City, Branch 142

   This is a complaint filed in 2014 by NRCP for sum of money with damages and application for attachment with respect to its claims against Stronghold Insurance Company, Inc. ("Stronghold").

   The latest development on this case noted that the parties explored the possibility of settlement during the pre-trial conference. On December 20, 2017, the parties filed a Joint Motion to Render Judgment Based on Compromise, submitting the Compromise Agreement which they have executed on December 14, 2017 ("Compromise Agreement"). In the same Joint Motion, the parties prayed that the proceedings be terminated. Pursuant to the Compromise Agreement, Stronghold undertook to pay NRCP the amount of ₱63,635,294.27, 50% of which was paid upon signing of the Compromise Agreement, and the balance in six equal monthly installments beginning on February 14, 2018 to July 14, 2018. The postdated checks for the installment payments were delivered to NRCP upon signing of the Compromise Agreement.

   Accordingly, the court issued a Judgment Based on Compromise Agreement dated December 20, 2017 approving the Compromise Agreement. Stronghold has fully paid the settlement amount under the Compromise Agreement. The case is now deemed terminated.

2. *National Reinsurance Corporation of the Philippines vs. Stronghold Insurance Company, Inc.*
   I.C. Adm. Case No. RD-422
   Insurance Commission, Manila

   This is a complaint filed in 2014 by NRCP with the Insurance Commission against Stronghold for the revocation or cancellation of Stronghold's license to conduct insurance business, with respect to NRCP's second claim as discussed in item no. 1 above.

   Despite several meetings between the parties, they were not able to settle. On May 22, 2012, the Commission issued its Decision dismissing without prejudice NRCP's complaint. The Commission ruled that Stronghold did not violate Section 241 of the Insurance Code of the

Philippines because the claims subject of the case were subject of compensation between the parties based on an existing practice of offsetting between them.

On August 3, 2012, NRCP filed its Motion for Reconsideration of even date. On September 12, 2012, NRCP received a copy of Stronghold's Opposition dated August 27, 2012, to which we filed our Reply dated September 19, 2012.

On October 15, 2012, NRCP received a Notice of Hearing issued by the Insurance Commissioner dated October 9, 2012 which set the pre-trial conference on October 24, 2012. On October 29, 2012, NRCP received Stronghold's Manifestation & Motion dated October 23, 2012 praying that the pre-trial conference hearing be cancelled. On December 10, 2014, NRCP received the Entry of Appearance dated December 2, 2014 filed by Perpetuo M. Lotillo, Jr. asking to be substituted in place of Buñag & Lotilla Law Offices.

3. *Oriental Assurance Corp. v. National Reinsurance Corporation of the Philippines and CBR Asia Insurance Brokers, Inc.*
Civil Case No. 73975
Regional Trial Court, Branch 157, Pasig City

This is a complaint for sum of money and damages filed by Oriental Assurance Corp. ("OAC") against NRCP and CBR Asia Reinsurance Brokers, Inc. ("CBR Asia").

While NRCP has paid the ₱100,000,000.00 maximum limit under the Reinsurance Policy, OAC has demanded a further sum of P7,986,422.67 representing "Sue and Labor" expenses allegedly incurred for the salvage of the vessel. NRCP has denied liability, citing the fact that its liability under the Reinsurance Policy cannot exceed ₱100,000,000.00.

This case is now at the trial stage. Owing to OAC's failure to submit the judicial affidavits of its witnesses and present its evidence on the scheduled hearing dates, NRCP filed a Motion to Dismiss dated June 1, 2018 on the ground of non-prosequitur. The motion has not been resolved by the court.

4. *Final Assessment Notice for Deficiency Value Added Tax*
Bureau of Internal Revenue

On December 29, 2015, NRCP received a Preliminary Assessment Notice ("PAN") from the VAT Audit Group of the Bureau of Internal Revenue ("BIR") Large Taxpayers Service informing it of an alleged deficiency Value Added Tax amounting to ₱28,073,470.03 plus ₱16,444,131.21 in interest (from January 26, 2013 to December 31, 2015) for the taxable period from July 1, 2012 to December 31, 2012, or a total of ₱44,517,601.24, plus compromise penalty of ₱50,000.00.

Based on the PAN, the assessments arose from NRCP's alleged failure to pay VAT on the sale of some items of property plant and equipment (PPE) and taxable interest income, the disallowance of input tax on current purchases for alleged lack of substantiation, the disallowance of input tax from purchases from non-VAT suppliers, the reallocation of a specific portion of NRCP's input tax credits to exempt sales, and the disallowance of input tax carried over to the next period.

On January 13, 2016, NRCP sent a reply letter to the BIR contesting the PAN. The following day, the BIR Large Taxpayers Service issued its Formal Letter of Demand (or Formal Assessment Notice/FAN) reiterating the assessments stated in the PAN with interest penalty updated to January 31, 2016.

On February 12, 2016, the Company filed the Protest to contest the assessment. For practical considerations, the Company paid the deficiency VAT of ₱4,189,869.25, interest of ₱2,571,317.02, and compromise penalties of ₱50,000.00, or the aggregate amount of ₱6,811,186.27 on February 18, 2016.

On September 14, 2016, the Company received the Final Decision on Disputed Assessment (FDDA) dated September 13, 2016 (on the Protest) that was issued by OIC-Assistant Commissioner Teresita M. Angeles. The FDDA considered some of the arguments raised in the Protest and imposed upon the Company deficiency VAT in the reduced amount of ₱32,693,610.62, inclusive of interest.

On October 14, 2016, the Company filed with the Commissioner of Internal Revenue ("CIR") a request for reconsideration. The request is still pending resolution.

(i) Significant employees

Although the Corporation has and will likely continue to rely significantly on the continued individual and collective contributions of its senior management team, the Corporation is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete upon termination.

(j) Certain Relationships and Related Transactions

The Company's corporate governance manual provides that related party transactions shall be conducted on terms that are comparable to normal commercial practices to safeguard the best interest of the Corporation and its stakeholders. All related party transactions are fully disclosed to the Board of Directors.

The following tables show (in millions of Philippine Pesos) premiums, retrocessions and related income and expense accounts between the Corporation, its Principal Shareholders and companies represented by other members of the Board of Directors for 2018 and 2017 (refer to Note 25 of the accompanying audited financial statements):

Shareholder/Related Party/Director Corporation	**2018**					
In Million PHP	Premiums	Commission Expenses	Retrocession	Commission Income	Losses Incurred	Loss Recoveries
GSIS	**(11.2)**	**(1.4)**	**(0)**	**-**	**5.7**	**(1.8)**
BPI-Philam Life	33.6	-	13.8	**-**	18.3	-
BPI/MS Insurance	63.5	21.5	-	**-**	58.0	-
FLT Prime Insurance	-	-	-	**-**	(21.5)	
Total BPI Group	**97.1**	**21.5**	13.8	**-**	**54.8**	-
First Nationwide Assurance Corp.	-	-	-	**-**	-	-
Sunlife GREPA Financial	7.8	0	-	**-**	5.9	-
Malayan Insurance	78.9	14.5	-	**-**	77.0	-
Total Malayan Group	**86.7**	**14.5**	-	**-**	**82.7**	-
GRAND TOTAL	**172.6**	**34.6**	**13.8**	**-**	**143.2**	**(1.8)**

Shareholder/Related Party/Director Corporation	**2017**					
In Million PHP	Premiums	Commission Expenses	Retrocession	Commission Income	Losses Incurred	Loss Recoveries
GSIS	**-**	**-**	**-**	**-**	**3.7**	**0.1**
BPI-Philam Life	71.1	-	1.9	-	-	-
BPI/MS Insurance	81.2	32.5	-	-	48.6	-
Total BPI Group	**152.3**	**32.5**	**1.9**	**-**	**48.6**	-
First Nationwide Assurance Corp.	0.1	-	-	-	-	-
Sunlife GREPA Financial	5.9	-	1.1	-	-	-
Malayan Insurance	169.9	31.8	-	-	68.9	12.1
Total Malayan Group	**175.9**	**31.8**	**1.1**	**-**	**68.9**	**12.1**
GRAND TOTAL	**328.2**	**64.3**	**3.0**	**-**	**121.2**	**12.2**

The following tables show (in millions of Philippine Pesos) reinsurance balances receivable from and payable to related parties as result of the above transactions as of December 31, 2018 and 2017 (refer to Note 25 of the accompanying audited financial statements):

Shareholder/Related Party/Director Corporation	**2018**					
In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro-cessionaire	Funds held for retro
GSIS	**-**	**19.2**	**-**	**172.8**	**-**	**-**
BPI-Philam Life	31.2	-	-	-	**-**	-
BPI/MS Insurance	31.5	-	14.9	491.6	**-**	-
FGU Insurance Corp	-	-	-	-	-	-
Total BPI Group	**62.7**	**-**	**14.9**	**491.6**	**-**	**-**
Sunlife GREPA Financial	-	-	-	7.9	-	-
Malayan Insurance	8.2	-	-	371.2	**-**	-
Total Malayan Group	**8.2**	**-**	**-**	**379.1**	**-**	**-**
GRAND TOTAL	**70.9**	**19.2**	**14.9**	**1,043.5**	**-**	**-**

Shareholder/Related Party/Director Corporation	**2017**					
In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro-Cessionaire	Funds held for retro
GSIS	**113.4**	**49.7**	**1.1**	**169.5**	**-**	**1.1**
BPI-Philam Life	61.0	1.0	-	0.1	3.2	-
BPI/MS Insurance	10.4	-	23.9	493.6	0.7	-
FGU Insurance Corp	-	0.3	-	-	-	-
Total BPI Group	**71.4**	**1.3**	**23.9**	**493.7**	**3.9**	**-**
First Nationwide Assurance Corp.	3.1	-	-	3.6	0.8	-
Sunlife GREPA Financial	0.8	-	-	-	-	-
Malayan Insurance	46.4	4.8	0.1	471.4	6.1	-
Total Malayan Group	**50.3**	**4.8**	**0.1**	**475.0**	**6.9**	**-**
GRAND TOTAL	**235.1**	**55.8**	**25.1**	**1,138.2**	**10.8**	**1.1**

In addition to the foregoing, the Corporation has entered into agreements with the following:

1. *Custodianship Agreement:* The Corporation entered into a Custodianship Agreement with the Bank of Philippine Islands Asset Management and Trust Corporation (BPI-AMTC) for purposes of opening and maintaining a custodianship account with BPI-AMTC over certain securities owned by the Corporation. BPI-AMTC acts as a depositary of such securities. For services rendered, BPI-AMTC is entitled to the custodianship fees based on the value of the securities held. The Agreement shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

2. *Investment Management Agreement.* The Corporation entered into separate Investment Management Agreement with BPI-AMTC and Rizal Commercial Banking Corporation (RCBC), for purposes of investing a portion of the Company's investible funds. BPI-AMTC and RCBC, as Investment Managers shall invest and reinvest the funds deposited with them through an investment management account. As compensation for services, both BPI-AMTC and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

3. *Retirement Fund Agreement.* The Board of Trustees of the National Reinsurance Corporation Employees Retirement Plan entered into separate Trust Agreement with BPI-AMTC and RCBC, to manage and administer the Corporation's retirement fund and to make such investments or reinvestments of the fund as deemed to be reasonable or advisable. As compensation for services, BPI-AMTC and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

There are no other parties, aside from the related parties discussed herein, with whom the Corporation has a relationship, being a stockholder and a related party under common ownership, that enables the parties to negotiate terms of material transactions that may not be available to other more clearly independent parties on an arm's length basis.

Item 6. Compensation of Directors and Executive Officers

ANNUAL COMPENSATION IN PHILIPPINE PESOS

Name	Year	Salary	Bonus	Other annual compensation
CEO and key executive officers named	2016	25,143,000.00	4,190,500.00	3,938,988.00
All other officers and directors as a group unnamed		6,745,400.00	1,124,233.00	1,133,224.00
CEO and key executive officers named	2017	22,483,357.50	3,758,601.00	6,066,536.00
All other officers and directors as a group unnamed		6,476,419.43	1,077,850.00	17,252,881.09*
**includes retirement pay for 2 officers*				
CEO and key executive officers named	2018	26,330,402.51	9,687,940.86	9,350,386.47
All other officers and directors as a group unnamed		7,141,663.40	1,192,380.97	1,969,964.78
CEO and key executive officers named	2019 (Estimates)	30,553,776.00	11,210,713.23	11,047,440.77
All other officers and directors as a group unnamed		6,249,972.00	1,562,493.00	865,411.00

Officers named for 2018 include the following:

1. Augusto Hidalgo, President & CEO, resigned effective August 16, 2018;
2. Allan R. Santos, Chief Operating Officer from January 1 – August 16, 2018; President & CEO from August 17 to December 31, 2018;
3. Alexander L. Reyes, Senior Vice President and Head, Non-Life Reinsurance;
4. Victor Tanjuakio, First Vice President and Head, Life Reinsurance Operations; and
5. Regina S. Ramos, Vice President and Head, Risk and Compliance.

The Corporation's Amended By-Laws (Article III, Section 8) provide that such per diem as the Board of Directors may approve shall be paid to each director for attendance at any meeting of the Board; provided however, that nothing therein contained shall be construed to preclude any director from receiving such bonuses, other than per diems, as provided elsewhere in the Corporation's Amended By-Laws, or from serving in any other capacity and receiving compensation therefrom, subject to approval thereof by the vote

of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In this connection, Section 29 of the Revised Corporation Code of the Philippines states that "in no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income before income tax of the corporation during the preceding year."

Each director of the Corporation receives a per diem based on the following schedule for attendance in meetings of the Board of Directors/ Committees:

A. Board Meetings	
Chairman	₱ 50,000
Vice Chairman	45,000
Treasurer	37,500
Independent Director	20,000
Regular Director	17,000

B. Committee Meetings	
Independent Director	₱ 6,000
Regular Director	5,000

Aside from the above, and the performance bonus system approved by the stockholders during the June 23, 2008 annual stockholders' meeting, no other resolution relating to director's remuneration has been adopted by the Board of Directors.

As of date, none of the Corporation's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Corporation.

Item 7. Independent Public Accountant

(a) The auditing firm of Punongbayan & Araullo will be recommended to the stockholders for appointment as the Corporation's principal accountant for the ensuing fiscal year. Conformably with SRC Rule 68(3)(b)(iv), the Corporation's independent public accountant shall be rotated, or the handling partner shall be changed, every 5 years. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor. Anthony L. Ng, audit partner of Punongbayan & Araullo, is the assigned engagement partner to the Company.

(b) Punongbayan & Araullo was the same principal accountant of the Corporation for the fiscal year most recently completed (December 31, 2018).

(c) Representatives of Punongbayan & Araullo are expected to be present at the stockholders' meeting to be held on June 27, 2019. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

(d) Punongbayan & Araullo has neither shareholdings in the Corporation nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Corporation. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines.

(e) There are no disagreements on any matter of accounting principle or practices, financial statement disclosures, etc., between Punongbayan & Araullo and the Corporation.

(f) The Company's Audit Committee is composed of the following:

Chairman:	Mr. Ermilando D. Napa
Vice-Chairman:	Mr. Romeo L. Bernardo (*resigned effective April 24, 2019*)
Member:	Mr. Medel T. Nera

Item 8. Compensation Plan

There are no items to be taken up with respect to compensation plans.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no issues regarding the issuance of securities other than for exchange.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up with respect to the modification or exchange of the Company's securities.

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2018, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as "Annex B."

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken with respect to any merger, consolidation or acquisition.

Item 13. Acquisition or Disposition of Property

There is no action to be taken with respect to any acquisition or disposition of property.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with respect to Reports

Summary of Items to be Submitted for Stockholders' Approval

(1) Approval of the Minutes of the Annual Stockholders' Meeting held on July 5, 2018

The minutes of the annual stockholders' meeting held on July 5, 2018 will be submitted for approval of the stockholders at the annual meeting to be held on June 27, 2019. Below is a summary of the items and/or resolutions approved at the annual stockholders' meeting held on July 5, 2018:

(a) The Chairman of the Board of Directors of the Corporation called the meeting to order. The Secretary of the meeting certified that a quorum existed for the transaction of business.

(b) The stockholders approved the minutes of the annual stockholders' meeting held on June 28, 2017.

(c) The Chairman delivered her message.

(d) The President of the Corporation presented the management report. He presented the highlights of the performance of the Corporation, the details of which were incorporated into the Corporation's annual report as distributed to the stockholders. The management report included a discussion on underwriting, operations, investment, financial report, outlook and plans. Upon motion duly made and seconded, the management report was approved.

(e) Upon motion duly made and seconded, the stockholders ratified the acts of the officers and the Board of Directors of the Corporation performed or undertaken in the year 2017 and until July 5, 2018.

(f) Upon motion duly made and seconded, the accounting firm Punongbayan & Araullo was appointed as external auditors of the Corporation for the then current fiscal year.

(g) Upon motion made and duly seconded, the stockholders approved the amendment of Articles I and III of the articles of incorporation in order to adopt "Nat Re" as an additional business name and to reflect the current name of the building where the principal office of the Corporation is located.

(h) The following were elected as directors of the Corporation for the current year; to serve as such for a period of one year and until their successors shall have been elected and qualified:

Regular Directors:

Cezar P. Consing
Augusto P. Hidalgo
Yvonne S. Yuchengco
Antonio M. Rubin
Luis C. Urcia
Alan R. Luga
Wilfredo C. Maldia
Joli Co Wu
Jocelyn De Guzman Cabreza
Rafael G. Ayuste, Jr.

Independent Directors:

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

(h) Upon motion duly made and seconded, the annual stockholders' meeting was adjourned.

(2) Ratification of the Acts of the Board of Directors and Officers

Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company as contained or reflected in the minute books, annual report and financial statements. These acts are covered by

resolutions of the Board of Directors duly adopted in the normal course of trade or business involving approval of the budget for the current year, approval of all investment-related transactions, treasury matters requiring the opening of accounts and authorization of bank transactions, approval of bank signatories and related updates or amendments thereof, engagement of consultants, sale of company vehicles, manpower related decisions, approval of financial reports, election of new directors and related changes in the members of the various Board committees, among others. Specifically, these resolutions include the following:

a) Election of officers and appointment of the Members of the various committees;
b) Update of Authorized Signatories for Investment Transactions, HDMF/Pag-ibig Fund Transactions, Retirement Funds, BPI Custodianship Agreement, Bank Signatories, Stock Transfer Agent, Corporate Credit Cards, PSE System Administrators, Reinsurance Contracts, Investment Management Agreement, Corporate Representatives with PIRA, BIR EFPS, Security Managers on Electronic Banking, E-Tax Payment Systems of Landbank, BPI Philam and Maxicare, Smart PLDT, Globe, Petron Fleet Card, AMLA Compliance Officer, SEC Reports, Credit Facilities, and Refund of Meralco Deposit;
c) Updating of authorized representatives in Orchard Golf Club and Makati Sports Club;
d) Authority to transact with OASIS Loss Modelling Framework and with Pag-Asa for the Oasis Platform for Climate and Catastrophe Risk Assessment;
e) Approval of various investment-related matters such as investments in Petron Corporation Series C Bonds and in Ayala Land Inc. Peso Fixed-Rate Bonds;
f) Designation of additional counterparty financial institutions with settlement line of Php100,000,000;
g) Designation of authorized signatories for renewal of various permits, including the Makati City Mayor's Permit;
h) Updating of authorized signatories to comply with IC Circular Letter No. 2015-13;
i) Updating of authorized security managers for Metrobank electronic banking;
Approval of the ML/TFPP Guidelines to comply with IC Circular Letter No. 2018-48 dated September 14, 2018, as amended by IC CL No. 2018-60 dated November 15, 2018;
j) Approval of IACGR;
k) Set the date of the 2019 Annual Stockholders' Meeting of NRCP and appointed Punongbayan and Araullo as canvassers for the 2019 Annual Stockholders' Meeting;
l) Authorization to apply for permits with the Securities and Exchange Commission and Optical Media Board as regards the distribution of annual meeting documents in digital format;
m) Approval of the Financial Statements for the year ended December 31, 2018; and
n) Appointment of Punongbayan & Araullo as External Auditor for 2019, subject to stockholders' ratification at the 2019 annual stockholders' meeting;

(3) Appointment of Independent Auditors

The auditing firm of Punongbayan & Araullo will be recommended to the stockholders for appointment as the Corporation's principal accountant for the ensuing fiscal year. Mr. Anthony L. Ng is the partner in charge of the Corporation's account.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Other Proposed Action

No action is to be taken with respect to any matter not specifically referred to herein.

Item 18. Summary of Voting Matters/Voting Procedures

(a) Summary of Matters to be presented to the Stockholders

(1) Approval/ratification of the minutes of the annual meeting of stockholders held on July 5, 2018. Approval of said minutes shall constitute confirmation of all the matters stated in the minutes.

(2) Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company as contained or reflected in the minute books and attached management report and financial statements. These acts are covered by resolutions of the Board of Directors duly adopted in the normal course of trade or business involving approval of the budget for the current year, approval of investments, treasury matters requiring the opening of accounts and authorization of bank transactions, approval of bank signatories and related updates and amendments thereof, engagement of consultants, sale of company vehicles and election of new directors and changes in the members of the various Board committees. A summary of the resolutions approved by the Board is provided in item 15 (2) of this report.

(3) Selection of Punongbayan & Araullo as independent auditors.

(4) Election of Directors

Election of a Board of thirteen (13) directors, at least 3 of whom shall be independent directors, and will hold office for a period of one year and until the next annual meeting of stockholders and until his or her successor is elected and qualified. The nominees for directors are:

Regular Directors:

Wilfredo C. Maldia
Allan R. Santos
Yvonne S. Yuchengco
Reginaldo Anthony B. Cariaso[7]
Maria Consuelo A. Lukban
Antonio M. Rubin
Joli Co Wu
Jocelyn DG Cabreza
Nora M. Malubay
Rafael G. Ayuste, Jr.

Independent Directors:

Ermilando D. Napa
Medel T. Nera
Rex Ma. A. Mendoza

[7] Mr. Cariaso is being nominated for the first time as a director of the Corporation. His curriculum vitae and business experience are summarized in Annex A-1.

The nominees for Independent Directors[8] of the Corporation for the Annual Stockholders' Meeting of June 27, 2019, within the purview of SRC Rule 38 are Rex Ma. A. Mendoza, Ermilando D. Napa, and Medel T. Nera. Mr. Mendoza is being nominated for the first time as an independent director of the Corporation. His curriculum vitae and business experience are in Annex A.

(b) Voting Procedures

(1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 5, 2018.

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(2) Ratification of the acts of the Board of Directors and Officers

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(3) Appointment of Independent External Auditors

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(4) Election of Directors

(A) Vote required: The 10 candidates for regular directors and 3 candidates for independent directors receiving the highest number of votes cast for regular directors and votes cast for independent directors shall be declared elected.

(B) Method by which votes will be counted: Cumulative voting applies**.** Under this method of voting, a stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock books of the Corporation as of the Record Date, and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the

[8]An "Independent Director" shall mean a person other than an officer or employee of the Corporation or its subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

(6) At the regular meeting of the Board of Directors held on January 24, 2019, Punongbayan & Araullo was appointed as Board of Canvassers. The Board of Canvassers shall have the power to count and tabulate all votes, assents and consents; determine and announce the result; and to do such acts as may be proper to conduct the election or vote with fairness to all stockholders.

PART II
INFORMATION REQUIRED IN A PROXY FORM

Item 1. Identification

This proxy is being solicited for and on behalf of the Management of the Corporation. The Chairperson of the Board of Directors or, in her absence, the President of the Corporation will vote the proxies at the annual stockholders' meeting to be held on June 27, 2019.

Item 2. Instruction

(a) The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy. Attached to the Notice of Meeting is a sample board resolution to designate a proxy for the annual stockholders' meeting.

(b) Duly accomplished proxies shall be submitted to the Corporate Secretary of the Corporation not later than June 17, 2019 (not less than 10 calendar days prior to the date of the stockholders' meeting) at the following address:

The Corporate Secretary
National Reinsurance Corporation of the Philippines
31st Floor, BPI-Philam Life Makati
6811 Ayala Avenue
Makati City 1227 Philippines.

(c) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.

(d) Validation of proxies will be held by the Corporate Secretary and/or Stock Transfer Agent on June 21, 2019 at 2:00 p.m. at the principal office of the Corporation at the 31st Floor, BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City, Philippines.

(e) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in her absence, the President of the Corporation, as proxy for the annual stockholders meeting to be held on June 27, 2019.

(f) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.

(g) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b).

(h) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1), (2), and (3), below by checking the appropriate box. Where the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter. **(Note: If you intend to submit a proxy, please fill up and submit the enclosed proxy instrument, not the following Item 2(h).)**

(1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 5, 2018.

☐ FOR ☐ AGAINST ☐ ABSTAIN

(2) Ratification of the acts of the Board of Directors and Officers

☐ FOR ☐ AGAINST ☐ ABSTAIN

(3) Appointment of Punongbayan & Araullo as Independent External Auditors

☐ FOR ☐ AGAINST ☐ ABSTAIN

(i) Election of Directors. **(Note: If you intend to submit a proxy, please fill up and submit the enclosed proxy instrument, not the following Item 2(i).)**

☐ FOR all nominees listed below, except those whose names are stricken out

☐ WITHHOLD authority to vote for all nominees listed below.

(**Instruction**: To strike out a name or withhold authority to vote for any individual nominee, draw a line through the nominee's name in the list below).

Regular Directors:

Wilfredo C. Maldia
Allan R. Santos
Yvonne S. Yuchengco
Reginaldo Anthony B. Cariaso
Maria Consuelo A. Lukban
Antonio M. Rubin
Joli Co Wu
Jocelyn DG Cabreza
Nora M. Malubay
Rafael G. Ayuste, Jr.

Independent Directors:

Ermilando D. Napa
Medel T. Nera
Rex Ma. A. Mendoza

Item 3. Revocability of Proxy

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

Item 4. Persons Making the Solicitation

The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the Management of the Corporation at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery by its regular employees. The Corporation shall not engage the services of special employees or proxy solicitors in the proxy solicitation. The Corporation will shoulder the cost of solicitation, which is estimated to be ₱80,000.00.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon at the annual stockholders' meeting to be held on June 27, 2019, other than election to office.

PART III
SIGNATURE

Management does not intend to bring any matter before the meeting other than those set forth in the Notice of the annual meeting of stockholders and does not know of any matters to be brought before the meeting by others. If any other matter does come before the meeting, it is the intention of the persons named in the accompanying proxy to vote the proxy in accordance with their judgment.

ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE (1) NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF; (2) PROXY INSTRUMENT; AND (C) THE CORPORATION'S MANAGEMENT REPORT PURSUANT TO SRC RULE 20 (4).

THE CORPORATION'S LATEST ANNUAL REPORT IN SEC FORM 17-A AND LATEST QUARTERLY REPORT IN SEC FORM 17-Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ARE AVAILABLE FOR DOWNLOAD AT THE COMPANY'S WEBSITE www.nat-re.com. UPON REQUEST BY A SHAREHOLDER, THE COMPANY WILL PROVIDE HARDCOPIES OF THE LATEST ANNUAL AND QUARTERLY REPORTS.

ALL OTHER REQUESTS FOR INFORMATION MAY BE SENT TO THE FOLLOWING:

National Reinsurance Corporation of the Philippines
31st Floor, BPI-Philam Life Makati
6811 Ayala Avenue,
Makati City 1227 Philippines.

Attention: The Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati, 30 April 2019.

NATIONAL REINSURANCE
CORPORATION OF THE PHILIPPINES

By:

NOEL A. LAMAN
Corporate Secretary

ANNEX A
FINAL LIST OF CANDIDATES FOR INDEPENDENT DIRECTORS

Rex Ma. A. Mendoza, Nominee Independent Director.
Mr. Rex Ma. A. Mendoza is the President & CEO of Rampver Financials, a dynamic niche player in financial services specializing in investments, and the biggest distributor of mutual funds in the Philippines. He sits as the Lead Independent Director of Globe Telecom. He is also an Independent Director of Prime Orion Properties, Inc. and Philippine Health Insurance Corporation (PhilHealth). His other directorships include Esquire Financing, Inc., the Cullinan Group, TechnoMarine Philippines, Seven Tall Trees Events Company, Inc., and Mobile Group, Inc. Mr. Mendoza is also a member of Bro. Bo Sanchez' Mastermind Group and is cited by many as one of the best leadership and business speakers in the country. He is the author of the books, Trailblazing Success and Firing on all Cylinders, a certified national bestseller. Rex served as the President & CEO of Philam Life, one of the country's most trusted financial services conglomerates and was Chairman of its affiliates and subsidiaries. He was also Senior Adviser to the Chief Executive Officer of the AIA Group. Prior to this, he was previously Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation. He has a Master's Degree in Business Management with distinction from the Asian Institute of Management. He was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance. Rex was awarded Most Distinguished Alumnus of the UP Cesar Virata School of Business. He is also a Fellow with Distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner (RFP) and a four-time member of the Million Dollar Round Table (MDRT). Rex was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

Ermilando D. Napa, Independent Director since June 2011.
Mr. Napa is the Founding CEO of Manila Consulting & Management Co., Inc., and Catanauan Resources and Development Corporation. Currently, Mr, Napa is an Independent Director at the National Reinsurance Corporation of the Philippines (Nat Re), House of Investments Inc. (HOI) and iPeople Inc. He is the Chairman of the Audit Committee of Nat Re and Chairman of the Risk Oversight Committee of HOI as well as the Chairman of the Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC). He is also the Chairman of the Court Appointed Board of Liquidators of Capitol Hills Golf and Country Club Inc. His previous professional experience includes being a President and CEO, and Vice Chairman of the Board of Trade and Investment Development Corporation aka Philippine Export – Import Credit Agency, Partner of SyCip Gorres & Velayo Company (Philippines), a Principal of Kassim Chan & Company in Kuala Lumpur, Malaysia (a former member firm of SGV Group and Delloite Haskins & Sells International), and a Manager of Arthur Andersen in New York. In 2013, he was appointed as Conservator of the National Life Insurance Company (NLIC) and spearheaded its rehabilitation. Mr. Napa has attended special trainings and various courses such as Strategic Management and IMPACT Productivity Improvement in Chicago and Corporate Finance in New York and various corporate governance courses. He holds a bachelor's degree in Business Management from Aquinas University (1970) and a master's degree in Management from the Asian Institute of Management (1980).

Medel T. Nera, Independent Director since July 2011.
Mr. Medel T. Nera is the President and CEO of House of Investments, Inc.; Director and President of RCBC Realty Corp. He serves as Director of House of Investments and its significant subsidiaries and associates. He also serves as Director of EEI Corporation and Seafront Resources Corp. His past experiences include: Director, Chairman of Risk Oversight Committee and member of the Audit Committee of Rizal Commercial Banking Corp.; and Senior Partner of SyCip, Gorres, Velayo and Co., CPAs (SGV) where he served as Financial Services Practice Head. Mr. Nera holds a degree in Bachelor of Science in Commerce from Far Eastern University where he graduated in 1976. He obtained his Master of Business Administration degree from New York University in 1982.

ANNEX A-1
NEW NOMINEE FOR REGULAR DIRECTOR

Reginaldo Anthony B. Cariaso, Nominee Director of the Corporation.
Mr. Cariaso joined BPI Capital Corporation, the investment banking subsidiary of the Bank of the Philippine Islands, in 2013 and is currently the President. Effective May 1, 2019, Mr. Cariaso is appointed as the Head of Corporate Products & Support, Corporate Banking Segment for the Bank of the Philippine Islands (BPI). He is also the Chairman of BPI Securities, the equities brokerage arm of the Bank of the Philippine Islands. Mr. Cariaso serves on the board of several corporations. Prior to joining BPI Capital, Mr. Cariaso worked in investment banking for Nomura International and JP Morgan based in Hong Kong covering Asia ex-Japan. He has extensive experience originating and executing corporate advisory and capital markets transactions, in a variety of industries, including financial institutions, across Asia and the Philippines. Since joining BPI Capital, the firm has executed a number of landmark transactions in the Philippines including some of the largest debt capital markets deals, innovative project and structured financings and brought some of the most familiar names to the public equity markets. Mr. Cariaso was a Lieutenant in the United States Navy and received a B.A. degree from the University of Pennsylvania.

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Description of Business

National Reinsurance Corporation of the Philippines (the "Company" or the "Corporation") provides life and non-life reinsurance capacity and other reinsurance solutions to insurance companies in the Philippines and other foreign insurance markets. With this, the Company promotes the development of the Philippine insurance industry and serves as a medium for regional and international cooperation in insurance.

The Company was incorporated in 1978 pursuant to Presidential Decree No. 1270. The Presidential Decree also designated the Company as the vehicle for the Philippines' participation in the Asian Reinsurance Corporation, a multilateral reinsurance entity established to foster regional cooperation among insurance companies doing business in Asia.

In 2006, the Company became the country's sole domestic professional reinsurance company following its merger with Universal Malayan Reinsurance Corporation, the country's second largest domestic reinsurer.

In 2007, the Company listed its shares with the ticker symbol "NRCP" in the Philippine Stock Exchange, with the Government Service Insurance System (GSIS), the BPI Group, and the Malayan Group as significant shareholders.

The Company has no subsidiaries, and has not been a party to any bankruptcy, receivership or similar proceedings.

Nat Re writes both life and non-life reinsurance through treaty and facultative contracts. Facultative reinsurance refers to individually written and negotiated reinsurance agreements, while treaty contracts are agreements either; to share proportionately in the specific portions of the business written by insurance company, or, to pay losses incurred by the insurer in excess of an agreed amount up to a specified limit.

The Company writes domestic and foreign reinsurance business with the non-life portfolio making up close to 70% of the Company's total Gross Premiums Written.

Life retained premium continued to grow in 2018 driven by Group Life business which includes mortgage redemption insurance, credit life and employee benefits. Individual Life also significantly contributed to the growth thru the continued sales in critical illness and investment products. Medical Insurance business, while still small at this point, is the fastest growing segment. As products continue to evolve, so is the distribution, solicitation and administration of life insurance business.

By end of 2018 only 35% of total non-life business came from local risks, with 65% of the portfolio coming from a global book of geographically diversified exposures Aside from writing global risks to diversify the Company's risks exposures, the Company also purposely reduced its concentration of exposures to Philippine catastrophe risks by entering into reciprocal exchanges with non-Philippine based reinsurers to replace its local exposures with globally diversified risks.

Fire remains Nat Re's main product line accounting for 53% of its total non-life premiums, followed by Casualty lines at 25%, Motor at 20% and Marine at 2%.

The bulk of the domestic portfolio comes from treaty business which accounts for 94% of total premiums with facultative contracts accounting for the difference. Foreign contracts, on the other hand, are exclusively treaty contracts.

The Company's Non-Life gross written premiums grew by 15.3% in 2018, notwithstanding the close to 10% reduction in premiums following a decision to withdraw or reduce shares from unprofitable contracts. The Company has likewise opted to reduce its peak risk exposures in order to reduce portfolio volatility.

The Company's products include: Fire Insurance under broad named perils conditions as well as Commercial and Industrial All Risks; Engineering which includes Construction all Risks, Erection All Risks, Electronic Equipment Insurance, Machinery Breakdown and Boiler and Pressure Vessel Insurance; Liability Insurance which includes Comprehensive General Liability, Directors and Officers Liability, Products Liability and Errors and Omission; Money Securities and Payroll, Fidelity Guarantee; Property and Equipment Floaters; Personal Accident; and other Miscellaneous lines like Hole-In-One.

The Company is the only domestic professional reinsurance company in the Philippines. As the only national reinsurer it has the unique privilege granted by law, of being entitled to take up to a 10% share of all reinsurance business ceded abroad. This allows the Company special access to Philippine reinsurance business and an exceptional view of the domestic insurers' reinsurance requirements.

The Company competes primarily with Global reinsurers for treaty business. The Company's local character allows it to have a better understanding of market conditions and practices and enables the Company to engage the local market closely and more frequently. Its local presence enables it to provide technical guidance more efficiently and address, particularly, the local market's need for facultative reinsurance support. Its limited underwriting capacity, on the other hand, restricts its ability to write significant shares of larger risks.

REVIEW OF 2018 VERSUS 2017

Results of Operations

In Millions PhP	For the years ended 31 Dec 2018	31 Dec 2017	Inc(dec) Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P3,682.9	P3,205.1	P477.8	14.9%
Retroceded premiums	(1,106.7)	(841.4)	265.3	31.5%
Net written premiums	2,576.2	2,363.7	212.5	9.0%
Increase in premium reserves - net	(9.9)	(209.2)	199.3	-95.3%
	2,566.3	**2,154.5**	**411.8**	**19.1%**
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,051.5	1,026.4	(25.1)	2.4%
Share in unreported loss reserves – net	588.6	308.2	(280.4)	91.0%
Commissions – net	773.3	583.3	(190.0)	32.6%
	2,413.4	**1,917.9**	**(495.6)**	**25.8%**
NET UNDERWRITING INCOME	**152.7**	**236.6**	**(83.8)**	**-35.4%**
Interest	224.7	192.5	32.2	16.7%
Gain on sale of AFS	131.1	120.8	10.3	8.5%
Foreign currency gain (losses)	43.2	(30.7)	73.9	-240.8%
Others	(9.5)	(27.8)	18.3	-65.8%
INVESTMENT AND OTHER INCOME AND EXPENSES– Net	**389.5**	**254.8**	**134.7**	**52.9%**
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	**542.2**	**491.4**	**50.8**	**10.3%**
GENERAL AND ADMINISTRATIVE EXPENSES	350.3	317.4	(33.0)	10.4%
PROFIT BEFORE TAX	**191.9**	**174.0**	**17.9**	**10.3%**
TAX EXPENSE	42.7	91.0	48.4	-53.1%
NET PROFIT	**P149.2**	**P83.0**	**P66.2**	**79.8%**

The Company recorded a net profit of P149.2 million for the year ended December 31, 2018, P66.2 million or 79.8 % higher than the net profit recognized in 2017. The Net Profit resulted from generating Net Underwriting Income of P152.7 million, and Investment and Other Income and Expenses of P389.5 million negated by General and Administrative Expenses of P350.3 million and Tax Expense of P42.7 million.

Underwriting Results

Net underwriting income amounted to P152.7 million, lower by P83.8 million or 35.4% compared to 2017. Lower net underwriting income is mainly due to higher underwriting deductions by P495.6 million or 25.8% from P1.9 billion in 2017 to P2.4 billion in 2018. This is partially negated by the increase in Earned premium by P411.8 million or 19.1%. The increase in Earned premium can be mainly attributed to higher retention of premiums written in 2018 by P212.5 million or 9.0% from P2.4 billion in 2017 to P2.6 billion in 2018.

Higher premiums earned in 2018 primarily resulted from the growth in foreign business where net written premiums grew by P394 million or 33% from P1.2 billion in 2017 to P1.6 billion in 2018 as the company continued to diversify risks generated from non-life business. Net earned premiums from foreign non-life business grew by P555 million or 60% from P931 million to P1.4 billion in 2018.

Share in reported losses, net is higher by P25.1 million or 2.4% in 2018, while Share in unreported loss reserves, net is higher by 280.4 million or 91% in 2018. These increases resulted mainly from the growth in the Company's underwriting operations, exposure to large property losses in the Philippines.

Commissions, net amounted to P773.3 million or P190 million or 32.6% higher from P583.3 million in 2017, resulting mainly from higher premiums earned and from assuming contracts with higher acquisition cost.

Investment and Other income and expenses, net amounting to P389.5 million is higher by P134.7 million or 52.9% from 2017. This is mainly due to higher foreign exchange gain by P73.9 million from P30.7 foreign exchange loss in 2017 to P43.2 million foreign exchange gain in 2018, higher interest income by P32.2 million from P192.5 million in 2017 to P224.7 million in 2018 and higher gain on sale of AFS by P10.3 million from P120.8 million in 2017 to P131.1 million in 2018.

General and administrative expenses amounting to P350.3 million is higher by P33 million or 10.4% mainly due to higher manpower cost as the Company started to fill some of its vacancies and higher other tax expense.

Tax expense amounting to P42.7 million is lower by P48.4 million or 53.1% from P91 million in 2017 as the Company recognized deferred tax assets from a portion of its loss reserves.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PhP	Audited 31 Dec 2018	Audited 31 Dec 2017	Inc(dec) Amount	Inc(dec) %
CASH AND CASH EQUIVALENTS	P1,161.9	P1,310.5	(148.6)	-11.3%
REINSURANCE BALANCES RECEIVABLE - Net	2,280.1	1,949.9	330.2	16.9%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	4,580.0	5,527.1	(947.2)	-17.1%
HELD-TO-MATURITY INVESTMENTS	1,848.7	1,034.7	814.0	78.7%
LOANS AND RECEIVABLES	112.5	201.9	(89.4)	-44.3%
PROPERTY AND EQUIPMENT - Net	76.6	80.0	(3.4)	-4.3%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	2,374.5	2,748.4	(373.9)	-13.6%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	319.0	500.0	(180.9)	-36.2%
DEFERRED ACQUISITION COSTS	405.1	280.9	124.2	44.2%
DEFERRED REINSURANCE PREMIUMS	331.5	202.9	128.6	63.4%
OTHER ASSETS	381.3	338.9	42.4	12.5%
TOTAL ASSETS	**P13,871.3**	**P14,175.3**	**(P304.0)**	**-2.1%**
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	P1,154.2	P1,269.6	(P115.4)	-9.1%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	90.6	75.3	15.4	20.4%
LOSSES AND CLAIMS PAYABLE	4,519.3	4,802.6	(283.3)	-5.9%
CLAIMS RESERVES	1,715.5	1,307.8	407.7	31.2%
PREMIUM RESERVES	1,564.6	1,426.1	138.5	9.7%
DEFERRED REINSURANCE COMMISSIONS	0.5	5.4	(4.9)	-90.3%
TOTAL LIABILITIES	**9,044.8**	**8,886.9**	**157.9**	**1.8%**
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(67.6)	(71.5)	3.9	-5.5%
REVALUATION RESERVES	(454.1)	160.9	(615.0)	-382.2%
RETAINED EARNINGS	247.5	98.3	149.2	151.7%
TOTAL EQUITY	**4,826.5**	**5,288.4**	**(461.8)**	**-8.7%**
TOTAL LIABILITIES AND EQUITY	**P13,871.3**	**P14,175.3**	**(P304.0)**	**-2.1%**

The Company's shareholders' equity as at December 31, 2018 declined by P461.8 million or 8.7% from P5.2 billion in December 31, 2017 to P4.8 billion in 2018. The 8.7% decrease resulted mainly from the other comprehensive loss as a result of market value movements amounting to P613.4 million, this was partially negated by positive operating results of P149.2 million.

Cash and cash equivalents amounting to P1.1 billion was P148.6 million or 11.3% lower than the 2017 balance of P1.3 billion. The decrease in Cash and cash equivalents resulted mainly from the net cash used in the Company's operating and investing activities amounting to P89.8 million and P64.1 million, respectively.

Reinsurance balances receivables amounting to P2.2 billion increased by P330.2 million or 16.9% from the 2017 balance of P1.9 billion. The increase in this account is consistent with the growth the Company's underwriting operations discussed in the Results of Operations.

AFS financial assets and Held-to-maturity (HTM) investments
Investments in AFS financial assets amounting to P4.6 billion as at December 31, 2018 decreased by P947.2 million or 17.1% from P5.5 billion as at December 31, 2017. The decrease in these investments mainly resulted from the reclassification of certain corporate bonds to HTM investments and other assets amounting to P563.3 million and decline in fair value of P492 million. The impact of the transfer and changes in fair value were partially negated by the net acquisition of new securities amounting to P141 million.

HTM Investments amounting to P1.8 billion as at December 31, 2018 increased by P814 million or 78.7% from P1.0 billion as at December 31, 2017. The increase in these investments mainly resulted from the transfer from AFS amounting to P473.1 million and additions amounting to P340 million.

Loans and receivables amounting to P112.5 million as at December 31, 2018 decreased by P89.4 million or 44.3% due to the collection and maturity of certain loans receivable.

Reinsurance recoverable on reported losses amounting to P2.4 billion as at December 31, 2018 decreased by P373.9 million from P2.7 billion as at December 31, 2017. The decline in the account balance was mainly due to the collection of these receivables and downward adjustment of the related claims.

Reinsurance recoverable on reserves amounting to P319 million as at December 31, 2018 decreased by P180.9 million from P500 million as at December 31, 2017. The decline in the account balance was mainly due to adjustment of claims reserves.

Deferred acquisition costs amounting to P405.1 million as at December 31, 2018 increased by P124.2 million from the balance as at December 31, 2017 of P280.9 million is consistent with the growth experienced in the Company's reinsurance operations.

Deferred reinsurance premiums amounting to P331.5 million as at December 31, 2018 increased by P128.6 million or 63.4% from P202.9 million as at December 31, 2017. The increase in Deferred reinsurance premiums is consistent with the increase in retroceded premiums in 2018, as a result of the shift in accounting for retrocession premiums to align with the accounting for premiums assumed.

Reinsurance balances payable amounting to P1.1 billion as at December 31, 2018 decreased by P115.4 million or 9.1% from P1.3 billion as at December 31, 2017 due to timing differences as the due dates of certain premiums are spread throughout the year.

Accounts payable and accrued expenses amounting to P90.6 million as at December 31, 2018 increased by P15.4 million or 20.4% from P75.3 million as at December 31, 2017. The increase was mainly due to increase in accounts payable due to our service providers.

Premium reserves amounting to P1.6 billion increased by P138.5 million or 9.7% from the balance as at December 31, 2017 of P1.4 billion. The increase is consistent with the increase in gross written premiums in 2018.

Losses and claims payable amounting to P4.5 billion decreased by P283.3 million or 5.9% from the balance as at December 31, 2017 of P4.8 billion due to payment and downward adjustment of the related claims.

Claims reserves amounting to P1.7 billion increased by P407.7 million or 31.2% from the balance as at December 31, 2017 of P1.3 billion. The increase is expected due to the growth in foreign non-life business where actual losses are normally reported at a later date versus contracts written locally.

REVIEW OF 2017 VERSUS 2016

Results of Operations

(includes explanation on material changes in the financial statements)

In Millions PhP	For the years ended		Inc(dec)	
	31 Dec 2017	31 Dec 2016	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P3,205.1	P3,383.9	(P178.8)	-5.3%
Retroceded premiums	(841.4)	(1,690.7)	849.3	-50.2%
Net written premiums	2,363.7	1,693.2	670.5	39.6%
Increase in premium reserves – net	(209.2)	(475.9)	266.7	-56.0%
	2,154.5	**1,217.3**	**937.2**	**77.0%**
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,026.4	498.0	(528.4)	106.1%
Share in unreported loss reserves – net	308.2	235.7	(72.5)	30.8%
Commissions – net	583.3	364.3	(219.0)	60.1%
	1,917.9	**1,098.0**	**(819.9)**	**74.7%**
NET UNDERWRITING INCOME	**236.6**	**119.3**	**117.3**	**98.3%**
Interest	192.5	196.7	(4.2)	-2.1%
Gain on sale of AFS	120.8	25.6	95.2	371.9%
Foreign currency gain (losses)	(30.7)	21.3	(52.0)	-244.3%
Others	(27.8)	38.0	(65.8)	-173.2%
INVESTMENT AND OTHER INCOME AND EXPENSES– Net	**254.8**	**281.6**	**(26.8)**	**-9.5%**
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	**491.4**	**400.9**	**90.5**	**22.6%**
GENERAL AND ADMINISTRATIVE EXPENSES	317.4	322.9	5.5	-1.7%
PROFIT BEFORE TAX	**174.0**	**78.0**	**96.0**	**123.2%**
TAX EXPENSE	91.0	50.7	(40.3)	79.5%
NET PROFIT	**P83.0**	**P27.3**	**P55.7**	**204.7%**

The Company recorded a net profit of P83 million for the year ended December 31, 2017, P55.7 million or 204.7% higher than the net profit recognized in 2016. The Net Profit resulted from generating Net Underwriting Income of P236.6 million, and Investment and Other Income and Expenses, net of P254.8 million which was negated by General and Administrative Expenses of P317.4 million and Tax Expense of P91.0 million.

Underwriting Results

Net underwriting income amounted to P236.6 million, higher by P117.3 million or 98.3% compared to 2016. The improvement in the Net underwriting income mainly resulted from higher Earned premium recognized in 2017 by P937.2 million or 77% from P1.2 billion in 2016 to P2.1 billion in 2017. The increase in Earned premium can be mainly attributed to higher retention of premiums written in 2017 by P670.5 million or 39.6% from P1.7 billion in 2016 to P2.4 billion in 2017. This was partially negated by higher Share in reported losses, net by P528.4 million, share in unreported loss reserves, net by P72.5 million and Commissions, net by P219.0 million from P498 million, P235.7 million and P364.3 million to P1 billion, P308.2 million and P583.3 million, respectively.

Higher retention of premiums was due mainly to the Company's decision to write more foreign non-life business and domestic life business to further diversify its portfolio in line with its underwriting strategy. Net premiums from foreign non-life business grew by P485.9 or 68.9%, from P0.7 billion to P1.2 billion while net premiums from domestic life business grew by P153.2 million or 45.8% from P334.4 million to P487.6 million.

Higher Share in reported losses and unreported loss reserves, net by P528.4 million or 106.1%, P72.5 million or 30.8% respectively, resulted mainly from the growth in the Company's underwriting operations and exposure to large losses in both domestic and foreign non-life businesses such as certain hurricane losses experienced in North America and large fire losses in the Philippines.

Commissions, net is P219.0 million or 60.1% higher from P364.3 million in 2017 to P583.3 million in 2018 mainly due to higher acquisition costs incurred on certain domestic and foreign contracts.

Investment and Other income and expenses amounting to P254.8 million resulted mainly from generating interest income of P192.5 million and dividend income of P55.9 million. Compared to 2016, Investment and Other income and expenses was lower by P26.8 million or 9.5% as the Company recognized an impairment loss on certain available-for-sale (AFS) financial assets amounting to P64.9 million and foreign currency loss of P30.7 million.

General and administrative expenses amounting to P317.4 million is generally aligned with the 2016 balance amounting to P322.9 million.

Tax expense amounting to P91.0 million is higher by P40.3 million or 79.5% from P50.7 million in 2016. Higher income tax expense recognized in 2017 resulted mainly from the growth in the Company's underwriting operations.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PhP	Audited 31 Dec 2017	Audited 31 Dec 2016	Inc(dec) Amount	Inc(dec) %
CASH AND CASH EQUIVALENTS	P1,310.5	P920.4	P390.1	42.4%
REINSURANCE BALANCES RECEIVABLE - Net	1,949.9	1,445.9	504.0	34.9%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5,527.1	5,857.6	(330.5)	-5.6%
HELD-TO-MATURITY INVESTMENTS	1,034.7	-	1,034.7	-
LOANS AND RECEIVABLES	201.9	464.9	(263.0)	56.6%
PROPERTY AND EQUIPMENT - Net	80.0	66.0	14.0	21.3%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	2,748.4	3,601.3	(852.9)	23.7%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	500.0	497.4	2.6	0.5%
DEFERRED ACQUISITION COSTS	280.9	258.6	22.3	8.6%
DEFERRED REINSURANCE PREMIUMS	202.9	394.8	(191.9)	48.6%
OTHER ASSETS	338.9	567.1	(228.2)	40.2%
TOTAL ASSETS	**P14,175.2**	**P14,074.0**	**P101.2**	**0.7%**
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	P1,269.6	P1,086.9	P182.7	16.8%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	75.3	128.8	(53.5)	41.5%
LOSSES AND CLAIMS PAYABLE	4,802.6	5,556.8	(754.2)	13.6%
CLAIMS RESERVES	1,307.8	997.1	310.7	31.2%
PREMIUM RESERVES	1,426.1	1,408.8	17.3	1.2%
DEFERRED REINSURANCE COMMISSIONS	5.4	41.2	(35.8)	86.8%
TOTAL LIABILITIES	**8,886.8**	**9,219.6**	**(332.8)**	**-3.6%**
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(71.5)	(75.1)	3.6	-4.8%
REVALUATION RESERVES	160.9	(186.4)	347.3	-186.3%
RETAINED EARNINGS	98.3	15.3	83.0	541.6%
TOTAL EQUITY	**5,288.4**	**4,854.4**	**433.9**	**8.9%**
TOTAL LIABILITIES AND EQUITY	**P14,175.3**	P14,074.0	P101.2	0.7%

The company's shareholders' equity as at December 31, 2017 increased by P433.9 million or 8.9% from P4.8 billion in December 31, 2016 to P5.3 billion in 2017. The 8.9% increase resulted mainly from the other comprehensive income as a result of market value movements amounting to P351.1 million and partially negated by positive operating results of P83 million.

Cash and cash equivalents amounting to P1.3 billion was P390.1 million or 42.4% higher than the 2016 balance of P920.4 million. The increase in Cash and cash equivalents resulted mainly from the increase in cash equivalents used in the Company's investing activities which increased by P143.7 million or 17.1% from P838.3 million in 2016 to P982.0 million in 2017.

Reinsurance balances receivables amounting to P1.9 billion increased by P504.0 million or 34.9% from the 2016 balance of P1.4 billion. The increase in this account is consistent with the growth the Company's underwriting operations discussed in the Results of Operations.

AFS financial assets and Held-to-maturity (HTM) investments
Investments in AFS financial assets amounting to P5.5 billion as at December 31, 2017 decreased by P330.5 million or 5.6% from P5.9 billion as at December 31, 2016. The decrease in these investments mainly resulted from the reclassification of certain corporate bonds amounting to P1.0 billion to HTM investments. The impact of the transfer was partially negated by the increase in market value of AFS financial assets amounting to P407.0 million and net acquisition of new securities amounting to P482.1 million.

Loans and receivables amounting to P201.9 million as at December 31, 2017 decreased by P263.0 million or 56.6% due to the collection and maturity of certain loans receivable and long term notes receivable.

Reinsurance recoverable on reported losses amounting to P2.7 billion as at December 31, 2017 decreased by P852.9 million or 23.7% from P3.6 billion as at December 31, 2016. The decline in the account balance is consistent with the decline in Losses and claims payable due to settlement and favorable development.

Deferred reinsurance premiums amounting to P202.9 million as at December 31, 2017 decreased by P191.9 million from P394.8 million as at December 31, 2016. The decline in Deferred reinsurance premiums is consistent with the decline in retroceded premiums following the Company's decision to retain most of the premiums written in 2017.

Reinsurance balances payable amounting to P1,269.6 million as at December 31, 2017 decreased by P182.7 million or 16.8% from P1,086.9 million as at December 31, 2016. The balance pertains to premiums due to the Company's retrocessionaires and final settlement of claims due to the Company's cedants. The increase in the balance is mainly due to timing differences as the due dates of certain premiums are spread throughout the year.

Accounts payable and accrued expenses amounting to P75.3 million as at December 31, 2017 decreased by P53.5 million or 41.5% from P128.8 million as at December 31, 2016. The decrease in the account was mainly due to the absence of non-recurring provisions and lower Deferred output value-added-tax (VAT) as at balance sheet date.

Losses and claims payable amounting to P4.8 billion decreased by P754.2 million or 13.6% from the balance as at December 31, 2016 of P5.5 billion mainly due to settlement and favorable development of the related claims.

Claims reserves amounting to P1.3 billion increased by P310.7 million or 31.2% from the balance as at December 31, 2016 of P997.1 million mainly due to large losses in both domestic and foreign non-life businesses such as certain hurricane losses experienced in North America and large fire losses in the Philippines.

REVIEW OF 2016 VERSUS 2015

Results of Operations

(includes explanation on material changes in the financial statements)

In Millions PhP	For the years ended		Inc(dec)	
	31 Dec 2016	31 Dec 2015	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P3,383.9	P2,182.4	P1,201.5	55.1%
Retroceded premiums	(1,690.7)	(1,254.4)	(436.3)	34.8%
Net written premiums	1,693.2	928.0	765.2	82.5%
Increase in premium reserves – net	(475.9)	(27.5)	(448.4)	1628.2%
	1,217.3	**900.4**	**316.9**	**35.2%**
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	498.0	476.4	21.6	4.5%
Share in unreported loss reserves – net	235.7	(113.1)	348.8	-308.4%
Commissions – net	364.3	255.7	108.6	42.5%
	1,098.0	**619.0**	**479.0**	**77.4%**
NET UNDERWRITING INCOME	**119.3**	**281.4**	**(162.1)**	**-57.6%**
Interest	196.7	231.3	(34.3)	-14.8%
Gain on sale of AFS	25.6	215.1	(189.5)	-88.1%
Foreign currency gain (losses)	21.3	19.5	1.8	9.2%
Others	38.0	41.4	(3.4)	-8.2%
INVESTMENT AND OTHER INCOME AND EXPENSES– Net	**281.6**	**507.3**	**(225.7)**	**-44.5%**
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	**400.9**	**788.7**	**(387.8)**	**-49.2%**
GENERAL AND ADMINISTRATIVE EXPENSES	322.9	503.3	(180.4)	-35.8%
PROFIT BEFORE TAX	**78.0**	**285.4**	**(207.4)**	**-72.7%**
TAX EXPENSE	50.7	(53.8)	104.5	-194.2%
NET PROFIT	**P27.3**	**P231.6**	**(P204.3)**	**-88.2%**

The Company generated a net profit of P27.3 million for the year ended December 31, 2016, this is P204.3 million or 88.2 % lower than the net profit recognized in 2015. Underwriting and Investment results were positive in 2016 but lower than the previous year by P162.1 million or 57.6% and P225.7 million or 44.5%, respectively. The impact of the drop in income generated by underwriting and investment activities were partially negated by the lower general and administrative expenses incurred in 2016 compared to 2015.

Net Underwriting Income

Overall, the underwriting income dropped by P162.1 million in 2016 compared to 2015 due to higher loss ratio experienced in 2016. The impact of recording higher losses was partially tapered by generating higher net earned premiums.

Table below shows the comparative results by main type of business (in million pesos):

	2016			2015		
	Non-Life	**Life**	**Total**	**Non-Life**	**Life**	**Total**
Gross Premiums Written	2,656.0	728.0	3,383.9	1,655.6	526.7	2,182.4
Retroceded Premiums	(1,301.0)	(389.7)	(1,690.7)	(994.6)	(259.8)	(1,254.4)
Net Written Premiums	1,355.0	338.3	1,693.2	661.0	267.0	927.9
Dec (Inc) in UPR, net	(389.3)	(15.0)	(404.3)	(13.7)	(13.8)	(27.5)
Dec (Inc) in URR	(71.6)	-	(71.6)	-	-	-
Net Earned Premiums	**894.0**	**323.3**	**1,217.3**	**647.3**	**253.1**	**900.4**
Share in Claims & Losses	(568.1)	(165.6)	(733.7)	(267.6)	(95.6)	(363.3)
Commissions, net	(352.1)	(12.2)	(364.3)	(238.1)	(17.7)	(255.7)
Net Underwriting Income	**(26.2)**	**145.5**	**119.3**	**141.6**	**139.8**	**281.4**

Net Earned Premiums

Gross premiums written rose by 55.1% from P2.2 billion in 2015 to P3.4 billion in 2016. All lines of business contributed to this result but is largely driven by premiums from Non-life business, sourced from foreign markets. The contribution per type of business showed that Non-life and Life accounts represent 78.5% and 21.5% of the Company's total portfolio, respectively. Non-life account remains to be the major source of business. Its segment grew by 2.6% from a 75.9% portfolio share in 2015. Of the Non-life accounts, 72.8% came from domestic and 27.2% from foreign markets. Compared to the 94.0% and 6.0% mix in 2015,
the significant growth coming from foreign business demonstrates a change in business strategy that is in line with the company's approach on managing underwriting risks through portfolio diversification.

Retroceded premiums were 34.8% higher at P1.6 billion in 2016 compared to P1.2 billion in 2015. P1.3 billion (77.0%) and P389.7 million (23.0%) came from Non-life and Life business, respectively. Despite the increase in retroceded premiums, the Company's retention ratio, which is measured by the ratio of net premiums written over gross premiums written, improved to 50.0%from 42.5% in 2015.

In terms of net premiums written, Non-life business accounted for 80.0% of the total portfolio in 2016, of which 48.0% is domestic and 52.0% is foreign. In 2015, Non-life business contributed only 71.2% of the Company's portfolio with 84.0% and 16.0% combination of domestic and foreign markets, respectively.

Based on the foregoing results, earned premiums in 2016 ended at P1.2 billion. Despite the soft underwriting market, the Company was able to increase its net earned premiums by P316.9 million or 35.2%. The growth largely came from Non-life business that contributed P894.0 million or 73.4% of the total earned premiums in 2016.

Share in reported and unreported losses, net

Higher Share in reported losses and unreported loss reserves, net by P21.6 million or 4.5% and P348.8 million or 308.4% respectively, resulted mainly from the growth in the Company's underwriting operations and estimated loss of about P32.0 million for Typhoon Nina (international name Nock-ten), the largest natural catastrophe loss that hit Luzon in December 2016.

The Company's loss ratio, which is measured by the ratio of Share in claims and losses over Premiums earned, was 60.3% for 2016. This is 20 percentage points higher than last year's ratio of 40.3%. The increase in loss ratio can be attributed to a new business written in 2016 with higher expected loss ratios. Loss ratio in 2016 for Life and Non-life businesses was 51% and 64%, respectively.

Net Commissions

Consistent with the growth of written premiums, net commission for 2016 is also higher by 42.5% at P364.3 million versus P255.7 million in 2015. The ratio of the net commission over net written premiums was 21.5% in 2016 compared to 27.6% in 2015. The variance is mainly caused by the timing of cost recognition and varying commission rates per type and line of business.

Commission ratio in 2016 for Life and Non-life businesses was 4% and 39%, respectively.

General and Administrative Expenses

General and administrative expenses (GAE) in 2016 is lower by 35.8% or P180.4 million from P503.3 million in 2015 and this is primarily due to lower impairment losses recognized for the current year. The Company's expense ratio, which is measured by the ratio of total GAE over Net earned premiums, improved in 2016 at 27%, compared to 56% in 2015. Excluding the provision for impairment losses and other one-time expenses, the ratio would have been 14.7% and 30.5%, respectively. This indicates that the Company was able to maintain recurring operational costs despite the business growth in 2016.

Investment and Other Income and Expenses

Investment and Other income and expenses was P281.6 million in 2016, which is 44.5% lower than the P507.3 million income in 2015. The current year's result is predominantly an effect of lower interest income on fixed income securities and gains on sale of AFS financial assets. Interest income on bonds and other fixed income securities, fell by 15.0% or P34.6 million from P231.3 million in 2015 to P196.7 million in 2016. While gains on sale of AFS financial assets dropped to P25.6 million in 2016 from P215.1 million in 2015.

Investment gains/losses arise primarily from the sale of investments and its timing may have a material effect on periodic earnings. The Company's decision to trade securities is not motivated by the impact that the resulted gains or losses will have on our reported profit since most of our investments are recorded at fair value with the unrealized gains or losses recognized in the statement of comprehensive income.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PhP	Audited 31 Dec 2016	Audited 31 Dec 2015	Inc(dec) Amount	Inc(dec) %
CASH AND CASH EQUIVALENTS	P920.4	P1,047.4	(P127.0)	-12.1%
REINSURANCE BALANCES RECEIVABLE - Net	1,445.9	1,346.8	99.2	7.4%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5,857.6	5,728.4	129.2	2.3%
HELD-TO-MATURITY INVESTMENTS	-	-	-	-
LOANS AND RECEIVABLES	464.9	306.8	158.1	51.5%
PROPERTY AND EQUIPMENT - Net	66.0	71.9	(5.9)	-8.2%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	3,601.3	3,534.2	67.1	1.9%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	497.4	383.3	114.1	29.8%
DEFERRED ACQUISITION COSTS	258.6	147.7	110.9	75.0%
DEFERRED REINSURANCE PREMIUMS	394.8	386.7	8.1	2.1%
OTHER ASSETS	567.1	406.4	160.7	39.5%
TOTAL ASSETS	P14,074.0	P13,359.6	P714.4	5.3%
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	P1,086.9	P1,060.3	P26.7	2.5%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	128.8	124.4	4.4	3.6%
LOSSES AND CLAIMS PAYABLE	5,556.8	5,598.9	(42.1)	-0.8%
CLAIMS RESERVES	997.1	647.3	349.8	54.0%
PREMIUM RESERVES	1,408.8	924.9	484.0	52.3%
DEFERRED REINSURANCE COMMISSIONS	41.2	44.2	(3.0)	-6.8%
TOTAL LIABILITIES	9,219.6	8,399.9	819.7	9.8%
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(75.1)	(63.4)	(11.8)	18.6%
REVALUATION RESERVES	(186.4)	(65.6)	(120.8)	184.0%
RETAINED EARNINGS	15.3	(11.9)	27.2	-229.0%
TOTAL EQUITY	4,854.4	4,959.7	(105.3)	-2.1%
TOTAL LIABILITIES AND EQUITY	P14,074.0	13,359.6	P714.4	5.3%

The company's shareholders' equity at December 31, 2016 declined by P105.3 million from P4.9 billion in December 31, 2015 to P4.8 billion. The 2.1% decrease resulted mainly from the other comprehensive loss as a result of market value movements amounting to P120.8 million and partially negated by positive operating results of P27.2 million in 2016.

Total assets increased by P714.4 million from P13.4 billion in 2015 to P14.0 billion as at December 31, 2016. The 5.3% increase was attributable to the P266 million or 4% increase in operating assets, P287.3 million (4.8%) increase in investment assets and P160.7 million (39.5%) increase in Other assets.

Operating assets	**2016**	**2015**	**Variance**	**%**
Cash and cash equivalents	920	1,047	(127)	-12%
Reinsurance balances receivable – net	1,446	1,347	99	7%
Property and equipment – net	66	72	(6)	-8%
Reinsurance recoverable on reported losses	3,601	3,534	67	2%
Reinsurance recoverable on claims reserves	497	383	114	30%
Deferred acquisition costs	259	148	111	75%
Deferred reinsurance premiums	395	387	8	2%
Total	**7,184**	**6,918**	**266**	**4%**

Reinsurance Recoverable on Reported Losses and Claims Reserves

The P181.2 million (4.6%) increase in Reinsurance recoverable on unpaid losses is primarily due to the increase in losses covered by retrocession agreements.

Deferred Acquisition Cost

The Company amortizes its acquisition cost over the term of the assumed insurance contracts and recognizes the unamortized portion as Deferred acquisition cost that forms part of the Company's operating assets. The P110.9 million (75.0%) increase in Deferred acquisition cost mainly resulted from higher gross premiums written in 2016.

Reinsurance Balances Receivable – net

The Company was able to better manage its recording and collection process as demonstrated by the increase of only P99.2 million (7.4%) in Reinsurance balances receivables despite writing P3.4 billion worth of premiums in 2016.

Cash and Cash Equivalents

The Company held Cash and cash equivalents of P920.4 million. The 12.1% or P127.1 million decrease from the prior year's balance of P1.0 billion was due to 135.8 million net cash used in investing activities partially offset by the positive cash flow of P6.3 million from operating activities.

Investment assets	**2016**	**2015**	**Variance**	**%**
Available-for-sale (AFS) financial assets	5,857.6	5,728.4	129.2	2.3%
Loans and receivables	464.9	306.8	158.1	51.5%
Total	**6,322.5**	**6,035.2**	**287.3**	**4.8%**

Investment assets increased by P287.3 million as a result of net additions of P374.0 million that was partially negated by the decline in market value amounting to P132.5 million. Funding for the P374.0 million net additions was derived from net cash from operating activities amounting to P135.8 million and interest and dividends amounting to P238.4 million.

The P160.7 million (39.5%) increase in other assets is largely due to P149.4 million (US $3.0 million) Funds at Lloyd's, which was placed in December 2016 in relation to a treaty contract that will take effect on January 1, 2017.

Total liabilities increased by 9.8% or P819.7 million, from P8.4 billion in 2015 to P9.2 billion in 2016. This was mainly driven by insurance related liabilities, specifically Claims reserves and Premium reserves accounts, as a result of the significant growth in assumed business for 2016.

KEY PERFORMANCE INDICATORS

	2018	2017	2016
Net Profit (Loss)	P149 million	P83 million	P27 million
Earnings per share	P0.070	P0.039	P0.013
Retention ratio	70%	74%	50%
Combined ratio	94%	87%	82%
Return on average equity	3.0%	1.6%	0.6%

The company's key performance ratios for the last three years are described hereunder:

Net Profit (Loss) – The Company's net income increased to P149 million in 2018 from P83 million in 2017 and P27 million in 2016.

Earnings per share (EPS) - EPS is computed by dividing net profit by the weighted average number of shares issued and outstanding. The company's EPS was P0.070, P0.039 and P0.013 for the years ended December 31, 2018, 2017 and 2016, respectively.

Retention ratio - indicates the total amount of business risk retained by the company, computed by dividing reinsurance premiums retained by reinsurance premiums (Gross Premiums Written or GPW). Retention ratio in 2018 is 70%, lower than retention ratio of 74% in 2017, but higher than the retention ratio of 50% in 2016.

Combined ratio - a measure of performance used by the Company as this measures profitability of its insurance operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means that it is paying more claims and expenses than it should be receiving from premiums. Combined ratio is the sum of loss ratio, commission ratio and expense ratio. The combined ratio for the subject three years was 94% in 2018, 87% in 2017, 82% in 2016.

Return on average equity (ROE) - measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners, computed by dividing net income by average equity. ROE for the last three years were 3.0%, 1.6%, 0.6% for 2018, 2017 and 2016 respectively.

FINANCIAL SOUNDNESS INDICATORS*

	2018	2017	2016
Current Ratio	2.96	2.15	2.25
Asset to Equity Ratio	2.87	2.68	2.90
Total Liabilities/Equity	1.87	1.68	1.90

** Note 32 of the Audited Financial Statements*

Material Event/s and Uncertainties:

Other than the disclosures described in the preceding sections, the Company has nothing to report on the following:

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

b. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. Material off balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

d. Any material commitments for capital expenditures.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

f. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

g. Any seasonal aspects that had a material effect on the financial condition or results of operations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Punongbayan & Araullo has served as the independent auditor of the Company's financial statements since 2003. The Company has not had any material disagreements on accounting or financial disclosure matters with Punongbayan & Araullo.

External Audit Fees

The following are the aggregate fees (in Philippine Pesos) billed for each of the last three fiscal years for professional services rendered by Punongbayan & Araullo:

	2018	2017	2016
Audit and audit-related fees	1,484,200	2,464,000	P1,737,120
Other assurance and related services	56,000	56,000	56,280
Total	1,540,200	2,520,000	P1,793,400

The Audit Committee reviews the external auditor's engagement letter covering their scope of work and the reasonableness of the related professional fee. The Audit Committee recommends for approval of the Board the appointment of the external audit service provider for the subject audit year. The Board approves the appointment subject to ratification by the stockholders during the Company's annual stockholders meeting.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The common shares of the Company have been listed on the Philippine Stock Exchange since April 27, 2007. The high and low prices for each quarter of the last two years are as follows:

	2018		2017	
	High	Low	High	Low
1st Quarter	1.93	0.95	0.71	0.70
2nd Quarter	1.39	1.03	0.97	0.91
3rd Quarter	1.15	0.92	0.90	0.83
4th Quarter	0.97	0.73	1.04	0.96

The closing price information as of the latest practicable trading date, April 29, 2019, was P0.91 per share.

Dividends

It is the Company's policy to declare dividends regularly with the pay-out determined by the Company's performance as well as by the availability of unappropriated retained earnings for distribution. On May 16, 2013, the Company declared cash dividends of P0.02 per share for a total amount of P 42, 472,112 which was paid on June 14, 2013. The payment of dividends by insurance companies is governed in the Philippines by Section 201 of the Amended Insurance Code as well as by Section 43 of the Corporation Code, both of which establish the appropriate amount of retained earnings, which may be paid out for dividend distribution. Beyond these inherent limitations, there are no known restrictions or impediments to the Company's ability to pay dividends on common equity or are there likely to be any in the future.

Approximate Number of Holders as of March 31, 2019

There were approximately 271 common shareholders of the Company as of March 31, 2019. The Top 20 shareholders as of March 31, 2019, with their corresponding shares and percentage ownership of the Company, are as follows:

	Name of Record Owner	No. of Shares Held	Percentage
1	PCD Nominee Corporation (Filipino) (Non-Filipino)	 1,669,716,187 11,919,610	 78.63% 0.56%
2	Bank of the Philippine Islands	290,795,500	13.69%
3	FGU Insurance Corporation	36,126,000	1.70%
4	Philippines First Insurance Co., Inc.	11,075,200	0.52%
5	Philippine American Life Insurance Co..	8,628,600	0.41%
6	Pa, Ana Go &/or Go Kim	7,500,000	0.35%
7	Phil. International Life Insurance Co., Inc	4,450,200	0.21%
8	New India Assurance Co., Ltd.	4,168,300	0.20%
9	South Sea Surety & Insurance Co., Inc.	4,152,700	0.20%
10	Federal Phoenix Assurance Company	3,786,300	0.18%

	Name of Record Owner	No. of Shares Held	Percentage
11	Oriental Assurance Corporation	3,560,800	0.17%
12	Visayan Surety & Insurance Corporation	3,545,500	0.17%
13	BPI/MS Insurance Corporation	3,347,500	0.16%
14	Beneficial Life Insurance Company Inc	3,193,500	0.15%
15	Manila Surety & Fidelity Company, Inc.	3,168,400	0.15%
16	Romualdez, Ferdinand Martin G.	3,000,000	0.14%
17	Stronghold Insurance Company, Inc.	2,817,600	0.13%
18	United Life Assurance Corp.	2,518,100	0.12%
19	The Premier Insurance & Surety Corporation	2,456,100	0.12%
20	Sterling Insurance Co., Inc.	2,453,900	0.12%

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company had no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction.

Corporate Governance

Management and the Board of Directors of Nat Re recognize that a good corporate governance system is integral to the mandate given by the Company's shareholders. In this regard, the Company has established its Manual on Corporate Governance pursuant to: (a) Insurance Commission (IC) Circular Letter No. 12-2002, as amended by IC Circular Letter No. 31-2005, (b) Code of Corporate Governance for Publicly-Listed Companies per SEC Memorandum Circular No. 19, Series of 2016 and (c) other relevant IC and SEC issuances and regulations.

On an annual basis, the Company conducts a regular review of its corporate governance policies and practices through a self-assessment using scorecards and best-practice guidelines issued by the SEC, the IC, the Philippine Stock Exchange (PSE) and the Institute of Corporate Directors (ICD).

The Board, through its Audit Committee, performs a self-evaluation in which the current and potential state of the Company's corporate governance practices were rated using best practice guidelines issued by the SEC. Through this assessment, the Company was able to evaluate its corporate governance system, measure the level of compliance with the Manual of Corporate Governance and identify areas for improvement to further strengthen its policies and procedures and protect the interests of the Company and its stakeholders.

The Company is committed to continuously improve its corporate governance practices. This effort was affirmed by the latest 2017 ASEAN Corporate Governance Scorecard report rendered by the ICD on the performance of the company. Nat Re obtained a score of 83.91%, which is higher than the previous year's score of 77.38%. This score is also higher than the average score of 58.43% of the 245 publicly-listed companies, as well as higher than the 55.05% score of the other financial institutions. Because of this, Nat Re obtained a recognition from the Institute of Corporate Directors as one of the top-performing publicly-listed companies in the Philippines under the 2017 ASEAN Corporate Governance Scorecard.

The ASEAN Corporate Governance Scorecard was introduced to Philippine publicly-listed companies (PLCs) in early 2012 to raise the corporate governance standards of ASEAN member countries.

Compliance with the Best Practices on Corporate Governance

Nat Re, being a publicly listed company (PLC), is in full compliance with the rules and regulations of the Securities and Exchange Commission, Philippine Stock Exchange, Insurance Commission and other regulatory agencies. Consistently, Nat Re fully complied with the SEC and PSE's reportorial requirements on good corporate governance practices and these include the following:

1. Submitted the Integrated Annual Corporate Governance Report (I-ACGR), pursuant to the SEC Memorandum Circular No. 15, Series of 2017.

2. Uploaded the ASEAN Corporate Governance Scorecard to the Company's website, pursuant to the SEC Memorandum Circular No. 18, Series of 2013;

3. Obtained certification of Board Attendance, submitted required reports involving quarterly financial statements, made disclosures of material information and events, and required the annual attendance of Board Members and Key Officers to Corporate Governance training program; and

4. Complied with disclosure requirements on direct and indirect ownership of securities under the Regulation Code, or SRC, and regularly reports any trading transactions of directors and key officers of the Company within the required reporting period. There has been no case of insider trading involving directors and management of the Company.

Policies and Implementing Rules Related to Corporate Governance

Nat Re is committed to continuously improve its existing corporate policies and procedures while it observes and practices the following best standards on corporate governance.

1. The company's transactions with its related parties are conducted in fair and arms-length terms. Governance and Related Party Transaction (GRPT) Committee is required to review the material / significant Related Party Transactions (RPT), together with the review of quarterly/ annual financial information, to determine, whether this RPTs are in the best interest of the company. The Audit Committee reviews the company's internal control system. The results of those reviews are included in the Report of the Audit Committee in the Annual Report of the Company.

2. The Board materials are distributed to directors at least five (5) business days prior to the board meeting to give ample time for review of subject board materials.

3. It is also stated in the Company's Code of Ethics that directors, officers and employees of Nat Re are committed to avoid activities and interests that could significantly affect the objective or effective performance of one's duties and responsibilities in the company, including having business interests, receiving and giving gifts of unusually high value to persons or entities with whom the company relates and insider's trading.

4. Dealings in company shares by the Directors and Officers are reported to the Compliance Officer within three (3) business days and immediately reported to PSE and SEC within the period required for reporting. The Company has established its Policy on Insider's Trading. Directors, Officers and Employees are mandated not to trade in the company's securities using price sensitive information that is not normally available publicly, and obtained by reason of position, contact within, or other relationship with the company as stated in the Confidentiality section of the Norms of Business Conduct and Ethics.

5. Any actual or apparent conflict of interest, and any material transaction or relationship that could reasonably give rise to a conflict of interest, must be immediately disclosed to the Human Resources Department if involving company employees or to the Audit Committee, if any Senior Management

personnel or Board member is involved. Directors and officers are mandated to base all business decisions and actions with the best interest of the Company in mind at all times. Decisions must not be motivated by personal considerations and other relationships, which may interfere with the exercise of independent judgment. These are in accordance with the set norms of Business Conduct and Ethics.

Stakeholder Relations

Shareholder and Investor Relations

The Company has set-up communication channels that promote effective communication with its shareholders and the investing community. Aside from the regular reporting and disclosures to the various regulating agencies such as the SEC, PSE and IC, the Company actively maintains its website that provides timely information updates on its governance, operational, and financial performance. The Company has also designated relations officers to handle investor and shareholder queries and requests, and their contact information can easily be accessed through the Company's website.

Employee Relations

The Company explicitly articulates its recognition and protection of the rights and interests of its employees through its Employee Manual of Policies and Procedures. The manual also governs employee related matters to ensure uniformity and consistency of interpretation and implementation, promote harmonious employer-employee relationship as well as set-up guidelines in protecting the use of material inside information.

The Company provides post-employment employee benefits through a defined benefit plan and various contribution plans. Employees also participate in various industry and regulatory trainings and seminars that are designed for their career advancement and functional development, and are linked towards shareholder value creation.

Corporate Social Responsibility

The Company's efforts are currently focused on mitigating the consequences of natural catastrophes. It participates in conferences on this subject and is working with the Philippine non-life insurance industry to put in place mitigation measures. The Company also participates jointly in community related projects undertaken by other entities from time to time. Other environment-related and community involvement programs are being facilitated to further contribute to the insurance industry and the Philippine society.

Code of Ethics

Nat Re promotes a culture of good corporate governance by observing and implementing its Code of Ethics that is founded on the Company's core business principles of fairness, accountability, integrity, transparency and honesty. The code guides individual behavior and decision making, and clarifies responsibilities and proper conduct for its directors, officers and employees.

NAT Rē

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

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 including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

CEZAR P. CONSING
Chairman of the Board

ALLAN R. SANTOS
President & Chief Executive Officer

JOLI CO WU
Treasurer

SANTINO U. SONTILLANO
Senior Assistant Vice President & Head of Finance

Signed this 26th day of March 2019.

SUBSCRIBED AND SWORN TO before me this 26th day of March 2019 at Makati City, Affiants exhibited to me their passport numbers.

Name	Passport No.	Date Issued	Place of issue
CEZAR P. CONSING	P6868155A	17 April 2018	DFA NCR South
JOLI CO WU	P7767350A	02 July 2018	DFA Manila
ALLAN R. SANTOS	EC2549504	27 February 2015	DFA Manila
SANTINO U. SONTILLANO	EC4590974	09 July 2015	DFA NCR Central

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Page No. 42
Book No. XXI
Series of 2019.

MAR 27 2019

Notary Public

ATTY. HENRY D. ARASA
NOTARY PUBLIC
UNTIL DEC. 31, 2019
COMMISSION 17-23
PASADENA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASAY
PTR NO. 5825557 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29678

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

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for the **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES** for the period ending **December 31, 2018**.

In discharging this responsibility, I hereby declare that (check one (1)):

✓ I, am the **SR. ASSISTANT VICE PRESIDENT & HEAD OF FINANCE** of the **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**.

_____ I, am the (position) of (name of organization/person) and was contracted to perform this service.

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

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

SIGNATURE OVER PRINTED NAME: **SANTINO U. SONTILLANO**

PROFESSIONAL IDENTIFICATION CARD NO **009819**
VALID UNTIL: **September 20, 2020**

ACCREDITATION NUMBER: **5994**
VALID UNTIL: **September 20, 2021**

NOTARY PUBLIC

APR 15 2019

SUBSCRIBE AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, Philippines, this____ day of April 2019, by the affiant whose identity I have confirmed through Passport No. EC4590974 issued on March 4, 2017 at DFA-NCR Central bearing the affiant's photograph and signature.

Doc.No. 47
Page No. 31
Book No. XVII
Series of 2019.

ATTY. HENRY D. ARAULLO
NOTARY PUBLIC
UNTIL DEC. 31, 2019
COMMISSION 17-23
PASADENA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826557 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29679

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FOR SEC FILING

Financial Statements and
Independent Auditors' Report

National Reinsurance Corporation of the Philippines

December 31, 2018, 2017 and 2016
(With Correponding Figures as at January 1, 2017)

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6766 Ayala Avenue
1200 Makati City
Philippines

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Reinsurance Corporation of the Philippines (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, 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 ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Recognition of Reinsurance Premiums and the Related Commission Expense, and Retroceded Premiums and the Related Commission Income

Description of the Matter

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenue presented in the financial statements is higher than what has been actually generated by the Company. The Company recognizes premiums from short duration insurance contracts over the period of the contracts using the "24th method". The related commission expense is deferred and charged to profit or loss in proportion to premium revenue recognized. Retroceded premium and the related commission income are also recognized using the "24th method". For the year ended December 31, 2018, the reinsurance premium and retroceded premium accounts and the related commission expense and income accounts recognized in the 2018 statement of income amounted to P3,682.9 million, P1,106.8 million, P777.9 million and P4.5 million, respectively. Based on the possible effects of misstatement in the recording of revenue transactions and the related expense accounts, and the materiality of the amounts involved to the financial statements, we have concluded that the Company's revenue and expense recognition is considered to be a matter of audit significance.

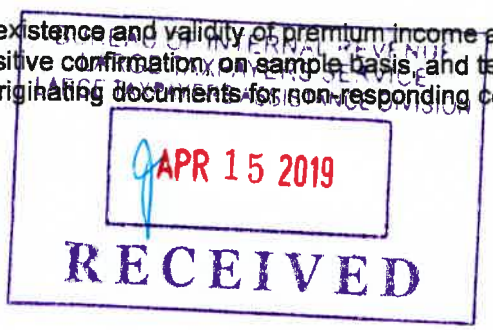
Further, in 2018, the Company modified the method in determining premium reserves in compliance with the requirements of the Insurance Commission (IC) and PFRS 4, *Insurance Contracts*. Accordingly, the Company restated its financial statements for the year ended December 31, 2017 and 2016 to reflect the effects of the change in its policy. The restatement resulted in material adjustments to certain accounts in the financial statements, hence, we consider this matter as significant in our audit.

The Company's policies and related disclosures on recognition of reinsurance premiums and the related commission expense, and retroceded premiums and the related commission income are discussed in Notes 2, 13, 18, 19 and 21. The change in the Company's method of determining premium reserves and its effects in the Company's financial statements is presented in Note 2.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement on the recognition of premium revenue and related direct expense, which was considered to be a significant risk, included:

- testing the design and operating effectiveness of internal controls related to the Company's process of recognition and measurement of reinsurance premiums assumed, retroceded premiums, commission expense and commission income;
- testing the existence and validity of premium income and the related receivables by sending positive confirmation on sample basis, and testing the subsequent collections and reviewing originating documents for non-responding cedants;



- testing the reasonableness of the balances of reserves for unexpired risks on both premiums assumed and ceded by validating the propriety of the data used by the independent actuary in computing the unexpired risk reserves (URR);

- validating the reasonableness of the Company's liability adequacy test in compliance with the requirements of the Insurance Commission (IC) and PFRS 4;

- testing the reasonableness of the premium income recognized and the related outstanding unearned premium reserves, deferred reinsurance premiums, deferred acquisition costs and deferred reinsurance commissions using the "24th method";

- testing the reasonableness of recorded accruals of reinsurance premiums assumed and retroceded premiums for treaty contracts and analysis of assumptions used in order to determine the proprietary of recorded accrual balances;

- performing detailed analysis of reinsurance premiums, commission expense, retroceded premiums and commission income by appropriate measures, such as, but not limited to, premiums assumed and retroceded by source (life and non-life) and by major line of business (treaty and facultative); and,

- performing premium cut-off test, including, among others, examining date of approval and receipt date for insurance contracts near period-end and subsequent to period-end.

In respect of the Company's change in the method of determining premium reserves, our audit procedures included obtaining an understanding of the Company's restatement process, testing the accuracy of the data used and reasonableness of the Company's restatement adjustments in compliance with the requirements of the IC and PFRS 4, and reviewing the sufficiency of the related disclosures on the 2018 financial statements.

(b) Impairment of Reinsurance Balances Receivable

Description of the Matter

Reinsurance balances receivable is measured at amortized cost and the carrying amount is reduced by the amount of allowance for impairment. In determining impairment, the Company first assesses whether objective evidence of impairment exists individually for reinsurance balances receivable that are individually significant, and individually or collectively for reinsurance balances receivable that are not significant. If there is objective evidence that an impairment loss on reinsurance balances receivable carried at amortized cost exists, the amount of the loss is measured as the difference between the asset's 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. The allowance for impairment of reinsurance balances receivable is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. In addition, the outstanding balance of reinsurance receivable amounting to P2,280.1 million as of December 31, 2018 is material to the financial statements.

The Company's policy on impairment of reinsurance balances receivable is discussed in Note 2, while the disclosures on the movements in the account and reconciliation of the allowance for impairment are included in Note 6.

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How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the impairment of reinsurance balances receivable included:

- evaluating the appropriateness of the Company's accounting policy on impairment and the method to compute for the allowance for impairment on receivables;
- testing the reasonableness of the amount recognized as allowance for impairment using the criteria and method used by management, including testing of the basis of estimates and judgments;
- determining the consistency of the application of the method and criteria used throughout the period and from prior periods; and,
- performing analysis of the adequacy of the balance by testing the aging of reinsurance balances receivable and identifying potential troubled accounts considering, among others, past due accounts, accounts under litigation, accounts from closed companies, and customers with prior credit issues, and whether changes should be made to reflect a more accurate estimate of allowance for impairment.

(c) Valuation of Claims Liabilities

Description of the Matter

The valuation of the Company's losses and claims payable and claims reserves was a key focus area in our audit due to the degree of complexity involved in valuing these liabilities and the significance of the judgments and estimates made by management. Claims reserves include the provisions for incurred but not reported (IBNR) losses which are estimated through the use of past claims settlement trends to predict future claims settlement trends and the estimate of the ultimate loss. These estimates are ascertained by an independent actuary with the use of additional qualitative judgments to assess the extent to which the full tail of the claim development is influenced by the different internal and external factors. In addition, in compliance with an IC circular, the Company's claims liabilities include certain percentage of margin for adverse deviation (MfAD) to allow for inherent uncertainty of the best estimate of the policy reserves arising from the variability of claims experience, the diversification between classes of business and conservatism in the best estimate.

Further, in 2018, the Company changed its method of measuring reinsurance contract liabilities from undiscounted to discounted basis, as allowed by PFRS 4, using the discount rates provided by the IC. Accordingly, the Company restated its financial statements for the year ended December 31, 2017 and 2016. The restatement resulted in material adjustments to certain accounts in the financial statements, hence, we consider this matter as significant in our audit.

The Company's policies on valuation of claims liabilities and the change in the Company's method of measuring reinsurance liabilities are discussed in Note 2 while the related disclosures are presented in Note 17.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the valuation of losses and claims payable and claims reserves included:

- testing of design and operating effectiveness of internal controls related to the Company's process of recognition and measurement of claims liabilities;

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- evaluating the appropriateness and sufficiency of the data used by the independent actuary in computing the IBNR, and evaluating the reasonableness of the assumptions and methodologies used in the determination of IBNR;
- testing the reasonableness of the amount of IBNR following the methodology applied by the actuary;
- performing detailed analysis of claims and loss adjustment expenses by appropriate measures, such as, but not limited to, claims liability by source (life and non-life) and by major line of business (treaty and facultative);
- examining relevant reports and documents to establish the propriety of the outstanding claims; and,
- testing subsequent disbursements and performing cut-off tests to determine whether disbursements represent previously unrecorded losses and claims payable.

In respect of the Company's change in method of measuring reinsurance contract liabilities, our audit procedures included obtaining an understanding of the Company's restatement process, testing the accuracy of the data used and reasonableness of the Company's restatement adjustments in compliance with the requirements of the IC and PFRS 4, and reviewing the sufficiency of the related disclosures on the 2018 financial statements.

(d) Valuation of Available-for-sale Financial Assets

Description of the Matter

The fair valuation of the Company's available-for-sale (AFS) financial assets was a key focus area in our audit because the outstanding balance amounting to P4,580 million as of December 31, 2018 is material to the financial statements. The Company's AFS financial assets comprise a portfolio of debt and equity investments measured at fair value with the corresponding fair value change recognized in other comprehensive income. The fair value of majority of these financial instruments is determined based on their quoted market prices, while a portion is measured by reference to the investee's book value using the most recent available financial data.

Moreso, impairment assessment on the Company's AFS financial assets requires significant judgment when determining whether the decline in market value is considered significant or prolonged.

The Company's disclosures about AFS financial assets and the basis of fair value measurement are included in Notes 7 and 30, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to valuation of AFS financial assets included:

- evaluating the appropriateness of the valuation process of investments and tested the inputs against reliable market sources and the valuation formulas used in fair market valuation;
- evaluating whether fair value prices used were appropriate;
- recomputing the fair values based on the inputs and comparing with the market values used by the Company;

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- testing the validity of the Company's assessment on whether there is any objective evidence that AFS financial assets are impaired; and,

- evaluating the appropriateness of the Company's basis in determining whether the decline in value of the AFS financial assets is significant or prolonged.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, both of which do not include the financial statements and our auditors' report thereon, and the Annual Report for the year ended December 31, 2018. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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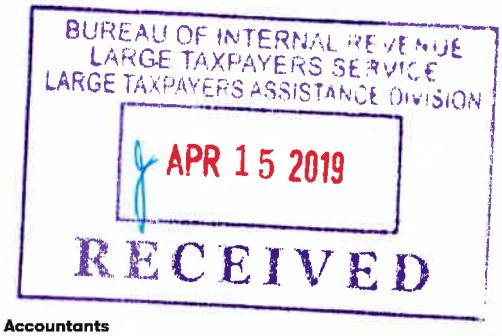
As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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, 2018 required by the Bureau of Internal Revenue as disclosed in Note 35 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 PFRS; neither it is a required disclosure under Securities Regulation Code Rule 68, as amended, of the SEC. Such supplementary information is the responsibility of 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.

The engagement partner on the 2018 audit resulting in this independent auditors' report is Anthony L. Ng.

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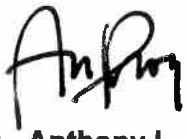
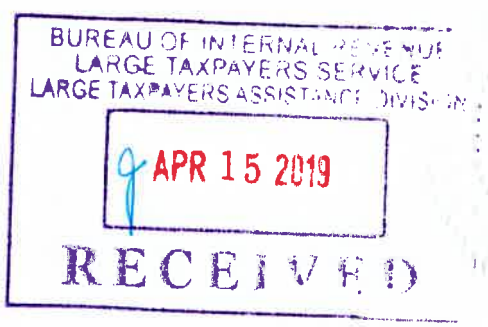


By: Anthony L. Ng
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 7333699, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 26, 2019



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017
(With Corresponding Figures as at January 1, 2017)
(Amounts in thousands)

	Notes	2018	2017 (As Restated – See Note 2)	January 1, 2017 (As Restated – See Note 2)
ASSETS				
Cash and cash equivalents	*5*	**P1,161,899**	P1,310,539	P920,427
Reinsurance balances receivable – net	*6*	**2,280,122**	1,949,930	1,445,938
Available-for-sale (AFS) financial assets	*7*	**4,579,952**	5,527,119	5,857,571
Held-to-maturity (HTM) investments	*8*	**1,848,693**	1,034,687	–
Loans and receivables	*9*	**112,543**	201,887	464,887
Property and equipment – net	*10*	**76,563**	80,011	65,977
Reinsurance recoverable on reported losses	*11*	**2,374,542**	2,748,350	3,601,292
Reinsurance recoverable on claims reserves	*11*	**319,048**	499,995	497,417
Deferred acquisition costs	*12*	**405,104**	280,947	258,617
Deferred reinsurance premiums	*13*	**331,545**	202,935	394,816
Other assets – net	*14*	**381,300**	338,881	567,105
TOTAL ASSETS		**P13,871,311**	P14,175,281	P14,074,047
LIABILITIES AND EQUITY				
Liabilities				
Reinsurance balances payable	*15*	**P1,154,233**	P1,269,638	P1,086,930
Accounts payable and accrued expenses	*16*	**90,649**	75,292	128,793
Losses and claims payable	*17*	**4,519,271**	4,802,609	5,556,808
Claims reserves	*17*	**1,715,474**	1,307,798	997,041
Premium reserves	*18*	**1,564,635**	1,426,138	1,408,832
Deferred reinsurance commissions	*19*	**526**	5,435	41,201
Total Liabilities		**9,044,788**	8,886,910	9,219,605
Equity	*24*	**4,826,523**	5,288,371	4,854,442
TOTAL LIABILITIES AND EQUITY		**P13,871,311**	P14,175,281	P14,074,047

See Notes to the Financial Statements.

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
For the years ended December 31, 2018, 2017 and 2016
(Amounts in thousands, except Earnings Per Share)

	Notes	2018	2017 (As Restated – See Note 2)	2016 (As Restated – See Note 2)
Reinsurance premium income	*4*			
Reinsurance premiums – net of returns		**P3,682,906**	P3,205,114	P3,383,940
Retroceded premiums		**(1,106,771)**	(841,429)	(1,690,722)
Net premiums retained		**2,576,135**	2,363,685	1,693,218
Increase in premium reserves – net	*13, 18*	**(9,887)**	(209,188)	(475,887)
		2,566,248	2,154,497	1,217,331
Underwriting deductions				
Share in reported losses – net	*21.1*	**1,051,522**	1,026,415	497,971
Share in unreported loss reserves – net	*21.2*	**588,623**	308,179	235,698
Commissions – net	*21.3*	**773,369**	583,329	364,341
		2,413,514	1,917,923	1,098,010
Net underwriting income		**152,734**	236,574	119,321
Investment and Other income and expenses – net	*20*	**389,488**	254,807	281,570
Profit after Investment and Other income and expenses		**542,222**	491,381	400,891
General and administrative expenses	*22*	**350,328**	317,342	322,930
Profit before tax		**191,894**	174,039	77,961
Tax expense	*23*	**42,678**	91,043	50,726
Net profit		**P149,216**	P82,996	P27,235
Earnings Per Share - Basic and Diluted	*27*	**P0.070**	P0.039	P0.013

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018, 2017 and 2016
(Amounts in thousands)

	Notes	2018	2017 (As Restated – See Note 2)	2016 (As Restated – See Note 2)
Net profit		**P149,216**	P82,996	P27,235
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liability	*22.2*	**3,933**	3,613	(11,779)
Items that are and will be reclassified subsequently to profit or loss				
Fair value gains (losses) during the year	*7*	**(492,442)**	407,025	(98,496)
Amortization of unrealized gains (losses) on reclassified HTM securities to profit or loss		**1,065**	(1,519)	–
Fair value gains on disposal of AFS financial assets reclassified to profit or loss	*7*	**(131,059)**	(120,783)	(25,562)
Fair value losses on impairment of AFS financial assets reclassified to profit or loss	*7*	**7,810**	64,873	3,304
Income tax effect		**(371)**	(2,276)	–
		(614,997)	347,320	(120,754)
Total other comprehensive income (loss)		**(611,064)**	350,933	(132,533)
Total comprehensive income (loss)		**(P461,848)**	P433,929	(P105,298)

See Notes to the Financial Statements.

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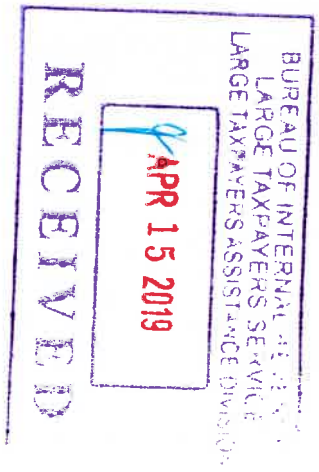
LARGE TAXPAYERS ASSISTANCE DIVISION

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018, 2017 and 2016
(Amounts in thousands)

	Notes	Capital Stock: No. of shares (in thousands)	Capital Stock: Amount	Additional Paid-in Capital	Treasury Shares at Cost	Revaluation Reserves: AFS Financial Assets	Revaluation Reserves: HTM Investments	Revaluation Reserves: Defined Benefit Liability	Retained Earnings (Deficit): Appropriated	Retained Earnings (Deficit): Unappropriated	Total Equity
Balance at January 1, 2018											
As previously reported		**2,181,955**	**P2,181,955**	**P3,019,218**	**(P100,525)**	**P157,671**	**P3,256**	**(P71,534)**	**P12,815**	**P50,934**	**P5,253,790**
Prior period restatements	*2*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**34,581**	**34,581**
As restated		**2,181,955**	**2,181,955**	**3,019,218**	**(100,525)**	**157,671**	**3,256**	**(71,534)**	**12,815**	**85,515**	**5,288,371**
Net income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**149,216**	**149,216**
Other comprehensive income:											
Items that will not be reclassified subsequently to profit or loss		**–**	**–**	**–**	**–**	**–**	**–**	**3,933**	**–**	**–**	**3,933**
Item that are and will be reclassified subsequently to profit or loss		**–**	**–**	**–**	**–**	**(616,062)**	**1,065**	**–**	**–**	**–**	**(614,997)**
Reclassification						**89,368**	**(89,368)**	**–**	**–**	**–**	**–**
Total comprehensive income	*7, 22*	**–**	**–**	**–**	**–**	**(526,694)**	**(88,303)**	**3,933**	**–**	**149,216**	**(461,848)**
Appropriated for contingencies	*24*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,921**	**(14,921)**	**–**
Balance at December 31, 2018		**2,181,955**	**P2,181,955**	**P3,019,218**	**(P100,525)**	**(P369,023)**	**(P85,047)**	**(P67,601)**	**P27,736**	**P219,810**	**P4,826,523**
Balance at January 1, 2017											
As previously reported		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P186,393)	P–	(P75,147)	P7,805	P5,845	P4,852,758
Prior period restatements	*2*	–	–	–	–	–	–	–	–	1,684	1,684
As restated		2,181,955	2,181,955	3,019,218	(100,525)	(186,393)	–	(75,147)	7,805	7,529	4,854,442
Net income		–	–	–	–	–	–	–	–	82,996	82,996
Other comprehensive income:											
Items that will not be reclassified subsequently to profit or loss		–	–	–	–	–	–	3,613	–	–	3,613
Item that are and will be reclassified subsequently to profit or loss		–	–	–	–	348,840	(1,520)	–	–	–	347,320
Reclassification		–	–	–	–	(4,776)	4,776	–	–	–	–
Total comprehensive income	*7, 22*	–	–	–	–	344,064	3,256	3,613	–	82,996	433,929
Appropriated for contingencies	*24*	–	–	–	–	–	–	–	5,010	(5,010)	–
Balance at December 31, 2017		2,181,955	P2,181,955	P3,019,218	(P100,525)	P157,671	P3,256	(P71,534)	P12,815	P85,515	P5,288,371

	Notes	Capital Stock: No. of shares (in thousands)	Capital Stock: Amount	Additional Paid-in Capital	Treasury Shares at Cost	Revaluation Reserves: AFS Financial Assets	Revaluation Reserves: HTM Investments	Revaluation Reserves: Defined Benefit Liability	Retained Earnings (Deficit): Appropriated	Retained Earnings (Deficit): Unappropriated	Total Equity
Balance at January 1, 2016											
As previously reported		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P65,639)	P–	(P63,368)	P–	(P64,403)	P4,907,238
Prior period restatements	2	–	–	–	–	–	–	–	–	52,502	52,502
As restated		2,181,955	2,181,955	3,019,218	(100,525)	(65,639)	P -	(63,368)		(11,901)	4,959,740
Net income		–	–	–	–	–	–	–	–	27,235	27,235
Other comprehensive income:											
Items that will not be reclassified subsequently to profit or loss		–	–	–	–	–	–	(11,779)	–	–	(11,779)
Item that are and will be reclassified subsequently to profit or loss		–	–	–	–	(120,754)	–	–	–	–	(120,754)
Total comprehensive income	7, 22	–	–	–	–	(120,754)	–	(11,779)	–	27,235	(105,298)
Appropriated for contingencies	24	–	–	–	–	–	–	–	7,805	(7,805)	–
Balance at December 31, 2016		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P186,393)	P–	(P75,147)	P7,805	P7,529	P4,854,442

See Notes to the Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018, 2017 and 2016
(Amounts in thousands)

	Notes	2018	2017 (As Restated – See Note 2)	2016 (As Restated – See Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P191,894**	P174,039	P77,961
Adjustments for:				
Increase in share in loss reserves – net	*21*	**588,623**	308,179	235,698
Interest income	*20*	**(224,676)**	(192,510)	(196,697)
Gain on sale of AFS financial assets	*20*	**(131,059)**	(120,783)	(25,562)
Increase in deferred acquisition costs – net	*12, 19*	**(129,066)**	(58,095)	(113,898)
Impairment losses – net	*20, 22*	**86,550**	147,391	77,433
Decrease in share in reported losses – net		**(67,319)**	(25,700)	(26,071)
Dividend income	*20*	**(43,672)**	(55,885)	(47,895)
Depreciation and amortization	*22*	**15,904**	12,139	18,605
Unrealized foreign currency loss (gain)		**(14,341)**	35,458	(6,021)
Increase in premium reserves – net	*13, 18*	**9,887**	209,188	475,887
Loss on asset retirement	*20*	**244**	8,179	227
Gain on sale of non-financial assets	*20*	**(11)**	(202)	(750)
Operating income before working capital changes		**282,958**	441,398	468,917
Decrease (Increase) in:				
Reinsurance balances receivable		**(321,747)**	(454,267)	(123,845)
Loans and receivables		**39,486**	(35,992)	5,855
Reinsurance recoverable on unpaid losses		**193,325**	726,269	(170,133)
Other assets		**4,100**	(33,530)	(228,678)
Increase (Decrease) in:				
Reinsurance balances payable		**(123,606)**	186,489	21,868
Accounts payable and accrued expenses		**15,332**	13,159	4,360
Losses and claims payable		**(123,078)**	(621,906)	63,095
Cash generated from (used in) operations		**(33,230)**	221,620	41,439
Cash paid for income taxes		**(56,460)**	(36,602)	(35,152)
Net Cash From (Used in) Operating Activities		**(P89,690)**	P185,018	P6,287

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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	Notes	2018	2017 (As Restated – See Note 2)	2016 (As Restated – See Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
AFS financial assets	7	**P2,519,925**	P2,428,510	P2,358,965
Other investments	9	**50,000**	305,070	–
HTM investments	8	**–**	73,000	–
Property and equipment	10	**65**	3,030	1,791
Investment properties		**–**	–	704
Interest received		**223,247**	193,168	197,408
Dividends received		**47,873**	51,798	46,974
Acquisitions of:				
AFS financial assets	7	**(2,526,482)**	(2,789,783)	(2,733,008)
Property and equipment	10	**(7,657)**	(35,047)	(7,084)
HTM investments	8	**(340,830)**	(15,100)	–
Intangible assets	14	**(25,226)**	(5,786)	(1,598)
Other investments	9	**(5,000)**	–	–
Net Cash from (Used in) Investing Activities		**(64,085)**	208,860	(135,848)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(153,775)**	393,878	(129,561)
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		**5,135**	(3,766)	2,515
CASH AND CASH EQUIVALENTS - January 1		**1,310,539**	920,427	1,047,473
CASH AND CASH EQUIVALENTS - December 31		**P1,161,899**	P1,310,539	P920,427

Supplemental Information on Noncash Investing Activity –

In 2018 and 2017, the Company reclassified certain investments previously classified under AFS financial assets to HTM investments amounting to P473.13 million and P1.09 billion, respectively, and to Other assets amounting to P0.88 million and P0.14 million, respectively (see Note 7).

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017 AND 2016
(Amounts in thousands)

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 BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City.

The financial statements of the Company as at and for the year ended December 31, 2018 (including the comparative financial statements as at December 31, 2017 and for the years ended December 31, 2017 and 2016, and the corresponding figures as at January 1, 2017) were authorized for issue by the Company's Board of Directors (BOD) on March 26, 2019.

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. The 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.

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.

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(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 a policy retrospectively or makes a retrospective restatement or reclassification of items that have 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.

As allowed by PFRS 4, *Insurance Contracts,* the Company changed its method of measuring reinsurance contract liabilities, including related recoverable amounts from retrocessionaires. The changes include measuring these liabilities and related assets from undiscounted to discounted basis, using the discount rates prescribed by the Insurance Commission (IC), and modifying the method in determining premium reserves to align with the requirements of the IC and PFRS 4. This resulted in the restatement of its financial statements affecting certain accounts as of December 31, 2017 and 2016.

Accordingly, the Company presents a third statement of financial position as of January 1, 2017, without the related notes as allowed by PAS 1, except for disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

The effects of the foregoing restatements on the affected accounts in the statements of financial position as at December 31, 2017 and January 1, 2017 are shown below and in the succeeding page.

	December 31, 2017		
	As Previously Reported	Prior Period Restatements	As Restated
Change in assets			
Reinsurance recoverable on reported losses	P2,833,594	(P85,244)	P2,748,350
Reinsurance recoverable on claim reserves	527,031	(27,036)	499,995
Change in liabilities			
Losses and claims payable	(4,964,958)	162,349	(4,802,609)
Claims reserves	(1,378,611)	70,813	(1,307,798)
Premium reserves	(1,339,837)	(86,301)	(1,426,138)
Net increase in equity		P34,581	
Change in equity			
Equity	P5,253,791	P34,581	P5,288,371

	January 1, 2017		
	As Previously Reported	Prior Period Restatements	As Restated
Change in assets			
Reinsurance recoverable on reported losses	P3,682,008	(P80,716)	P3,601,292
Reinsurance recoverable on claim reserves	518,397	(20,980)	497,417
Change in liabilities			
Losses and claims payable	(5,685,540)	128,732	(5,556,808)
Claims reserves	(1,043,266)	46,225	(997,041)
Premium reserves	(1,337,255)	(71,577)	(1,408,832)
Net increase in equity		P1,684	
Change in equity			
Equity	P4,852,759	P1,684	P4,854,443

The effects of the changes in measuring reinsurance contract liabilities, including recoverable amounts from retrocessionaires to each financial line item in the statements of income for the years ended December 31, 2017 and 2016 is shown below.

	For the year ended December 31, 2017		
	As Previously Reported	Prior Period Restatements	As Restated
Increase in premium reserves – net	P194,464	P14,724	P209,188
Share in reported losses	1,055.504	(29,089)	1,026,415
Share in loss reserves	326,711	(18,532)	308,179
Net increase in net profit		P32,897	

	For the year ended December 31, 2016		
	As Previously Reported	Prior Period Restatements	As Restated
Increase in premium reserves – net	P404,310	P71,577	P475,887
Share in reported losses	504,897	(6,926)	497,971
Share in loss reserves	249,530	(13,832)	235,698
Net decrease in net profit		P50,819	

The changes in the method of measuring reinsurance contract liabilities, including the recoverable amounts from retrocessionaires, has increased retained earnings by P34.58 million, P1.68 million and P52.50 million as at December 31, 2017, December 31, 2016 and January 1, 2016, respectively.

The above restatements also affected the earnings per share from P0.024 earnings per share (EPS) to P0.039 EPS in 2017 and P0.037 EPS to P0.013 EPS in 2016.

In addition, the effects of the changes in measuring reinsurance contract liabilities, including recoverable amounts from retrocessionaires, on the relevant assets, liabilities and equity of the Company as of December 31, 2018 are as follows:

	Assets	Liabilities	Equity
Change in measurement of reinsurance contract liabilities			
Reinsurance recoverable on reported losses	(P119,208)	P–	(P119,208)
Reinsurance recoverable on claims reserves	(29,050)	–	(29,050)
Losses and claims payable	–	(246,401)	246,401
Claims reserves	–	(182,840)	182,840
Change in method of determining premium reserves			
Premium reserves	–	67,976	(67,976)
Net increase (decrease)	**(P148,258)**	**(P361,265)**	**P213,007**

On the other hand, the effects of the changes in measuring reinsurance contract liabilities, including recoverable amounts from retrocessionaires, on the relevant financial line item on the statement of income for the year ended December 31, 2018 are as follows:

	Revenues	Expenses	Net Profit
Change in measurement of reinsurance contract liabilities			
Share in reported losses – net	P–	(P50,087)	P50,087
Share in unreported loss reserves – net	–	(110,013)	110,013
Change in method of determining premium reserves			
Increase in premium reserves – net	18,325	–	18,325
Net increase (decrease)	**P18,325**	**(P160,100)**	**P178,425**

(c) Functional and Presentation Currency

These financial statements are presented in Philippine peso, the Company's functional and presentation currency, and amounts are presented in thousands 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 2018 that are Relevant to the Company

The Company has adopted the following amendments, standard and interpretation starting January 1, 2018. The adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- PFRS 4 (Amendments), *Insurance Contracts – Applying PFRS 9 with PFRS 4*. The amendments address the temporary accounting consequences of the different effective dates of PFRS 9, *Financial Instruments*, and the anticipated new insurance contracts standard by introducing the following options: (a) overlay approach, which is an option for all entities that issue insurance contracts to adjust profit or loss for eligible financial assets by removing any additional accounting volatility that may arise as a result of PFRS 9; or, (b) an optional temporary exemption from applying PFRS 9 for entities whose activities are predominantly connected with insurance. These entities will be permitted to continue to apply the existing financial instrument requirements of PAS 39, *Financial Measurements: Recognition and Measurement*. The Company has selected to apply the second option as allowed by this amendment since the Company was able to meet the following criteria:

  - it has not previously applied any version of PFRS 9; and,

  - its activities are predominantly connected with insurance at its annual reporting date that immediately precedes April 1, 2016, and no reassessment is required as the activities of the Company did not change at subsequent dates after initial assessment and before the effective date of PFRS 9.

  Based on the management's assessment, liabilities arising from insurance contracts represents 99% of the total carrying amount of all the Company's total liabilities. These liabilities include reinsurance balances payable, losses and claims payable, premium reserves and deferred reinsurance commissions.

- PFRS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property.* The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provide a non-exhaustive list of examples constituting change in use. The application of these amendments have no impact on the Company's financial statements.

- PFRS 15, *Revenue from Contract with Customers,* together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  The Company's significant sources of revenue are generated from its insurance and investment activities which are covered by PFRS 4 and PAS 39, respectively. Significant amount of the Company's revenues are out of scope of PFRS 15. Recognition and measurement of revenue streams within the scope of PFRS 15 did not vary from PAS 18.

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration.* The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no material impact on the Company's financial statements.

(b) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, amendments and interpretation to existing standards effective for annual periods subsequent to 2018, which were adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

- PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases.*

  For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to a financial liability using the effective interest method.

However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

The Company has reviewed all of the Company's leasing arrangements that are still active as of December 31, 2018 in light of the new lease accounting rules in PFRS 16 and concluded that its impact will not be significant to the Company's financial statements.

The Company will apply the standard from its mandatory adoption date of January 1, 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

- IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

  Management is currently assessing the impact of this interpretation on the Company's financial statements.

- PFRS 9 (2014). This new standard on financial instruments will 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.

Management exercised the second option provided by PFRS 4 (Amendments) effectively deferring application of PFRS 9 (2014) to periods beyond January 2022. Consequently, the Company will continue to apply its existing accounting policy on financial instruments.

- PFRS 17, *Insurance Contracts (*effective January 1, 2022). The new standard will solve the comparison problems created by International Financial Reporting Standards (IFRS) 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investor and insurance companies. Insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out.

  The standard introduces insurance contract measurement principles requiring current, explicit and unbiased estimates of future cash flows, discount rates that reflect the characteristics of the contracts' cash flows, and explicit adjustment for non-financial risk.

  Management is currently assessing the impact of this new standard on the Company's financial statements.

2.3 Reinsurance Contracts

Product Classification
Reinsurance contracts are those contracts under which the Company (the reinsurer) has accepted significant insurance risk from another party (the cedants) by agreeing to compensate the cedants if a specified uncertain future event (the insured event) adversely affects the cedants. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid when an insured event occurs with benefits payable if the insured event did not occur. Reinsurance contracts can also transfer financial risks.

Once a contract has been classified as reinsurance contract, it remains reinsurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

Retrocession Contracts Held
Contracts entered into by the Company with retrocessionaires under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for reinsurance contracts above are classified as retroceded contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

The Company retrocedes insurance risk in the normal course of business. Reinsurance recoverable on unpaid losses represents balances due from retrocessionaires for its share on the unpaid losses incurred by the Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retroceded contract. Reinsurance recoverable on paid losses are included as part of Reinsurance balances receivable.

Reinsurance receivables are reviewed for impairment at the end of each reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the cedants and retrocessionaires can be measured reliably.

The impairment loss is recognized as part of General and administrative expenses in the statements of income.

Ceded insurance risk does not relieve the Company from its obligations to ceding companies.

The Company also assumes insurance risks in the normal course of business for reinsurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies and retrocessionaires. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to an agreement and agrees to sell goods or services for a fixed amount of money. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Company commits to purchase the asset.

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, HTM investments and 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.

Financial assets are recognized initially at fair value of the consideration given. Except for financial assets at FVTPL, the initial measurement of financial assets includes transaction costs.

As at December 31, 2018 and 2017, the Company has no financial assets classified as FVTPL.

(i) *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, loans and receivables, and funds at Lloyd's, deposits and security fund (presented under Other assets – net account in the statements 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 amount 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 subject to any impairment loss.

(ii) *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity, and that the Company has the intention and ability to hold to maturity other than: (a) those that Company designates as financial assets at FVTPL upon initial recognition; (b) those that the Company designates as AFS; and, (c) those that meet the definition of loans and receivables. This category includes corporate bonds and government securities which the Company has the intent and ability to hold until maturity.

HTM investments are subsequently measured at amortized cost using the effective interest method subject to any impairment loss.

(iii) *AFS Financial Assets*

This category includes non-derivative financial assets that are designated as AFS financial assets or are not classified as loans and receivables, HTM investments or financial assets at FVTPL. The Company's AFS financial assets include listed and unlisted equity securities, and government and corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for certain equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost less any impairment loss. Fair value gains and losses are recognized in other comprehensive income, and are reported as part of the Revaluation reserves account in the statements of changes in equity except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in the statements of income.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value losses recognized in other comprehensive income is reclassified from equity to statements of income and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables and HTM Investments*

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the asset's 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 the statements of income.

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 reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed.

The amount of the reversal is recognized in the statements of income.

(ii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in statements of income – is reclassified from Revaluation reserves to statements of income as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in statements of income on equity instruments are not reversed through profit or loss. 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.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, except for recognition and reversal of impairment loss on reinsurance balances receivable, relating to financial assets that are recognized in the statements of income are presented as part of Investment and Other income and expenses. Provision for and reversal of impairment losses on reinsurance balances receivable are presented at net as part of Impairment losses – net under General and administrative expenses account in the statements of income.

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

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of 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.

2.5 Deferred Acquisition Costs (DAC)

Commissions are recognized as expense over the coverage period of the policy using the 24th method [see Note 2.17 (b)]. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as DAC and is presented in the Assets section of the statements of financial position. The net change in the account between each end of reporting periods are recognized as Increase (decrease) in DAC under Commissions – net account in the statements of income.

2.6 Deferred Reinsurance Premiums (DRP)

The ceded reinsurance premiums that pertain to the unexpired period of the policies at the end of the reporting period are accounted for as DRP and presented in the Assets section of the statements of financial position. Subsequent to initial recognition, the amount is amortized using the 24th method [see Note 2.16 (a)]. The net change in the account between each end of reporting periods are recognized as Increase (decrease) in DRP under Increase in premium reserves – net in the statements of income.

2.7 Reinsurance Recoverable on Reported Losses and Reinsurance Recoverable on Claims Reserves

Reinsurance recoverable on reported losses and reinsurance recoverable on claims reserves represent the amount recoverable from retrocessionaires under retroceded contracts as their share on unpaid losses, including unreported losses and loss adjustment expenses, net of salvage of recoveries.

2.8 Property and Equipment

Property and equipment represents tangible items that are held for use in the Company's business operations or for administrative purposes and are expected to be used more than one year. An item of property and equipment that qualifies for recognition as an asset shall be measured at its cost less any accumulated depreciation, and any accumulated impairment losses.

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, while 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 unit	40 years
Office improvements	10 years
Office furniture and equipment	5 years
Transportation equipment	5 years
Electronic data processing (EDP) equipment	5 years

Fully depreciated assets are retained in the accounts until these are no longer in use. No further charge of depreciation is made in respect of those assets.

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 2.21).

The residual values, estimated useful lives and method of depreciation 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 from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included as part of Investment and Other income and expenses account in the statements of income in the period the item is derecognized.

2.9 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. They may include the following accounts:

(a) Investment Properties

Investment properties are 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 properties comprise their 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 property which is 10 years.

The carrying amount of investment properties is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

Investment properties are 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 the investment properties are recognized in the statements of income in the period of retirement or disposal.

(b) Intangible Assets

Intangible assets 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 other considerations given up to acquire the 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 2.21.

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 the statements of income as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statements of income.

(c) Creditable Withholding Tax (CWT)

CWT mainly arises from taxes withheld by the ceding companies upon payment of reinsurance premiums to the Company.

CWT is recorded at cost. It can either be used to offset against future income tax liabilities or be claimed as a tax refund from the Bureau of Internal Revenue (BIR).

(d) Input Value-added Tax (VAT)

The input VAT pertains to the 12% tax paid by the Company on commissions and local purchase of goods or services.

The input VAT is recorded at cost. It is used to offset against output VAT due to the BIR. Excess input VAT is recorded under the Other assets – net account in the statements of financial position.

(e) Deferred Input VAT

Deferred input VAT pertains to the 12% tax arising from acquisition of capital assets exceeding P1.00 million. Deferred input VAT arising from capital assets is amortized to input VAT over the useful lives of the capital assets or 60 months, whichever is shorter.

(f) Deferred Withholding VAT

Deferred withholding VAT pertains to the unapplied input VAT on unpaid premiums from a certain government entity.

(g) Prepayments

Prepayments pertain to expenditure paid for in one (1) accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.

2.10 Financial Liabilities

Financial liabilities, which include Accounts payable and accrued expenses (excluding deferred output VAT and other taxes payable), are recognized when the Company becomes a party to an agreement and agrees to purchase goods or services for a fixed amount of money. All interest-related charges are recognized as expense in the statements of income.

Accounts payable and accrued expenses are initially recognized at their fair value and subsequently measured at amortized cost, using the effective interest method for those with maturities beyond one (1) year, less settlements.

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

Financial liabilities are derecognized from the statements 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 the statements of income.

2.11 Losses and Claims Payable and Claims Reserves

Losses and claims payable represent the present value of the estimated ultimate cost of all reported claims at the end of the reporting period, together with related claims handling costs and reduced for the expected value of salvage and other recoveries. This includes outstanding claim reserves, loss adjustment expenses payable plus a Margin for Adverse Deviation (MfAD) based on a certain percentage of the total outstanding claim reserves and loss adjustment expenses payable to allow for inherent uncertainty of the best estimate of the policy reserves.

Claims reserves represent the estimated ultimate cost of all incurred but not reported claims (IBNR), including incurred but not enough reported claims plus MfAD at the end of the reporting period.

2.12 Premium Reserves

Premium reserves refer to unearned premium reserves (UPR) plus any deficiency resulting from the liability adequacy test.

UPR refers to the portion of the premiums attributable to the unexpired risks at the balance sheet date and is recognized as revenue over the coverage period of the policy using the 24^{th} method [see Note 2.16 (a)].

Liability Adequacy Test

Liability adequacy tests are performed at end of each reporting period, to ensure the adequacy of premium reserves. The test is performed by comparing the UPR, net of related DAC, and the present value of the current best estimates of future cash flows including claims handling and policy administration expenses. Any deficiency is charged to the statements of income and is recognized as premium reserves.

2.13 Deferred Reinsurance Commissions (DRC)

Commissions earned from reinsurance contracts are recognized as revenue over the coverage period of the policy using the 24th method [see Note 2.16 (a)]. The portion of the commissions that relates to the unexpired periods of the policies at end of the reporting period is accounted for as Deferred reinsurance commissions and is presented in the Liabilities section of the statements of financial position. The net change in the account between each end of reporting periods are recognized as Increase (decrease) in Deferred reinsurance commissions under Commissions – net in the statements of income.

2.14 Other Liabilities

These represent other liabilities which cannot be appropriately classified under the foregoing liability accounts. These comprise, among others, the following accounts:

(a) 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 pre-tax 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.

(b) Deferred Output VAT

Deferred output VAT, presented as part of Accounts payable and accrued expenses, represents the 12% tax due on commission income on retroceded premiums and other goods based on amounts still to be collected from counterparties. Such amounts are still not due for remittance to the BIR until the receivables are collected.

2.15 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statements of financial position when there is a legally enforceable right to offset 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 to offset 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.

2.16 Revenue and Income Recognition

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised services to the customer. Expenses and costs, if any, are recognized in the statement of income upon utilization of the resources or services or at the date these are incurred. All finance costs are reported on an accrual basis.

The Company's significant revenues pertain to net reinsurance premiums and investment income (loss) which are accounted for by the Company in accordance with PFRS 4 and PAS 39, respectively. The Company also earns other income from sale of non-financial assets, which is recognized as income once the Company transferred the goods. These are accounted for by the Company in accordance with PFRS 15.

The following provides information about the specific recognition criteria of revenues recognized in accordance with PFRS 4, PAS 39 and PFRS 15:

(a) *Reinsurance premiums* – Premiums are recognized over the coverage period of the contracts using the 24th method. 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 relates to the unexpired periods of the policies at the end of the reporting period is accounted for as Premium reserves and is presented in the Liabilities section of the statements of financial position while the portion of the retroceded reinsurance premiums that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as Deferred reinsurance premiums and is presented in the Assets section of the statements of financial position.

The net changes in the Unearned premium reserves and Deferred reinsurance premiums accounts between the end of the reporting periods are recognized in the statements of income.

(b) *Commission on retrocession* – Commission is deferred and is subjected to the same amortization as the retroceded reinsurance premiums. Deferred portion is presented in the statements of financial position as Deferred reinsurance commissions.

(c) *Interest income* – Interest income for all interest-bearing financial instruments are recognized using the effective interest rate method.

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

(e) *Gain on sale of assets* – Revenue is recognized when the risks and rewards of ownership of the investments have passed to the buyer or at a point in time when the control of the non-financial assets transfers to the customer.

2.17 Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants.

(a) *Claims and Losses Recognition*

Share in claims and losses relating to insurance contracts are accrued when insured events occur. These arise from events that have occurred up to reporting date even if these have not yet been reported to the Company. The share in claims (including those for IBNR losses) are based on the estimated ultimate cost of settling the claims and are discounted for time value of money. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claims and losses 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 aggregate share of the retrocessionaire on the claims and losses and adjustment expenses of the Company on business ceded under reinsurance arrangements. Recoveries on paid and unpaid claims are recognized in statements of income in the period the claims are made. Uncollected balances are presented as part of Reinsurance balances receivable account in the statements of financial position.

(b) *Acquisition Costs*

Costs that vary with and are primarily related to the acquisition of new and renewal reinsurance contracts such as commissions and certain underwriting costs, are recognized as expense over the period of the contracts using the 24^{th} method. Unamortized acquisition costs are presented in the statements of financial position as Deferred acquisition costs (see Note 2.5).

(c) *General and Administrative Expenses*

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

2.19 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 statements 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.

2.20 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine peso. 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 closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income as part of Investment and Other income and expenses (see Note 20).

2.21 Impairment of Non-financial Assets

The Company's property and equipment, investment properties, intangible assets and other non-financial assets 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 in the statements of income for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount 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. 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.

2.22 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit 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, non-contributory and administered by a trustee.

The asset recognized in the statements of financial position for a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation (asset) is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates as published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL) and by Philippine Dealing & Exchange Corp. for 2018 and 2017, respectively], 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. BVAL provides evaluated prices that are based on market observations from contributed sources.

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 statements 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 Interest income under Investment and Other income and expenses in the statements of income.
Past service costs are recognized immediately in the statements of income in the period of plan amendment and curtailment.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. These 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.

2.23 Income Taxes

Tax expense recognized in the statements of income comprises the sum of final tax, current tax and deferred 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 current tax liabilities are recognized as a component of tax expense in the statements of income.

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 deferred tax 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 deferred tax 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 deferred tax liabilities are recognized as a component of tax expense in the statements of income, 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.

2.24 Related Party Transactions and Relationships

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, directly or indirectly, 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 funded 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.

2.25 Equity

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

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 holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets, unamortized fair value gains and losses from HTM investments, and remeasurements of defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the statements of income, reduced by the amounts of dividends declared. The appropriated portion of the retained earnings is intended as additional reserve for contingencies (see Note 24.2).

2.26 Earnings Per Share

Basic earnings per share is determined by dividing net profit 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 per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.27 Segment Reporting

For purposes of segment reporting, the Company does not have other reportable segments. The Company has one reportable business segment which is the reinsurance market. The financial information about the sole business segment is presented in the financial statements.

The management monitors the operating results of its business segment for the purpose of making decisions about resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss and is measured consistently with the income before income tax in the financial statements.

2.28 Events After the End of the Reporting Period

Any event subsequent to the balance sheet date 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. Events subsequent to the balance sheet date 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 judgments as presented below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Impairment of Financial Assets

Financial Assets at Fair Value – AFS Financial Assets
The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, 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 decline in fair value of certain AFS financial assets amounting to P7.81 million and P64.87 million are considered impairment in value as at December 31, 2018 and 2017, respectively (see Note 7). Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

Financial Assets at Amortized Cost
The Company reviews its financial assets at amortized cost to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. These financial assets that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis.

In determining whether an impairment loss should be recorded in the statements of income, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets before the decrease can be identified with an individual financial asset in that portfolio.

As at December 31, 2018 and 2017, the Company has recognized allowance for impairment loss amounting to P637.44 million and P630.34 million, respectively (see Note 6).

(b) Classification of Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position. In addition, the Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at December 31, 2018 and 2017, the Company classified its financial instruments as AFS financial assets, HTM investments, loans and receivables, and other financial liabilities.

(c) 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 2.14(a) and relevant disclosures are presented in Note 28.

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 amount of assets and liabilities within the next reporting period:

(a) Impairment of Financial Assets

Management uses estimates based on historical loss experience for assets with credit risk characteristics. 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 counterparties, the counterparties' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

The carrying values of HTM investments and loans and receivables are shown in Notes 8 and 9, respectively.

(b) Fair Value Measurement of AFS Financial Assets

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

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

The Company estimates the useful lives of property and equipment, investment properties 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 properties 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 amount of property and equipment is analyzed in Note 10, and of investment properties and intangible assets in Note 14. Based on management's assessment as at December 31, 2018 and 2017, 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 2.21. Though management believes that the assumptions used in the estimation of fair value 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.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at 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 assets to be utilized. Any deferred tax asset will be re-measured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at December 31, 2018, the Company recognized net deferred tax assets amounting to P113.91 million, as management has assessed that it is probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized. However, unrecognized deferred tax assets amounted to P593.20 million and P535.52 million as at December 31, 2018 and 2017, respectively (see Note 23).

(g) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary 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 22.2.

(h) Valuation of Reinsurance Contract Liabilities

The Company's Reinsurance contract liabilities are composed of premium liabilities and claim liabilities. Premium liabilities are the premium reserves while claim liabilities are equal to the present value of Losses and claims payable and Claims reserves accounts in the statements of financial position which include outstanding losses, IBNR losses, loss adjustment expenses payable plus the MfAD. Claim liabilities are discounted for the time value of money.

The Company estimates the present value of future cash flows, used in performing the liability adequacy test and in determining claims liabilities, through the use of historical claims experience and claims settlement patterns.

The principal assumption underlying the claim liability estimates is that the Company's future claims development will depend on the estimate of the ultimate loss during a period of time for a particular risk exposure and then estimate the percentage of this ultimate loss that was not reported as of the reporting date.

The Company's claim liability estimates, as ascertained by an independent actuary, are determined by calculating the estimated ultimate losses as the sum of reported losses plus IBNR losses. Ultimate losses were estimated using generally accepted actuarial methods such as the Chain Ladder Method, Bornhuetter-Ferguson Method and the Expected Loss Ratio Method. The Company also included MfAD as a percentage of the total outstanding losses, IBNR best estimate and loss adjustment expenses payable, to allow for inherent uncertainty of the best estimate of the policy reserves.

Additional qualitative judgments are used by the independent actuary to assess the extent to which the full tail of the claims development is influenced by the different factors, 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 at December 31, 2018 and 2017, the carrying value of provision for claims reported and IBNR losses are recognized as Losses and claims payable and Claims reserves accounts, respectively, in the statements of financial position (see Note 17).

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks 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 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 Team, who reports the results of the review and risk assessment to members of senior management. At the same time, a Risk Oversight Committee has been established by the Company's BOD to assist them in the development and oversight of the Company's risk management program. The Risk Oversight Committee is required to provide the BOD 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 Oversight 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.

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

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

4.1 Underwriting Risk

As a reinsurer, the Company underwrites reinsurance business from life and non-life insurance companies and intermediaries, 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 and financial condition of the client.

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 and casualty. The Company monitors and controls its exposures in various lines.

Retrocession or reinsuring what the Company had earlier accepted as reinsurance is resorted to enable the Company to write risk with amounts 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 retrocedes to, foremost of which is the rating of the retrocessionaires by international rating agencies such as Standard and Poor's and A.M. Best.

On the other hand, life business, which constitutes about 30% of gross premium written, follows a schedule of retention per life or group life as set by the Underwriting Committee. Any amount in excess of this is retroceded with reputable foreign reinsurers whose ratings from the same rating agencies are above par and meet the Company's standards.

Starting 2015, the Company repositioned itself as a lead-role reinsurer. Consequently, this triggered a reevaluation of company retention. The retention limits appropriate for mandatory 10% share are not advantageous to the Company when applied to lead contracts where share is 80% or 100%.

As a lead reinsurer, the Company is pushing for the adoption of underwriting guidelines which may be accessed through the Company's web portal.

Also, the Company continues to practice prudent claims management control. In evaluating a claim, the Company follows set of 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. In addition, the Company establishes claim reserves to provide for losses that have been incurred but not yet paid. At the end of each reporting date, the Company assesses the adequacy of reserves for future claims that are not yet reported by setting up IBNR best estimate and inclusion of MfAD as ascertained by an independent actuary.

Concentration of Insurance Risk

The tables below set out the concentration of premiums by line of risk.

	December 31, 2018		
	Gross Written Premiums	**Retroceded Premiums**	**Net Written Premiums**
Fire	P1,355,115	P453,449	P901,666
Casualty	638,415	31,703	606,712
Motor	538,443	14,896	523,547
Life	1,108,980	600,836	508,144
Marine and aviation	41,953	5,887	36,066
	P3,682,906	**P1,106,771**	**P2,576,135**

	December 31, 2017		
	Gross Written Premiums	Retroceded Premiums	Net Written Premiums
Fire	P1,194,578	P286,671	P907,907
Casualty	635,959	93,009	542,950
Life	977,938	475,081	502,857
Motor	340,909	10,262	330,647
Marine and aviation	55,730	7,333	48,397
Adjustments	–	(30,927)	30,927
	P3,205,114	P841,429	P2,363,685

	December 31, 2016		
	Gross Written Premiums	Retroceded Premiums	Net Written Premiums
Fire	P1,512,211	P1,052,906	P459,305
Casualty	873,747	176,253	697,494
Life	727,965	389,701	338,264
Motor	170,180	6,632	163,548
Marine and aviation	99,837	65,230	34,607
	P3,383,940	P1,690,722	P1,693,218

Claims Development

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident/underwriting years. In order to maintain strong reserves, the Company transfers much of this release to current accident/underwriting year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The risks vary significantly in relation to the location of the risk insured by the Company, type of risks insured and in respect of commercial and business interruption by industry.

The following tables shows the estimates of cumulative incurred claims, gross of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid at December 31, 2018 and 2017, net of foreign exchange revaluation of P87.78 million and P70.38 million, respectively.

December 31, 2018

Underwriting Year	2010 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At the end of the financial year	P–	P364,594	P446,197	P846,131	P1,517,806	P278,093	P720,430	P900,312	P1,138,057	P1,156,134	P1,156,134
One year later	–	742,276	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396	1,936,767		1,936,767
Two years later	–	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,541,089			1,541,089
Three years later	–	908,425	3,754,928	1,676,474	2,643,911	605,379	1,221,244				1,221,244
Four years later	–	996,770	3,837,886	1,701,021	2,559,103	538,642					538,642
Five years later	–	1,040,042	3,821,055	1,654,200	2,400,590						2,400,590
Six years later	–	1,022,502	3,796,121	1,609,999							1,609,999
Seven years later	–	943,528	3,806,755								3,806,755
Eight years later	–	917,084									917,084
Estimate of cumulative claims	2,087,688	917,084	3,806,755	1,609,999	2,400,590	538,642	1,221,244	1,541,089	1,936,767	1,156,134	17,215,992
Cumulative payments to date	399,213	844,042	3,622,767	1,384,353	1,597,720	451,098	1,119,192	645,908	841,755	162,976	11,069,024
Total current estimate of loss reserves	P1,688,475	P73,042	P183,988	P225,646	P802,870	P87,544	P102,052	P895,181	P1,095,012	P993,158	P6,146,968

December 31, 2017
(As Restated – See Note 2)

Underwriting Year	2010 and prior	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the end of the financial year	P	P364,594	P446,197	P846,131	P1,517,806	P278,093	P720,430	P900,312	P1,138,057	P1,138,057
One year later	–	742,276	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396		1,659,396
Two years later	–	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501			1,239,501
Three years later	–	908,425	3,754,928	1,676,474	2,643,911	605,379				605,379
Four years later	–	996,770	3,837,886	1,701,021	2,559,103					2,559,103
Five years later	–	1,040,042	3,821,055	1,654,200						1,654,200
Six years later	–	1,022,502	3,796,121							3,796,121
Seven years later	–	943,528								943,528
Estimate of cumulative claims	2,315,743	943,528	3,796,121	1,654,200	2,559,103	605,379	1,239,501	1,659,396	1,138,057	15,911,028
Cumulative payments to date	362,311	845,280	3,657,616	1,376,530	1,586,200	442,443	1,056,808	440,239	103,570	9,870,997
Total current estimate of loss reserves	P1,953,432	P98,248	P138,505	P277,670	P972,903	P162,936	P182,693	P1,219,157	P1,034,487	P6,040,031

The following tables shows the estimates of cumulative incurred claims, net of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid at December 31, 2018 and 2017, net of foreign exchange revaluation of P87.78 million and P70.38 million, respectively.

December 31, 2018

Underwriting Year	2010 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At the end of the financial year	P–	P304,021	P388,456	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P974,497	P974,497
One year later	–	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,892,067		1,892,067
Two years later	–	507,762	587,782	1,233,206	1,058,624	540,712	609,307	1,298,378			1,298,378
Three years later	–	482,904	1,257,465	1,127,832	1,083,323	517,872	602,258				602,258
Four years later	–	566,961	1,256,110	1,149,516	1,162,020	484,850					489,320
Five years later	–	596,987	1,279,786	1,088,884	1,140,621						1,196,386
Six years later	–	585,752	1,287,779	1,067,683							1,153,127
Seven years later	–	489,932	1,298,717								1,319,916
Eight years later	–	462,883									463,007
Estimate of cumulative claims	920,020	462,883	1,298,717	1,067,683	1,140,621	484,850	602,258	1,298,378	1,892,067	974,497	10,141,974
Cumulative payments to date	195,878	410,868	1,188,003	1,058,972	1,040,033	411,797	534,244	961,339	781,985	84,507	6,667,626
Total current estimate of loss reserves	P724,142	P52,015	P110,714	P8,711	P100,588	P73,053	P68,014	P337,039	P1,110,082	P889,990	P3,951,973

December 31, 2017
(As Restated – See Note 2)

Underwriting Year	2010 and prior	2010	2011	2012	2013	2014	2015	2016	2017	Total
At the end of the financial year	P	P304,021	P388,456	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P1,019,477
One year later	–	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749		1,300,749
Two years later	–	507,762	587,782	1,233,206	1,058,624	540,712	609,307			609,307
Three years later	–	482,904	1,257,465	1,127,832	1,083,323	517,872				523,594
Four years later	–	566,961	1,256,110	1,149,516	1,162,020					1,269,203
Five years later	–	596,987	1,279,786	1,088,884						1,188,429
Six years later	–	585,728	1,287,779							1,305,250
Seven years later	–	489,932								490,049
Estimate of cumulative claims	975,514	489,932	1,287,779	1,088,884	1,162,020	517,872	609,307	1,300,749	1,019,477	8,451,534
Cumulative payments to date	189,645	413,989	1,223,766	1,051,029	1,028,602	404,845	471,892	780,681	62,856	5,627,305
Total current estimate of loss reserves	P785,869	P75,943	P64,013	P37,855	P133,418	P113,027	P137,415	P520,068	P956,621	P2,824,229

Sensitivities

As a reinsurer, the insurance contract liabilities of the Company are sensitive to key factors such as claims experience, the observed claims reporting and payment patterns, and the occurrence of catastrophic events as observed in the historical loss ratios of the Company.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before income tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

		Impact on Income before Income Tax Increase (Decrease)	
	Change in Assumption	**2018**	2017 (As Restated – See Note 2)
Loss ratio	+5%	**(P128,312)**	(P107,725)
	-5%	**128,312**	107,725

4.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily through its cash and cash equivalents, investments, reinsurance receivables, loans and receivables, funds at Lloyd's, deposits and security fund. The carrying amounts of reinsurance receivables and financial assets best represent the maximum credit risk exposure at the reporting date.

The table below and in the succeeding page provides information regarding the credit risk exposure of the Company as at December 31, 2018 and 2017 by classifying assets according to the Company's credit grading of counterparties.

	December 31, 2018				
	Neither Past Due nor Impaired				
	Investment High Grade	**Non-investment Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	P1,161,899	P–	P–	P–	P1,161,899
Reinsurance balances receivable	1,528,292	636,861	114,969	637,438	2,917,560
AFS financial assets - debt securities	2,494,960	–	–	–	2,494,960
HTM investments	1,848,693	–	–	–	1,848,693
Loans and receivables	55,000	57,543	–	–	112,543
Funds at Lloyd's	196,557	–	–	–	196,557
Other assets	1,364	–	–	–	1,364
	P7,286,765	P694,404	P114,969	P637,438	P 8,733,576

	December 31, 2017				
	Neither Past Due nor Impaired				
	Investment High Grade	Non-investment Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents	P1,310,539	P–	P–	P –	P1,310,539
Reinsurance balances receivable	888,529	924,051	137,350	630,344	2,580,274
AFS financial assets - debt securities	3,124,823	–	–	–	3,124,823
HTM investments	1,034,687	–	–	–	1,034,687
Loans and receivables	193,744	8,143	–	–	201,887
Funds at Lloyd's	186,115	–	–	–	186,115
Other assets	1,487	–	–	–	1,487
	P6,736,924	P932,194	P137,350	P630,344	P8,439,812

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below.

Investment High Grade – This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory – This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due but not Impaired – Rating given to borrowers and counterparties where outstanding obligation is already past due without impairment indicator.

Impaired – This pertains to accounts with impairment indicator and uncertain collectability. Allowance for impairment losses were recognized by the Company for these accounts.

The Company continuously monitors defaults of ceding companies and other counterparties, identified either individually or by group, and incorporates 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.

As part of Company's policy, substantially all 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 P0.50 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, *Amendment to Charter of PDIC*, are still exposed to credit risk. However, the credit risk for cash and cash equivalents is considered negligible, since the majority of the counterparties are reputable banks with high quality external credit ratings.

The reinsurance balances receivable that are past due but not impaired are as follows:

	2018	2017
More than six months but not more than one year	**P36,627**	P74,307
More than one year	**76,342**	63,043
	P114,969	P137,350

None of the Company's reinsurance receivables and financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described in the preceding page. Further, the Company's reinsurance balances are subject to enforceable master netting agreements, each agreement between the Company and counterparties allows for net settlement of the relevant reinsurance liabilities when both elect to settle on a net basis.

Reinsurance balances as at December 31 are as follows.

	Notes	**2018**	2017
Reinsurance balances receivable	*6*	**P2,280,122**	P1,949,930
Reinsurance balances payable	*15*	**1,154,233**	1,269,638

4.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset.

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 short-term placements and AFS financial assets.

As at December 31, 2018 and 2017, the Company's obligations arising from reinsurance agreements totaling P1.15 billion and P1.27 billion, respectively, have contractual maturities within the normal operating cycle of the business. In addition, as at December 31, 2018 and 2017, other financial liabilities included as part of Accounts payable and accrued expenses account in the statements of financial position amounted to P56.02 million and P35.54 million, respectively, and have contractual maturities within one year after the end of the reporting period.

As at December 31, 2018 and 2017, the Company has a current ratio of 2.96:1.00 and 2.15:1.00, respectively, which does not include losses and claims payable and claims reserves.

4.4 Market Risk

Market risk embodies potential losses due to market fluctuations and includes foreign exchange risk, equity price risk and interest rate risk.

The Company's market risk is managed on a daily basis in accordance with internal and regulatory policies and procedures while overall market positions are reported to the Investment Committee of the Company.

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

(a) Foreign Exchange Risk

Foreign currency risk is the risk that fluctuations in foreign exchange rates will adversely affect the fair value or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

Exposures to currency exchange rates arise from the foreign currency denominated short-term placements, investments, receivables and payables. The Company recognized net foreign currency gains of P43.22 million and P21.27 million in 2018 and 2016, respectively, and net foreign currency losses P30.70 million in 2017 (see Note 20).

To mitigate the Company's exposure to foreign exchange risk, foreign-currency denominated cash flows and positions are monitored and hedged as it deems necessary.

	2018		2017	
	U.S. Dollars	**Other Currencies**	U.S. Dollars	Other Currencies
Financial assets	**P1,989,994**	**P35,801**	P1,311,057	P78,541
Financial liabilities	**(1,306,288)**	**(190,517)**	(839,584)	(158,243)
Total net exposure	**P683,706**	**(P154,716)**	P471,473	(P79,702)

The table below 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. If the Philippine peso had strengthened against the foreign currencies, the effect is presented below.

	2018			2017		
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	**Effect in Equity**	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity
Php - U.S. Dollars	**4.70%**	**P32,101**	**P22,471**	4.07%	P19,179	P13,425
Php - Indian Rupee	**6.85%**	**(15,970)**	**(11,179)**	5.55%	(1,204)	(843)
Php - Singaporean Dollars	**6.48%**	**(1,728)**	**(1,209)**	4.04%	(1,137)	(796)
Php - Hongkong Dollars	**4.81%**	**(849)**	**(594)**	4.02%	(802)	(562)
Php – Euro	**9.57%**	**1,640**	**1,147**	6.85%	(468)	(328)
Php - South Korean Won	**5.12%**	**(1,083)**	**(758)**	7.82%	(414)	(290)
Php – Thailand Baht	**9.71%**	**(476)**	**(333)**	4.21%	(269)	(188)
Php - Malaysian Ringgit	**9.53%**	**904**	**633**	2.51%	262	183
Php - Vietnamese Dong	**5.24%**	**(59)**	**(41)**	4.59%	(231)	(162)
Php - Indonesian Rupiah	**7.47%**	**(4,618)**	**(3,233)**	5.57%	99	69
Php - Nepalese Rupee	**8.83%**	**149**	**105**	5.65%	79	56
Php - Japanese Yen	**13.93%**	**(106)**	**(74)**	6.34%	(46)	(32)
Php - China Yuan	**8.71%**	**(20)**	**(14)**	5.32%	(13)	(9)
Php - Sri Lankan Rupee	**5.61%**	**(10)**	**(7)**	4.95%	(3)	(2)
Php - British Pound	**11.08%**	**(5,525)**	**(3,868)**	5.63%	(1)	(1)
Php – Bhutanese Ngulkrum	**3.43%**	**(50)**	**(35)**	–	–	–
Php - Lao Kip	**5.69%**	**–**	**–**	5.27%	(0)	(0)
Total		**P4,300**	**P3,011**		P15,031	P10,520

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

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

(b) Equity Price Risk

Equity price risk is the probability that the value of an equity investment would deteriorate due to changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Company, through its Investment Committee, has established conservative guidelines and policies and constantly reviews them to align with the Company's risk appetite, business profile, targets, and better control the risks inherent in equity investments.

The Company's own investment policy requires that it invests only in shares of common stock of companies listed in the PSE. Also, these listed companies must have profitable business operations and market capitalizations supportive of the overall strategic direction of the Company.

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. Further, exposure limits to a group of entities and single entities are established and monitored regularly.

As at December 31, 2018 and 2017, investments in listed equities amounted to 24% and 27% of the Company's total investment portfolio, respectively.

The observed volatility rates of the fair value of the Company's AFS financial assets held at fair value and their impact on the Company's other comprehensive income for the years ended December 31, 2018 and 2017 are summarized as follows:

	2018		2017	
	Observed Volatility Rates	**Effect in Other Comprehensive Income**	Observed Volatility Rates	Effect in Other Comprehensive Income
Common shares	**14.45%**	**P252,640**	10.55%	P213,600
Preferred shares	**17.34%**	**49,218**	9.70%	31,646
		P301,858		P245,246

(c) Interest Rate Risk

There are two types of interest rate risk:

- Fair Value Interest Rate Risk - the probability that the value of a financial instrument would deteriorate due to changes in market interest rates; and

- Cash Flow Interest Rate Risk - the probability that future cash flows of a financial instrument would deteriorate due to changes in market interest rates.

Significant portion of the Company's investments is composed mainly of fixed interest-bearing debt instruments carried at fair value. Its total consolidated bond holdings amounted to 62% of its total investment portfolio. As a result, the Company is exposed to fair value interest rate risk.

The Company does not carry debt instruments with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Risk limits on issuer exposure, credit ratings, duration, and gapping of its portfolio are being monitored and managed to ensure protection of capital and address the Company's liquidity needs as they arise.

The analysis below details the impact of changes in market interest rate to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2018		
		Effect in Other Comprehensive Income	
	Observed Volatility Rates	**Increase in variable**	**Decrease in variable**
Peso-denominated securities:			
Government bonds	**11.31%**	**(P68,061)**	**P80,954**
U.S. Dollar-denominated securities:			
Government bonds	**26.49%**	**(10,371)**	**4,627**
Corporate bonds	**16.93%**	**(1,758)**	**798**
		(P80,190)	**P86,379**

	2017		
		Effect in Other Comprehensive Income	
	Observed Volatility Rates	Increase in variable	Decrease in variable
Peso-denominated securities:			
Government bonds	20.06%	(P57,692)	P60,277
U.S. Dollar-denominated securities:			
Government bonds	6.71%	(1,648)	1,678
Corporate bonds	11.43%	(792)	808
		(P60,132)	P62,763

In 2018 and 2017, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2018	2017
Cash on hand and in banks	**P117,928**	P328,506
Short-term placements	**1,043,971**	982,033
	P1,161,899	P1,310,539

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Short-term placements include time deposits and special deposit accounts made for varying periods of up to three months depending on the liquidity requirements of the Company.

Interest income recognized from cash in banks and short-term placements is presented as part of the Investment and Other income and expenses account in the statements of income (see Note 20).

Peso short-term placements earn annual interest ranging from 0.13% to 7.15% in 2018, from 0.50% to 2.63% in 2017 and from 0.25% to 2.63% in 2016, while U.S. dollar short-term placements earn annual interest ranging from 0.13% to 2.25% in 2018, from 0.50% to 1.38% in 2017 and from 1.50% to 1.60% in 2016.

The Cash and cash equivalents account includes cash denominated in U.S. dollar amounting to $6.30 million or P331.98 million in 2018 and $6.79 million or P338.96 million in 2017.

6. REINSURANCE BALANCES RECEIVABLE

The details of this account are as follows:

	2018	2017
Due from ceding companies	**P2,444,102**	P1,998,132
Due from reinsurers	**25,568**	–
Reinsurance recoverable on paid losses	**372,202**	477,897
Funds held by ceding companies	**75,688**	104,245
	2,917,560	2,580,274
Allowance for impairment	**(637,438)**	(630,344)
	P2,280,122	P1,949,930

The movements in these accounts are as follows:

	2018				
	Due from ceding companies	**Due from reinsurers**	**Reinsurance recoverable on paid losses**	**Funds held by ceding companies**	**Total**
Balance at beginning of year	P1,998,132	P–	P477,897	P104,245	P2,580,274
Loss recoveries during the year	–	–	176,069	–	176,069
Premiums written net of funds held during the year	3,506,872	–	–	–	3,506,872
Funds held during the year	–	–	–	77,158	77,158
Reclassified to due from ceding companies	98,876		–	(98,876)	–
Collections during the year	(3,106,749)	–	(283,484)	–	(3,390,233)
Write-off during the year	(37,829)	–	–	(4,689)	(42,518)
Reclassified to due from reinsurers	(25,568)	25,568	–	–	–
Revaluation adjustment	10,368	–	1,720	(2,150)	9,938
	2,444,102	25,568	372,202	75,688	2,917,560
Allowance for impairment	(265,287)	–	(348,020)	(24,131)	(637,438)
Balance at end of year	**P2,178,815**	**P25,568**	**P24,182**	**P51,557**	**P2,280,122**

	2017			
	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
Balance at beginning of year	P1,524,450	P535,885	P114,758	P2,175,093
Loss recoveries during the year	–	211,492	–	211,492
Premiums written net of funds held during the year	3,143,451	–	–	3,143,451
Funds held during the year	–	–	61,663	61,663
Reclassified to due from ceding companies	73,107	–	(73,107)	–
Collections during the year	(2,735,255)	(227,085)	–	(2,962,340)
Write-off during the year	(1,683)	(40,570)	–	(42,253)
Revaluation adjustment	(5,938)	(1,825)	931	(6,832)
	1,998,132	477,897	104,245	2,580,274
Allowance for impairment	(303,314)	(302,000)	(25,030)	(630,344)
Balance at end of year	P1,694,818	P175,897	P79,215	P1,949,930

The Company's collections of these reinsurance receivable include collections equivalent to underwriting costs and claims deducted by cedants from their statements of accounts.

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

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	2018			
	Due from ceding companies	**Reinsurance recoverable on paid losses**	**Funds held by ceding companies**	**Total**
Balance at beginning of year	P303,314	P302,000	P25,030	P630,344
Write-off during the year	(37,829)	–	(4,689)	(42,518)
Impairment	21,174	24,672	7,406	53,252
Reclassification	(15,584)	21,184	–	5,600
Revaluation	(5,788)	164	(3,616)	(9,240)
Balance at end of year	**P265,287**	**P348,020**	**P24,131**	**P637,438**

	2017			
	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
Balance at beginning of year	P314,315	P390,841	P23,998	P729,154
Write-off loss during the year	(1,684)	(40,569)	–	(42,253)
Reversal during the year	(15,884)	(45,167)	(2,585)	(63,636)
Revaluation	6,567	(3,105)	3,617	7,079
Balance at end of year	P303,314	P302,000	P25,030	P630,344

The fair value of these short-term financial assets is not individually determined as the carrying amount is considered reasonable approximation of their fair value.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	2018	2017
Bonds	**P2,494,960**	P3,124,823
Equity securities - net	**2,049,801**	2,369,748
Investment in ARC shares	**35,191**	32,548
	P4,579,952	P5,527,119

Bonds include investments in corporate bonds and government securities.

Bonds earn interest at annual rates ranging from 2.13% to 8.00% in 2018 and 2017 and 1.63% to 9.13% in 2016. Interest income is presented as part of Investment and Other income and expenses account in the statements of income (see Note 20).

The following presents the fair value of investment in bonds by contractual maturity dates:

	2018	2017
Due within one year	**P335,957**	P319,342
Due after one year through five years	**1,196,614**	1,014,187
Due after five years through ten years	**732,972**	1,528,448
Due after ten years	**229,417**	262,846
	P2,494,960	P3,124,823

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

	2018	2017
Cost:		
Quoted in the stock exchange	**P2,151,650**	P2,132,928
Not quoted in the stock exchange	**33,416**	34,296
	2,185,066	2,167,224
Unrealized foreign currency losses	**590**	(111)
Fair value gains (losses):		
Quoted in the stock exchange	**(119,659)**	219,047
Not quoted in the stock exchange	**(16,196)**	(16,412)
	(135,855)	202,635
	P2,049,801	P2,369,748

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

Dividend income from these equity securities is presented under the Investment and Other income and expenses account in the statements of income (see Note 20).

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 P35.19 million and P32.55 million as at December 31, 2018 and 2017, respectively.

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

	2018	2017
Cost		
Balance at beginning of year	**P5,367,174**	P6,043,964
Acquisitions	**2,526,482**	2,789,783
Reclassification	**(563,380)**	(1,090,077)
Disposals/maturities	**(2,385,525)**	(2,307,728)
Impairment losses	**(7,810)**	(64,873)
Unrealized foreign currency gains (losses)	**9,388**	(3,896)
	4,946,329	5,367,173
Fair value adjustment		
Balance at beginning of year	**159,946**	(186,393)
Changes in fair value	**(492,442)**	407,025
Fair value gains on disposal	**(131,059)**	(120,783)
Impairment losses	**7,810**	64,873
Reclassification	**89,368**	(4,776)
	(366,377)	159,946
Balance at end of year	**P4,579,952**	P5,527,119

Fair value gains or losses recognized in the statements of comprehensive income amounted to a fair value losses of P492.44 million and P98.50 million in 2018 and 2016, respectively, and fair value gains of P407.03 million in 2017.

In 2018 and 2017, the Company reclassified certain investments classified under AFS financial assets to HTM investments amounting to P473.13 million and P1.09 billion, respectively and to Other assets amounting to P0.88 million and P0.14 million, respectively.

The Company recognized an impairment loss amounting to P7.81 million, P64.87 million and P3.30 million in 2018, 2017 and 2016, respectively, which pertains to certain investments in equity securities with significant or prolonged decline in fair values. These were recorded as part of Investment and Other income and expenses account in the statements of income (see Note 20) after transferring the same amount of fair value losses on AFS financial assets from the Other comprehensive income account.

The Company sold AFS financial assets with carrying amount of P2.39 billion in 2018, P2.31 billion in 2017 and P1.15 billion in 2016. Accordingly, the Company recognized gain on sale of AFS financial assets amounting to P131.06 million, P120.78 million and P25.56 million in 2018, 2017 and 2016, respectively. These are presented as part of Investment and Other income and expenses account in the statements of income (see Note 20).

Fair value gains reclassified to profit or loss, as presented in the statements of comprehensive income, amounted to P131.06 million in 2018, P120.78 million in 2017 and P25.56 million in 2016.

The fair value of majority of the AFS financial assets has been determined directly by reference to published prices in active market (see Note 30.2).

8. HELD-TO-MATURITY INVESTMENTS

In September 2018, the Company reclassified certain government securities from AFS financial assets to HTM investments amounting to P473.13 million with face value of P562.5 million. These are earmarked as security for the benefit of cedants and creditors of the Company in accordance with the provisions of the Insurance Code. The new effective interest rate at the date of reclassification is 7.13%.

In May 2017, the Company's BOD approved the reclassification of certain investment in corporate bonds amounting to P1.09 billion previously classified as AFS financial assets to HTM investments due to change in intention to collecting interest coupons until maturity. New effective interest rates at the date of reclassification range from 2.36% to 6.24%.

The Company recognized interest income of P59.90 million and P55.14 million in 2018 and 2017, respectively, (see Note 20) and nil fair value gain or loss as a result of the reclassification. If the reclassification had not been made, a decrease of P4.74 million and P130.00 million on the fair value of the bonds as at December 31, 2018 and 2017, respectively, would have been recognized directly in other comprehensive income.

The reconciliation of the carrying amount of HTM investment is as follows:

	2018	2017
Balance at beginning of year	**P1,034,687**	P–
Reclassification	**473,132**	1,094,714
Additions	**340,830**	15,100
Maturities	**–**	(73,000)
Amortization	**44**	(2,127)
Balance at end of year	**P1,848,693**	P1,034,687

The following presents the carrying value of corporate bonds and government securities by contractual maturity dates:

	2018	2017
Due within one year	**P170,878**	P-
Due after one year through five years	**978,712**	824,321
Due after five years through ten years	**699,103**	210,366
	P1,848,693	P1,034,687

9. LOANS AND RECEIVABLES

This account is comprised of the following:

	2018	2017
Current:		
Loans and notes receivable	**P8,073**	P50,636
Time deposits	**5,000**	50,000
Dividend and interest receivable	**42,190**	45,006
	55,263	145,642
Non-current:		
Loans and notes receivable	**57,280**	56,245
	P112,543	P201,887

Loans and notes receivable mainly pertain to bank notes with original maturities of 10 years and an effective interest rate of 5.38%.

Loans and notes receivable also include car loans extended to certain officers as part of their benefits. These loans are collected through salary deductions for a period of five years with an annual effective interest rate of 8.00%.

Time deposits are not subject to any restrictions or covenants and have original maturity dates of 140 days and five years in 2018 and 2017, respectively. The annual interest rate of these deposits is 4.50% and 5.00% in 2018 and 2017, respectively.

Interest income on Time deposits and Loans and notes receivable are presented as part of Investment and Other income and expenses account in the statements of income (see Note 20).

The carrying value of these financial assets approximate their fair value as the interest rates approximate the prevailing market interest rates. No impairment loss was recorded for loans and receivables in 2018 and 2017.

10. PROPERTY AND EQUIPMENT

A reconciliation of the carrying amount at the beginning and end of 2018 and 2017 of property and equipment is shown below.

	2018					
	Condominium Unit	**Office Improvements**	**Office Furniture and Equipment**	**Transportation Equipment**	**EDP Equipment**	**Total**
Cost						
Balance at beginning of year	P101,310	P25,154	P10,940	P9,516	P11,730	P158,650
Additions	–	80	308	4,530	2,739	7,657
Disposals/retirement	–	–	(65)	(2,140)	(63)	(2,268)
Balance at end of year	101,310	25,234	11,183	11,906	14,406	164,039
Accumulated Depreciation						
Balance at beginning of year	61,349	227	4,126	3,820	9,117	78,639
Depreciation	3,377	2,405	1,487	2,154	1,387	10,810
Disposals/retirement	–	–	(65)	(1,880)	(28)	(1,973)
Balance at end of year	64,726	2,632	5,548	4,094	10,476	87,476
Net Book Value	**P36,584**	**P22,602**	**P5,635**	**P7,811**	**P3,930**	**P76,563**

	2017					
	Condominium Unit	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Cost						
Balance at beginning of year	P101,310	P10,027	P9,039	P10,473	P41,621	P172,470
Additions	–	25,136	6,707	2,810	394	35,047
Reclassification	–	–	–	–	(20,695)	(20,695)
Disposals/retirement	–	(10,009)	(4,806)	(3,767)	(9,590)	(28,172)
Balance at end of year	101,310	25,154	10,940	9,516	11,730	158,650
Accumulated Depreciation						
Balance at beginning of year	57,972	5,162	8,541	2,761	32,055	106,491
Depreciation	3,377	973	362	2,003	2,687	9,402
Reclassification	–	–	–	–	(16,037)	(16,037)
Disposals/retirement	–	(5,908)	(4,777)	(944)	(9,588)	(21,217)
Balance at end of year	61,349	227	4,126	3,820	9,117	78,639
Net Book Value	P39,961	P24,927	P6,814	P5,696	P2,613	P80,011

In 2017, the Company reclassified certain software application from EDP equipment under Property and equipment account to Intangible assets (see Note 14).

The Company sold and retired certain assets with book value of P0.30 million, P6.95 million and P1.97 million in 2018, 2017 and 2016, respectively, and recognized net loss amounting to P0.23 million and P3.92 million in 2018 and 2017, respectively, and net gains of P0.05 million in 2016, and is presented as part of Gain on sale of non-financial assets and Loss on asset retirement under Investment and Other income and expenses account in the statements of income (see Note 20).

The original cost of fully depreciated property and equipment that are still in use amounted to P10.30 million and P10.23 million as at December 31, 2018 and 2017, respectively.

11. REINSURANCE RECOVERABLE ON REPORTED LOSSES AND REINSURANCE RECOVERABLE ON CLAIMS RESERVES

The movement in the accounts follow:

	Reinsurance recoverable on reported losses	Reinsurance recoverable on claims reserves
December 31, 2018		
Balance at beginning of year	**P2,748,350**	**P499,995**
Claims reported during the year	**(133,581)**	**–**
Transferred to reinsurance recoverable on paid losses	**(176,069)**	**–**
Claims incurred but not reported, net of adjustments	**–**	**(180,947)**
Revaluation adjustment	**3,848**	**–**
	2,442,548	**319,048**
Allowance for impairment	**(68,006)**	**–**
Balance at end of year	**P2,374,542**	**P319,048**
December 31, 2017 (As Restated – see Note 2)		
Balance at beginning of year	P3,601,292	P497,417
Claims reported during the year	(591,931)	–
Transferred to reinsurance recoverable on paid losses	(211,492)	–
Claims incurred but not reported, net of adjustments	–	2,578
Revaluation adjustment	(49,519)	–
Balance at end of year	P2,748,350	P499,995

All of the Company's reinsurance recoverable on reported losses and claims reserves have been reviewed for indicators of impairment. In 2018, the Company recognized an impairment loss amounting to P68.01 million which was recorded as part of Impairment loss under General and administrative expenses in the 2018 statement of income (see Note 22).

12. DEFERRED ACQUISITION COSTS

The movements in this account is as follows:

	2018	2017
Balance at beginning of year	**P280,947**	P258,617
Cost deferred	**902,034**	674,046
Cost recognized	**(777,877)**	(651,716)
Balance at end of year	**P405,104**	P280,947

The increase or decrease of deferred acquisition costs for the year is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 21.3).

13. DEFERRED REINSURANCE PREMIUMS

The movements in this account are as follows:

	2018	2017
Balance at beginning of year	**P202,935**	P394,816
Premiums retroceded during the year	**1,106,771**	841,429
Premiums amortized during the year	**(978,161)**	(1,033,310)
Balance at end of year	**P331,545**	P202,935

The increase or decrease in deferred reinsurance premiums for the year is presented as part of Increase in premium reserves – net account in the statements of income.

14. OTHER ASSETS

This account is composed of the following:

	Notes	2018	2017
Input VAT		**P210,085**	P215,233
Funds at Lloyd's		**196,557**	186,115
Deferred tax assets – net	*23*	**113,905**	–
Intangible assets – net		**30,013**	9,882
Defined benefit asset	*22.2*	**13,627**	9,240
Deferred withholding VAT		**9,203**	9,203
Deferred creditable tax		**7,092**	7,666
Prepayments		**4,712**	9,107
Investment properties - net		**3,705**	2,825
Deposit		**720**	843
Security fund		**644**	644
Deferred input VAT	*35(b)*	**532**	447
Creditable withholding tax		**–**	102,771
Others		**138**	138
		590,933	554,114
Allowance for impairment		**(209,633)**	(215,233)
		P381,300	P338,881

Input VAT

The reconciliation of the allowance for impairment of input VAT is as follows:

	2018	2017
Balance at beginning of year	**P215,233**	P–
Impairment loss during the year	**–**	146,153
Reclassification	**(5,600)**	69,080
Balance at end of year	**P209,633**	P215,233

In 2017, the Company provided allowance for impairment on its input VAT as management assessed that the amount may not be realizable. Impairment loss recognized in 2017 is presented as part of Impairment losses – net under General and administrative expenses account in the statements of income (see Note 22).

Funds at Lloyd's

In December 2016, the Company entered into a quota share reinsurance treaty contract with a member of the Lloyd's effective January 1, 2017, whereby the Company was required to establish its share of the Funds at Lloyd's amounting to U.S. $3.00 million.

In 2017, the Company deposited additional funds amounting to £0.56 million. As at December 31, 2018 and 2017, Funds at Lloyd's amounted to U.S. $3.89 million.

Intangible Assets

Intangible assets pertain to acquired computer software licenses used in operation and administration. The gross carrying amount and accumulated amortization of intangible assets as at December 31, 2018 and 2017 are as follows:

	2018	2017
Cost	**P163,881**	P138,657
Accumulated amortization	**(133,868)**	(128,775)
Balance at end of year	**P30,013**	P9,882

A reconciliation of the carrying amount at the beginning and end of 2018 and 2017, of intangible assets is shown below.

	2018	2017
Balance at beginning of year, net of accumulated amortization	**P9,882**	P6,229
Additions	**25,226**	5,786
Reclassification	**–**	4,658
Retirement	**–**	(4,054)
Amortization	**(5,095)**	(2,737)
Balance at end of year, net of accumulated amortization	**P30,013**	P9,882

In 2017, the Company retired part of intangible assets with a carrying amount of P4.05 million and is presented as part of Loss on asset retirement under Investment and Other income and expenses account in the statements of income (see Note 20).

Prepayments

Prepayments pertain to software licenses and support maintenance costs and prepaid health and group life insurance premiums of the Company.

Investment Properties

Investment properties consist mainly of land, with improvements, which are owned for capital appreciation. The reconciliation of the carrying amount of the investment properties at the beginning and end of 2018 and 2017 is shown below:

	2018	2017
Balance at beginning of year	**P2,825**	P2,825
Additions	**880**	–
Balance at end of year	**P3,705**	P2,825

These properties are classified as Level 3 in the fair value hierarchy. The total estimated fair value based on the latest available selling price of the properties obtained by the Company amounted to P12.20 million and P7.20 million as at December 31, 2018 and 2017, respectively (see Note 30.4).

Security Fund

Security fund represents amount deposited with the IC, as required by the IC, and in instances of the Company becoming insolvent, can be used as payment for valid claims against the Company. The balance of the fund earns interest at rates determined by the IC annually.

15. REINSURANCE BALANCES PAYABLE

The details of this account are as follows:

	2018	2017
Due to retrocessionaires	**P1,128,331**	P1,235,348
Funds held for retrocessionaires	**23,559**	34,290
Due to cedant	**2,343**	–
	P1,154,233	P1,269,638

Due to retrocessionaires are unpaid retroceded premiums of retrocessionaires.
Funds held for retrocessionaires represent portion of the reinsurance premium ceded to retrocessionaires, which were withheld by the Company in accordance with reinsurance agreements. The Company's payments of these reinsurance liabilities are netted by the retrocessionaires' share in underwriting costs and losses paid.

The movements in these accounts are shown below.

	2018			
	Due to retrocessionaires	**Funds held for retrocessionaires**	**Due to cedant**	**Total**
Balance at beginning of year	**P1,235,348**	**P34,290**	**P–**	**P1,269,638**
Retroceded premiums net of funds held during the year	**1,106,565**	**–**	**–**	**1,106,565**
Funds held during the year	**–**	**206**	**–**	**206**
Funds released during the year	**11,315**	**(11,315)**	**–**	**–**
Payments made during the year	**(1,230,377)**	**–**	**–**	**(1,230,377)**
Reclassified to due to cedant	**(2,316)**	**–**	**2,316**	**–**
Revaluation adjustment	**7,796**	**378**	**27**	**8,201**
Balance at end of year	**P1,128,331**	**P23,559**	**P2,343**	**P1,154,233**

	2017		
	Due to retrocessionaires	Funds held for retrocessionaires	Total
Balance at beginning of year	P1,029,493	P57,437	P1,086,930
Retroceded premiums net of funds held during the year	828,269	–	828,269
Funds held during the year	–	13,160	13,160
Funds released during the year	36,307	(36,307)	–
Payments made during the year	(655,318)	–	(655,318)
Revaluation adjustment	(3,403)	–	(3,403)
Balance at end of year	P1,235,348	P34,290	P1,269,638

16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Note	**2018**	2017
Accounts payable		**P45,332**	P15,287
Deferred output VAT	*35(b)*	**24,003**	30,724
Accrued expenses		**8,148**	17,711
Income tax payable		**6,553**	–
Withholding taxes payable		**4,070**	6,751
Dividends payable	*24.3*	**2,543**	2,543
Deferred tax liability – net	*23*	**–**	2,276
		P90,649	P75,292

Deferred output VAT pertains to VAT from the sale of goods and services that are still outstanding as at year-end. These amounts are not due for remittance to the BIR until the receivables are collected.

Accrued expenses include amounts pertaining to accruals of outside services, utilities, uniforms, membership dues and meeting expenses.

Accounts payable includes non-interest bearing amounts that are already due to suppliers and advances received for services to be rendered in the future.

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

17. LOSSES AND CLAIMS PAYABLE AND CLAIMS RESERVES

Losses and claims payable and claims reserves are losses due to ceding companies under reinsurance agreements inclusive of reserves for IBNR losses, loss adjustment expenses payable and MfAD as shown below.

December 31, 2018	**Losses and Claims Payable**	**Claims Reserves**
Balance at beginning of year	P4,802,609	P 1,307,798
Claims incurred during the year – net	1,089,076	–
Claims incurred but not reported, net of adjustments	–	407,676
Claims paid during the year	(1,389,814)	–
Revaluation adjustment	17,400	–
Balance at end of year	**P4,519,271**	**P 1,715,474**
December 31, 2017 (As Restated – See Note 2)		
Balance at beginning of year	P5,556,808	P997,041
Claims incurred during the year - net	434,481	–
Claims incurred but not reported, net of adjustments	–	310,757
Claims paid during the year	(1,159,242)	–
Revaluation adjustment	(29,438)	–
Balance at end of year	P4,802,609	P1,307,798

18. PREMIUM RESERVES

The movements in Premium reserves are as follows:

	2018	2017 (As Restated – See Note 2)
Balance at beginning of year	**P1,426,138**	P1,408,832
Premium written	**3,682,906**	3,205,114
Premiums earned	**(3,544,409)**	(3,187,808)
Balance at end of year	**P1,564,635**	P1,426,138

The increase or decrease in Premiums reserves for the year is presented as part of Increase in premium reserves - net account in the statements of income.

19. DEFERRED REINSURANCE COMMISSIONS

The movements in Deferred reinsurance commissions are as follows:

	2018	2017
Balance at beginning of year	**P5,435**	P41,201
Income deferred	**(401)**	32,621
Income recognized	**(4,508)**	(68,387)
Balance at end of year	**P526**	P5,435

The increase or decrease in Deferred reinsurance commissions for the year is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 21.3).

20. INVESTMENT AND OTHER INCOME AND EXPENSES

The details of this account follows:

	Notes	2018	2017	2016
Interest income	*5,7,8,9 22.2,25.2*	**P224,676**	P192,510	P196,697
Gain on sale of AFS	*7, 25.2*	**131,059**	120,783	25,562
Dividend income	*7, 25.2*	**43,672**	55,885	47,895
Foreign currency gains (losses)		**43,221**	(30,698)	21,270
Gain on sale of non-financial assets	*10*	**11**	202	750
Loss on asset retirement	*10,14*	**(244)**	(8,179)	(227)
Impairment loss on AFS financial assets	*7*	**(7,810)**	(64,873)	(3,304)
Other charges	*25.2*	**(45,097)**	(10,823)	(7,073)
		P389,488	P254,807	P281,570

21. UNDERWRITING DEDUCTIONS

The accounts below represent the aggregate amount of the Company's share in net losses and claims relative to its acceptances under reinsurance agreements.

21.1 Share in Reported Losses – Net

	2018	2017 (As Restated – See Note 2)	2016 (As Restated – See Note 2)
Gross claims paid	**P1,389,814**	P1,159,242	P1,113,003
Retrocessionaires' share in losses paid	**(176,069)**	(211,492)	(481,922)
Gross change in provision for claims reported	**(485,039)**	(724,760)	(99,603)
Retrocessionaires' share in change in provision for claims reported	**322,816**	803,425	(33,507)
	P1,051,522	P1,026,415	P497,971

21.2 Share in Loss Reserves – Net

	2018	2017 (As Restated – See Note 2)	2016 (As Restated – See Note 2)
Gross change in provision for IBNR	**P 407,676**	P310,757	P349,785
Retrocessionaires' share in change in provision for IBNR	**180,947**	(2,578)	(114,087)
	P588,623	P308,179	P235,698

21.3 Commissions – Net

This account consists of the following:

	2018	2017	2016
Commission expense	**P777,877**	P651,716	P493,226
Commission income	**(4,508)**	(68,387)	(128,885)
	P773,369	P583,329	P364,341

Commission expense refers to fees deducted by ceding companies from reinsurance premiums assumed under reinsurance agreements, while commission income pertains to fees charged by the Company related to reinsurance premiums retroceded under retrocession agreements.

22. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account are as follows:

	Notes	**2018**	2017	2016
Salaries and employee benefits	*22.1*	**P152,279**	P128,145	P130,507
Impairment losses - net	*6,11,14*	**78,740**	82,517	74,128
Professional fees		**28,973**	29,835	24,421
Depreciation and amortization	*10,14*	**15,904**	12,139	18,605
Data, licenses and subscriptions		**13,272**	9,177	6,642
Outsourced functions		**10,416**	13,547	17,942
Taxes, licenses and fees	*35(f)*	**8,634**	6,962	6,486
Communication and postages		**7,430**	7,221	6,053
Repairs and maintenance		**5,650**	5,533	7,220
Advertising and publicity		**3,321**	1,954	2,158
Dues and fees		**3,308**	2,896	3,446
Meetings, conferences and conventions		**3,182**	3,274	3,477
Light and water		**2,106**	2,095	2,256
Insurance		**1,356**	1,529	1,014
Rental	*28.1*	**1,120**	1,309	3,082
Representation and entertainment		**995**	850	581
Printing and office supplies		**891**	572	1,379
Miscellaneous		**12,751**	7,787	13,533
		P350,328	P317,342	P322,930

22.1 Salaries and Employee Benefit Expense

The details of salaries and employee benefits are presented below.

	2018	2017	2016
Short-term employee benefits	**P139,697**	P113,648	P116,779
Post-employment defined benefit	**8,413**	9,050	8,078
Compensated absences	**4,169**	5,447	5,650
	P152,279	P128,145	P130,507

22.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Company maintains a wholly-funded, tax-qualified, non-contributory post-employment defined benefit plan retirement plan that is being administered by a trustee covering all regular full-time employees.

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 and in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2018 and 2017. The amount of defined benefit asset presented as part of Other assets - net (see Note 14) and recognized in the statements of financial position are determined as follows:

	2018	2017
Fair value of the plan assets	**P64,704**	P60,165
Present value of the obligation	**(51,077)**	(50,925)
	P13,627	P9,240

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

	2018	2017
Balance at beginning of year	**P60,165**	P67,521
Interest income	**2,954**	2,917
Return on plan assets	**(6,383)**	(1,373)
Contributions paid into the plan	**8,413**	–
Benefits paid by the plan	**(445)**	(8,900)
Balance at end of year	**P64,704**	P60,165

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

	2018	2017
Balance at beginning of year	**P50,925**	P53,452
Current service cost	**8,413**	9,050
Interest expense	**2,500**	2,309
Remeasurements – actuarial gains arising from:		
Experience adjustments	**(1,712)**	(2,630)
Changes in financial assumptions	**(8,604)**	(2,356)
Benefits paid by the plan	**(445)**	(8,900)
Balance at end of year	**P51,077**	P50,925

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below:

	2018	2017
Cash and cash equivalents	**P4,310**	P3,425
Philippine government securities	**25,998**	28,444
Corporate notes	**34,934**	36,269
Equity securities	**7,317**	7,978
Loans and receivables	**1,477**	1,333
Accounts payable	**(9,332)**	(17,284)
	P64,704	P60,165

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

The plan assets incurred a loss of P3.43 million in 2018, and earned a return of P1.54 million, and P5.72 million in 2017 and 2016, respectively.

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 the statements of income and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2018	2017	2016
Reported in statements of income:			
Current service cost	**P8,413**	P9,050	P8,078
Net interest income	**(454)**	(608)	(1,507)
	P7,959	P8,442	P6,571

	2018	2017	2016
Reported in other comprehensive loss (income):			
Actuarial losses (gains) arising from:			
Experience adjustments	**(P1,712)**	(P2,630)	P12,379
Changes in financial assumptions	**(8,604)**	(2,356)	1,262
Return on plan assets (excluding amounts included in net interest)	**6,383**	1,373	(1,862)
	(P3,933)	(P3,613)	P11,779

Current service cost and settlement gain, if any, are presented as part of Salaries and employee benefits; while net interest income or expense is presented as part of Interest income under Investment and Other income and expenses, respectively (see Note 20).

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:

	2018	2017	2016
Discount rate	**8.2%**	4.9%	4.3%
Expected rate of salary increase	**6.0%**	5.0%	5.0%
Employee turn-over rate	**10.0%**	10.0%	10.0%

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 39. 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 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 equity securities, debt securities, cash and cash equivalents, and loans and receivables. 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 page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset:

December 31, 2018	**Impact on Defined Benefit Asset**		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.0%**	**P3,163**	**(P3,482)**
Salary growth	**+/- 1.0%**	**(3,561)**	**3,349**
Turn-over rate	**+/- 10.0%**	**199**	**(199)**

December 31, 2017	Impact on Defined Benefit Asset		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	P3,644	(P4,114)
Salary growth	+/- 1.0%	(4,049)	3,691
Turn-over rate	+/- 10.0%	395	(395)

The 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 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 asset 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 an independent 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.

The study is conducted annually 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 at December 31, 2018 and 2017 consists of debt and equity securities, although the Company also invests in cash equivalents, mutual fund and loans and 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 overfunded by P13.63 million based on the latest actuarial valuation. Therefore, the Company is not expected to make any contribution to the plan during the next reporting period, unless the plan becomes underfunded.

As at December 31, 2018 and 2017, the maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows.

	2018	2017
Within one year	**P3,075**	P2,687
More than one year to five years	**33,006**	31,935
More than five years to 10 years	**93,432**	80,213
More than 10 years to 15 years	**35,186**	19,889
More than 15 years to 20 years	**168,572**	97,738
	P333,271	P232,462

The weighted average duration of the defined benefit obligation at the end of the reporting period is 14 years.

23. CURRENT AND DEFERRED TAXES

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

	2018	2017	2016
Current tax expense:			
Regular corporate income tax (RCIT)	**P116,553**	P74,581	P10,099
Final tax at 20% and 7.5%	**42,678**	36,602	35,152
Excess of minimum corporate income tax (MCIT) over RCIT	**–**	–	5,475
Application of MCIT	**–**	(20,140)	–
Deferred tax benefit	**(116,553)**	–	–
	P42,678	P91,043	P50,726

The reconciliation of the tax on pretax profit computed at the applicable statutory rates to tax expense in the statements of income is as follows:

	2018	2017	2016
Tax on pretax profit at 30%	**P57,568**	P52,212	P23,389
Non-deductible expenses	**2,704**	63,458	83,946
Non-taxable income	**(13,102)**	(52,507)	(13,762)
Adjustment for income subjected to lower tax rates	**(63,344)**	(19,954)	(27,598)
Tax effects of:			
Movements in unrecognized deferred tax assets:			
Claims reserves	**61,345**	92,455	70,709
Losses and claims payable	**(20,195)**	(7,710)	(7,822)
Allowance for impairment of receivables	**23,622**	–	–
Accrued expense	**4,044**	14,402	(158)
Premium reserves	**(5,498)**	4,417	21,473
Amortized past service cost	**(4,466)**	(4,466)	(4,466)
Application of MCIT	–	(20,140)	–
Reversal of allowance for impairment	–	(19,091)	10,238
Write-off of receivables	–	(12,033)	–
Excess of MCIT over RCIT	–	–	5,475
Utilization of deferred tax asset on net operating loss carry-over (NOLCO)	–	–	(110,698)
Tax expense reported in statements of income	**P42,678**	P91,043	P50,726

Below is the movement of the deferred tax asset and deferred tax liabilities recognized as at December 31, 2018 and 2017.

	2018		2017	
	Tax Base	**Tax Amount**	Tax Base	Tax Amount
Profit or loss:				
Claims reserves	**P774,721**	**P232,416**	P571,529	P171,459
Losses and claims payable	**53,071**	**15,922**	169,398	50,819
Accrued commission expense, net of deferred acquisition costs	**39,113**	**11,734**	24,346	7,304
Defined benefit asset	**(81,228)**	**(24,368)**	(80,774)	(24,232)
Prepaid expenses	**(4,712)**	**(1,414)**	(9,107)	(2,732)
Unrealized foreign currency gains	**(20,340)**	**(6,102)**	(5,999)	(1,800)
Reinsurance recoverable on claims reserves	**(319,048)**	**(95,714)**	(499,995)	(149,999)
Reinsurance recoverable on reported losses	**(53,071)**	**(15,921)**	(169,398)	(50,819)
	388,506	**116,553**	–	–
Other comprehensive income:				
Revaluation reserves on AFS financial assets	**(8,829)**	**(2,648)**	(7,586)	(2,276)
Net deferred tax asset (liabilities)	**P379,677**	**P113,905**	(P7,586)	(P2,276)

In accordance with the applicable accounting standards, the Company has taken a conservative position of not recognizing the deferred tax assets on the following temporary differences as at December 31, 2018 and 2017:

	2018		2017	
	Tax Base	**Tax Amount**	Tax Base	Tax Amount
Deferred tax assets:				
Claims reserves	P940,753	P282,226	736,269	220,881
Losses and claims payable	71,396	21,419	138,713	41,614
Premium reserves	67,976	20,393	86,301	25,890
Allowance for impairment	702,004	210,601	623,264	186,979
Unamortized past service cost	60,908	18,272	75,793	22,738
Accrued commission expense, net of deferred acquisition costs	50,767	15,230	50,767	15,230
Accrued expense	15,920	4,776	2,440	732
Defined benefit liability	67,601	20,280	71,534	21,460
Unrecognized deferred tax assets	P1,977,325	P593,197	P1,785,081	P535,524

In 2016, the Company fully utilized its NOLCO amounting to P368.99 million.

The Company is subject to MCIT which is computed at 2% of gross income, or RCIT, whichever is higher. MCIT incurred in 2016 and 2015 were all applied against RCIT due in 2017.

In 2018, 2017 and 2016, the Company opted to claim itemized deductions in determining its tax expense.

24. EQUITY

24.1 Capital Stock

As at December 31, 2018, 2017 and 2016, the Company has authorized shares of 3,000,000,000 and has issued and outstanding shares amounting to P2.08 billion net of treasury shares, which is divided into 2,123,605,600 shares with a par value of P1 per share.

On April 27, 2007, the Securities and Exchange Commission (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 at December 31, 2018 and 2017, there are 271 and 277 holders of the listed shares, respectively. Such listed shares closed at P0.91 and P0.96 per share, as at those dates, respectively.

As at December 31, 2018, 2017 and 2016, total treasury shares amounted to P100.53 million representing 58,349,000 shares. There were no treasury stock transactions in 2018, 2017 and 2016.

24.2 Appropriation for Special Reserve

In 1989, the BOD approved the establishment of a special reserve for extraordinarily high loss occurrences or severe catastrophic losses. As such, 10% of profit is set aside as special reserve provided there is no deficit. For the years ended December 31, 2018, 2017 and 2016, the Company appropriated P14.92 million, P5.01 million and P7.81 million, respectively, for special reserve.

24.3 Retained Earnings

There was no declaration of cash dividends in 2018, 2017 and 2016. The total outstanding dividends payable amounted to P2.54 million as at December 31, 2018 and 2017. These are presented as Dividends payable under Accounts payable and accrued expenses account in the statements of financial position (see Note 16).

The Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

25. RELATED PARTY TRANSACTIONS

The Company's related parties include its 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.

25.1 Reinsurance Contracts with Related Parties

The Company accepts and cedes insurance business under various reinsurance contracts with related parties. The details of which are presented as follows:

	2018		2017	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Premiums	**P131,137**	**P41,521**	P257,157	P71,058,724
Retrocessions	**(19)**	**13,765**	1,097	1,921,578
Commission income	**–**	**–**	15	–
Commission expense	**34,560**	**(5)**	64,272	–
Losses incurred	**5,673**	**137,692**	121,172	–
Loss recoveries	**1,842**	**–**	12,214	–

Reinsurance balances receivable from and payable to related parties arising from above transactions are presented as follows:

	2018		2017	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	**P39,777**	**P31,247**	P173,310	P61,799
Reinsurance recoverable on losses	**19,183**	**–**	54,851	981
Funds held by ceding companies	**14,879**	**–**	25,105	–
Claims payable	**172,811**	**870,716**	1,138,127	99
Due to retrocessionaires	**–**	**–**	7,529	3,242
Funds held for retrocessionaires	**–**	**–**	1,059	–

The balance of Reinsurance balances receivable which is noninterest-bearing, unsecured and is expected to be settled in cash within twelve months, is presented net of P75.42 million and P145.61 million allowance for impairment as at December 31, 2018 and 2017, respectively.

25.2 Other Transactions

The Company's other transactions with related parties are presented as follows:

		2018		2017	
		Amount of Transactions	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash and cash equivalents	(a)	**P19,756**	**P79,939**	(P112,163)	P60,183
AFS financial assets	(b)	**4,245**	**118,606**	76,754	122,851
Loans and receivables	(c)	**–**	**–**	45	139
Interest income - bank accounts	(a)	**2,324**	**246**	1,533	12
Dividend income - AFS financial assets	(b)	**–**	**–**	1,132	1,082
Gain on sale of AFS financial assets	(b)	**–**	**–**	1,529	–
Service fees	(d)	**989**	**–**	4,377	926
Related Party Under Common Ownership:					
Cash and cash equivalent	(a)	**(118,181)**	**648,854**	(273,752)	767,035
AFS financial assets	(b)	**290,679**	**315,882**	(9,849)	25,203
Loans and receivables	(c)	**(40)**	**50,000**	(65,609)	50,040
Interest income - bank accounts	(a)	**20,472**	**–**	14,374	1,233
Interest income - loans and receivables	(c)	**–**	**–**	4,585	24
Interest income - AFS financial assets	(b)	**–**	**–**	919	141
Service fees	(d)	**–**	**–**	1,388	266

(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 and expenses account in the statements of income (see Note 20).

(b) AFS Financial Assets

The Company has investment in shares of stock of a stockholder and fixed income securities of a related party under common ownership classified as AFS financial assets. Relative to these transactions, the Company recognized dividend income, interest income and trading gains which are presented as part of Investment and Other income and expenses account in the statements of income (see Note 20).

(c) Loans and Receivables

The Company has long-term negotiable certificate of deposit (LTNCD) and note receivables with certain related parties under common ownership. Relative to this, the Company recognized interest income which is presented as part of Interest income under Investment and Other income and expenses account in the statements of income (see Note 20). The LTNCD and notes receivable are unsecured and earn interest of 5.00% in 2018, 5.00% in 2017 and 5.00% to 5.375% in 2016. As at December 31, 2018 and 2017, management assessed that these receivables are not impaired.

(d) Investment Management and Custodianship

The Company has entered into "Investment Management Agreement" and "Custodianship Agreement" with a stockholder and an entity under common ownership 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 and expenses account (see Note 20) in the statements of income. As at December 31, 2018 and 2017, outstanding liabilities from these transactions amounted to nil and P1.19 million, respectively. Such payables are noninterest-bearing, unsecured, and settled in cash within twelve months.

25.3 Investment Management of Retirement Fund

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

25.4 Transactions with Retirement Fund

As discussed in Note 22.2, 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 transactions with its retirement fund in 2018 and 2017. Equity securities of the retirement fund consist of investments in corporations listed in the PSE. The retirement fund does not hold any shares of stock of the Company as at December 31, 2018 and 2017.

25.5 Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The compensation of key management personnel is presented as follows:

	2018	2017	2016
Short-term benefits	**P85,346**	P44,729	P52,082
Post-employment defined benefit	**2,953**	12,415	4,130
	P88,299	P57,144	P56,212

26. 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 IC 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 IC 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 makes 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.

27. EARNINGS PER SHARE

The earnings per share are presented as follows:

	2018	2017 (As Restated – See Note 2)	2016 (As Restated – See Note 2)
Net profit available to common shareholders	**P149,216**	P82,996	P27,235
Divided by the average number of outstanding common shares (in thousands)	**2,123,606**	2,123,606	2,123,606
	P0.070	P0.039	P0.013

Diluted earnings per share is not determined since the Company does not have dilutive shares as at December 31, 2018, 2017 and 2016.

28. COMMITMENTS AND CONTINGENCIES

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

28.1 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 at December 31, 2018 and 2017 is P1.17 million.

Rental expense recognized amounted to P1.12 million, P1.31 million, and P3.08 million in 2018, 2017 and 2016, respectively, and is presented in the statements of income as Rental under General and administrative expenses (see Note 22).

28.2 Legal Claims

The Company is currently involved in various legal proceedings. In consultation with the legal counsel, the related risk has been analyzed as to likelihood of occurrence and amount of future obligation. The Company believes that the outcome of these proceedings as at December 31, 2018 will not have a material adverse effect on the Company's financial position.

28.3 Deficiency Tax Assessments

The Company is in receipt of certain final deficiency tax assessment covering taxable period July 1, 2012 to December 31, 2012, pursuant to which the BIR has sought to investigate a certain tax period against the Company and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Company's policy of addressing such actions and in line with prudent business practice, the Company has engaged tax counsel in relation to this matter.

As at December 31, 2018, the final deficiency tax assessment is still under protest. Management believes that the Company has enough basis in law and evidence to support their claim that the Company is not liable for any tax deficiency; hence, no provisions were recognized in the financial statements.

28.4 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 at December 31, 2018, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

29.1 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.

	2018		2017	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	**P1,161,899**	**P1,161,899**	P1,310,539	P1,310,539
Funds at Lloyd's	**196,557**	**196,557**	186,115	186,115
Loans and receivables	**112,543**	**112,543**	201,888	201,888
Other assets	**1,364**	**1,364**	1,487	1,487
	P1,472,363	**P1,472,363**	P1,700,029	P1,700,029
AFS financial assets:				
Debt securities	**P2,494,960**	**P2,494,960**	P3,124,823	P3,124,823
Equity securities	**2,049,801**	**2,049,801**	2,369,749	2,369,749
Investment in ARC	**35,191**	**35,191**	32,548	32,548
	P4,579,952	**P4,579,952**	P5,527,120	P5,527,120
HTM investments	**P1,848,693**	**P1,864,766**	P1,034,687	P1,027,030
Financial liabilities –				
Accounts payable and other accrued expenses	**P62,577**	**P62,577**	P35,541	P35,541

Due to the short-term duration, management considers the carrying value of the Company's loans and receivables and financial liabilities at amortized cost approximate their fair value as at the end of the reporting periods.

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instrument including the determination of fair value. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

29.2 Offsetting of Financial Assets and Financial Liabilities

For financial assets and financial liabilities, 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.

30. FAIR VALUE MEASUREMENT AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, 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:

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

30.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's financial assets measured at fair value in the statements of financial position on a recurring basis (amounts in thousands Philippine Peso).

	Level 1	Level 2	Level 3	Total
December 31, 2018				
AFS financial assets	**P4,527,541**	**P17,220**	**P35,191**	**P4,579,952**
December 31, 2017				
AFS financial assets	5,476,686	17,885	32,548	5,527,119

The movements of the AFS financial assets classified under Level 3 in the fair value hierarchy is shown below:

	2018	2017
Balance at beginning of year	**P32,548**	P31,336
Fair value gains	**1,242**	1,157
Foreign currency gains	**1,401**	55
Balance at end of year	**P35,191**	P32,548

The Company has no financial liabilities measured at fair value as at December 31, 2018 and 2017.

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

a) Equity securities

As at December 31, 2018 and 2017, 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, investment in equity securities 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 private company's book value using the most recent available financial data. The estimated fair value will increase (decrease) if the book value increases (decreases).

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 Level 1.

c) Mutual funds

The fair value of the Company's investment in mutual funds which consist of money market placements and minimal equity securities is estimated by reference to the net asset value provided by the fund managers and is categorized within Level 2.

30.3 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.

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets:				
Cash and cash equivalents	**P1,161,899**	**P–**	**P–**	**P1,161,899**
HTM investments	**1,864,766**	**–**	**–**	**1,864,766**
Loans and receivables	**–**	**–**	**112,543**	**112,543**
Funds at Lloyd's	**–**	**–**	**196,557**	**196,557**
Other assets	**–**	**–**	**1,364**	**1,364**
	P3,026,665	**P–**	**P310,464**	**P3,337,129**
Financial liabilities –				
Accounts payable and other accrued expenses	**P–**	**P–**	**P62,577**	**P62,577**
December 31, 2017				
Financial assets:				
Cash and cash equivalents	P1,310,539	P–	P–	P1,310,539
HTM investments	1,027,030	–	–	1,027,030
Loans and receivables	–	–	201,888	201,888
Funds at Lloyd's	–	–	186,115	186,115
Other assets	–	–	1,487	1,487
	P2,337,569	P–	P389,490	P2,727,059
Financial liabilities –				
Accounts payable and other accrued expenses	P–	P–	P35,541	P35,541

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

30.4 Fair Value Measurement for Non-financial Assets

The Company used market comparable approach as a valuation technique in measuring the fair value of its investment properties to arrive at fair value that is more representative of the investment properties' highest and best use. As at December 31, 2018 and 2017, the fair value of the investment properties is P12.20 million and P7.20 million, respectively, classified under Level 3 of the fair value hierarchy (see Note 14). 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.

30.5 Fair Value Measurement for Financial Assets Grouped Based on Nature of Cash Flows

As at December 31, 2018, the fair value of financial assets with contractual terms that give rise to cash flows that are solely for payments of principal and interest on the principal amounted to P5.73 billion with decrease in fair value during the year amounting to P319.34 million. Fair value of other financial assets amounted to P2.08 billion with decrease in fair value amounting to P293.58 million.

31. 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:

31.1 Minimum Capitalization

Under Section 289 of the RA No. 10607 (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 IC Commissioner.

The IC issued Circular Letter (CL) No. 2015-02-A dated January 13, 2015, to clarify the minimum capitalization requirements under Sections 194, 197, 200 and 289 of RA No. 10607. Under the said CL, all existing reinsurance companies authorized to transact solely reinsurance business must have a networth of at least P2.25 billion by December 31, 2016. 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 2,500,000,000	December 31, 2019
3,000,000,000	December 31, 2022

As at December 31, 2018 and 2017, the Company has complied with the minimum capital requirements.

31.2 Risk-Based Capital Requirements

As per IC CL No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, all insurance companies must satisfy the annual minimum statutory RBC Ratio set at 100%. RBC ratio is computed by dividing the Company's Total Available Capital (TAC) by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2, minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis and is considered to be the highest quality capital available to the insurer. Tier 2 refers to capital not having the same high quality characteristics of Tier 1, but can provide additional buffer to the insurer. RBC requirement or the total required capital of an insurance company is the capital that is required to be held appropriately to the risks an insurance company is exposed to.

31.3 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 and at such times as the BOD may determine and in accordance with law.

Section 201 of the New Insurance Code provides that no 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 statements 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.

31.4 Non-admitted Assets

Various assets, included on the enumeration of Section 203 of RA 10607, are considered non-admitted assets for the purposes of determining the Company's financial condition.

The estimated non-admitted assets as defined in the Insurance Code are measured in accordance with PFRS and included in the statements of financial position. These assets, which are subject to final determination by the IC, are as follows:

	2018	2017
Goodwill, trade names, and other like intangible assets	**P30,013**	P9,882
Prepaid or deferred charges for expenses and commissions paid by such insurance company	**758,641**	613,076
Advances to officers (other than policy loans), which are not adequately secured and which are not previously authorized by the Commissioner, as well as advances to employees, agents, and other persons on mere personal security	**8,587**	19,410
Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and supplies	**17,378**	15,122
Other non-admitted assets as determined by IC	**13,627**	9,240
Total Non-admitted Assets	**P828,246**	P666,730

32. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	2018	2017 (As Restated – See Note 2)
Current ratio*	**2.96 : 1.00**	2.15 : 1.00
Asset-to-equity	**2.87 : 1.00**	2.68 : 1.00
Liability-to-equity	**1.87 : 1.00**	1.68 : 1.00

**Excluding claims reserves.*

33. CURRENT AND NON-CURRENT CLASSIFICATION

The Company expects that the following asset or liability line item is expected to be recovered or settled no more than twelve months after December 31, 2018 and 2017.

	2018	2017
Current Assets:		
Cash and cash equivalents	**P1,161,899**	P1,310,539
Reinsurance balances receivable - net	**1,371,150**	1,335,460
AFS financial assets	**2,098,035**	1,332,506
HTM investments	**170,878**	–
Loans and receivables	**55,263**	145,642
Reinsurance recoverable on reported losses	**791,787**	856,554
Reinsurance recoverable on claim reserves	**99,610**	155,829
Deferred acquisition costs	**198,556**	263,179
Deferred reinsurance premiums	**316,163**	202,896
Other assets	**12,256**	119,544
Total Current Assets	**P6,275,597**	P5,722,149
Current Liabilities:		
Reinsurance balances payable	**P1,146,481**	P1,152,004
Accounts payable and accrued expenses	**66,646**	42,292
Losses and claims payable	**1,537,725**	1,496,787
Claims reserves	**535,590**	407,589
Premium reserves	**906,160**	1,425,499
Deferred reinsurance commissions	**526**	5,411
Total Current Liabilities	**P4,193,128**	P4,529,582

On the other hand, the Company expects that the following asset or liability item is expected to be recovered or settled more than twelve months after December 31, 2018 and 2017.

	2018	2017
Non-current Assets:		
Reinsurance balances receivable - net	**P908,972**	P614,470
AFS financial assets	**2,481,917**	4,194,613
HTM investments	**1,677,815**	1,034,687
Loans and receivables	**57,280**	56,245
Property and equipment – net	**76,563**	80,011
Reinsurance recoverable on reported losses	**1,582,755**	1,891,796
Reinsurance recoverable on claim reserves	**219,438**	344,166
Deferred acquisition costs	**206,548**	17,768
Deferred reinsurance premiums	**15,382**	39
Other assets	**369,044**	219,337
Total Non-current Assets	**P7,595,714**	P8,453,132
Non-current Liabilities:		
Reinsurance balances payable	**P7,752**	P117,634
Accounts payable and accrued expenses	**24,003**	30,724
Losses and claims payable	**2,981,546**	3,305,822
Claims reserves	**1,179,884**	900,209
Premium reserves	**658,475**	639
Deferred tax liability	**–**	2,276
Deferred reinsurance commissions	**–**	24
Total Non-current Liabilities	**P4,851,660**	P4,357,328

34. EVENTS AFTER THE REPORTING PERIOD

On February 20, 2019, Republic Act No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (RCC) was signed into law and published in the Official Gazette on February 21, 2019. The RCC took effect on February 23, 2019. The significant provision, among others, of the RCC that would have financial reporting impact on the Company, is the removal of the maximum 50-year corporate term for stock corporations. The RCC states that corporations shall now have perpetual existence unless their articles of incorporation provide otherwise. Further, it clarifies that even corporations with certificates of incorporation issued prior to the effectivity of the RCC, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing majority of its outstanding capital stock, notifies SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation. Provided, that any change in the corporate term is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the RCC.

35. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Presented below and in the succeeding pages are the supplementary information which is required by the BIR under its existing Revenue Regulation (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding page.

(a) Output VAT

In 2018, the Company declared output VAT amounting to P11,045,767, which is set off against input VAT, based on the following gross receipts:

	Tax Base	Output VAT
Exempt receipts	P2,003,682,705	P–
Zero rated receipts	128,440,667	–
Commission earned on retrocession	42,276,298	5,073,156
Sale of ordinary assets	445,965	53,516
Interest income on loans	551,753	66,210
Other miscellaneous income	48,774,043	5,852,885
	P2,224,171,431	P11,045,767

Pursuant to RR No. 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 2018 statements 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 2018 statements of income.

As at December 31, 2018, the Company also has deferred output VAT amounting to P24,003,191 pertaining to uncollected commission income from retrocessionaires (see Note 16).

(b) Input VAT

The movements in input VAT in 2018 are summarized below.

Balance at beginning of year	P163,018,864
Services lodged under other accounts	12,283,777
Goods other than for resale or manufacture	738,257
Capital goods subject to amortization	273,559
Applied against output VAT	(11,045,767)
Input VAT on exempt sales	(9,136,055)
Balance at end of year	P156,132,635

The balance of input VAT as at December 31, 2018 is recorded under Other assets - net account in the statements of financial position (see Note 14).

As at December 31, 2018, the Company also has deferred input VAT amounting to P532,244 pertaining to VAT on capital assets, 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.

(c) Taxes on Importation

The Company does not have any customs duties or tariff fees in 2018 since it does not have any importation.

(d) Excise Tax

The Company does not have excise tax in 2018 since it does not have any transactions which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

Total DST accrued and paid in 2018 amounted to P13,295 which pertains to car loan transactions of the Company. The Company is also 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, 2018. Reinsurance contracts are not subject to DST.

(f) Taxes and Licenses

The details of taxes and licenses for 2018, which is presented under General and administrative expenses account in the statements of income is presented as follows:

Municipal licenses and permits	P5,540,279
Fringe benefit tax	2,526,609
Registration	176,750
Real estate taxes	295,092
DST	13,295
Miscellaneous	82,327
	P8,634,352

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2018 are shown below.

Compensation and benefits	P30,659,014
Expanded	11,870,204
Final	773,503
	P43,302,721

(h) Deficiency Tax Assessments and Tax Cases

The Company has final deficiency tax assessment on VAT amounting to P32,693,611 for the taxable period July 1, 2012 to December 31, 2012.

As at December 31, 2018, the final deficiency tax assessment is still under protest. Management believes that the Company has enough basis in law and evidence to support their claim that the Company is not liable for any tax deficiency; hence, no provisions were recognized in the financial statements.

As at December 31, 2018, the Company does not have any other 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 taxable years.

P&A
Grant Thornton

An instinct for growth™

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

The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor BPI-Philam Life Makati
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, 2018, on which we have rendered our report dated March 26, 2019. 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 the Securities Regulation Code Rule 68, as amended, of the Philippine Securities and Exchange Commission, 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: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 7333699, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 26, 2019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
APR 15 2019
RECEIVED

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
List of Supplementary Information
December 31, 2018

Statement of Management's Responsibility for the 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)

Schedule		No. of Pages
A	Financial Assets	3
B	Amounts Receivable from Directors, Officers, Employees, Related Parties & Principal stockholders other than related parties	2
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	N/A
D	Intangible Assets/Other Assets	1
E	Long-term Debt	N/A
F	Indebtedness to related parties (Long-term loans from related companies)	N/A
G	Guarantees of securities of other Issuers	N/A
H	Capital Stock	5

Supplementary Schedule to Financial Statements (SEC Circular 11)

Reconciliation of Retained Earnings for Dividend Declaration	1
Schedule of Philippine Financial Reporting Standards and Interpretations adopted by the Security and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018	4

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
SCHEDULE A. Financial Assets

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 SECURITIES				
STOCKS:				
Aboitiz Equity Ventures, Inc.	1,510,240	83,063,200	83,063,200	1,483,405
Aboitiz Power Corporation	1,369,500	48,069,450	48,069,450	1,584,044
Alliance Global Group, Inc.	2,350,840	27,974,996	27,974,996	239,134
Ayala Corp. Class "B" Series 1 Pref.	100,000	44,500,000	44,500,000	2,625,000
Ayala Corporation	155,295	139,765,500	139,765,500	1,004,853
Ayala Land, Inc.	3,607,400	146,460,440	146,460,440	1,662,444
Bank of the Philippine Islands	1,261,769	118,606,286	118,606,286	1,056,986
BDO Unibank, Inc.	900,539	117,790,501	117,790,501	1,219,943
Cebu Air, Inc.	69,980	5,122,536	5,122,536	114,390
Century Pacific Food, Inc.	180,100	2,737,520	2,737,520	30,942
D and L Industries, Inc.	633,900	6,960,222	6,960,222	164,814
DMCI Holdings, Inc.	1,551,120	19,823,314	19,823,314	1,223,683
DoubleDragon Properties Corp	500,000	49,400,000	49,400,000	2,429,175
First Gen Corporation	46,000	919,080	919,080	47,565
First Gen Corporation - Series G Pre	200,000	20,240,000	20,240,000	778,080
Globe Telecom, Inc.	1,745	3,315,500	3,315,500	1,643,005
Globe Telecom, Inc. - Perpetual Pref	100,000	48,000,000	48,000,000	2,600,300
GT Capital Holdings, Inc.	30,753	29,984,175	29,984,175	90,810
GT Capital Holdings, Inc. - Series A F	37,120	33,408,000	33,408,000	1,288,964
Int'l Container Terminal Services, Inc	525,120	52,512,000	52,512,000	1,149,325
JG Summit Holdings, Inc.	1,656,070	92,243,099	92,243,099	354,690
Jollibee Foods Corporation	102,730	29,976,614	29,976,614	200,406
LT Group, Inc.	595,400	9,883,640	9,883,640	131,760
Manila Electric Company	16,700	6,346,000	6,346,000	1,238,591
Megaworld Corporation	6,171,860	29,316,335	29,316,335	596,539
Metro Pacific Investments Corporatic	11,510,500	53,408,720	53,408,720	1,469,988
Metropolitan Bank and Trust Compar	1,102,035	89,209,733	89,209,733	797,390
Petron Corporation	2,371,060	18,280,873	18,280,873	350,259
Phil. Long Distance Telephone Co.	59,750	67,218,750	67,218,750	3,494,160
Puregold Price Club, Inc.	772,840	33,232,120	33,232,120	-
Robinson Land Corporation	1,729,470	34,848,821	34,848,821	564,253
Robinsons Retail Holdings, Inc.	525,170	42,013,600	42,013,600	378,122
San Miguel Corporation	74,120	10,895,640	10,895,640	50,299
San Miguel Corporation Series 2-B P	133,000	9,975,000	9,975,000	570,445
San Miguel Corporation Series 2-C P	133,000	10,108,000	10,108,000	598,500
San Miguel Corporation Series 2-D P	67,000	5,021,650	5,021,650	223,981
San Miguel Food and Beverage, Inc.	50,000	49,850,000	49,850,000	2,828,450
Security Bank Corporation	211,870	32,839,850	32,839,850	660,420
Semirara Mining and Power Corporat	487,120	11,228,116	11,228,116	1,247,395
SM Investments Corporation	187,980	172,471,650	172,471,650	1,615,728
SM Prime Holdings, Inc.	4,526,600	162,052,280	162,052,280	1,328,702
Universal Robina Corporation	395,240	50,195,480	50,195,480	1,084,419
Cirtek Holdings Philippines Corporati	$ 250,000	13,312,810	13,312,810	807,381
Investment in ARC	$ 980.00	35,190,567	35,190,567	
Makati Sports Club "A"	1	600,000	600,000	-
Calatagan Golf Club, Inc.	1	25,000	25,000	
Benguet Consolidated	18	62	62	-
Orchard Golf Club - C	1	370,000	370,000	-
Batangas Venture(BAC)	2,200,000	845,725	845,725	-
Phil. Hotel C (Hot)	750	96,972	96,972	-
Phil. Nuclear (PN)	200	20,000	20,000	-
Roxas	2,628	2,628	2,628	-
Roxas C	110,490	4,921,612	4,921,612	-
Roxas Pref. others C (RXC-1)	189,305	8,432,329	8,432,329	-
Shell Co. (SHEP)	660	1,905,974	1,905,974	

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
DISPOSED				643,420
SUB-TOTAL FOR INVESTMENTS IN STOCKS		**2,084,992,369**	**2,084,992,369**	**43,672,160**
BONDS				
NRCP-MANAGED				
Fixed Rate Treasury Notes				
FXTN 10-60	416,721,213	354,031,121	354,031,121	15,022,221
FXTN 7-57	40,000,000	37,717,211	37,717,211	1,478,273
RTB3-8	501,000,000	488,075,050	488,075,050	18,660,327
RTB5-11	200,000,000	187,095,619	187,095,619	9,150,462
MATURED/SOLD				1,719,855
	1,157,721,213	**1,066,919,001**	**1,066,919,001**	**46,031,139**
ROP Bonds				
ROP 24	3,200,000	173,344,697	173,344,697	6,039,095
Corporate Bonds				
SMIC 2019	200,000	10,568,104	10,568,104	453,606
RCBC Bond - 2021	500,000	25,886,430	25,886,430	910,889
BDO 2023	200,000	9,984,766	9,984,766	315,141
SMC US$	500,000	25,338,364	25,338,364	1,309,478
MATURED				1,724,865
TOTAL DOLLAR BONDS	**4,600,000**	**245,122,360**	**245,122,360**	**10,753,074**
BPI-MANAGED				
Fixed Rate Treasury Notes				
FXTN 10-54	15,632,706	15,448,130	15,448,130	862,028
FXTN 10-60	109,464,475	92,997,019	92,997,019	3,920,887
FXTN 10-61	10,000,000	8,715,858	8,715,858	472,333
FXTN 20-17	169,000,000	180,853,242	180,853,242	10,046,422
FXTN 25-11	67,344,100	48,564,395	48,564,395	3,097,361
FXTN 5-73	30,000,000	28,696,968	28,696,968	987,389
FXTN 5-74	50,000,000	46,689,044	46,689,044	2,036,504
FXTN 7-56	60,000,000	58,752,693	58,752,693	1,930,988
FXTN 7-57	60,000,000	56,575,817	56,575,817	1,827,066
FXTN 7-58	135,000,000	120,592,516	120,592,516	4,813,973
FXTN 7-59	39,290,000	35,591,313	35,591,313	1,721,029
RTB5-11	50,000,000	46,773,905	46,773,905	2,299,653
MATURED/SOLD				597,927
TOTAL PESO BONDS	**795,731,281**	**740,250,899**	**740,250,899**	**34,613,561**
RCBC-MANAGED				
Fixed Rate Treasury Notes				
FXTN 03-23	10,000,000	9,585,844	9,585,844	278,082
FXTN 05-74	1,500,000	1,400,671	1,400,671	43,550
FXTN 10-59	50,000,000	44,385,653	44,385,653	1,790,981
FXTN 5-73	23,000,000	22,001,009	22,001,009	847,974
FXTN 7-56	18,000,000	17,625,808	17,625,808	594,808
FXTN 7-57	30,000,000	28,287,908	28,287,908	970,994
FXTN 7-58	22,000,000	19,652,114	19,652,114	696,816
FXTN 7-61	5,000,000	4,742,793	4,742,793	14,239
RTB 10-04	25,000,000	21,941,158	21,941,158	808,091
RTB 15-1	20,000,000	19,163,409	19,163,409	1,013,449
RTB 3-8	5,000,000	4,871,008	4,871,008	197,536
MATURED/SOLD				553,893
TOTAL PESO BONDS	**209,500,000**	**193,657,376**	**193,657,376**	**7,810,413**
SUB-TOTAL FOR INVESTMENT IN BONDS		**2,245,949,635**	**2,245,949,635**	**99,208,186**
TREASURY BILLS				
NRCP-MANAGED				

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
TBILL 01.23.19	50,000,000	49,848,934	49,848,934	710,727
TBILL 04.10.19	50,000,000	49,383,484	49,383,484	472,531
TBILL 09.18.19	50,000,000	48,149,680	48,149,680	547,264
	150,000,000	**147,382,098**	**147,382,098**	**1,730,522**
BPI-MANAGED				
TBILL 04.03.19	20000000	19,774,793	19,774,793	195,232
TBILL 04.17.19	20000000	19,717,277	19,717,277	181,539
TBILL 05.22.19	35000000	34,310,146	34,310,146	154,740
MATURED/SOLD				473,042
	75,000,000	**73,802,216**	**73,802,216**	**1,004,553**
RCBC-MANAGED				
TBILL 08.20.19	10,000,000	9,672,304	9,672,304	127,487
TBILL 09.04.19	4,396,000	4,241,221	4,241,221	50,518
TBILL 09.11.19	2,500,000	2,407,103	2,407,103	27,567
TBILL 10.02.19	5,000,000	4,799,895	4,799,895	49,327
TBILL 10.23.19	7,000,000	6,705,363	6,705,363	57,510
MATURED/SOLD				8,399
	28,896,000	**27,825,887**	**27,825,887**	**320,809**
TOTAL AVAILABLE FOR SALE SECURITIES		**4,579,952,205**	**4,579,952,205**	**145,936,230**
HELD-TO-MATURITY INVESTMENTS				
CORPORATE BONDS				
AC 23 R22	25,000,000	23,436,927	23,436,927	974,556
AC 25 R23	27,500,000	25,860,746	25,860,746	1,318,136
AEV 11-20	50,000,000	50,239,092	50,239,092	2,223,677
AEV 22 R20	50,000,000	49,927,475	49,927,475	2,488,896
ALI 19 R17	50,000,000	50,019,561	50,019,561	2,796,875
ALI 28 R23	60,000,000	60,000,000	60,000,000	2,387,854
EDC 20 R18	60,000,000	59,506,932	59,506,932	2,481,119
ES SMC 05-20	50,000,000	50,000,000	50,000,000	1,560,417
FDC 24 R21	20,000,000	20,452,391	20,452,391	1,222,331
FLI 19 R17	20,000,000	20,167,758	20,167,758	1,247,650
FLI 20 R19	50,000,000	49,961,375	49,961,375	2,414,611
FLI 22 R20	50,000,000	50,010,898	50,010,898	2,663,470
JGS 08-19	50,000,000	50,346,788	50,346,788	2,601,318
MBT 11-20	50,000,000	50,104,293	50,104,293	119,167
PCOR 21 R19	75,000,000	74,216,895	74,216,895	2,985,720
PCORPM 7.8183 04/19/24	50,000,000	50,000,000	50,000,000	760,113
ROCK 21 R19	65,000,000	65,059,837	65,059,837	3,267,613
SM 19 R17	50,000,000	50,343,927	50,343,927	2,983,333
SM 22 R19	80,000,000	85,475,460	85,475,460	4,532,446
SM 23 R21	122,000,000	123,939,453	123,939,453	6,089,390
SMB 22 R19	70,000,000	72,503,570	72,503,570	4,594,333
SMC 24 R22	67,000,000	66,999,471	66,999,471	3,520,612
SMCGP 21 R19	45,000,000	44,098,413	44,098,413	1,944,746
SMPH 02-21	50,000,000	49,731,247	49,731,247	2,242,224
SMPH 23 R21	30,500,000	30,500,000	30,500,000	1,429,750
UBP 20	50,000,000	50,000,000	50,000,000	215,753
FXTN 10-60	562,500,000	475,790,434	475,790,434	20,277,344
MATURED				
TOTAL HELD-TO-MATURITY INVESTMENTS	**1,929,500,000**	**1,848,692,939**	**1,848,692,939**	**81,343,452**
LOANS AND RECEIVABLE				
LONG TERM TIME DEPOSIT & INVESTMENT				
PHILTRUST	5,000,000	5,000,000	5,000,000	80,625
Matured				979,167
BANK NOTE				

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 Tier2	50,000,000	50,000,000	50,000,000	2,672,569
ACCRUED INTEREST RECEIVABLE		41,383,311	41,383,311	
DIVIDENDS RECEIVABLE		806,989	806,989	
OTHER ACCOUNTS RECEIVABLE		7,867,476	7,867,476	
TOTAL LOANS AND RECEIVABLE		**105,057,777**	**105,057,777**	**3,732,361**
OTHER ASSET				
FUNDS AT LLOYDS		196,556,956	196,556,956	2,032,249
TOTAL OTHER ASSET		**196,556,956**	**196,556,956**	**2,032,249**
GRAND TOTAL FINANCIAL ASSETS		**6,730,259,877**	**6,730,259,877**	**233,044,292**

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, 2018

	Name of employee	Designation	Date of Availment	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
A. Emergency Loans										
1	Avila, Lylibeth	Rank & File	05/23/2018	7,782	20,000	19,214	-	8,568	-	8,568
2	Castillo, Jocelyn	Rank & File	02/02/2017	2,542	20,000	15,607	-	6,934	-	6,934
3	Cruz, Bethzayda	Rank & File	05/23/2018	13,598	20,000	25,013	-	8,585	-	8,585
4	Fidelino, Claudia Karen S	Senior Asst. Vice President	10/16/2017	64,114		64,114	-	-	-	-
5	Magalona, Natalie	Manager	04/12/2018	17,336	50,000	52,129	-	15,207	-	15,207
6	Magtalas, Ivy I.	Senior Manager	11/07/2017	44,072	50,000	50,000	-	44,072	-	44,072
7	Malana, Jackilyn	Rank & File	11/15/2016	-	20,000	10,536	-	9,464	-	9,464
8	Ortiz, Maria Carmen	Manager	09/06/2018	-	50,000	13,970	-	36,030	-	36,030
9	Relota, Eireen	Asst. Manager	04/10/2017	6,083		6,083	-	-	-	-
10	Tabiola, Sean	Rank & File	11/19/2018	-	20,000	2,371	-	17,629	-	17,629
11	Tumangday, Raul	Senior Manager	04/18/2017	38,055	50,000	56,108	-	31,948	-	31,948
12	Velasquez, Rolly	Manager	02/02/2017	6,582		6,582	-	-	-	-
13	Villamer, Rubylen	Rank & File	06/16/2017	10,299	20,000	13,394	-	16,905	-	16,905
14	Yap, Michellle	Rank & File	05/23/2018	8,625	20,000	18,279	-	10,346	-	10,346
				219,087	340,000	353,399	-	205,688	-	205,688
B. Car Facility Loan										
1	Agustin, Russel	Manager	07/18/2018	-	420,000	28,955			391,045	391,045
2	Agsaway, April Rose	Manager	06/27/2018	-	420,000	34,862			385,138	385,138
3	Alvarez, Francis Albert	Senior Manager	12/28/2018	-	480,000	-			480,000	480,000
4	Balajadia, Marites	Senior Manager	11/28/2017	473,470		81,851			391,619	391,619
5	Besabe, Blesilda Santos	Senior Asst. Vice President	07/29/2015	339,752		123,273			216,479	216,479
6	Camince, Enrico	Manager	10/30/2015	261,723		84,304			177,419	177,419
8	Dela Paz, Marilyn	Manager	03/31/2015	209,825		88,619			121,206	121,206
9	Ebron, Von Edward	Asst. Vice President	12/20/2018	-	592,800	-			592,800	592,800
10	Fidelino, Karen	Senior Asst. Vice President	08/29/2014	227,132		227,132			-	
11	Lorenzo, Cherry Lou R.	Asst. Vice President	08/31/2016	452,464		110,568			341,896	341,896
12	Lucos, Honarata S.	Asst. Vice President	06/21/2017	550,197		105,776			444,421	444,421
13	Magalona, Natalie	Manager	09/18/2017	402,743		72,579			330,164	330,164
14	Magtalas, Ivy I.	Senior Manager	08/17/2016	323,850		79,139			244,711	244,711
15	Merida, Anelisa Trinidad M.	Asst. Vice President	10/24/2016	480,623		111,560			369,062	369,062
16	Ortiz, Maria Carmen	Manager	11/13/2018	-	420,000	8,585			411,415	411,415
17	Papa, Regina	Senior Asst. Vice President	09/28/2016	471,662		112,305			359,357	359,357
18	Parungao, Sherwin	Senior Manager	08/30/2018	-	480,000	26,384			453,616	453,616
19	Ramos, Regina S.	Vice President	01/31/2017	371,909		80,194			291,715	291,715
20	Salonga, Daisy Cua	Vice President	02/20/2017	344,153		71,626			272,527	272,527
21	Suyo, Edilita	Manager	10/13/2017	405,643		72,338			333,305	333,305
22	Tanjuakio, Viktor	First Vice President	09/12/2014	170,450		96,944			73,507	73,507
23	Tumangday, Raul	Senior Manager	06/29/2016	348,404		89,817			258,587	258,587
24	Velasquez, Rolly	Manager	11/07/2017	411,415		71,858			339,556	339,556
				6,245,415	2,812,800	1,778,670	-	-	7,279,544	7,279,544
C. Receivables from Employee (HMO & Car Insurance)										
1	Agsaway, April Rose R	Manager		-	14,072	7,036		7,036		7,036
2	Alvarez, Francis Albert J	Senior Manager		-	26,188	9,648		16,540		16,540
3	Besabe, Blesilda Santos	Senior Asst. Vice President		21,105	58,452	54,495		25,062		25,062
4	Balajadia, Marites B	Senior Manager		23,410	48,677	40,930		31,158		31,158
5	Basobas, Patrick S	Asst. Manager		-	27,393	21,158		6,235		6,235
6	Bueno, Evelyn N	Manager		-	22,197	11,937		10,260		10,260
7	De Guzman, Darius M	Asst. Manager		37,275	82,078	87,550		31,802		31,802
8	Dela Paz, M.	Manager		2,636	8,615	9,285		1,966		1,966
9	Ebron, Von Edward M	Asst. Vice President		-	41,140	24,877		16,263		16,263
10	Fidelino, Karen	Senior Asst. Vice President		14,651		14,651		-		-
11	Ignes, Nikkos Josef L	Asst. Vice President		35,910	61,560	74,460		23,010		23,010
12	Ladoux, Christian Andre Fran -	Chief Underiting Officer		-	64,449	23,174		41,275		41,275
13	Lorenzo, Cherry Lou R.	Asst. Vice President		28,649	97,258	58,629		67,279		67,279
14	Lucos, Honorata S	Asst. Vice President		11,064	19,033	20,581		9,516		9,516
15	Magalona, Nathalie S	Manager		30,519	39,502	45,860		24,161		24,161
16	Magtalas, Ivy I.	Senior Manager		2,726	9,936	6,038		6,624		6,624
17	Melendez, Jackilyn M	Rank & File		10,260	20,520	20,520		10,260		10,260
18	Mendoza, Rojane C	Asst. Manager		10,914	150,307	109,837		51,384		51,384
19	Merida, Anelisa Trinidad M.	Asst. Vice President		44,777	46,529	55,638		35,669		35,669
20	Ortiz, Maria Carmen C	Manager		-	17,143	1,337		15,806		15,806
21	Parungao, Sherwin T	Senior Manager		-	13,438	3,919		9,519		9,519
22	Ramos, Regina S	Vice President		23,347	77,463	67,249		33,560		33,560
23	Reyes, Alexander Dominador L	Senior Vice President		13,534		13,534		-		
24	Santos, Allan R	CEO and President		-	38,482	19,985		18,496		18,496
25	Salonga, Daisy C	Vice President		2,096	11,926	12,055		1,966		1,966
26	Suyo, Edelita P	Manager		-	36,566	19,327		17,239		17,239
27	Tanjuakio, Viktor	First Vice President		467	11,140	4,067		7,539		7,539
28	Tumangday, Raul	Senior Manager		4,765	9,706	9,618		4,853		4,853
29	Velasquez, Rolly M	Manager		11,519		11,519		-		
30	Villamer, Rubylen T	Rank & File		10,260	41,040	41,040		10,260		10,260
				339,884	1,094,809	899,954	-	534,739	-	534,739
GRAND TOTAL				**6,804,386**	**4,247,609**	**3,032,023**	**-**	**740,427**	**7,279,544**	**8,019,972**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2018

				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

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule D - Intangible Assets/Other Assets
December 31, 2018

	Description (i)	Beginning Balance	Additions at cost (ii)	Deduction: Charged to cost & exp.	Deduction: Charged to other accts.	Deduction: Other charges add'l.(deductions) (iii)	Ending Balance
A.	**Intangible Assets**						
1	SICS Life License	-	22,336,961	1,489,131			20,847,830
2	Risk Explorer	2,475,753	1,320,500	1,051,669			2,744,584
3	SAP Materials Management Implementation	2,887,175		577,435			2,309,740
4	Document Management System-Archive One 8	2,651,426		1,325,713			1,325,713
5	Software License for Investment Management Syste	-	1,287,500				1,287,500
6	Microsoft Volume License - Servers	905,892		197,649			708,243
7	RMS Dashboard Software	381,849		190,924			190,924
8	Proportional Reinsurance Treaty Pricing Tool	247,228		80,182			167,046
9	Microsoft Office 2016	105,692	69,286	49,466			125,512
10	Universal Telephony License - OXO Connect Syste	-	80,190	14,701			65,488
11	IP channel software license	-	75,473	13,837			61,636
12	Microsoft SQL Server Standard with 5 user CALS	66,732		26,429			40,304
13	SAP Software Licences	48,971		10,494			38,477
14	OXO Connect software assurance for 3 years	-	35,378	6,486			28,892
15	MS Visio Pro 2013 SNGL OLP NL	34,013		12,268			21,745
16	MS Visio Professional 2013 Single OLP	26,759		11,893			14,866
17	Microsoft OS Windows 2012 R2-Standard Edition	21,643		8,571			13,071
18	Software license migration from OmniPCX Office	-	14,413	2,642			11,771
19	1Yr Partner SUPPORT for all OS6350 models	-	5,153	945			4,208
20	Windows 8.1 Pro SNGL OLP NL	23,562		19,554			4,008
21	Adobe PDF Converter Acrobat Professional 11	4,600		4,098			502
22	MS Office Home & Business	111		111			0
23	Able2Extract Professional Converter	63		63			0
24	Windows 7 Professional Edition License	348		348			(0)
		9,881,816	**25,224,854**	**5,094,608**	**-**	**-**	**30,012,062**
B	**Other Assets**						
1	Input VAT	215,233,064	14,094,549	9,935,011	9,307,430		210,085,172
2	Funds at Lloyds	186,114,728	10,442,228				196,556,956
3	Deferred tax assets		113,904,612				113,904,612
4	Defined benefit asset	9,239,837	4,386,797				13,626,634
5	Deferred Withholding VAT (GSIS)	9,202,886					9,202,886
6	Deferred expanded withholding tax	7,666,232	2,338,313	2,912,392			7,092,154
7	Prepayments	9,107,318	4,712,357	9,107,318			4,712,357
8	Investment properties	2,824,909	880,000				3,704,909
9	Deposit	842,861	82,546	205,559			719,848
10	Security Fund	643,925					643,925
11	Deferred Input Vat	446,607	380,351	294,713			532,244
12	Others	138,011					138,011
13	Creditable Expanded withholding Tax	102,771,245		102,771,245			-
14	Allowance for Impairment	(215,233,061)				(5,600,553)	(209,632,508)
	Sub-Total	**328,998,562**	**151,221,753**	**125,226,237**	**9,307,430**	**(5,600,553)**	**351,287,200**
	GRAND TOTAL	**338,880,378**	**176,446,607**	**130,320,846**	**9,307,430**	**(5,600,553)**	**381,299,262**

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule E - Long-term Debt
December 31, 2018

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)

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NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related
December 31, 2018

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

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NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2018

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)

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule H- Capital Stock

December 31, 2018

	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	ALEGAR CORPORATION	Common	32,600	NIL			32,600
2	ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900	NIL			1,578,900
3	AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300	NIL			3,300
4	ARAVAL, INC	Common	77,100	NIL			77,100
5	ASIA UNITED INSURANCE, INC	Common	1,252,300	NIL			1,252,300
6	BANCOM DEVELOPMENT CORP.	Common	8,300	NIL			8,300
7	BENEFICIAL LIFE INSURANCE COMPANY INC.	Common	3,193,500	NIL			3,193,500
8	B.F. GENERAL INSURANCE CO., INC.	Common	36,900	NIL			36,900
9	BF LIFE INSURANCE CORP.	Common	397,300	NIL			397,300
10	BPI/MS INSURANCE CORP.	Common	3,347,500	NIL	3,347,500		-
11	CENTENNIAL GUARANTEE ASSURANCE CORI	Common	14,500	NIL			14,500
12	CONSOLIDATED INSURANCE CO., INC.	Common	144,600	NIL			144,600
13	COOPERATIVE INSURANCE SYSTEM OF THE	Common	72,900	NIL			72,900
14	COUNTRY BANKERS INS. CORP.	Common	2,220,300	NIL			2,220,300
15	COUNTRY BANKERS LIFE INSURANCE CORP.	Common	30,000	NIL			30,000
16	EASTERN ASSURANCE & SURETY CORPORA	Common	1,872,400	NIL			1,872,400
17	FEDERAL PHOENIX ASSURANCE COMPANY I	Common	3,786,300	NIL			3,786,300
18	FGU INSURANCE CORPORATION	Common	36,126,000	NIL	36,126,000		-
19	FIDELITY INSURANCE COMPANY INC.	Common	818,800	NIL			818,800
20	FIRST INTEGRATED BONDING & INS. CO INC.	Common	275,300	NIL			275,300
21	GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700	NIL			544,700
22	INSURANCE CO. OF NORTH AMERICA	Common	705,600	NIL			705,600
23	INSURANCE OF THE PHIL. ISLANDS CO., INC.	Common	59,100	NIL			59,100
24	INVESTOR'S ASSURANCE CORP.	Common	99,000	NIL			99,000
25	LUZON INSURANCE & SURETY CO., INC.	Common	32,300	NIL			32,300
26	MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800	NIL			271,800
27	MABASA & COMPANY, INC.	Common	36,500	NIL			36,500
28	MALAYAN INSURANCE CO., INC.	Common	21,600	NIL	21,600		-
29	MANILA INSURANCE COMPANY INC.	Common	1,148,400	NIL			1,148,400
30	MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400	NIL			3,168,400
31	MONARCH INSURANCE CO., INC.	Common	1,674,000	NIL			1,674,000
32	NEW INDIA ASSURANCE CO., LTD.	Common	4,168,300	NIL			4,168,300
33	ORIENTAL ASSURANCE CORPORATION	Common	3,560,800	NIL			3,560,800
34	PACIFIC UNION INSURANCE CO.	Common	1,351,600	NIL			1,351,600
35	PARAMOUNT LIFE & GENERAL INS. CORP.	Common	940,900	NIL			940,900
36	PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300	NIL			2,435,300
37	PHILIPPINE AMERICAN LIFE INSURANCE CO.	Common	8,628,600	NIL			8,628,600
38	PHILIPPINE BRITISH ASSURANCE CO., INC.	Common	590,400	NIL			590,400
39	PHIL. PHOENIX SURETY & INS. INC.	Common	134,900	NIL			134,900
40	PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900	NIL			1,771,900
41	PHILIPPINE REMNANTS CO., INC.	Common	399,300	NIL			399,300
42	PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200	NIL			11,075,200
43	PHIL. INT'L LIFE INSURANCE CO., INC.	Common	4,450,200	NIL			4,450,200
44	PLARIDEL SURETY & INSURANCE COMPANY I	Common	162,500	NIL			162,500
45	THE PREMIER INSURANCE & SURETY CORPC	Common	2,456,100	NIL			2,456,100
46	REPUBLIC SURETY & INSURANCE COMPANY	Common	542,300	NIL			542,300
47	RITA LEGARDA., INC.	Common	13,700	NIL			13,700
48	RIVARA, INC.	Common	8,700	NIL			8,700
49	SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700	NIL			4,152,700
50	STERLING INSURANCE CO., INC.	Common	2,453,900	NIL			2,453,900
51	STRONGHOLD INSURANCE CO., INC.	Common	2,817,600	NIL			2,817,600
52	SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700	NIL			305,700
53	SUSANA REALTY	Common	600	NIL			600
54	TABACALERA INSURANCE CO. INC.	Common	1,278,700	NIL			1,278,700
55	TIMES SURETY & INSURANCE CO., INC.	Common	7,500	NIL			7,500
56	TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100	NIL			696,100
57	UNION BANK OF THE PHILIS.	Common	5,000	NIL			5,000
58	UNION INSURANCE SOCIETY OF CANTON LTI	Common	2,197,300	NIL			2,197,300
59	UNITED INSURANCE CO., INC	Common	2,006,600	NIL			2,006,600
60	UNITED LIFE ASSURANCE CORP.	Common	2,518,100	NIL			2,518,100
61	UTILITY ASSURANCE CORP.	Common	1,837,900	NIL			1,837,900
62	VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500	NIL			3,545,500
63	WORLDWIDE INSURANCE & SURETY COMPAI	Common	100	NIL			100
64	ZENITH INSURANCE CORPORATION	Common	805,800	NIL			805,800
65	MAMERTA ANDAYA	Common	2,100	NIL			2,100
66	NORMANDO ANTONIO S. AGUILAR	Common	16,900	NIL			16,900
67	CONCEPCION S. ARANETA	Common	700	NIL			700
68	BASCO, AMERFIL V.	Common	11,800	NIL			11,800
69	JAYMERLI C. BAUTISTA	Common	298,100	NIL			298,100
70	FRANCISCO M. BAYOT	Common	1,100	NIL			1,100
71	VICENTE M. BAYOT	Common	1,100	NIL			1,100

	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
72	VICTORIANO G. BELIZARIO	Common	300	NIL			300
73	PEDRO P. BENEDICTO JR.	Common	15,800	NIL			15,800
74	CONRADO BENITEZ	Common	7,400	NIL			7,400
75	ISABELITA M. CABANGUNAY	Common	14,500	NIL			14,500
76	DANILO J. CABERO	Common	7,200	NIL			7,200
77	NATIVIDAD CANTAJAL	Common	4,800	NIL			4,800
78	ANTONIO ROXAS CHUA	Common	1,089,500	NIL			1,089,500
79	JACQUELINE M. HALILI CO	Common	293,800	NIL			293,800
80	MANUEL U. CO	Common	100	NIL			100
81	FRANCISCO CORPUS	Common	100	NIL			100
82	DAVID C. COYUKIAT	Common	200	NIL			200
83	ALICIA S. CRUZ	Common	6,400	NIL			6,400
84	LUZ NER CRUZ	Common	13,400	NIL			13,400
85	ADELITA VERGEL DE DIOS	Common	171,500	NIL			171,500
86	MANUEL DYTOC	Common	900	NIL			900
87	EDUARDO ECHAUZ	Common	100	NIL			100
88	ROMEO ECHAUZ	Common	400	NIL			400
89	MANUEL B. ENRIQUEZ	Common	500	NIL			500
90	LILY VICTORIA G. GALO	Common	2,800	NIL			2,800
91	RAFAEL C. GALLAGA	Common	13,500	NIL			13,500
92	GARCIA, WINSTON F.	Common	442,300	NIL			442,300
93	EDITHA B. GERONIMO	Common	15,000	NIL			15,000
94	MERCEDES U. GONZALES	Common	200	NIL			200
95	LUCINA OCAMPO LEGASPI	Common	3,800	NIL			3,800
96	LUCITA R.C. LIMPE	Common	13,400	NIL			13,400
97	ROSARIO M. LLORA	Common	7,100	NIL			7,100
98	HONORATA S. LUCOS	Common	15,000	NIL			15,000
99	ANTONIO P. MADRIGAL	Common	4,200	NIL			4,200
100	CONSUELO P. MADRIGAL	Common	1,200	NIL			1,200
101	GERARDO A.S. MADRIGAL	Common	1,600	NIL			1,600
102	MACARIA P. MADRIGAL	Common	2,300	NIL			2,300
103	VICENTE A.S. MADRIGAL	Common	1,600	NIL			1,600
104	NELIA M. MALUBAY	Common	54,000	NIL			54,000
105	JENNIFER C. MARTIN	Common	294,000	NIL			294,000
106	HANS MENZI	Common	2,100	NIL			2,100
107	DAVID C. MERCADO	Common	27,300	NIL			27,300
108	SUSANA B. ORTIGAS	Common	1,100	NIL			1,100
109	MAURO PRIETO	Common	11,600	NIL			11,600
110	ANGELITA U. REYES	Common	2,800	NIL			2,800
111	JOSE R. RODAS	Common	100	NIL			100
112	LOURDES S. RODAS	Common	1,100	NIL			1,100
113	PAZ VDA. DE RODAS	Common	6,200	NIL			6,200
114	ROSARIO RODAS	Common	900	NIL			900
115	PACITA RODRIGUEZ	Common	13,400	NIL			13,400
116	PETER T. ROXAS-CHUA	Common	13,400	NIL			13,400
117	TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300	NIL			92,300
118	ANTONIO S. ROXAS-CHUA JR.	Common	24,900	NIL			24,900
119	SEVERINO T. ROXAS-CHUA	Common	13,400	NIL			13,400
120	ANDRES E. SIOCHI	Common	11,700	NIL			11,700
121	EUGENIA G. SILVA	Common	2,800	NIL			2,800
122	MANUEL A. TORRES JR.	Common	79,100	NIL			79,100
123	MA. LUISA MADRIGAL VASQUEZ	Common	400	NIL			400
124	VICENTE B. VILLARAMA JR.	Common	2,800	NIL			2,800
125	BETTY RC YAO	Common	13,400	NIL			13,400
126	FRANCISCO JOSE ELIZALDE YTURRALDE	Common	75,700	NIL			75,700
127	MACROHON JR., IGNACIO	Common	100	NIL			100
128	LIM, PEDRO C.	Common	3,000	NIL			3,000
129	YAO, WILSON A.	Common	30,000	NIL			30,000
130	TAN, LOZANO A.	Common	100,000	NIL			100,000
131	VALENCIA, JESUS SAN LUIS	Common	2,100	NIL			2,100
132	PA, ANA GO &/OR GO KIM	Common	7,500,000	NIL			7,500,000
133	CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I.	Common	5,000	NIL			5,000
134	GALLAGA, RAFAEL C.	Common	100	NIL			100
135	LA'O, LUIS C.	Common	100	NIL			100
136	YAO, BONIFACIO N.	Common	100	NIL			100
137	JACINTO JR., FERNANDO P.	Common	100	NIL			100
138	SALVADOR, BIENVENIDO C.	Common	100	NIL			100
139	BERNARDO, ROMEO L.	Common	100	NIL		100	-
140	CASTANEDA JR., CONSTANCIO T.	Common	100	NIL			100
141	KO PIO, RUFINO H.	Common	100	NIL			100
142	FRANCISCO, ROLANDO B.	Common	100	NIL			100
143	DESIDERIO JR., JOSE O.	Common	100	NIL			100
144	DESIDERIO, RODOLFO O.	Common	100	NIL			100
145	ONGKINGCO, FLORENCIO N.	Common	100	NIL			100
146	MARIANO JR., JORGE T.	Common	100	NIL			100

	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
147	SAUCO, NORBERTO V.	Common	100	NIL			100
148	JUAN, FRISCO F. SAN	Common	100	NIL			100
149	CORPUS, SERGIO	Common	100	NIL			100
150	GO, GEORGE L.	Common	1,000	NIL			1,000
151	UY JR., CARLOS F.	Common	100	NIL			100
152	SALCEDO JR., ALFONSO L.	Common	100	NIL			100
153	ARAGON, BIENVENIDO M.	Common	200	NIL			200
154	CABANGON CHUA, ANTONIO L.	Common	100	NIL			100
155	TRINIDAD, ARMANDO C.	Common	100	NIL			100
156	BUENO, FRANCIS EDWIN I.	Common	100	NIL			100
157	HARI, ABDON M.	Common	100	NIL			100
158	REMO JR., JOSE H.	Common	100	NIL			100
159	CRUZ JR., ROMAN A.	Common	100	NIL			100
160	FRANCISCO, CLEOTILDE B.	Common	100	NIL			100
161	BELTRAN, AURELIO M.	Common	100	NIL			100
162	YUCHENGCO, YVONNE S.	Common	100	NIL		100	-
163	DEE, HELEN Y.	Common	100	NIL			100
164	PUYAT, ALFONSO G.	Common	100	NIL			100
165	FERNANDEZ, VICENTE T.	Common	100	NIL			100
166	LEON, JAIME S. DE	Common	100	NIL			100
167	RAMAJO, HONORIO J.	Common	100	NIL			100
168	UNSON, MA. ANICIA F.	Common	100	NIL			100
169	UNSON JR., ALEJANDRO F.	Common	100	NIL			100
170	VILLAMAYOR, ANTONIO S.	Common	100	NIL			100
171	CHENG, GEMA O.	Common	100	NIL			100
172	JUNTEREAL JR., FILEMON A.	Common	100	NIL			100
173	COTOCO, NAZARIO	Common	100	NIL			100
174	COTOCO, DOMINGO	Common	100	NIL			100
175	PADIERNOS, GAY G.	Common	100	NIL			100
176	UNSON JR., EDMUNDO L.	Common	100	NIL			100
177	LIM, JAMES ORTEGA	Common	100	NIL			100
178	CUYEGKENG, ROSARIO W.	Common	100	NIL			100
179	FERNANDEZ, JAIME C.	Common	100	NIL			100
180	ALVENDIA, JOSE P.	Common	100	NIL			100
181	MERCADO JR., DANIEL M.	Common	100	NIL			100
182	ROMAN, VICTOR B.	Common	100	NIL			100
183	TANCO, EUSEBIO H.	Common	100	NIL			100
184	LEE, JOSE C.	Common	100	NIL			100
185	MORALES, RHODORA B.	Common	100	NIL			100
186	LOCSIN, JULIAN J.	Common	100	NIL			100
187	CARREDO, RAMON M.	Common	200	NIL			200
188	KOH, ANTONIO M.	Common	100	NIL			100
189	INDON, REYNALDO P.	Common	100	NIL			100
190	LICAROS, ABELARDO B.	Common	100	NIL			100
191	LICAROS JR., GREGORIO B.	Common	100	NIL			100
192	DOMINO, JUAN	Common	100	NIL			100
193	REYES, OSCAR C.	Common	200	NIL			200
194	MALONG, ALEJANDRO V.	Common	100	NIL			100
195	MERCADO JR., DAVID P.	Common	100	NIL			100
196	WONGAIHAM, ANTHONY T.	Common	200	NIL			200
197	MALLILLIN, MELECIO C.	Common	100	NIL			100
198	ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000	NIL			3,000,000
199	OLIVA, DULCE MARIA S.	Common	20,000	NIL			20,000
200	BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500	NIL	290,795,500		-
201	KO PIO, RODERICK C.	Common	100	NIL			100
202	KO PIO, RUFFY C.	Common	100	NIL			100
203	TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000	NIL			29,000

	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
204	TURNER, PHILIP &/OR ELNORA	Common	1,000	NIL			1,000
205	PNB GENERAL INSURERS CO., INC.	Common	1,000	NIL			1,000
206	HYDEE MANAGEMENT & RESOURCE CORPOF	Common	264,000	NIL			264,000
207	SM SAVINGS & LOAN ASSOCIATION	Common	70,000	NIL			70,000
208	SUDHAKAR, RANIPETA RANI	Common	100	NIL			100
209	REYES, CARLOS, R.	Common	12,000	NIL			12,000
210	GILI JR., GUILLERMO F.	Common	38,000	NIL			38,000
211	LIM, IAN VINCENT &/OR FLORA &/OR ERNEST	Common	86,000	NIL			86,000
212	MENDIOLA, JORGE T.	Common	20,000	NIL			20,000
213	LIM, ROQUE A.	Common	66,000	NIL			66,000
214	CRISOL, ROBERTO B.	Common	1,000	NIL			1,000
215	CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPH	Common	1,896,000	NIL			1,896,000
216	SUNGA, PROSPERO S. SUNGA &/OR CLARITA	Common	375,000	NIL			375,000
217	YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000	NIL			50,000
218	SUNGA, PETER EDWIN J. SUNGA &/OR ROSAI	Common	300,000	NIL			300,000
219	GO, IRENE CHAN	Common	185,000	NIL			185,000
220	LO, JOSEPHINE NG	Common	71,000	NIL			71,000
221	LEE, LEA B.	Common	250,000	NIL			250,000
222	ALMEDA, VALERIANO &/OR TITA JANE &/OR R	Common	40,000	NIL			40,000
223	PHILIPPINE GENERAL INSURANCE CORP.	Common	750,000	NIL			750,000
224	MANANSALA, CONSUELO D.	Common	1,000	NIL			1,000
225	VERGARA, ROBERT G.	Common	1,000	NIL			1,000
226	LEON, BEATRIZ P. DE	Common	1,933	NIL			1,933
227	PRIETO, MERCEDES R.	Common	1,933	NIL			1,933
228	PRIETO JR., BENITO R.	Common	1,933	NIL			1,933
229	PRIETO, MAURO R.	Common	1,934	NIL			1,934
230	TEODORO, MONICA P.	Common	967	NIL			967
231	PRIETO, MARTIN L.	Common	967	NIL			967
232	GOZO, DANILO A.	Common	1,000	NIL			1,000
233	NAPA, ERMILANDO D.	Common	1,000	NIL		1,000	-
234	NERA, MEDEL T.	Common	1,000	NIL		1,000	-
235	STERLING INSURANCE COMPANY, INC.	Common	300,000	NIL			300,000
236	TIU, ALFONSO SY	Common	6,000	NIL			6,000
237	CHUA, VICKY B.	Common	1,000	NIL			1,000
238	LAO, EDMUND Y.	Common	6,000	NIL			6,000
239	UY, ALVIN CHRIS SY	Common	6,000	NIL			6,000
240	WU, JOLI CO	Common	344,100	NIL		344,100	-
241	BANZON JR., JOSE G.	Common	54,000	NIL			54,000
242	DIZON, VLADEMIR S.	Common	26,000	NIL			26,000
243	CRUZ, MARY ANN PINEDA DELA	Common	3,000	NIL			3,000
244	AYUSTE JR., RAFAEL G.	Common	100,000	NIL		100,000	-
245	CASTRO, WILLIAM Y.	Common	15,000	NIL			15,000
246	REGINA CAPITAL DEV. CORP.018414	Common	3,000	NIL			3,000
247	REGINA CAPITAL DEV. CORP. 018400	Common	6,000	NIL			6,000
248	VISAYAN SURETY & INSURANCE CORPORATI	Common	200,000	NIL			200,000
249	CHENG, BERCK Y.	Common	500,000	NIL			500,000
250	REYES, ROMAN FELIPE S.	Common	1,000	NIL			1,000
251	KAWSEK, PAUL L.	Common	80,000	NIL			80,000
252	MARILEX REALTY DEVELOPMENT CORPORAT	Common	1,933	NIL			1,933
253	HIDALGO, AUGUSTO PEDROSA III	Common	1,000	NIL			1,000
254	CHAVEZ, RAMON NONATO D.	Common	5,000	NIL			5,000
255	CONSING, CEZAR P.	Common	50	NIL		50	-
256	GONZALEZ, GIZELA M.	Common	600	NIL			600
257	ESTATE OF VICENTE M. WARNS	Common	600	NIL			600
258	OWEN NATHANIEL S. AU ITF LI MARCUS M. AI	Common	200	NIL			200
259	CUA, PAMELA S.	Common	6,000	NIL			6,000
260	FIRST LIFE FINANCIAL COMPANY INC.	Common	485,700	NIL			485,700
261	CABREZA, JOCELYN DE GUZMAN	Common	1	NIL		1	-
262	LUGA, ALAN R.	Common	1	NIL			1
263	ANTONIO M. RUBIN	Common	1,000	NIL		1,000	-
264	ELIAS BENIZA DULALIA	Common	1,000	NIL			1,000
265	WILFREDO C. MALDIA	Common	1	NIL		1	-
266	MAR M. TANGLAO I	Common	180,000	NIL			180,000
267	SECOR HOLDINGS INC.	Common	50,000	NIL			50,000
268	ALLAN ROSSI SANTOS	Common	5,000	NIL		5,000	-
269	MARIA CONSUELO A. LUKBAN	Common	50	NIL		50	-
270	PCD NOMINEE CORP (FILIPINO)	Common	1,667,004,187	NIL	822,468,500		844,535,687
271	PCD NOMINEE CORP (NON-FILIPINO)	Common	14,631,610	NIL			14,631,610
	Total		**2,123,605,600**		**1,152,759,100**	**452,402**	**970,394,098**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
31st floor BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2018

Unappropriated Retained Earnings at Beginning of Year as reported		P 50,935,398
Prior period restatements		34,580,780
Less Prior Years' Outstanding Reconciling Items, net of tax		-
Net Profit Realized during the Year		
Net profit per audited financial statements	P 149,215,975	
Unrealized foreign exchange gain	(9,205,930)	140,010,045
Other Transactions During the Year		
Appropriated for contingencies		(14,921,598)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 125,088,447**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

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	☑		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	☑		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	☑		
	Amendments to PFRS 1: Government Loans	☑		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	☑		
PFRS 2	Share-based Payment			☑
	Amendments to PFRS 2: Vesting Conditions and Cancellations			☑
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			☑
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			☑
PFRS 3 (Revised)	Business Combinations			☑
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			☑
PFRS 4	Insurance Contracts	☑		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	☑		
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments* , with PFRS 4, *Insurance 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	☑		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	☑		
PFRS 8	Operating Segments			☑
PFRS 9	Financial Instruments (2014)			☑
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements			☑
	Amendments to PFRS 10: Transition Guidance			☑
	Amendments to PFRS 10: Investment Entities			☑
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			☑
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			☑
PFRS 11	Joint Arrangements			☑
	Amendments to PFRS 11: Transition Guidance			☑
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			☑
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation (*effective January 1, 2019)*			☑
PFRS 12	Disclosure of Interests in Other Entities			☑
	Amendments to PFRS 12: Transition Guidance			☑
	Amendments to PFRS 12: Investment Entities			☑
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			☑
PFRS 13	Fair Value Measurement	☑		
PFRS 14	Regulatory Deferral Accounts			☑
PFRS 15	Revenue from Contracts with Customers	☑		
PFRS 16	Leases* *(effective January 1, 2019)*			☑
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			☑
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	☑		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	☑		
	Amendments to PAS 1: Disclosure Initiative	☑		
PAS 2	Inventories			☑
PAS 7	Statement of Cash Flows	☑		
	Amendments to PAS 7: Disclosure Initiative	☑		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	☑		
PAS 10	Events After the Reporting Period	☑		
PAS 12	Income Taxes	☑		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	☑		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	☑		
	Amendment to PAS 12 - Tax Consequences of Dividends* (*effective January 1, 2019)*			☑
PAS 16	Property, Plant and Equipment	☑		
	Amendments to PAS 16: Bearer Plants	☑		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	☑		
PAS 17	Leases	☑		
PAS 19 (Revised)	Employee Benefits	☑		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	☑		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			☑
PAS 21	The Effects of Changes in Foreign Exchange Rates	☑		
	Amendments: Net Investment in a Foreign Operation	☑		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs			☙
	Amendment to PAS 23: Eligibility for Capitalization			☙
PAS 24 (Revised)	Related Party Disclosures	☙		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			☙
PAS 27 (Revised)	Separate Financial Statements			☙
	Amendments to PAS 27: Investment Entities			☙
	Amendments to PAS 27: Equity Method in Separate Financial Statements			☙
PAS 28 (Revised)	Investments in Associates and Joint Ventures			☙
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			☙
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			☙
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			☙
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (*effective January 1, 2019*)			☙
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	☙		
	Amendments to PAS 32: Classification of Rights Issues	☙		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	☙		
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	☙		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	☙		
PAS 40	Investment Property	☙		
	Amendment to PAS 40: Reclassification to and from Investment Property	☙		
PAS 41	Agriculture			☙
	Amendments to PAS 41: Bearer Plants			☙
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**	☙		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 10	Interim Financial Reporting and Impairment			☑
IFRIC 12	Service Concession Arrangements			☑
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 19	Extinguishing Financial Liabilities with Equity Instruments**	☑		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			☑
IFRIC 21	Levies	☑		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	☑		
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			☑
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			☑
SIC-10	Government Assistance - No Specific Relation to Operating Activities			☑
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 2018 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.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) ss

CERTIFICATION AND UNDERTAKING

I, **REGINA S. RAMOS**, of legal age, Filipino, and with business address at the 31st Floor, BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City, after having been duly sworn in accordance with law, depose and say that:

1. I am the Vice President and Head of Risk and Compliance of **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**, doing business under the names and styles of Nat Re, Philippine National Reinsurance Company and PhilNaRe, a corporation organized and existing under the laws of the Philippines (the "Corporation");

2. In connection with the Annual Stockholders' Meeting of the Corporation scheduled on June 27, 2019 (the "2019 ASM"), 3:00 P.M. at the Carlos P. Romulo Auditorium, RCBC Plaza, Ayala Avenue, Makati City, I hereby certify as follows:

   (a) Except for Mr. Wilfredo Maldia, Atty. Nora Malubay and Ms. Jocelyn D.G. Cabreza who are all connected with the Government Service Insurance System ("GSIS") and Mr. Rex Ma. A. Mendoza who is connected with the Philippine Health Insurance Corporation ("Philhealth"), none of the Corporation's other nominees for directors and officers at the 2019 ASM is connected with any government agencies or its instrumentalities;

   (b) Attached to this certification and form part of the Corporation's filing for the Preliminary Information Statement ("PIS") for the 2019 ASM is GSIS' letter dated April 8, 2019 consenting to the nomination and election of Mr. Wilfredo Maldia, Atty. Nora Malubay and Ms. Jocelyn D.G. Cabreza as directors of the Corporation;

   (c) I undertake to submit to the Securities and Exchange Commission on or before filing the Definitive Information Statement for the 2019 ASM, the consent of Philhealth to the nomination and election of Mr. Rex Ma. A. Mendoza as independent director of the Corporation.

3. I am executing this Certification and Undertaking in compliance with the requirements of the Securities and Exchange Commission.

APR 30 2019

REGINA S. RAMOS
Vice President/
Head of Risk and Compliance

SUBSCRIBED AND SWORN to before me this April 30, 2019 at Makati City, affiant exhibiting to me her passport no. P4648380A issued on October 7, 2017 at DFA NCR South.

Doc. No. 25;
Page No. 06;
Book No. XX;
Series of 2019.

ATTY. HENRY [illegible]
NOTARY PUBLIC
COMMISSION NO. [illegible]
PASAY CITY, METRO MANILA
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5626657 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002850 - 4/14/[illegible]
ROLL NO. 29572

GSIS Government Service Insurance System
Financial Center, Pasay City, Metro Manila 1308

BOARD OF TRUSTEES

8 April 2019

SECURITIES AND EXCHANGE COMMISSION (SEC)
PICC, Roxas Boulevard,
Pasay City

Attention : **Director Vicente Graciano P. Felizmenio, Jr.**
Markets and Securities Regulation Department

Re : **Certification of NRCP's Directors in Government Service**

Gentlemen:

This is in reference to the required certification that none of the directors of National Reinsurance Corporation of the Philippines (NRCP) is an elected or appointed official of the government.

The Government Service Insurance System (GSIS) currently owns 25.73% of the outstanding capital stock of the NRCP. The GSIS has been a stockholder of NRCP since the latter's incorporation on June 7, 1978; and as a stockholder, the GSIS has the right to appoint nominee directors in the NRCP.

In view of the foregoing, NRCP **cannot** submit a certification that none of its directors is an appointed or elective official of the government. However, as a shareholder of NRCP, the GSIS confirms that in the execution of their duties as board members of NRCP, the GSIS nominee directors in NRCP do not receive any additional compensation from the NRCP but merely receive reasonable per diems and gratuities for their attendance to the board meetings of the NRCP. Thus, the appointment by the GSIS of its nominee directors in the NRCP does not violate Article IX (B), Section 8 of the Constitution. The GSIS hereby confirms that it consents to the nomination and election of Mr. Wilfredo C. Maldia, Ms. Jocelyn De Guzman Cabreza, and Atty. Nora M. Malubay as directors in the NRCP.

We trust that the foregoing explanation is sufficient.

Very truly yours,

ATTY. JESUS CLINT O. ARANAS
President and General Manager, GSIS

2019 CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MEDEL T. NERA,** Filipino, of legal age, and a resident of 42 Roseville St., White Plains Subdivision, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

(1) I am a nominee for Independent Director of **National Reinsurance Corporation of the Philippines** (the "Corporation"), and have been its Independent Director since July 2011.

(2) I am affiliated with the following companies or organizations:

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
LISTED COMPANIES		
House of Investments, Inc.	President & CEO	8 years
iPeople Inc.	Director	8 years
EEI Corporation	Director	8 years
Seafront Resources Corp.	Director	8 years
NONE-LISTED COMPANIES		
RCBC Realty Corporation	President	8 years
Honda Cars Kalookan	Chairman/Director	8 years
Greyhounds Security & Investigation Agency	Chairman/Director	8 years
Manila Memorial Park Cemetery, Inc.	Director	8 years

(3) I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **National Reinsurance Corporation of the Philippines,** as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other laws and issuances applicable to the Corporation.

(4) I am not related to any director, officer, or substantial shareholder of the Corporation or any of its subsidiaries and affiliates.

(5) To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

(6) I am not employed in government service or affiliated with any government agency or government owned and controlled corporation (GOCC).

(7) I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and other applicable laws and issuances.

(8) I shall inform the Corporate Secretary of the Corporation of any changes in the above mentioned information within five days from its occurrence.

Done, this APR 08 2019 day of April, 2019 at PASAY CITY City.

Medel T. Nera
Affiant

SUBSCRIBED and SWORN to before me this APR 08 2019 at PASAY CITY, affiant personally appeared before me and exhibited to me his passport no. P12718624 issued on December 19, 2016 at DFA Manila.

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ATTY. HENRY D. ADASA
NOTARY PUBLIC
UNTIL DEC. 31, 2019
COMMISSION 17-23
PASADENA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826657 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29879

2019 CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ERMILANDO D. NAPA**, Filipino, of legal age, and a resident of 120 Bluebird Road, Moonville Subdivision, Paranaque, after having been duly sworn to in accordance with law do hereby declare that:

(1) I am a nominee for Independent Director of **National Reinsurance Corporation of the Philippines** (the "Corporation"), and have been its Independent Director since June 2011.

(2) I am affiliated with the following companies or organizations:

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
LISTED COMPANIES		
House of Investments, Inc.	Independent Director	2016-Present
iPeople Inc.	Independent Director	2018-Present
NON-LISTED COMPANIES		
Manila Consulting & Management Co., Inc.	Founder/Chairman	1992- Present
E & F Holdings, Inc.	Chairman/Owner	1997- Present
Catanauan Resources & Development Corporation	Founder/Chairman	1999- Present
National Life Insurance Company of the Philippines	Chairman of the Interim Governance Board	2014- Present
Capitol Hills Golf and Country Club Inc	Chairman – Board of Liquidators	2018-Present

(3) I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **National Reinsurance Corporation of the Philippines,** as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other laws and issuances applicable to the Corporation.

(4) I am not related to a director/officer/substantial shareholder of **National Reinsurance Corporation of the Philippines.**

(5) To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

(6) I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and other applicable laws and issuances.

(7) I shall inform the Corporate Secretary of the Corporation of any changes in the above mentioned information within five days from its occurrence.

DONE, this _____ day of April 2019 at _____ City.

APR 0 9 2019 PASAY CITY

ERMILANDO D. NAPA
Affiant

SUBSCRIBED and SWORN to before me this APR 0 9 2019 at PASAY CITY, affiant personally appeared before me and exhibited to me his passport no. EC3383138 issued on February 5, 2015 at DFA Manila.

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ATTY. HENRY D. APOLLO
NOTARY PUBLIC
UNTIL DEC. 31, 2019
COMMISSION 17-23
PASADENA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826667 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002330 - 4/14/2016
ROLL NO. 29679

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **REX MARIA A. MENDOZA,** Filipino, of legal age and a resident of No. San Antonio St., Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES.**

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Health Insurance Corporation	Independent Director	2019 to present
Soldivo Strategic Growth Fund, Inc.	Director	2018 to present
Soldivo Bond Fund, Inc	Director	2018 to present
Prime Orion Philippines, Inc.*	Independent Director	2016 to present
FLT Prime Insurance	Director	2016 to present
Globe Telecom, Inc.	Independent Director	2014 to present
Esquire Financing, Inc.	Director	2013 to present
Cullinan Group, Inc.	Director	2008 to present
Seven Tall Trees Events Company, Inc.	Director	2008 to present
TechnoMarine Enterprise	Director	2001 to present
Rampver Financial and Insurance Agency, Inc.	Director	1993 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES,** as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of National Reinsurance Corporation of the Philippines and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I have the required written permission or consent from the Philippine Health Insurance Corporation to be an independent director in **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES,** pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES** of any changes in the abovementioned information within five days from its occurrence.

Done, this 26th day of April 2019, at Makati City.

REX MARIA A. MENDOZA
Affiant

SUBSCRIBED AND SWORN to before me this 26th day of April 2019 at Makati City, affiant personally appeared before me and exhibited to me his Passport No. P6999664A issued in DFA Manila on 02 May 2018.

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Page No. 95;
Book No. XX;
Series of 2019.

APR 29 2019

ATTY. HENRY D. APASA
NOTARY PUBLIC
UNTIL DEC. 31, 2019
COMMISSION 17-23
PASAYENIA ST., PASAY CITY
IBP NO. 047427 - 01/02/19 PASIG
PTR NO. 5826567 - 01/08/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29672