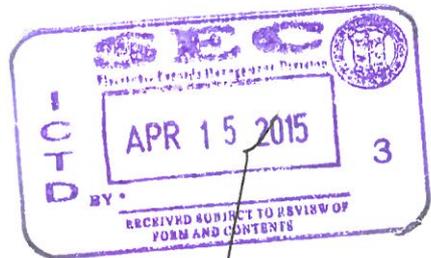


SEC



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

- 1. For the fiscal year ended: **December 31, 2014**
- 2. SEC Identification Number: **80118** 3. BIR Tax Identification No.: **000-480-869**
- 4. Exact name of issuer as specified in its charter:
National Reinsurance Corporation of the Philippines, doing business under the names and styles of Philippine National Reinsurance Company; PhilNaRe
- 5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization
- 6. (SEC Use Only)
Industry Classification Code:
- 7. **31st Floor, Ayala Life-FGU Center,
6811 Ayala Avenue,
Makati City, Philippines**
Address of principal office
- 8. **(632) 988-7400**
Issuer's telephone number, including area code
- 9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.
- 10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

- 11. Are any or all of these securities listed on a Stock Exchange?

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by Non-Affiliates	Market Value per share as of xx/xx/xx	Total Market Value
xxx	xxx	xxx

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **N/A**

Yes [] No []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

National Reinsurance Corporation of the Philippines (hereafter the “Company” or the “Corporation”) was incorporated in 1978 pursuant to Presidential Decree No. 1270. The Company operates as a professional reinsurance corporation providing life and non-life reinsurance to the Philippines and to neighboring insurance markets. Since 2007, the Company has also been doing business under the names and styles of “Philippine National Reinsurance Company; PhilNaRe” in order to reinforce its image as the country’s national reinsurer and its position as the only domestically-incorporated professional reinsurance company in the Philippines.

The primary mandate of PhilNaRe is to assist in the development of the Philippine insurance industry (a) by providing reinsurance capacity and support to Philippine insurance companies, (b) by serving as a medium for regional and international cooperation in insurance, and (c) by contributing towards higher retention of business within the country. The Company became the vehicle for the Philippines’ participation in the Asian Reinsurance Corporation (“Asian Re”), a multilateral reinsurance entity based in Bangkok, Thailand established to foster regional cooperation among insurance companies doing business in Asia.

The Company is committed to maintain its financial strength, to continuously improve its technical expertise, provide better customer service and to adopt the leading and best practice standards in corporate governance as a good corporate citizen.

PhilNaRe became the country’s sole domestic professional reinsurance company following its merger with Universal Malayan Reinsurance Corporation (“UMRe”) on March 6, 2006. UMRe itself was the product of the 2004 merger between Universal Reinsurance Corporation (“URC”) and Malayan Reinsurance Corporation (“MRC”). Prior to their 2004 merger, URC had been the country’s second largest reinsurer (in terms of gross premiums written) and MRC had been ranked third. At present, PhilNaRe has no subsidiaries.

The Company has not been a party to any bankruptcy, receivership or similar proceedings.

(2) Business of Issuer

Principal Products & Services

The Company writes both life and non-life reinsurance. Major business lines under the Non-Life Group include Fire, Marine & Aviation and Casualty & Others. Fire Insurance covers standard Fire and Industrial All Risks. Marine & Aviation covers insurance on aircraft, marine vessels and marine cargo. Casualty and Others cover Contractors All Risks, Erection All Risks, Electronic Equipment Insurance, Machinery Breakdown, Boiler Pressure Vessel, Comprehensive General Liability, Personal and Group Accident, Errors and Omissions, Directors Liability, Products Liability, Money Securities and Payroll, Fidelity Guarantee, Robbery and Burglary, Equipment Floater, Hole-In-One, All Risks, Crop Insurance, Construction related Bonds and, Motor Car.

As of December 2014, Fire accounted for 50% of the Company’s Gross Premiums Written (“GPW”) and 17% of Net Premiums Written (“NPW”), life accounted for 23% of GPW and 34% of NPW, casualty and others accounted for 21% of GPW and 39% of NPW and marine and aviation accounted for 6% of GPW and 10% of NPW.

The Company writes reinsurance largely for the domestic market. The portion of the Company’s GPW sourced from foreign insurance companies for the years 2012, 2013 and 2014 are 7%, 6% and 2%, respectively.

The Company offers reinsurance for both treaty and facultative arrangements or contracts. Typically, in treaty arrangements, reinsurance is offered to cover more than one policy or entire, precisely defined portfolios while facultative arrangements provide cover on a per policy basis. Facultative reinsurance is individually written by the reinsurer. Each facultative reinsurance policy is negotiated separately, with the pricing and other terms established at the time the policy is underwritten. Under a facultative arrangement, the ceding company is under no obligation to reinsure any particular risk and the reinsurer to whom an offer is made is likewise under no obligation to accept any particular risk.

In a treaty arrangement, the ceding company purchases reinsurance to cover specified blocks of business it has underwritten. The ceding company and the reinsurer enter into a treaty contract which sets out the terms, conditions and limitations which govern the reinsurance arrangements. Both parties are automatically bound in advance with respect to any and all risks that fall within the scope of the contract such that the ceding company would be obliged to cede, and the reinsurer would be obliged to accept all business falling under the scope of the agreement. Reinsurance treaties specify the ceding company's binding limit, which is the maximum amount of risk that can be ceded automatically and that the reinsurer must accept. In contrast to facultative reinsurance, the reinsurer does not approve each individual risk under a treaty arrangement.

Competition

As the sole domestic professional reinsurance company in the Philippines, the Company's business prospects are closely aligned with the growth and development of the insurance industry in the Philippines. While the industry has in recent years exhibited spurts of growth in premium income, much of this expansion was attributable to increases in investment-linked insurance products of the life insurance segment, which products are not reinsured by the Company. In its main business of reinsuring property & casualty risk on the non-life segment and mortality and disability risks on the life segment, the Company anticipates growth to be closely correlated with the expansion of the country's GDP. As GDP increases, the volume of needed protection and the demand for insurance products also increases, thus the need for reinsurance products to accommodate rising levels of insurance business.

The Company has identified its competitors as domestic insurance companies which are also licensed to sell reinsurance and the foreign reinsurance companies who have representative agents licensed by the Insurance Commission. PhilNaRe's competitors have different objectives. Domestic insurance companies' core business is selling direct insurance to the general population and thus their reinsurance operations are more often used for exchange of reinsurance business with other domestic companies to earn premiums while diversifying their portfolio than for pure risk transfer/management.

Foreign reinsurance companies on the other hand directly compete with the Company in terms of products and services. The Company competes with a number of large foreign reinsurers in its selected lines of business. These companies offer the lines of reinsurance that the Company also offers. The Company benefits to a certain extent from Presidential Decree No. 1270 ("PD 1270") which mandates all life and non-life insurance and reinsurance companies doing business in the Philippines to cede to the Company at least ten percent of their outward reinsurance placed with unauthorized foreign reinsurers.

Based on the most recent industry information provided by the Insurance Commission, total premiums coming from reinsurance for the life and non-life insurance industry in 2012 amounted to P24.86 billion, of which the Company's share was P3.40 billion or 13.66%.

The principal methods of competition in the reinsurance business are price and service. The price of the product or premium is the expected value of the risk reinsurance companies are charging for accepting risks. Several factors such as tariffs, mortality, exposure accumulation and catastrophe dictate premium levels. Reinsurance service is measured through a variety of factors: risk acceptance capacity, claims volatility management, risk sharing, technical advice on new products and markets and underwriting expertise.

As of January 22, 2015 list of licensed insurance companies from the Insurance Commission, the Company had existing reinsurance treaties with 57 out of the 67 licensed non-life insurance companies in the Philippines, 25 of the 27 licensed life insurance companies and 3 out of the 4 composite companies.

For 2014, the Company's top ten customers represented 58% of gross premiums written, compared to 61% in 2013.

Employees

The Company currently has fifty-five (55) employees, of whom eighteen (18) occupy clerical positions; sixteen (16) are in professional-technical posts; two (2) are at the supervisory level; twelve (12) are in managerial and officer levels; and seven (7) occupy executive positions.

Broken down by operations, there are four (4) employees in the Life Operations Group, eight (8) in the Non-Life Operations Group and forty three (43) employees in the support group, including Office of the President and CEO, Investments and Office of the Controller.

In the next 12 months, the Company projects an increase in the number of employees of around 20.

The Company's employees are not and have never been subject to any Collective Bargaining Agreement.

Risks

The occurrence of severe catastrophic events may have a material adverse effect on the financial results and conditions

The Company reinsures property, marine and casualty insurance with large aggregate exposures, corresponding to the possibility of loss due to man-made and natural disasters such as typhoons, floods, and earthquakes. The Company expects that the loss experience generally will include infrequent events of great severity. The risks associated with man-made and natural disasters are inherently unpredictable, and it is difficult to predict the timing of such events with statistical certainty or estimate the amount of loss any given occurrence will generate. However, such losses are considered manageable. The Company has procured an excess of loss protection which limits its risk exposure to ₱100 million per catastrophic event, with an aggregate loss limit of ₱3 billion per event.

The Company obtains excess of loss protection from a panel of global reinsurers with investment grade financial strength ratings. The cost is material and varies from year-to-year depending upon, among other things, the Company's history of claims and losses as well as the state of the global market for catastrophe reinsurance. In 2014, the Company paid its excess of loss reinsurers a total of P690 million compared to P535 million in 2013.

A significant amount of the Company's invested assets will be subject to changes in interest rates, exchange rates and market volatility.

A major portion of the Company's assets is its investment portfolio which, as of December 31, 2014, remained at the same level with 2013, at approximately ₱7 billion. About 71% of the portfolio was invested in fixed income obligations of the Philippine government and of large Philippine corporations, compared to 75% in 2013. About 29% was invested in equities traded on the Philippine Stock Exchange, compared to 25% in 2013. While the bulk of its investments are in the local currency, the Company maintains some investments in securities denominated in U.S dollars.

The fair market value of these assets and the investment income from these assets will fluctuate depending on general economic and market conditions. Investments in fixed income securities may be adversely affected by fluctuations in interest rates. An increase in interest rates will decrease the value of the investments while a decrease in interest rates will

increase the value of the investments. The investment results may also be adversely affected by changes in the business, financial condition or results of operations of the entities in which the Company invests. Since a substantial amount of the Company's invested assets are classified as securities available for sale, changes in the market value of these securities will be reflected in shareholders' equity.

The Company's Board of Directors has established investment guidelines which involve diversifying the investment portfolio, limiting investments to instruments not exposed to significant risks, performing rigorous analysis of potential investments and establishing suitable benchmarks for targeted returns, among others. The Company currently invests only in instruments allowable under Section 207 of the New Insurance Code and by related issuances of the Insurance Commissioner. The Board of Directors of the Company has established an Investment Committee to implement the Company's investment strategy in accordance with approved investment guidelines.

The Company's financial condition may be affected by delays in the payment of premiums by cedants.

On facultative acceptances, the Company generally provides its cedants a grace period of 120 days for the settlement of premiums. Within this 120-day premium payment warranty term, the company is obligated to pay legitimate claims arising from its acceptance of risk, even though it may not have yet received any premiums. As of December 31, 2014, premiums receivable from ceding companies amounted to P1, 209.1 million, compared to P833.0 million in 2013.

To mitigate the risk of non-payment of premiums, the Company regularly reviews and evaluates the financial capacity and payment history of the companies from which it accepts business. Moreover, should the Company not receive premium payments within the prescribed premium payment warranty term, the Company automatically cancels its acceptance and any claims arising from said acceptance will be denied.

The Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses

As of end 2014, the Company retroceded ₱1.7 billion or 63% of its gross premiums written to retrocessionaires. The Company retroceded part of the gross premiums in order to transfer the risk to the retrocessionaire. As certain loss events occur, the Company is obligated to pay the legal claims made by its customers. If the Company retroceded part of the premiums paid by its clients to retrocessionaires, then the Company is entitled to recover commensurately the losses it paid to its clients from the latter. However, if the retrocessionaire is not able to pay the claims made by the Company, the latter will shoulder the losses it paid to its customers and this will impact negatively on the Company's financials. As of end 2014, reinsurance recoverable on unpaid losses amounted to ₱3.5 billion, compared to ₱5.06 billion in 2013.

In choosing its retrocessionaires, the Company takes into consideration a retrocessionaires financial capacity, technical knowledge/expertise and industry reputation. The Company also considers the retrocessionaires record of paying claims and adverse balances. The Company adheres to these guidelines to ensure that this risk is mitigated and/or avoided.

Item 2. Properties

The net property, plant and equipment of the Company as of December 31, 2014 amounted to P76 million, broken down as follows:

(in Philippine Pesos)	Cost	Accumulated Depreciation	Net book value
Condominium units	101,310,361	51,218,016	50,092,345
Office improvements	10,885,911	3,530,089	7,355,822
Office furniture and equipment	10,680,460	9,416,029	1,264,431
Transportation equipment	8,673,928	3,723,535	4,950,393
EDP equipment	36,680,077	23,996,724	12,683,353

Effective January 1, 2014, the Company's new principal office is located at the 31st Floor, Ayala Life-FGU Center, 6811 Ayala Avenue, Makati City, comprising approximately 824 square meters together with 8 parking slots. This property was owned by UMR which, as earlier discussed, was merged with the Company on March 6, 2006. Pursuant to the merger, ownership of the Ayala Life-FGU office condominium was passed to the Company.

Prior to January 1, 2014, the Company's principal office address was located at the 18th Floor, Philippine AXA Life Center, Sen. Gil Puyat Avenue corner Tindalo Streets, Makati City. At the meeting of the Board of Directors of PhilNaRe held on October 20, 2014, the Board approved the sale of the former office at Philippine AXA and was sold in December 2014.

The Company does not anticipate any material acquisition of property for office use in the next 12 months.

There are no liens, mortgages or encumbrance over the aforementioned properties of the Company. There is likewise no limitation on the ownership or usage of the said properties, except under standard rules of their respective condominium corporations.

There is no litigation or claims of material importance known to the Company to be pending or threatened against the Company's properties.

Item 3. Legal Proceedings.

The Company is currently a party to the following litigation cases:

1. *Industrial Bank of Korea vs. DOMSAT
GSIS vs. PhilNaRe, et al.
Civil Case No. 99-1853
Regional Trial Court, Makati City, Branch 135*

This is a third-party complaint filed by the Government Service Insurance System (GSIS) against PhilNaRe and other domestic reinsurers (collectively, the "reinsurers"). The third-party complaint stemmed from a complaint filed by the Industrial Bank of Korea, *et al.* against DOMSAT Holdings, Inc. ("DOMSAT") and GSIS to collect DOMSAT's debt in the amount of US\$11 million, plus interest, default interest, expenses as well as damages. The proceeds of the loan were used to finance DOMSAT's two-year lease and/or purchase of a Russian satellite. Plaintiff banks sued GSIS to enforce its liability on the surety bond it issued to guarantee the repayment by DOMSAT of its debt (the "surety bond"). GSIS then filed a third-party complaint against the reinsurers pursuant to the terms of the bond reinsurance binder and the reinsurance treaty executed by the latter.

On December 12, 2008, the court suspended the proceedings against PhilNaRe and the third-party defendants until after the completion of the proceedings in the main complaint, since the third-party defendants' liability was contingent on GSIS's liability in the main complaint.

On November 16, 2012, the trial court rendered judgment in the main case against GSIS and DOMSAT, finding them solidarily liable to pay plaintiff banks (a) principal amount of US\$ 11,000,000.00, plus interest, default interest and expenses due to the plaintiffs under the Loan Agreement from the date of default to the time of payment; (b) attorney's fees in the amount of P500,000; and (c) costs of suit. GSIS and DOMSAT timely filed their respective motions for reconsideration. In its Order dated May 15, 2013, the trial court partially granted GSIS Motion for Reconsideration with regard to its cross-claim against DOMSAT only and denied both GSIS's and DOMSAT's motions as to the rest of the issues raised. GSIS filed its Notice of Appeal on June 14, 2013. However, DOMSAT did not file any notice of appeal. In its Order dated June 17, 2013, the trial court found GSIS's Notice of Appeal to have been seasonably filed and proper docket fees paid, and ordered the entire record of the main case to be forwarded to the Court of Appeals for proper disposition.

In the meantime, the third-party complaint proceeded. GSIS served summons on Philippine Agila Satellite and Captain Rodrigo Silverio. The pre-trial conference was concluded on November 16, 2012 and the court tentatively set the case for trial on April 12, 2013. The third-party complaint was then referred to mediation. However, due to pending legal questions raised in the motions for reconsideration by GSIS and DOMSAT, which the mediator noted, the case was referred to Judicial Dispute Resolution ("JDR").

At the JDR conference on March 21, 2014, GSIS presented a schedule of accumulated retained premium reserve and manifested its intent to apply the amounts thereof against each reinsurer's potential liability under the Reinsurance Treaty and the relevant binders. The reinsurers responded that the amount to be credited against their potential liabilities should be adjusted in view of the principle of time value of money since GSIS was able to use the premium reserve in its investment and other activities while the same is under its custody. Thus, the application of their premium reserve would completely extinguish the claims of GSIS. To expedite the resolution of the case, the court ordered the reinsurers to directly communicate to GSIS the amount that each is willing to pay as settlement.

In December 2014, NRCP communicated its agreement to settle with GSIS. At the last JDR conference on February 27, 2015, it was agreed that GSIS will forward a draft of the settlement agreement. Once the terms are finalized, the parties will submit the agreement for approval of the trial court, together with a joint motion to dismiss with respect to NRCP as third-party defendant.

2. *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 by PhilNaRe for sum of money with damages and application for attachment with respect to its claims against Stronghold Insurance Company, Inc. ("Stronghold").

On its first claim, PhilNaRe is the reinsurer of a bankers blanket bond under GSIS Policy No. BBB-95021 between the Land Bank of the Philippines ("LBP") and GSIS as insurer. PhilNaRe reinsured its risk with Stronghold. Due to the fraudulent acts of one of its employees, LBP lost the amount of P88,618,001.97, which was deposited by the National Electrification Commission to its account in LBP. With the occurrence of the contingency insured against, LBP filed an insurance claim from GSIS. GSIS paid the amount of P49,000,000.00 to LBP. GSIS then filed its claim with PhilNaRe, which, in turn, filed its claim with Stronghold. PhilNaRe has since paid GSIS's claim for P38,513,885.40. PhilNaRe sent a demand letter dated May 27, 2010 to Stronghold for the payment of P38,513,885.40 to PhilNaRe. However, despite demand, Stronghold failed to pay said amount to PhilNaRe.

With regard the second claim, GSIS and Bangko Sentral ng Pilipinas (“BSP”) entered into a fire insurance contract, where the latter insured its PICC Building with the former. GSIS, in turn, reinsured its risk with PhilNaRe. PhilNaRe then reinsured its risk with Stronghold, which likewise reinsured its risk with other entities. On February 22, 2001, BSP incurred a loss due to the fire which occurred at the western portion of the PICC Building. GSIS paid BSP the amount of ₱111,089,965.65 for the building and ₱16,236,687.73 for the contents thereof. PhilNaRe then paid its share of GSIS claim amounting to ₱63,321,280.00 for the buildings and ₱9,254,912.01 for the contents on various dates. Thereafter, PhilNaRe notified Stronghold of the total amount of its share in the loss, which amounts to ₱57,564,800.39 for the buildings and ₱8,413,556.67 for the contents. Despite demands, Stronghold unjustly refused to pay its share of loss to PhilNaRe, to the latter’s damage and prejudice.

On May 28, 2014, the trial court denied NRCP’s application for the issuance of a writ of preliminary attachment. Summons was thereafter served on Stronghold. On July 25, 2014, NRCP received a copy of Stronghold’s Answer with Compulsory Counterclaims dated July 14, 2014. On August 22, 2014, NRCP filed its Reply and Answer to Defendant’s Compulsory Counterclaims dated August 19, 2014.

In its Answer, Stronghold admits its liability to NRCP insofar as the BSP reinsurance policy/contract is concerned and argued that it “has not refused to pay or settle the BSP claim, but is simply awaiting determination of the proper amount due, which remains uncertain on account of the insolvency and liquidation of one of its reinsurers.” Thus, on August 28, 2014, NRCP filed its Motion to Render Partial Judgment on the Pleadings dated August 22, 2014, which was opposed by Stronghold. On January 23, 2015, NRCP received a copy of the trial court’s Order dated December 22, 2014 denying NRCP’s Motion to Render Partial Judgment on the Pleadings. On January 29, 2015, NRCP filed its Motion for Reconsideration dated January 27, 2015. Stronghold filed its Opposition to NRCP’s Motion for Reconsideration, and NRCP has filed its Comment on Stronghold’s Opposition. NRCP’s Motion for Reconsideration is pending resolution by the trial court.

3. *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 by PhilNaRe with the Insurance Commission against Stronghold for the revocation or cancellation of Stronghold’s license to conduct insurance business, with respect PhilNaRe’s second claim as discussed in item No. 2.

Despite several meetings between the parties, they were not able to come up with a settlement. On May 22, 2012, Commission issued its Decision dismissing PhilNaRe’s complaint without prejudice. In its decision, the Commission ruled that Stronghold did not violate Section 247 of the Insurance Code of the Philippines because the claims subject of this case were subject of compensation between the parties, and as shown there is a practice of offsetting between them.

On August 3, 2012, PhilNaRe filed its Motion for Reconsideration of even date. On September 13, 2012, PhilNaRe received a copy of Stronghold’s Opposition dated August 27, 2012, to which PhilNaRe filed a Reply dated September 19, 2012. PhilNaRe’s Motion for Reconsideration is pending resolution by the Commission.

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

PhilNaRe Issued a Marine Hull Reinsurance Policy (“Reinsurance Policy”) in favor of Oriental Assurance Corp. (“OAC”), through the latter’s reinsurance broker, CBR Asia Insurance Brokers, Inc (“CBR Asia”). Under the Reinsurance Policy, PhilNaRe agreed, in consideration of the reinsurance premium of ₱ 28,453,450.00, to reinsure OAC as the Assured Ceding

Company, subject to all terms and conditions of the latter's original insurance policy with Sulpicio Lines.

M/V Princess of the Stars ("POTS," for brevity) is part of a fleet of vessels, 11 in all, that PhilNaRe accepted for Marine Hull Reinsurance. POTS is vessel No. 3, with hull cover limit of ₱200,000,000.00. PhilNaRe's share is ₱100,000,000.00 (50%) of ₱200,000,000.00 (100%), on a Primary Layer basis.

On June 21, 2008, Sulpicio Lines' M/V Princess of the Stars capsized and sank within the vicinity of Romblon due to a typhoon. The incident resulted in hundreds of deaths and damage to cargo loaded onboard the vessel. PhilNaRE has paid ₱100,000,000.00, the maximum limit, for its marine hull exposure.

Despite payment of the said amount, PhilNaRe received four demand letters from the OAC through the latter's legal counsel, all claiming reimbursement in the amount of P7,986,422.67 for "Sue and Labor" expenses allegedly incurred by the vessel M/V Princess of the Stars. PhilNaRe did not honor OAC's cash call for the Sue & Labor claim.

On July 3, 2013, OAC filed its complaint before the Regional Trial Court, Branch 157, Pasig City against PhilNaRe and CBR Asia entitled "*Oriental Assurance Corp. vs. National Reinsurance Corporation of the Philippines and CBR Asia Insurance Brokers, Inc.*" and docketed as Civil Case No. 73975. OAC claimed (a) P7,986,422.67 plus legal interest of 6% thereon and (b) attorney's fees in the amount equivalent to 10% of the principal amount claimed.

On September 2, 2013, PhilNaRe filed its Answer to OAC's complaint with Counterclaims in the amount of P2,200,000.00. PhilNaRe also interposed a Crossclaim against CBR Asia in the amount of P7,986,422.67, or for whatever sum that may be awarded in favor of OAC and against PhilNaRe, including attorney's fees and costs.

The pre-trial of this case is scheduled on April 30, 2015.

5. National Reinsurance Corporation vs. Odyssey Reinsurance Company
Arbitration Proceedings
Manila, Philippines

This refers to a claim filed by PhilNaRe against its reinsurer, Odyssey Reinsurance Company ("ORC"), in respect of certain reinsurance recoveries owed from ORC under an Excess of Loss Retrocession Contract and arising out of the Thailand flood losses. The other reinsurers in the treaty have paid the claim of PhilNaRe, with the exception of ORC. PhilNaRe's claim amounts to approximately USD 6 Million. In accordance with the treaty, PhilNaRe has sought arbitration in order to enforce its claim. The seat of arbitration is in Manila, Philippines. The arbitrators have ordered ORC to submit its statement of defense, after which PhilNaRe will be required to submit its Reply. The arbitration hearing is scheduled in November, 2015.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the stockholders during the fourth quarter of the fiscal year ending December 31, 2014.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

(A) Market Price of and Dividends on Registrant’s Common Equity and Related Stockholder Matters

(1) 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:

	2013	2013	2014	2014
	High	Low	High	Low
1st Quarter	1.90	1.90	1.53	1.35
2nd Quarter	1.80	1.80	1.48	1.28
3rd Quarter	1.65	1.64	1.33	1.2
4th Quarter	1.36	1.34	1.29	0.90

The price information as of the latest practicable trading date, April 14, 2015, was P 0.98 per share.

(2) Holders

Approximate Number of Holders as of 31 December 2014

There were approximately 282 common shareholders of the Company as of December 31, 2014. The Top 20 shareholders as of December 31, 2014, 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)	1,644,569,400 7,296,100	77.44% 0.34%
2	Bank of the Philippine Islands	290,795,500	13.69%
3	FGU Insurance Corporation	36,126,000	1.70%
4	Philippine Charter Insurance Corp	15,305,900	0.72%
5	Philippines First Insurance Co., Inc.	11,075,200	0.52%
6	Philippine American Life Insurance Co..	8,628,600	0.41%
7	Pa, Ana Go &/or Go Kim	7,500,000	0.35%
8	Empire Insurance Company	7,498,900	0.35%
9	Phil. International Life Insurance Co., Inc	4,450,200	0.21%
10	New India Assurance Co., Ltd.	4,168,300	0.20%
11	South Sea Surety & Insurance Co., Inc.	4,152,700	0.20%
12	Federal Phoenix Assurance Company	3,786,300	0.18%
13	Oriental Assurance Corporation	3,560,800	0.17%
14	Visayan Surety & Insurance Corporation	3,545,500	0.17%
15	BPI/MS Insurance Corporation	3,347,500	0.16%
16	Beneficial Life Insurance Company Inc	3,193,500	0.15%
17	Manila Surety & Fidelity Company, Inc.	3,168,400	0.15%
18	Romualdez, Ferdinand Martin G.	3,000,000	0.14%
19	Mercantile Insurance Company, Inc.	2,997,700	0.14%
20	Stronghold Insurance Company, Inc.	2,817,600	0.13%

Minimum Public Ownership as of 31 December 2014

The minimum public ownership report as of December 31, 2014 showed the Company's public float at 47.68%. This was computed in accordance with the guidelines provided under the Amended Rule on Minimum Public Ownership.

(3) 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 New 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.

(4) 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.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Review of 2014 versus 2013

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written. Gross premiums written in 2014 totaled P2,747.1 million, 7.3% higher than P2,561.1 million in 2013. Except for casualty, all lines of business generally increase in 2014. The contribution per line of business showed that fire accounts for 49.8% in 2014 vs. 52.9% in 2013, followed by life at 22.9% in 2014 vs. 18% in 2013, casualty and others represented 21.2% in 2014 vs. 24.2% in 2013 and lastly, marine accounted for 6.1% in 2014 vs. 4.9% in 2013. On a per class of business, premiums from non-life treaty business increased by P272.5 million or 24.8% from P1,098.0 million in 2013 to P1,370.4 million in 2014. Similarly, life premiums increased by P166.6 million or 36.1% from P462.1 million in 2013 to P628.6 million in 2014. However, premiums from non-life facultative business declined by P253.1 million or 25.3% from P1,001.1 million in 2013 to P748.0 million in 2014 mainly due to non-renewal of unprofitable line of facultative business.

Reinsurance Premiums Retained or Net premiums retained. Consistent with the increase in gross premiums written, reinsurance premiums retained for the year 2014 increased by P202.7 million or 24.7% from P819.6 million in 2013 to P1,022.3 in 2014. As more premiums were retained during the year, net retention ratio improved from 32% in 2013 to 37.2% in 2014. Net premiums retained per line of business showed the casualty and others line contributing 38.7% in 2014 vs. 41.8% in 2013, followed by life at 34% in 2014 vs. 30.9% in 2013, fire at 17.6% in 2014 vs. 18.4% in 2013, and marine share is 9.6% in 2014 vs. 9.0% in 2013.

Premiums earned. Premiums earned increased by P244.9 million or 29.5% from P830.6 million in 2013 to P1,075.5 million in 2014 brought about by higher net premiums retained as well as releases of unearned premium reserve of P53.2 million in 2014 as against P10.9 million in 2013.

Share in claims and losses. During the year, total losses incurred (inclusive of IBNR or Incurred but not reported losses) amounted to P1,081.6 million, 63.2% higher than the previous year's P662.5 million. Fire registered a higher loss ratio of 220.2% in 2014 vs. 250.7% in 2013 mainly due to development of prior year's losses and the impact of typhoon Glenda that hit Southern Luzon in July 16, 2014. Marine registered a loss ratio of 74.3% in 2014 vs. 168.8 % in 2013 while casualty registered a higher loss ratio of 81.0% in 2014 vs. 29.5% in 2013. Life registered the lowest ratio of 43.4% in 2014 vs. 38.9% in 2013.

Commissions- net. Commissions increased by P75.7 million or 26.1% from P289.9 million in 2013 to P365.6 million in 2014 consistent with the increase in premiums for proportional treaty business. However, commission ratio were flat at 35.8% in 2014 vs. 35.4% in 2013.

Investment income and other income Investment and other income decreased by P231.2 million or 34.8% from P664.4 million in 2013 to P433.2 million in 2014.

Interest income dropped by P48.1 million or 1.6% to P250.1 million in 2014 from P298.2 million in 2013 on account of declining interest rates. The increase in dividend and income (P41.8 million in 2014 vs. P34.3 million in 2013) of 21.9% as well as the booking of onetime gain on the sale of Philippine AXA Life condominium unit (P33.2 million) was not enough to offset the decrease in trading gains and other income, net (P96.5 million in 2014 vs. P321.8 million in 2013) of P225.3 million or 70%. Foreign exchange translation gains slightly increased by P1.4 million or 13.6% from P10.1 million in 2013 to P11.5 million in 2014.

General and administrative expenses General and administrative expenses (GAE) decreased by 35.5% or P168.3 million from P468.5 million in 2013 to P300.1 million in 2014. Declines in certain expenses such as: finance cost (P2.5 million in 2014 vs. P4.9 million in 2013), utilities (P4.6 million in 2014 vs. P5.8 million in 2013), repairs and maintenance (P9.1 million in 2014 vs. P10.2 million in 2013), representation and entertainment (P3.0 million in 2014 vs. P4.4 million in 2013) and provision for impairment loss (P31.1 million vs. P236.9 million) more than offset the increases in manpower cost and employee benefits (P141.3 million in 2014 vs. P127.1 million in 2013) and taxes and licenses and fees (P28.2 million in 2014 vs. P4.5 million in 2013). The increase in manpower cost can be traced to separation benefits of employees who opted an early retirement from the Company effective December 31, 2014 while the increase in taxes and licenses was mainly due to provision for tax assessment for calendar year 2012.

Tax expense The Company's tax expense decreased by P7.1 million or 12.9% from P55.3 million in 2013 compared to P48.2 million in 2013, consistent with the decrease in interest income for the year. This tax expense largely represents the final tax on interest income earned from the Company's investment portfolio.

Net Profit (Loss) As a result of the aforementioned factors, the Company ended up with a net loss of P286.9 million compared to a net profit of P18.7 million in 2013.

Financial condition

As of December 31, 2014, total resources of the Company stood at P13.1 billion, P1.5 billion or 10.3% lower than total resources of P14.6 billion as of December 31, 2013. Material changes in the Company's resources which contributed to the decrease are described below.

Reinsurance balances receivable, net of allowance for impairment of P603.7 million, decreased by P1,373 million or 21% from P6.5 billion as of December 31, 2013 to P5.2 billion as of December 31, 2014. This is principally due to settlement of reinsurance recoverable on paid losses amounting to P1.2 billion. This reinsurance balances receivable is composed of account balances pertaining to: *due from ceding companies (P1,209.1 million)*, *funds held by ceding companies (P130.3 million)* and *reinsurance recoverable on losses (P4.4 billion)*, net of allowance for impairment of P603.7 million.

Available-for-sale financial assets (AFS) representing 46.6% of total assets decreased by P284.0 million or 4.4% from P6,391.7 million as of December 31, 2013 to P6,107.7 million as of December 31, 2014 mainly due to investments matured during the year, proceeds of which was invested in time deposit under cash and cash equivalents. AFS consists of investments in listed equities, government securities and corporate bonds.

Loans and receivables (part of the Company's investment portfolio) slightly increased by P2.3 million or .72% to P322.3 million in 2014 from P320.0 million in 2013 basically due to increase in other receivables related to retirement benefits paid by the company but to be reimbursed by the retirement fund.

Property and equipment (PPE), net of accumulated depreciation amounted to P76.3 million as of December 31, 2014, a decrease of P26.4 million or 25.7% from December 31, 2013 mainly due to recorded depreciation of P12.0 million and the carrying value of the disposed property and equipment amounting to P28.9 million, compared to acquisitions made of about P14.5 million.

Deferred acquisition costs which mainly consist of reinsurance commissions; decreased by P35.9 million or 42.1% to P49.3 million in 2014 from P85.2 million in 2013. Under the 24th method of revenue and expense recognition, policy cost is deferred and charged to expense in proportion to reinsurance premium revenue recognized during the year.

Deferred reinsurance premiums decreased by P76.8 million or 35.1% as of December 31, 2014. This comprise of reinsurance premiums ceded out during the year. Deferred reinsurance premiums pertain to the unexpired portion of ceded out premiums which

corresponds to the unexpired portion of the reinsurance premiums accepted (unearned reinsurance premiums) at the end of each reporting period.

Other assets increased by 4.4% to P344.4 million in 2014 from P330.0 million in 2013 largely due to the increases in creditable withholding tax by P18 million and input vat by P18.6 million offset against decreases in intangible assets and other assets of P22.2

Total liabilities decreased by P1,364.2 million or 15.3% to P7.5 billion in 2014 from P8.9 billion in 2013. The increase in total liabilities is explained below:

Reinsurance balances payable decreased by P1,235.2 million or 15.1% from P8,210.1 million as of December 31, 2013 to P6,974.9 million as of December 31, 2014 and this was mainly due to settlement of claims and other reinsurance payable accounts. Reinsurance balances payable is composed of account balances pertaining to: (1) *premiums due to reinsurers (increased from P858.5 million in 2013 to P1,016.7 million in 2014)*; (2) *funds held for retrocessionaires (decreased from P80.4 million in 2013 to P74.4 million in 2014)* and (3) *losses and claims payable and IBNR (decreased from P7,271.3 million in 2013 to P5,883.8 million in 2014)*.

Accounts payable and accrued expenses increased by P13.8 million or 10.0% from P137.7 million in 2013 to P151.6 million in 2014 principally due to increases in accrued expenses payable (P25.8 million), withholding tax payable (P5.0 million) and accounts payable (P41.5 million) offset by decreases in defined benefit liability (P56.6 million) and deferred output vat (P1.9M).

Reserve for unearned reinsurance premiums declined to P411.9 million in 2014 from last year's P541.9 million or by P130.0 million or 24%. This account represents the unexpired portion of the gross reinsurance premiums written.

Deferred reinsurance commission likewise decreased by P12.8 million or 54.4% from P23.6 million in 2013 to P10.8 million in 2014 which can be traced to lower retroceded commission.

Total equity as of December 31, 2014 declined by 2.4% or P133.5 million to P5,554.5 million from P5,688.4 million as of December 31, 2013 mainly attributed to the reported net loss of the Company during the year amounting to P286.9 million partially offset by mark to market increase in revaluation reserve in investment of P125.5 million and the positive movement in the re-measurement of the defined benefit liability of P27.9 million.

Material changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2014 versus 2013

7% increase in reinsurance premiums

This is mainly due to higher volume of reinsurance premiums accepted for both life and non-life treaty business.

25% increase in net premiums retained.

This is accounted for by the increase in percentage of premiums being retained by the Company for its own account. Overall retention ratio increased from 32.0% in 2013 to 37.2% in 2014.

386% increase on the amount of reserve for unearned premiums.

This is the resultant effect of unearned premium reserve at the beginning of year 2014 being higher than unearned premium reserve at the end of December 31, 2014 under the 24th method.

52% increase in underwriting deductions.

This is generally due to the higher claims incurred (including IBNR) brought about by the development of prior year's losses and the impact of typhoon Glenda that hit Southern Luzon in July 16, 2014.

205% increase in net underwriting loss.

Principally due to higher claims incurred and higher acquisition cost.

35% decrease in investment and other income

This is generally due to lower trading gains and lower interest income earned during the year.

36% decrease in general and administrative expenses.

This is due to decrease in provision for impairment loss from P236.9 million in 2013 vs. P31.1 million in 2014.

13% decrease in tax expense.

This is due to lower investment and other income earned during the period being subject to final tax.

1632% decrease in net income (loss).

This can be attributed to the resulting net underwriting loss and lower investment and other income earned during the year.

Balance Sheet items - 2014 versus 2013

47% increase in cash and cash equivalents.

Mainly due to increase in time deposit placement..

21% decrease in reinsurance balances receivable.

Principally due to settlement of reinsurance recoverable on paid losses.

4% decrease in available for sale financial assets.

Principally due to investments made and transferred to time deposit under cash and cash equivalents.

26% decrease in property and equipment, net

This is mainly due to the retirement and disposal of Philippine AXA condominium unit.

42% decrease in deferred acquisition cost.

Principally due to lower commission expense (acquisition cost) not subject to 24th method.

35% decrease in deferred reinsurance premiums

The lower volume of reinsurance premiums ceded/retroceded translates to the lower level of deferred reinsurance premium recognized under the 24th method of revenue recognition.

4% increase in other assets

Largely due to increases in creditable withholding taxes and unapplied input vat.

15% decrease in reinsurance balances payable

Principally due to settlement of claims and other reinsurance accounts payable.

10% increase in accounts payable and accrued expenses

Due to increases in accrued expenses payable and withholding tax payable.

24% decrease in reserve for unearned reinsurance premiums

Essentially related to the decrease in the amount of reinsurance premiums subject to 24th method.

54% decrease in deferred reinsurance commissions

This is consistent with the decrease in reinsurance premiums retroceded, which is the source of the related reinsurance commissions earned.

Review of 2013 versus 2012

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written Gross premiums written in 2013 totaled P2,561.1 million, 15.4% lower than P3,025.4 million in 2012. Generally, all lines of business experienced decline in premiums. The contribution per line of business showed that Fire accounts for 52.9% in 2013 vs. 50.9% in 2012, followed by Casualty and others at 24.2% in 2013 vs. 27.8% in 2012, life represented 18% in 2013 vs. 16.9% in 2012 and lastly, marine accounted for 4.9% in 2013 vs. 4.4% in 2012. On a per class of business, premiums from non-life facultative business decreased by P266.4 million or 21% from P1,267.5 million in 2012 to P1,001.1 million in 2013. Similarly, non-life treaty premiums declined by P147.4 million or 11.8% from P1,245.3 million in 2012 to P1,098.0 million in 2013; and the life premiums also decreased by P50.6 million or 9.9% from P512.6 million in 2012 to P462.1 million in 2013. Effective 2013, to be consistent with industry classification, Industrial All Risks (IAR) previously classified under Casualty and Others business line is now classified as part of the Fire line of business. The 2013 IAR premiums written and net premiums retained amounting to P434.3 million and P8.1 million respectively were 43% and 65% lower, compared to the 2012 figures reclassified amounting to P768.2 million premiums written and P23.2 million net premiums retained.

Reinsurance Premiums Retained or Net premiums retained Reinsurance premiums retained for the year 2013 amounted to P819.6 million, an increase of P40.9 million or 5.3% from P778.7 million in 2012. This increase was due to more premiums were retained during the year coupled by the lesser premiums paid for the catastrophe and risk excess of loss protection obtained for 2013. Net premiums retained per line of business showed the casualty and others line contributing 41.8% in 2013 vs. 33.8% in 2012, followed by life at 30.9% in 2013 vs. 39.9% in 2012, fire at 18.4% in 2013 vs. 18.0% in 2012, and marine share is 9.0% in 2013 vs. 8.2% in 2012. Net retention ratio for 2013 is at 32.0% from 25.7% in 2012.

Premiums earned Consistent with the increase in net premiums retained, premiums earned increased 6.8% or by P52.8 million resulting to P830.6 million in 2013 compared to P777.8 million in 2012.

Share in claims and losses During the year, total losses incurred by the Company amounted to P662.5 million, 21.5% lower than the previous year's P843.9 million. While improvements registered in loss ratios for the casualty line (29.5% in 2013 vs. 57.7% in 2012) and life (38.9% in 2013 vs. 42.6% in 2012); the marine line registered higher loss ratio (168.8% in 2013 vs. 25.9% in 2012). Although the fire line has registered improvement (250.7% in 2013 vs. 389.7% in 2012), it is still the main contributor in the overall loss ratio (79.8% in 2013 and 108.5% in 2012), generally reflecting the aftermath of the devastation brought about by the calamities (Habagat, Typhoon Yolanda and Cebu/Bohol earthquake) that hit the country during the year 2013.

Commissions- net Notwithstanding net premiums retained increased in 2013, net commissions decreased by P9.0 million or 3%, and this amounts to P289.9 million in 2013 from P298.9 million in 2012. This is mainly due to non-proportional treaty acceptances not subject to reinsurance commission. Commission ratio however, was recorded at 35.4% in 2013, slightly lower than commission ratio of 38.4% in 2012.

Investment income and other income Investment and other income decreased by P37.8 million or 5.4% from P702.2 million in 2012 (as restated) to P664.4 million in 2013.

Interest income dropped by P58.2 million or 16.3% to P298.2 million in 2013 from P356.4 million in 2012 on account of declining interest rates.

Other Income-net, consisting primarily of trading gains (P321.7 million in 2013 vs. P293.6 million in 2012) and dividend income (P34.3 million in 2013 vs. P30.9 million in 2012) increased by 10.9% nonetheless, foreign currency translation gain decreased from P21.1 million in 2012 to P10.1 million in 2013.

General and administrative expenses General and administrative expenses (GAE) increased by 97.9% from P236.8 million in 2012 to P468.5 million in 2013 mainly due to increases in impairment losses (P216.9 million), manpower costs (P7.5 million), professional fees (P5.1 million), repairs and maintenance (P3.6 million) and miscellaneous expenses (P1.4 million) offset by the decreases in other expenses such as taxes and licenses, transportation expenses and utilities amounting to P2.8 million.

Tax expense The Company's tax expense decreased by P11.0 million or 16.6% to P55.3 million in 2013 compared to P66.3 million in 2012, consistent with the decrease in interest income for the year. This tax expense largely represents the final tax on interest income earned from the Company's investment portfolio.

Net Profit As a result of the aforementioned factors, net profit decreased by P15.4 million or 45.1% from P34.1 million level in 2012 (as restated) to P18.7 million in 2013.

Financial condition

As of December 31, 2013, total resources of the Company stood at P14.6 billion, P1.0 billion or 6.5% lower than total resources of P15.6 billion as of December 31, 2012. Material changes in the Company's resources which contributed to the decrease are described below.

Reinsurance balances receivable, net of allowance for impairment of P572.6 million, decreased by P520.2 million or 7.4% from P7.1 billion as of December 31, 2012 to P6.5 billion as of December 31, 2013. This is principally due to lower volume of premiums booked during the year which translates to lesser collectibles and loss recoveries amounting to P961 million were likewise collected. This reinsurance balances receivable is composed of account balances pertaining to: *due from ceding companies (P833.0 million)*, *funds held by ceding companies (P154.8 million)* and *reinsurance recoverable on losses (P6.1 billion)*, net of allowance for impairment of 572.5 million.

Available-for-sale financial assets (AFS) representing 43.8% of total assets increased by P701.7 million or 12.3% from P5,690.0 million as of December 31, 2012 to P6,391.7 million as of December 31, 2013 mainly due to transfers of investments from term loans and cash and cash equivalents to AFS financial assets. AFS consists of investments in listed equities, government securities and corporate bonds.

Loans and receivables (part of the Company's investment portfolio) declined by P395.2 million or 55.3% to P320.0 million in 2013 from P715.3 million in 2012 basically due to matured term loans, proceeds of which were re-invested in securities classified under the Available-for-Sale financial assets.

Property and equipment (PPE), net of accumulated depreciation amounting to P121.8 million as of December 31, 2013, contributing to the decrease in the net carrying value by P12.2 million or 10.6% from P114.9 million as of December 31, 2012. The decrease was mainly due to recorded depreciation of P12.9 million and proceeds from the sale of motor vehicle to officers affected by the redundancy program implemented in 2013 amounting to P1.6 million, while capital expenditure during the year amounted only to P2.3 million.

Deferred acquisition costs which mainly consist of commissions; decreased by P12.6 million or 12.8% to P85.2 million in 2013 from P97.8 million in 2012. Under the 24th method of revenue and expense recognition, policy cost is deferred and charged to expense in proportion to reinsurance premium revenue recognized during the year.

Deferred reinsurance premiums decreased by P181.7 million or 45.4% as of December 31, 2013. This is consistent with the lower volume of reinsurance premiums accepted and

retroceded premiums during the year. Deferred reinsurance premiums pertain to the unexpired portion of retroceded premiums which corresponds to the unexpired portion of the reinsurance premiums accepted (unearned reinsurance premiums) at the end of each reporting period.

Other assets increased by 9.4% to P330.0 million in 2013 from P301.7 million in 2012 largely due to the increases in creditable withholding tax by P25.7 million and input vat by P16.0 million.

Total liabilities decreased by P768.3 million or 7.9% to P8.9 billion in 2013 from P9.7 billion in 2012. The increase in total liabilities is explained below:

Reinsurance balances payable decreased by P455.2 million or 5.3% from P8,665.2 million as of December 31, 2012 to P8,210.1 million as of December 31, 2013 and this was mainly due to settlement of claims and other reinsurance payable accounts. Reinsurance balances payable is composed of account balances pertaining to: (1) *premiums due to reinsurers (slightly increased from P856.5 million in 2012 to P858.5 million in 2013)*; (2) *funds held for retrocessionaires (decreased from P86.8 million in 2012 to P80.4 million in 2013)* and (3) *losses and claims payable (decreased from P7,721.9 million in 2012 to P7,271.3 million in 2013)*.

Accounts payable and accrued expenses decreased by P99.7 million or 42% from P237.5 million in 2012 (as restated) to P137.7 million in 2013 principally due to payment of retirement benefit of employees affected by the redundancy program which was implemented by the Company in 2013 as well as a decline in deferred output VAT (P34.9 million in 2013 vs P40.0 million in 2012), accrued expenses (P5.0 million in 2013 vs. P8.3 million in 2012) and other liabilities (P31.4 million in 2013 vs. P93.1 million in 2012).

Reserve for unearned reinsurance premiums declined to P541.9 million in 2013 from last year's P734.6 million or by P192.7 million directly due to the decline in the Company's volume of reinsurance premiums accepted.

Deferred reinsurance commission likewise decreased by P20.7 million or 46.8% from P44.3 million in 2012 to P23.6 million in 2013 and this is due to lower retroceded premiums, further brought about by the decline in the volume of reinsurance premiums accepted.

Total equity as of December 31, 2013 declined by 4.1% or P245.2 million to P5,688.4 million from P5,933.6 million as of December 31, 2012 (as restated) mainly attributed to the payment of a P0.02/share cash dividend totaling P42.5 million; the net effect of lower mark to market revaluation on investment of P211.1 million and the movement in the re-measurement of the defined benefit liability of P10.3 million. The reported net income for the period of P18.7 million partially offset the declines earlier mentioned.

Material changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2013 versus 2012

15% decrease in reinsurance premiums

This is mainly due to lower volume of reinsurance premiums accepted for both life and non-life business.

22% decrease in retroceded premiums

This is due to the lower volume of reinsurance premiums accepted and more premiums were retained by the Company.

5% increase in net premiums retained.

This is accounted for by the increase in percentage of premiums being retained by the Company for its own account. Overall retention ratio increased from 25.7% in 2012 to 32.0% in 2013.

1257% decrease in reserve for unearned reinsurance premiums.

The lower level of reinsurance premiums accepted and premiums retroceded for 2013

compared to 2012 resulted to the reduction in the required reserve to be provided for the unearned (unexpired) portion of the reinsurance premiums (decrease in reserve for unearned reinsurance premiums) under the 24th method of revenue and expense recognition.

17% decrease in underwriting deductions.

This is generally due to the lower claims incurred during the year.

67% decrease in net underwriting loss

This improvement is mainly due to higher premiums earned and lower claims incurred during the year.

5% decrease in investment and other income

This is generally due to lower interest income earned during the year.

98% increase in general and administrative expenses.

This is due to the additional set-up of provision for impairment loss.

17% decrease in tax expense.

This is due to lower investment and other income earned during the period being subject to final tax.

45% decrease in net income.

This can be attributed to the resulting net underwriting loss and higher general and administrative expenses incurred during the year.

Balance Sheet items - 2013 versus 2012

51% decrease in cash and cash equivalents.

Mainly due to payment of cash dividends and certain short-term investments (cash equivalents) shifted to available-for-sale financial assets (AFS).

7% decrease in reinsurance balances receivable.

Due to lower level of reinsurance premiums assumed and collection of certain reinsurance recoverable on losses.

12% increase in available for sale financial assets.

Principally due to additional investments made and transferred from short-term investments under the cash and cash equivalent classification to available for sale financial assets.

55% decrease in loans and receivables.

Primarily due to matured term loans and lower level of the accrued interest receivable recorded, due to lower interest income earned during the year.

11% decrease in property and equipment, net

This is mainly due to the recorded depreciation expense which amount is greater than capital expenditures incurred during the year.

13% decrease in deferred acquisition cost.

This is consistent with the decrease in reinsurance premiums accepted during the year.

45% decrease in deferred reinsurance premiums

The lower volume of reinsurance premiums accepted translates to the lower level of deferred reinsurance premium recognized under the 24th method of revenue recognition.

9% increase in other assets

Largely due to increases in creditable withholding taxes and unapplied input vat.

5% decrease in reinsurance balances payable

Principally due to settlement of claims and other reinsurance accounts payable.

42% decrease in accounts payable and accrued expenses
Due to settlement of employees retirement benefit.

26% decrease in reserve for unearned reinsurance premiums
Essentially related to the decrease in the volume of reinsurance premiums accepted during the year.

47% decrease in deferred reinsurance commissions
This is consistent with the decrease in reinsurance premiums retroceded, which is the source of the related reinsurance commissions earned.

Review of 2012 versus 2011

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written. Gross premiums written in 2012 decreased by P498.9 million, or 14.2%, to P3,025.4 million from P3,524.3 million in 2011. The decline was largely the result of lower volume of business coming from GSIS (P60.1 million in gross premiums in 2012 vs. P600.9 million in 2011). The Company also experienced declines in its domestic treaty business (P1,042.8 million in gross premiums in 2012 vs. P1,087.4 million in 2011), its foreign treaty business (P202.5 million vs. P297.9 million) and non-life facultative business (P1,267.5 million vs. P1,667.7 million), which were offset by the increase in life reinsurance business (P512.6 million vs. P471.3 million).

Reinsurance Premiums Retained or Net premiums retained Reinsurance premiums retained declined by P347.7 million or 30.9% to P778.7 million in 2012 compared to P1,126.5 million in 2011. The drop in reinsurance premiums retained was significantly higher than the decline in gross premiums because of the cost of the Company's excess of loss program, which is accounted for as retroceded premiums. For the year 2012, the Company paid its excess of loss reinsurers a total of P533.6 million compared to P282.7 million in 2011. The added cost of excess of loss protection, which indemnifies the company in the event of natural catastrophes such as earthquakes and floods, effectively lowered the company's reinsurance premiums retained and contributed greatly to the Company's net underwriting loss of P365 million in 2012 as against a net underwriting loss of P107 million in 2011.

The increase in excess of loss cost in 2012 was attributable largely to the high level of claims from 2011 flood losses in Thailand, which claims the Company was able to recover from its excess of loss insurers.

Premiums earned Consistent with the decline in net premiums retained, premiums earned decreased by P404.3 million (34.2%) to P777.8 million in 2012 compared to P1,182.1 million in 2011.

Share in claims and losses Share in claims and losses for 2012 decreased by P99.5 million or 10.6% from P943.4 million in 2011 to P843.9 million in 2012. The number and size of claims were lower during the year, but loss ratio increased from 79.8% in 2011 to 108.5% in 2012 due to lower level of earned premiums.

Commissions – net In line with the decline in reinsurance premiums, net commissions decreased by P46.7 million or 13.5% from P345.6 million in 2011. Consequently, commission ratio (as a percentage of net premiums retained) increased from 30.7% in 2011 to 38.4% in 2012.

Investment income and other income Investment and other income decreased by P66.0 million or 8.6% from P768.2 million in 2011 to P702.2 million in 2012.

Interest income dropped by P15.1 million or 4.1% to P356.4 million in 2012 from P371.5 million in 2011 on account of declining interest rates.

Other Income, consisting primarily of trading gains (P298.1 million in 2012 vs. P354.0 million in 2011) and dividend income (P30.9 million in 2012 vs. P38.00 million in 2011) also declined due to lower volume of trading activity though the decrease was partially offset by increase in foreign currency translation gain of P13.4 million from P7.7 million in 2011 to P21.1 million in 2012.

In 2012, the Company's investment operations also generated fair value gains on the investment portfolio amounting to P63.0 million as against fair value losses of P59.0 million in 2011. These fair value gains and losses are booked as direct adjustments to the Company's net worth and as other comprehensive income.

General and administrative expenses (GAE) decreased by P6.4 million or 2.7% from P243.2 million in 2011 to P236.8 million in 2012. Declines in certain expenses such as: taxes and licenses (P5.2 million in 2012 vs. P8.5 million 2011), representation and entertainment (P4.3 million vs. P7.7 million), contract labor (P2.0 million vs. P3.3 million) and impairment loss (P20.0 million vs. P32.5 million) more than offset an increase in depreciation and amortization (P34.4 million in 2012 vs. P28.8 million in 2011).

Tax expense The Company's tax expense was slightly lower by P5.9 million or 8.1% from P72.1 million in 2011 to P66.3 million in 2012. Tax expense largely represents the final tax on interest income from the Company's investment portfolio.

Net Profit (Loss) As a result of the aforementioned factors, particularly the higher excess of loss protection costs, the Company's net income decreased by P311.8 million or 90.1% from P345.9 million in 2011 to P34.1 million in 2012.

Financial condition

As of December 31, 2012, total resources of the Company stood at P15,615 million, P2,977 million or 23.6% higher than total resources of P12,638 million as of December 31, 2011. Material changes in the Company's resources which contributed to the increase are described below.

Reinsurance balances receivable, net of allowance for impairment of P335.6 million, increased by P3,176.1 million or 81.6% to P7,068.3 million in 2012 from P3,892.2 million in 2011 largely due to increase in reinsurance recoverable on losses from P2,986.2 million as of December 31, 2011 to P6,262.9 million as of December 31, 2012. The Company booked losses in excess of P2 billion for the November-December 2011 Thai floods (see claims payable below) but, with the exception of the Company's underlying retention of P30 million, substantially all these claims are recoverable from the Company's excess of loss reinsurers. Other reinsurance balances receivable include: (1) premiums due from ceding companies (decreased from P1,076.6 million in 2011 to P974.6 million in 2012); 2) funds held by ceding companies (increased from P145.0 million in 2011 to P166.5 million in 2012).

Available-for-sale financial assets (AFS) representing 36.4% of total assets increased by P324.4 million or 6.0% from P5,365.6 million as of December 31, 2011 to P5,690.0 million as of December 31, 2012 reflecting mark to market gains as well as transfers from cash and cash equivalents to AFS financial assets.

Loans and receivables (part of the Company's investment portfolio) grew by P130.7 million or 22.4% to P715.3 million in 2012 from P584.6 million in 2011 mainly due to additional investments in various corporate note issues.

Property and equipment (PPE), net of accumulated depreciation amounting to P112.5 million as of December 31, 2012, a decrease of P9.4 million or 9.1% from 31 December 2011. The decrease in net carrying value is mainly due to the recorded depreciation of P14.3 million being higher than capital expenditure of P5.9 million.

Deferred acquisition costs, mainly consist of commissions, decreased by P40.1 million or 29.1% to P97.8 million in 2012 from P137.9 million in 2011 consistent with the decrease in gross reinsurance premiums accepted and net premiums retained.

Deferred reinsurance premiums decreased by P163.9 million or 29% as of December 31, 2012. This is consistent with the lower volume of premiums accepted and ceded during the year. Deferred reinsurance premiums pertain to the portion of reinsurance premiums ceded out that relate to the unexpired periods of the policies at the end of each reporting period.

Other assets increased by 13.4% to P301.7 million in 2012 from P266.1 million in 2011 largely due to increases in creditable withholding tax (P23 million) and input vat (P14 million).

Total liabilities increased by P3,096.8 million or 47.0% to P9,681.6 million in 2012 from P6, 584.8 million in 2011. The increase in total liabilities is explained below:

Reinsurance balances payable were up by P3, 237.4 million or 59.6% from P5, 427.8 million as of December 31, 2011 to P8, 665.2 million as of December 31, 2012 primarily due to increase in losses and claims payable from P4, 661.4 million as of December 31, 2011 to P7, 721.9 million as of December 31, 2012, which increase was largely related to the Thai floods mentioned above and effectively offset by the related reinsurance recoverable on losses (an asset account).

Other reinsurance balances payable include: 1) premiums due to reinsurers (increased from P677.8 million in 2011 to P856.5 million in 2012); 2) funds held for retrocessionaires (decreased from P88.6 million in 2011 to P86.8 million in 2012).

Accounts payable and accrued expenses increased by P57.2 million or 31.7% from P180.3 million in 2011 to P237.5 million in 2012 principally due to increase in amount of unreleased checks/wire transfers and other liabilities (P49.2 million) and defined benefit liability (P9.6 million). However this was offset by a decrease in deferred output vat and accrued expenses payable (P1.8 million).

Reserve for unearned reinsurance premiums declined to P734.6 million in 2012 from last year's P897.5 million or by P162.9 million due to the decline in the Company's reinsurance premiums written.

Deferred reinsurance commission, likewise decreased by P34.9 million or 44.1% from P79.2 million in 2011 to P44.3 million in 2012 due to lower premiums retroceded further resulting to lower commissions earned.

Total equity as of December 31, 2012 (as restated) declined by 2.0% or P119.6 million to P5, 933.6 million from P6, 053.3 million as of December 31, 2012 (as restated) principally due to the payment of a P0.10/share cash dividend totaling P212.4 million and the net effect of the re-measurement of defined benefit liability (P4.4 million). This was offset by the net income posted in 2012 of P34.1 million and an increase in the revaluation reserve of P63.0 million.

Material changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2012 versus 2011

14% decrease in reinsurance premiums
Principally due to lower volume of reinsurance premiums accepted.

6% decrease in retroceded premiums
This is consistent with the lower volume of reinsurance premiums accepted thus resulting to lower retroceded premiums.

31% decrease in net premiums retained.
Lower premium volume and lower retroceded premiums translate to lower net premiums retained.

102% increase in reserve for unearned reinsurance premiums.
Although the level of Reinsurance Premiums generally decreased in 2012, the volume of proportional treaty business booked during the last quarter is higher and since it is subject to the required reserve for unearned reinsurance premiums, this resulted to the higher level of deferred premiums under the 24th method of revenue recognition.

11% decrease in underwriting deductions.
Due to lower claims incurred during the year.

241% increase in net underwriting loss
Largely due to lower premiums earned resulting from higher cost of excess of loss premiums.

9% decrease in investment and other income
Attributable to lower volume of trading activity on equities and interest earned on the fixed income securities.

8% decrease in tax expense.
Due to lower investment income and other income subject to final tax.

90% decrease in net income.
Largely due to higher underwriting loss and lower investment and other income.

Balance Sheet items - 2012 versus 2011

28% decrease in cash and cash equivalents.
Mainly due to payment of cash dividends and certain investment shifted to available-for-sale financial assets (AFS) from short-term investments.

82% increase in reinsurance balances receivable.
Due to increase in recorded reinsurance recoverable on unpaid losses relating to claims payable on Thailand flood losses.

6% increase in available for sale financial assets.
Principally due to additional investments and mark-to-market gains during the year.

22% increase in loans and receivables.
Primarily due to additional investments made in certain fixed-rate corporate promissory notes and sale of equity securities, proceeds of which form part of this account and were still for collection.

10% decrease in property and equipment, net
Due to recorded depreciation being higher than capital expenditures recorded during the year.

29% decrease in deferred acquisition cost.
Consistent with the decrease in reinsurance premiums written.

29% decrease in deferred reinsurance premiums
Principally due to lower level of retroceded premiums recognized under the 24th method of revenue recognition.

13% increase in other assets
Largely due to increases in creditable withholding taxes.

60% increase in reinsurance balances payable
Principally due to increase in losses and claims payable relating to Thailand flood losses incurred in November-December 2011.

32% increase in accounts payable and accrued expenses
Due to unreleased check/wire transfers which were reverted to cash and this account was credited accordingly.

18% decrease in reserve for unearned reinsurance premiums
Essentially due to decrease in gross reinsurance premiums accepted during the year.

44% decrease in deferred reinsurance commissions
Consistent with the decrease in reinsurance premiums retroceded to which this reinsurance commissions earned is related.

Key Performance Indicators

	2014	2013	2012
Net Profit (Loss)	(P287 million)	P 19 million	P34 million
Earnings per share	(P 0.14)	P 0.01	P 0.02
Retention ratio	37%	32%	26%
Combined ratio	166%	172%	178%
Return on average equity	(5.1%)	0.32%	0.57%

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

Net Profit (Loss) – The Company reported a net loss P287 million in 2014 as compared to Net Profit of P19 million in 2013 and net profit of P34 million in 2012.

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 (P0.14), P0.01 and P0.02 for the years ended December 31, 2014, 2013 and 2012, 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 2014 increased to 37%, higher than retention ratio of 32% in 2013 and 26% in 2012.

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 was at 166% in 2014, 172% in 2013 and 178% in 2012.

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 was at (5.1%), 0.32%, and 0.57% for 2014, 2013 and 2012 respectively.

Financial Soundness Indicators

	2014	2013
Current Ratio	1.75	1.66
Asset to Equity Ratio	2.36	2.57
Total Liabilities/Equity	1.36	1.57

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.

Item 7. Financial Statements

Please refer to the attached Audited Financial Statements for 2014, audited by the accounting firm of Punongbayan & Araullo, and signed by partner Mr. Romualdo V. Murcia III.

Item 8. 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:

	2014	2013	2012
Audit and audit-related fees	P1,225,000	P1,050,000	P 950,000
Other assurance and related services	50,000	100,000	73,536
Tax fees	110,000	-	-
Total	P1,385,000	P1,150,000	P1,023,536

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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Directors, Including Independent Directors, and Executive Officers

The Company's 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
Helen Yuchengco - Dee	Chairperson	70	Filipino
Robert G. Vergara	Vice Chairman	54	Filipino
Augusto Hidalgo	Director/President/Chief Executive Officer	47	Filipino
Cezar P. Consing	Director	55	Filipino
Yvonne S. Yuchengco	Director	60	Filipino
Gregorio T. Yu	Director	56	Filipino
Simon R. Paterno	Director	56	Filipino
Roman Felipe S. Reyes	Director	63	Filipino
Rafael C. Gallaga	Director	71	Filipino
Rafael G. Ayuste, Jr.	Director	51	Filipino
Romeo L. Bernardo	Independent Director	60	Filipino
Ermilando D. Napa	Independent Director	65	Filipino
Medel T. Nera	Independent Director	59	Filipino

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

Name	Position	Age	Citizenship
Augusto Hidalgo	President and Chief Executive Officer	47	Filipino
Noel A. Laman	Corporate Secretary	75	Filipino
Ma. Pilar M. Pilares-Gutierrez	Assistant Corporate Secretary	38	Filipino
John E. Huang	Senior Vice President and Head, Investments	57	Filipino
Alexander L. Reyes	Senior Vice President and Head, Claims	54	Filipino
Victor R. Tanjuakio	First Vice President and Head, Life Reinsurance	48	Filipino
Eden R. Tesoro	Vice President and Head, Property Underwriting	44	Filipino
Noli Mario H. Benito	Vice President and Head, Risk & Compliance and concurrent Head, Treasury	53	Filipino
Regina S. Ramos	Vice President and Controller	52	Filipino
Vicente B. Villarama, Jr.	Vice President and Head, General Accounting	57	Filipino

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.

Business experience of the Directors and Officers during the past five (5) years/ Other directorships held in reporting companies naming each company

Helen Yuchengco-Dee, Chairperson of the Board, Director of the Corporation since January 2010. Ms. Helen Y. Dee is the Chairperson of Rizal Commercial Banking Corporation and House of Investments, Inc. She is the Chairperson and President of Hydee Management & Resource Corporation, Financial Brokers Insurance Agency, Inc., Mijo Holdings, Inc. and Tameena Resources, Inc. She also holds Chairmanship positions in various companies, including Malayan Insurance Company, Inc., Petro Energy Resources Corporation, Seafront Resources Corporation, La Funeraria Paz Sucat, RCBC Leasing and Finance Corporation, Landev Corporation, HI-Eisai Pharmaceutical Inc., PetroGreen Energy Corporation, Mapua Information Technology Center, Inc., Manila Memorial Park Cemetery, Inc., Pan Malayan Realty Corporation, RCBC Savings Bank, Xamdu Motors, Inc., Petrowind Energy, Inc., Malayan High School of Science, Inc. and Maibarara Geothermal, Inc. She is the Vice Chairperson of Pan Malayan Management & Investment Corporation and West Spring Dev. Corp. She likewise holds directorship positions in Philippine Long Distance Telephone Company, Sun Life GREPA Financial, Inc., MICO Equities, Inc., Isuzu Philippines, Honda Cars Philippines, Inc., AY Holdings, Pan Malayan Express, Honda Cars Kalookan, RCBC Realty Corporation, RCBC Forex Brokers Corporation, Luisita Industrial Park Corporation, IPeople, Inc., Y Realty, Inc., ET Yuchengco, Inc. Philippine Integrated Advertising Agency, Inc., and Malayan Insurance Co., Inc.; Director and Vice Chairman of Pan Malayan Management and Investment Corporation and West Spring Development Corporation. She is the President of the following: YGC Corporate Services, Inc., GPL Holdings and Moira Management, Inc.; Vice President of A.T. Yuchengco, Inc. and Treasurer of Business Harmony Realty, Inc. Ms. Dee is a Board of Trustee member of the Philippine Business for Education, Inc. and Trustee of Malayan Colleges Laguna, Inc. She also serves as Board member of the EEI Corporation. She graduated from Assumption College with a Bachelor of Science degree in Commerce and completed her Masters in Business Administration at De La Salle University.

Robert G. Vergara, Vice Chairman of the Board, Director of the Corporation since October 2010. Mr. Robert G. Vergara became a Director of Philippine Stock Exchange (PSE) in October 2010. He is presently the President and General Manager of the Government Service Insurance System (GSIS). Concurrently, he sits as Vice Chairman and Member of the Board of Directors of National Reinsurance Corporation of the Philippines, and as Member of the Board of Directors of Philippine Health Insurance Corporation, Housing and Urban Development Coordinating Council and Philippine National Construction Corporation. Prior to his appointment to GSIS, Mr. Vergara was Managing Director and the Founding Partner of Cannizaro Limited (Hong Kong), a multi-strategy hedge fund manager organization investing in the Asian markets. He was a Principal of Morgan Stanley Ltd. from 1997 to 2001 where he set up and managed each firm's Asian proprietary trading activities. Immediately before that, Mr. Vergara worked at IFM Trading, a pioneering hedge fund based in the city of London that specialized in arbitrage and derivative trading strategies in global capital markets. He graduated from the Harvard Graduate School of Business Administration in Massachusetts, USA, in 1986 and he earned his Bachelor of Science degrees in Management Engineering and Mathematics, *magna cum laude*, from the Ateneo de Manila University in 1982.

Augusto Hidalgo, Director, President and Chief Executive Officer from April 2014. Mr. Augusto Hidalgo is currently the President and Chief Executive Officer of National Reinsurance Corporation of the Philippines (PhilNaRe), from April 2014. Mr. Hidalgo has been a strategy executive for the last 8 years: heading Mergers & Acquisitions (M & A) of Peak Reinsurance Hong Kong, and before that; Managing Partner of New World Financial Canada. Before the jump to senior management, Mr. Hidalgo was a Reinsurance Underwriter for Swiss Re in Canada, Australia, Switzerland and South Africa from 1996 to 2005. He

started his career in management consulting with IBM in Tokyo, Arthur Andersen (SGV and Co) and EasyCall from 1989-1996. Mr. Hidalgo obtained his Bachelor of Science degree in Business Administration from the University of the Philippines. He received his Master's degrees in Business Administration from the Kellogg School of Management at Northwestern University and the Schulich School of Business at York University.

Roman Felipe S. Reyes, Director, since November 2013. Mr. Roman Felipe S. Reyes is the Chairman of Reyes Tacandong & Co., and a member of the GSIS Board of Trustees since 2010. He is also an Independent Director of Macawiwili Gold Mining and Development Co., Inc., Pakistan International Container Terminal Limited, Premium Leisure Corporation, Philippine Geothermal Production Company, Pasudeco, All Asian Countertrade, RPN 9, Bank of Commerce and Rockwell Leisure Club. He is also a current Trustee of San Beda College, San Beda Alumni Association Foundation and the Chairman of the Board of Governors of Nicanor Reyes Memorial Foundation. He was a Senior Partner and Vice Chairman for Client Services and Accounts of SGV & Co. (1984-2009), President of Knowledge Institute in 2009. Mr. Reyes earned his Bachelor of Science degree in Commerce, major in Accounting, from San Beda College in 1972. He also obtained an MBA degree in Finance from the University of Detroit in 1975.

Cezar P. Consing, Director from July 2014. Mr. Cezar P. Consing has been the President and CEO of Bank of the Philippine Islands ("BPI") since April 2013. From 2004 to 2013, he was a Partner of The Rohatyn Group, a New York headquartered 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. As an investment banker, he was directly involved in some of the most significant corporate transactions in Asia, including several mergers, privatizations and debt and equity fund raisings. He worked for BPI in Manila in corporate planning and corporate banking from 1980 to 1985. Mr. Consing served as an independent director of the boards of CIMB Group Holdings Berhad and CIMB Group Sdn. Berhad from 2004 to 2012 and First Gen Corporation, a major Philippine power generation company, from 2005 to 2013. He has been an independent director of the board of Jollibee Foods Corporation since 2010. He 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, Ann Arbor, in 1980.

Simon R. Paterno, Director from February 2015. Mr. Simon R. Paterno heads the Financial Products Group of the Bank of the Philippine Islands. He is responsible for managing the product businesses of the Bank, including Investment Banking, Corporate Loans and Transaction Banking, Retail Lending, Payments, Asset Management and Trust, Channels, and Deposits. He also oversees subsidiaries and affiliates in insurance, leasing, and merchant acquiring. He is a member of the Management Committee of BPI. Mr. Paterno is a former President and CEO of the Development Bank of the Philippines, serving from 2002-2004. He worked for 18 years at the New York, Hong Kong, and Manila offices of J.P. Morgan, serving finally as Managing Director in charge of sovereign clients during the Asian Financial Crisis of 1997-98, and as Country Manager for the Philippines until 2002. He also worked for 8 years at Credit Suisse as Managing Director and Country Manager for the Philippines. Mr. Paterno obtained his MBA from Stanford University in 1984. He was awarded his A.B., cum laude, Honors Program in Economics from Ateneo de Manila University in 1980. In 2005, he was elected President of the Management Association of the Philippines. He serves on the boards of the Foundation for Economic Freedom, Manila Polo Club and Ateneo Scholarship Foundation. He was named a TOYM awardee for Investment Banking in 1999.

Gregorio T. Yu, Director since December 2010. Mr. Gregorio T. Yu is a Trustee of the Government Service Insurance System (GSIS) and Xavier School, Inc. He is the Chairman of CATS Motors Inc., CATS Automobile Corporation, American Motorcycles, Inc. and Auto

Nation Group. He is also the Chairman of the Executive Committee of Philippine Bank of Communications and Sterling Bank of Asia. He is also a Trustee of Xavier School Inc., and Vice Chairman of Sterling Bank of Asia. He is also a Trustee of Xavier School, Inc. and Chairman / Trustee of Xavier School Educational and Trust Fund, Inc., a Board Member of the Ballet Philippines and The Manila Symphony Orchestra. He is a director of CATS Asian Cars Inc, Philippine Airlines, Philequity Management, Inc., Vantage Equities Inc., Iremite Inc., Unistar Credit and Finance Corporation, Glyph Studios Inc., Prople BPO Inc., Yehey, Inc., iRipple Inc., Wordtext System, Inc., Nexus Technologies and Jupiter System Corporation; and Director / Treasurer of CMB Partners, Inc. He is also the President of Domestic Satellite Corporation of the Philippines. He received his MBA from the Wharton School of the University of Pennsylvania and his Bachelor of Arts in Economics (Honors Program) Summa Cum Laude from De La Salle University.

Yvonne S. Yuchengco, Director since June 2006. Ms. Yvonne S. 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.

Romeo L. Bernardo, Independent Director since June 2006. 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 the 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. Ermilando D. Napa is presently the President and CEO and Vice-Chairman of the Board of Directors of the Philippine Export-Import Credit Agency (PhilEXIM), also known as the Trade and Investment Development Corporation of the Philippines (TIDCORP), a government

financial institution attached to the Department of Finance. He is the Founding CEO of Manila Consulting and Management Co., Inc., Century Woods, Inc., and Catanauan Resources and Development Corporation. Currently, Mr. Napa is an Independent Director at the National Reinsurance Corporation of the Philippines (PhilNaRe or NRCP) and the CIIF Oil Mills Group. He is the Chairman of the Audit Committee of PhilNaRe and CIIF Oil Mills, as well as a Member of the Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC). His previous professional experience include being a 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 NLIC. 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. 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. 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 Rizal Commercial Banking Corporation and Seafront Resources Corp. He was a former senior partner of SyCip, Gorres, Velayo and Co., CPAs (SGV) where he served as Financial Services Practice Head. He also serves as Director and Treasurer of CRIBS Foundation Inc. 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.

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 in 1986.

Rafael C. Gallaga, Director from July 2014. Mr. Rafael C. Gallaga is the President and Chief Operating Officer of Sterling Insurance Company, Inc. since 2001. He was formerly the President and Chief Operating Officer of EAB Insurance Brokers, Inc. from June 1999 to December 2000 and MAPFRE Insular Insurance Corporation (formerly Provident Insurance Corporation) from March 1986 to February 1997. He serves as Board Adviser of National Reinsurance Corporation of the Philippines in 2011 and 2013; and a former Board Member from 1995 to 2008, 2010, 2011 and 2014. He has held the following positions: Chief Delegate- Philippines of the East Asian Insurance Congress (EAIC) in 1992 and Executive Board Member from 1993-1994 and Member of the 20th EAIC Organizing Committee from 1999 to 2000; Chairman of the Third World Insurance Congress (1991); President, ISAP, Inc. (presently PIRA, Inc.) from 1990-1991 and Vice President from 1988-1989; President of the Philippine Insurers Club from 1986-1987. He also served as Trustee and Treasurer of the Insurance Institute for Asia and the Pacific from 1988 -1992 and Trustee from 1995-1997. He has attended various insurance, reinsurance and management courses. He earned his Bachelor of Science degree major in Business Management from San Beda College in 1964.

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. 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.

John E. Huang, Senior Vice President and Head, Investments. Mr. John E. Huang joined Universal Malayan Re (UMRe) in 2004 as its Chief Finance Officer. Prior to joining UMRe, he held the positions of Chief Financial Officer of C&P Homes, Inc., Senior Vice President of Urban Bank, and Vice President of First National Bank of Boston. He graduated with a Bachelor of Arts degree in Economics Honors, *magna cum laude*, from the Ateneo de Manila University in 1978, and obtained his Masters degree in Business Administration from the Harvard Business School in 1982.

Alexander L. Reyes, Senior Vice President & Head, Claims. Mr. Reyes joined the Company in October 2014 as Senior Vice President and Head of Claims. Prior to Philnare, 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, Life Reinsurance. Mr. Vic Tanjuakio joined PhilNaRe in September 2014 as Head of Life Reinsurance. Prior to PhilNaRe, 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.

Regina S. Ramos, Vice President and Controller. Prior to joining the Company in July 2000, Ms. Ramos was employed with Development Insurance and Surety Corporation in various capacities from May 1987 to April 2000. After taking the 1982 CPA Board Licensure Examination, she joined SGV & Co. until April 1987. Ms. Ramos is a Certified Public Accountant. She has also earned her designation as a Certified Internal Auditor in November 2004. She obtained her degree in Bachelor of Science in Commerce, major in Accounting from St. Paul College, Manila in 1982.

Vicente B. Villarama, Jr., Vice President and Head, General Accounting. Mr. Villarama has been with the Corporation since 1983. He was the Manager for the General Accounting

Department since 2000. He is a Certified Public Accountant and obtained his Bachelor of Science in Commerce, major in Accounting from the Baliuag University in 1982.

Noli Mario H. Benito, Vice President & Head, Risk and Compliance and concurrent Head, Treasury. Mr. Noli Mario H. Benito was appointed as Risk and Compliance Officer of the Corporation in September 2014. Prior to joining the Corporation, he was employed with Sun Life GREPA Financial as Operations Head for its subsidiary Grepalife Asset Management Corporation, Head of Internal Audit and Compliance from 2006 to 2012 and Controller from 1996 to 2006. He also worked with Sime Darby Pilipinas, Inc. in various capacities from 1984 to 1996. He obtained his degree in Bachelor of Science in Business Administration, major in Accounting from the Philippine School of Business Administration in 1983. He was 10th placer in the Certified Public Accountant Board Examinations held in May 1983.

Eden R. Tesoro, Vice President & Head, Property Underwriting. Ms. Tesoro joined PhilNaRe in September 2014 as Head of Property Underwriting. Prior to joining the Corporation, she served as Chief Underwriter for Federal Phoenix Assurance Company, Inc. from 2010 to 2014. She also worked with Aon Insurance and Reinsurance Brokers where she headed the Power and Energy Team from 2006 to 2010. She has had various underwriting appointments from local and multinational insurance companies for 12 years prior to her stint as a broker. Ms. Tesoro started her career in the insurance industry as a Management Trainee of FGU Insurance Corporation. She obtained her Bachelor of Science degree in Civil Engineering from the University of the Philippines in 1994.

(2) 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 with the Company upon termination.

(3) Family Relationships

Ms. Helen Yuchengco-Dee and Ms. Yvonne S. Yuchengco, both directors of the Corporation, are sisters, and thus, are related to each other within the second degree of consanguinity.

(4) Involvement in Certain 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 report 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.

Item 10. Executive Compensation

ANNUAL COMPENSATION IN PHILIPPINE PESOS

Name	Year	Salary	Bonus	Other annual compensation	Total
CEO and key executive officers named	2013	15,071,550	2,779,683	2,633,170	20,484,403
All other officers and directors as a group unnamed		12,495,750	2,167,004	5,979,788	20,642,542
CEO and key executive officers named	2014	17,856,825	5,472,115	7,054,022	30,382,962
All other officers and directors as a group unnamed		10,684,039	1,729,336	5,002,084	17,415,459
CEO and key executive officers named	2015 (Estimates)	25,758,096	3,721,083	1,434,913	30,914,092
All other officers and directors as a group unnamed		8,057,712	1,240,793	4,847,238	14,145,743

Officers and directors named for 2014 include the following:

1. Augusto Hidalgo, President & CEO – hired effective April 1, 2014;
2. John E. Huang, Senior Vice President and Head, Investments;
3. Roberto S. De Leon II, First Vice President and Head, Non-life Operations (resigned effective October 31, 2014);
4. Regina S. Ramos, Vice President and Controller;
5. Amerfil V. Basco, Vice President and Head, Special Projects (resigned effective December 31, 2014); and
6. Roberto B. Crisol, President and CEO (contract expired on March 31, 2014).

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 herein 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 there from, 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 30 of the 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 after 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 Directors	20,000

Regular Directors	17,000
B. Committees' Meetings	
Independent Directors	₱ 6,000
Regular Directors	5,000

Aside from the above, 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 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2014, 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 of Class
Common	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Filipino	290,795,500	13.69%
Common	PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	Government Service Insurance System ² , New GSIS Headquarters, Financial Center, Pasay City	Filipino	546,465,400	25.73%
Common	PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	MICO Equities Inc. ² Yuchengco Bldg., 484 Quintin Paredes Street Manila	Filipino	273,717,100	12.89%

^{1,2}The PCD is not related to the Company. The 546,465,400 shares and 273,717,100 shares beneficially owned by GSIS and MICO Equities, respectively, form part of the 1,644,569,400 shares registered in the name of PCD Nominee Corporation (Filipino).

(2) Security Ownership of Management

The following table sets forth as of Dec. 31, 2014, 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	Helen Y. Dee	100 Record	Filipino	0.000005%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Robert G. Vergara	1,000 Record	Filipino	0.000047%
Common	Gregorio T. Yu	1,000 Record	Filipino	0.000047%
Common	Cesar P. Consing	50 Record	Filipino	0.000002%
Common	Rafael C. Gallaga	13,600 Record	Filipino	0.000640%
Common	Augusto P. Hidalgo	1,000 Record	Filipino	0.000047%
Common	Yvonne S. Yuchengco	26,000 Record	Filipino	0.001224%
Common	Malayan Insurance Company, Inc. (assigned to Yvonne S. Yuchengco as nominee director)	100 Beneficial	Filipino	0.000005%
Common	Ermilando D. Napa	1,000 Record	Filipino	0.000047%
Common	Jose Teodoro K. Limcaoco	50 Record	Filipino	0.000002%
Common	Romeo L. Bernardo	4,100 Record	Filipino	0.000193%
Common	Roman Felipe S. Reyes	1,000 Record	Filipino	0.000047%
Common	Medel T. Nera	1,000 Record	Filipino	0.000047%
Common	Rafael G. Ayuste, Jr.	100,000 Record	Filipino	0.004709%
	TOTAL FOR DIRECTORS	150,000		0.007063%
Common	Amerfil V. Basco	31,800 Record	Filipino	0.001497%
Common	Vicente B. Villarama, Jr.	12,800 Record	Filipino	0.000603%
	TOTAL FOR OTHER OFFICERS	44,600		0.002100%
	GRAND TOTAL	194,600		0.009164%

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.

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.

Changes in Control

From January 1, 2014 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 12. Certain Relationships and Related Transactions

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

The following table show (in millions of Philippine Pesos) premiums written, retroceded and related income accounts between the Corporation, its Principal Shareholders, related parties under common ownership and companies represented by other members of the Board of Directors for 2014 and 2013 (refer to note 19 of the accompanying audited financial statements):

Shareholder/Related Party/Director Corporation	2014					
	Premiums	Retrocessions	Commission Income	Commission Expenses	Losses Incurred	Loss Recoveries
In Million PHP						
GSIS	(85.10)	.08	.03	(13.05)	45.35	-
BPI-Philam Life	49.54	.81	-	-	3.95	.39
BPI/MS Insurance	312.35	-	-	97.30	62.74	-
FGU Insurance Corp	-	-	-	-	-	-
Total BPI Group	361.89	.81	-	97.30	66.69	.39
First Nationwide Assurance Corp.	.13	-	-	.03	-	-
Sunlife GREPA Financial	4.30	.83	-	.01	.06	-
Great Life Financial	-	-	-	-	-	-
Malayan Insurance	121.77	-	-	23.75	42.00	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	126.20	.83	-	23.79	42.06	-
GRAND TOTAL	402.99	1.72	.03	108.04	154.10	.39

Shareholder/Related Party/Director Corporation	2013					
	Premiums	Retrocessions	Commission Income	Commission Expenses	Losses Incurred	Loss Recoveries
In Million PHP						
GSIS	47.00	.10	.04	8.28	266.96	.01
BPI-Philam Life	4.07	(1.34)	-	-	5.31	.12
BPI/MS Insurance	233.76	-	-	75.04	58.23	-
FGU Insurance Corp	-	-	-	-	-	-
Total BPI Group	237.83	(1.34)	-	75.04	63.54	.12
First Nationwide Assurance Corp.	.11	-	-	.02	-	-
Sunlife GREPA Financial	5.93	1.12	.02	.03	.35	-
Great Life Financial	-	-	-	-	-	-
Malayan Insurance	78.32	-	-	14.52	27.11	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	84.36	1.12	.02	14.57	27.46	-
GRAND TOTAL	369.19	(.12)	.06	97.89	357.96	.13

The following tables show (in millions of Philippine Pesos) reinsurance balances receivable from and payable to related parties as a result of the above transactions as of December 31, 2014 and 2013 (refer to Note 19 of the accompanying audited financial statements):

Shareholder/Related Party/Director Corporation	2014					
	In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro-cessionaire
GSIS	118.10	71.91	1.06	625.78	-	-
BPI-Philam Life	48.40	-	-	6.50	1.90	-
BPI/MS Insurance	62.69	.14	62.87	374.73	.28	.16
FGU Insurance Corp	-	.49	.01	2.15	.59	-
Total BPI Group	111.09	.63	62.88	383.38	2.77	.16
First Nationwide Assurance Corp.	.	.02	-	50.08	.12	-
Sunlife GREPA Financial	4.00	-	-	3.55	.07	-
Great Life Financial	-	-	-	-	-	-
Malayan Insurance	33.07	16.73	.08	285.72	6.13	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	37.07	16.75	.08	339.35	6.32	-
GRAND TOTAL	266.26	89.29	64.02	1,348.51	9.09	.16

Shareholder/Director Corporation	2013					
	In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro-cessionaire
GSIS	194.29	78.43	1.06	669.97	-	-
BPI-Philam Life	4.74	-	-	4.46	.16	-
BPI/MS Insurance	35.43	.14	62.64	891.17	.29	.16
FGU Insurance Corp	-	.34	.02	3.07	.59	-
Total BPI Group	40.17	.48	62.66	898.70	1.04	.16
First Nationwide Assurance Corp.	-	.02	-	50.07	.06	-
Sunlife GREPA Financial	7.92	-	-	3.55	3.09	-
Great Life Financial	.79	-	-	-	-	-
Malayan Insurance	14.76	18.13	.07	160.21	9.54	-
Bankers Assurance	-	-	-	-	-	-
Total Malayan Group	13.47	18.15	.07	213.83	12.69	-
GRAND TOTAL	257.93	97.06	63.79	1,782.50	13.73	.16

In addition, the Corporation has entered into the following agreements with the Bank of Philippine Islands:

1. *Custodianship Agreement:* On December 14, 2006, the Corporation entered into a Custodianship Agreement with BPI for purposes of opening and maintaining a custodianship account with BPI over securities pertaining to the Corporation. BPI acts as a depository of such securities. For services rendered, BPI is entitled to the custodianship fees based on the net asset value of the fund. 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.* On December 14, 2006, the Corporation entered into an Investment Management Agreement with BPI for purposes of appointing BPI as Investment Manager and to invest and reinvest the funds deposited in an investment management account with BPI. As compensation for services, BPI shall be entitled to collect such reasonable compensation to be paid out of the fund. 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.
3. *Retirement Fund Investment Management Agreement.* On March 28, 2007, the Board of Trustees of the National Reinsurance Corporation Employees Retirement Plan entered into a Trust Agreement with BPI for purposes of appointing BPI as Trustee and Investment Manager of National Reinsurance Corporation of the Philippines Employees Retirement Plan and to invest and reinvest the funds deposited in an investment management account with BPI. As compensation for services, BPI shall be entitled to collect such reasonable compensation to be paid out of the fund. 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.

There are no other parties, aside from the related parties discussed herein, with whom the Corporation has a relationship 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.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance (Refer to the SEC Form ACGR - Consolidated Changes in the ACGR for the Year 2014)

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

(a) Exhibits – See accompanying Index of Exhibits

(b) Reports on SEC Form 17-C

Items reported under SEC Form 17C during the last six months include the following:

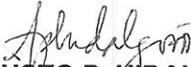
- March 19, 2015 re: Rescheduling of Annual Stockholders Meeting and Affidavit of Postponement of the Annual Stockholders' Meeting date from June 24, 2015 to July 13, 2015 at 3:00 pm at the Carlos P. Romulo Auditorium, RCBC Plaza. This is due to conflict in schedule and unavailability of the venue. Record Date is on June 1, 2015 and Board of Canvasser is Punongbayan and Araullo.
- February 26, 2015 re: Appointment of New Director, Mr. Simon R. Paterno.
- January 29, 2015 re: Resignation of Director, Mr. Jose Teodoro K. Limcaoco.
- January 05, 2015 re: Corporate Secretary's Sworn Certification on the Attendance in Board meetings of each director for the year 2014, pursuant to the Code of Corporate Governance which is enforced by the Securities and Exchange Commission.
- October 20, 2014 re: Voluntary Separation Program subject to existing laws and regulations; appointment of Mr. Alexander L. Reyes, Senior Vice President and Head of Claims; and separation of Mr. Roberto S. de Leon II, First Vice President and Head of Non-Life Reinsurance.
- September 18, 2014 re: Compliance with the requirements of SEC Memorandum Circular No. 4, Series of 2012 on the Guidelines for the Assessment of the performance of Audit Committees of Companies Listed on the Exchange.
- September 18, 2014 re: Appointment of New Key Officers namely: Mr. Victor R. Tanjuakio, First Vice President and Head of Life Reinsurance; Ms. Eden R. Tesoro, Vice President and Head of Property Underwriting; Mr. Noli H. Benito, Vice President and Head of Risk and Compliance and concurrent Head of Treasury; and Ms. Regina S. Ramos, formerly Compliance Officer, as Controller.

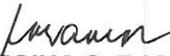
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 15, 2015.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES Issuer

By:


AUGUSTO P. HIDALGO
Principal Executive Officer (CEO)


REGINA S. RAMOS
Principal Financial Officer & Controller


NOEL A. LAMAN
Corporate Secretary


VICENTE B. VILLARAMA
Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this 15 day of April 2015 affiant(s) exhibiting to me their Community Tax Certificate (CTC) Nos., as follows:

<u>NAMES</u>	<u>CTC NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Augusto P. Hidalgo	03208898	Feb. 2, 2015	Makati City
Regina S. Ramos	02410538	Jan. 5, 2015	Makati City
Vicente B. Villarama	28009593	Jan. 22, 2015	Quezon City
Noel A. Laman	04922801	Feb. 4, 2015	Makati City

Doc. No.: 16 ;
Page No.: 25 ;
Book No.: 119 ;
Series of 2015


ATTY. ROBERT M. LLUZA
NOTARY PUBLIC
Notary Public
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #978779, Dec. 17, 2014-RSM
PTR #248501, Jan. 05, 2015-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

EXHIBIT TABLE
SECURITIES REGULATION CODE FORMS

	Description	17-A
3	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	N.A.
5	Instruments Defining the Rights of Security Holders, Including Indentures	N.A.
8	Voting Trust Agreement	N.A.
10	2014 Financial Statements and Independent Auditors' Report (with notarized Statement of Management Responsibility and SEC Supplementary Schedules)	Attached
13	Letter re: Change in Certifying Accountant	N.A.
15	Letter re: Change in Accounting Principles	N.A.
16	Report Furnished to Security Holders	N.A.
18	Subsidiaries of the Registrant	N.A.
19	Published Report Regarding Matters Submitted to Vote of Security Holders	N.A.
20	Consents of Experts and Independent Counsel	N.A.
21	(a) Power of Attorney (b) Power of Attorney—Foreign Registrant	N.A.
29	Additional Exhibits	N.A.

N.A. - *Not applicable or require no answer.*

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Consolidated Changes in the ACGR for 2014

SEC Form- ACGR

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



- 1. Report is filed for the Year **2014**
- 2. Exact Name of Registrant as Specified in its Charter . **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES, doing business under the names and styles of Philippine National Reinsurance Company; PhilNaRe**
- 3. **31st Floor, Ayala Life-FGU Center, 6811 Ayala Avenue, Makati City** **1227**
Address of Principal Office Postal Code
- 4. SEC Identification Number **80118** 5. (SEC Use Only)
Industry Classification Code
- 6. BIR Tax Identification Number..... **000-480-869-000**
- 7. **(632) 988-7400**
Issuer's Telephone number, including area code
**18th Floor, Philippine AXA Life Centre
Sen. Gil Puyat Avenue cor Tindalo Street
Makati City, 1200**
- 8.
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	13
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Actual number of Directors for the year	13
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special/BOD Meeting)	No. of years served as director
1. Helen Y. Dee	NED	MICO Equities, Inc.	Helen Y. Dee	Jan. 2010	July-2014	ASM*	5.0
2. Robert G. Vergara	NED	GSIS	Robert G. Vergara	Oct. 2010	July-2014	ASM*	4.25
3. Augusto Hidalgo	ED		Rafael C. Gallaga	Apr. 2014	July-2014	ASM*	0.75
4. Rafael G. Ayuste, Jr.	NED		Rafael G. Ayuste, Jr.	June 2012	July-2014	ASM*	2.5
5. Romeo L. Bernardo ¹	ID		Armando S. Malabanan (not related to ID)	June 2006	July-2014	ASM*	3.0
6. Rafael C. Gallaga	NED		Roberto B. Crisol	July 2014	July-2014	ASM*	0.5
7. Roman Felipe S. Reyes	<u>NED</u>	<u>GSIS</u>	<u>Robert G. Vergara</u>	<u>Dec. 2013</u>	<u>July-2014</u>	<u>ASM*</u>	<u>1.08</u>
8. <u>Simon R. Paterno</u>	<u>NED</u>	<u>BPI</u>	<u>Jose Teodoro K. Limcaoco</u>	<u>Feb. 2015</u>	<u>Feb. 2015</u>	<u>BOD Meeting</u>	<u>0.0</u>
9. <u>Ermilando D. Napa</u>	<u>ID</u>		<u>Vicente B. Villarama (not related to ID)</u>	<u>June 2011</u>	<u>July-2014</u>	<u>ASM*</u>	<u>3.0</u>
10. <u>Medel T. Nera</u>	<u>ID</u>		<u>Amerfil V. Basco (not related to ID)</u>	<u>July 2011</u>	<u>July-2014</u>	<u>ASM*</u>	<u>3.0</u>
11. <u>Cezar P. Consing</u>	<u>NED</u>	<u>BPI</u>	<u>Teodoro K. Limcaoco</u>	<u>July 2014</u>	<u>July-2014</u>	<u>ASM*</u>	<u>0.5</u>
12. <u>Gregorio T. Yu</u>	<u>NED</u>	<u>GSIS</u>	<u>Robert G. Vergara</u>	<u>Dec. 2010</u>	<u>July-2014</u>	<u>ASM*</u>	<u>4.08</u>
13. <u>Yvonne S. Yuchengco</u>	<u>NED</u>	<u>MICO Equities, Inc.</u>	<u>Yvonne S. Yuchengco</u>	<u>June-2006</u>	<u>July-2014</u>	<u>ASM*</u>	<u>8.5</u>

*Annual Stockholders' Meeting held on July 07, 2014

¹ Reckoned from the election immediately following January 2, 2012.

- (b) Provide a *brief summary of the corporate governance policy* that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

Treatment of all shareholders

Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders' Meeting. The shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are set out in the Definitive Information Statement, which is sent out to all stockholders of record at least 15 days before the date of meeting.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Respect for the rights of minority shareholders and of other stakeholders

The Board of Directors shall ensure that all rights of stockholders as mandated and set forth in the Corporation Code of the Philippines, Articles of Incorporation and By Laws of the Company shall be respected. Among these rights of stockholders as provided for in the Corporation Code are: right to vote on all matters that require their consent or approval; right to inspect corporate books and records; right to information; right to dividends; and appraisal right.

The company has mechanism that allows minority shareholders to influence board composition by cumulative voting and nomination of independent directors.

Disclosure Duties

The essence of corporate governance is transparency. The Board believes that the more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets. It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest of the stockholders should be publicly and timely disclosed. Such information include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, minimum public ownership, direct/ indirect remuneration of members of the Board and Management and other corporate disclosures required for reporting by the regulators.

All required information are fully disclosed through the submissions and filings made to the SEC and the PSE.

Board Responsibilities

The Board recognizes that a good corporate governance system is integral to the mandate bestowed upon them by the Company's stockholders. They are fully conscious of their fiduciary duties, accountabilities and responsibilities to all stakeholders, and they subscribe to the belief that the pursuit of corporate goals must be bound by high ethical standards. Its duties and responsibilities as defined in the Company's amended By-laws include: (1) acting on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and its stockholders; (2) staying up-to date on developments in finance and corporate governance; (3) acting with confidentiality and discretion in the use of information proprietary to the Company; (4) avoiding any conflict of interest; (5) conducting fair business transactions with the Corporation (6) disclosing any relationship that can compromise a Director's independence; (7) fostering a non-discriminatory work and business environment; (8) exercising due prudence in the use of Company's resources; (9) keeping Board authority within powers of the institution; (10) respecting the rights of all stakeholders; (11) submitting to a vote of shareholders all matters requiring their approval under the Corporation Code; (12) adhering to all laws and regulations defining the Board's obligations

- (c) How often does the Board review and approve the vision and mission?**

The Company's vision and mission statement is reviewed and approved as often as required.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group² -

The Company has no parent, subsidiaries, associates and joint venture arrangement with any company.

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<i>The Company has no parent, subsidiaries, associates and joint venture arrangement with any company.</i>		

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Helen Y. Dee	Rizal Commercial Banking Corporation, House of Investments, Inc., Seafront Resources Corporation PetroEnergy Resources Corporation	Non-Executive Director and Chairperson
	Phil. Long Distance Telephone Company, EEI Corp. IPeople, Inc.	Non-Executive Director
Robert G. Vergara	Philippine Stock Exchange, Inc. Philippine National Construction Corp.	Non-Executive Director
Romeo L. Bernardo	Globe Telecom Inc.	Non-Executive Director
	Aboitiz Power Corporation RFM Corporation Bank of Philippine Islands Trans-Asia Petroleum Corporation	Independent Director
Medel T. Nera	House of Investments, Inc.	Executive Director- President & CEO
	Rizal Commercial Banking Corp Seafront Resources Corp	Non-Executive Director
Roman Felipe S. Reyes	Premium Leisure Corporation	Independent Director
Gregorio T. Yu	Philippine Bank of Communication iRipple, Inc. I-Remit, Inc. Yehey, Inc. Vantage Equities, Inc.	Non-Executive Director
Yvonne S. Yuchengco	iPeople Inc. Seafront Resources Corporation, House of Investments, Inc. Petro Energy Resources Corporation Rizal Commercial Banking Corporation	Non-Executive Director

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Ms. Helen Yuchengco-Dee	MICO Equities, Inc.	They are sisters and therefore related to each other within the 2 nd degree of consanguinity.
Ms. Yvonne S. Yuchengco	MICO Equities, Inc.	

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **YES.**
In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **NO.**
If yes, briefly describe other guidelines:

Director	Guidelines	Maximum Number of Directorships in other companies
Executive Director (We have only one (1) Executive Director, who is also our President & CEO.)	The President/CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards.	Maximum of four or lower.
Non-Executive Director	There can be a higher indicative limit for all other directors, which in any case, the capacity of directors to serve with diligence shall not be compromised.	No specific limit is explicitly set because we believe that all our directors have the capacity and ability to serve without compromising their diligence and efficiency and this is supported by their high attendance turnout during the regular monthly board meetings.
CEO	The President/CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards.	Maximum of four or lower.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	<u>Number of Direct shares</u>	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
1. Helen Y. Dee	100	-	0.000005%
2. Robert G. Vergara	1,000	-	0.000047%
3. Augusto Hidalgo	1,000	-	0.000047%
4. Rafael G. Ayuste, Jr.	100,000	-	0.004709%
5. Romeo L. Bernardo	4,100	-	0.000193%
6. Rafael C. Gallaga	13,600	-	0.000640%
7. Roman Felipe S. Reyes	1,000	-	0.000047%
8. Simon R. Paterno	50	-	0.000002%
9. Ermilando D. Napa	1,000	-	0.000047%
10. Medel T. Nera	1,000	-	0.000047%
11. Cezar P. Consing	50	-	0.000002%
12. Gregorio T. Yu	1,000	-	0.000047%
13. Yvonne S. Yuchengco	26,100	-	0.001229%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes No

Identify the Chair and CEO

Chairman of the Board	Ms. Helen Y. Dee
CEO/President	Mr. Augusto P. Hidalgo

(b) Roles, Accountabilities and Deliverables

Define and clarify the **roles, accountabilities and deliverables** of the Chairman and CEO. *(Amended By-Laws, page 12, Section 11.Chairman, and page 13, Section 2. President)*

Definition	Chairman	Chief Executive Officer
Role	<p><i>He effectively manages the affairs of the Board.</i></p> <p><i>He exercises such powers which are given him by the company's By-Laws and such other duties customarily incident to the said office and those which may be prescribed by the Board of directors from time to time.</i></p> <p><i>Generally he ensures that the Board is effective in its tasks of setting and implementing the company's direction and strategy.</i></p>	<p><i>Generally the President shall be the Chief Executive Officer of the Corporation and shall be responsible for the effective management of the Company.</i></p> <p><i>He shall supervise and manage the internal organization and business affairs of the Corporation and ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control.</i></p>
Accountabilities	<p><i>Presiding at all meetings of the Stockholders and of the Board of Directors.</i></p> <p><i>Maintaining qualitative and timely lines of communication and information between the Board and Management.</i></p> <p><i>Holding board meetings in accordance with the by-laws or as he may deem necessary.</i></p>	<p><i>Upon authority granted by the Board of Directors the President:</i></p> <ul style="list-style-type: none"> <i>• signs deeds, bonds, contracts, or other instruments;</i> <i>• authorizes the purchase or acquisition of personal properties, furniture, fixtures, or other office equipments;</i> <i>• approves all expenses or disbursements authorized in the budget of the Corporation;</i> <i>• represents the Corporation in any negotiation which may be necessary to make in the usual course of business;</i> <i>• represents the Corporation in any judicial or administrative proceedings;</i> <i>• appoints and discharge employees occupying the positions authorized by the Board of Director; and</i> <i>• performs all other duties customarily incident to his office and as may be prescribed by the Board from time to time.</i>
Deliverables	<p><i>Meeting agenda prepared by the Corporate Secretary considers suggestions of the President, Management and the directors.</i></p> <p><i>Recommendations regarding the business of the Corporation is submitted for consideration of the</i></p>	<p><i>Submits and recommends for Board approval:</i></p> <ul style="list-style-type: none"> <i>• short and long range plans for the Corporation;</i> <i>• Balance Sheet, Profit and Loss Statement, Budget of administration</i>

Definition	Chairman	Chief Executive Officer
	<p><i>Board of Directors.</i></p> <p><i>He casts the deciding vote in case of a tie in the Stockholders or in the Board of Directors' meetings.</i></p>	<p><i>expenses; and</i></p> <ul style="list-style-type: none"> <i>Annual Report on the operation and condition of the Corporation.</i> <p><i>Executes all resolutions of the stockholders and the Board of directors.</i></p>

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Directors through its Nomination and Compensation Committee, reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions which includes the CEO/President and the top key management positions to ensure that only qualified, competent, honest and highly motivated officials are appointed. The Company also engages services of professional recruitment or reputable job placement agencies or organizations to source candidates for management and executive level jobs. (e.g. Head Hunters). (Revised Manual of Corporate Governance-page 15, Item 2, Nomination Committee)

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? YES. Please explain.

As stated in the amended By-Laws, Art. III, Section 2, (page 8) Qualification of Directors. "... Directors sitting in the Board shall be possessed of the necessary skills, competence and experience, in terms of management capabilities and preferably in the field of insurance or insurance-related disciplines..." Furthermore it is also stated therein that " Considering that the insurance business is imbued with public interest, the roles of the Chairman of the Board and Chief Executive Officer shall as a general rule not be combined to ensure a balance of power and authority, such that no person has unfettered decision making powers." (Amended By-Laws, page 8, 3rd paragraph)

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? YES. Please explain.

As already mentioned in the above policy, we have several non-executive directors who possess the competence and experience in the field of insurance or insurance-related disciplines. This can be gauged from the respective business experiences of the company's directors during the past five (5) years, as these are described in the appropriate section of the 2013 SEC Form 20-IS, Information Statement (pages 8-12).

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors: (Amended By-Laws, pages 10-13 and Revised Manual on Corporate Governance, pages 9-12)

Definition	Executive (CEO/President)	Non-Executive	Independent Director
Role	<p><i>Generally the President shall be the Chief Executive Officer of the Corporation and shall be responsible for the effective management of the Company.</i></p> <p><i>He shall supervise and manage the internal organization and business affairs of the Corporation and ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control.</i></p>	<p><i>A director's office is one of trust and confidence.</i></p> <p><i>Directors should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness.</i></p> <p><i>He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.</i></p> <p><i>In addition, an independent director identifies the most critical issues for the board to deal with and assist the board in achieving consensus on important issues.</i></p>	

Definition	Executive (CEO/President)	Non-Executive	Independent Director
Accountabilities	<p>Upon authority granted by the Board of Directors the President:</p> <ul style="list-style-type: none"> • signs deeds, bonds, contracts, or other instruments; • authorizes the purchase or acquisition of personal properties, furniture, fixtures, or other office equipments; • approves all expenses or disbursements authorized in the budget of the Corporation; • represents the Corporation in any negotiation which may be necessary to make in the usual course of business; • represents the Corporation in any judicial or administrative proceedings; • appoints and discharge employees occupying the positions authorized by the Board of Director; and • performs all other duties customarily incident to his office and as may be prescribed by the Board from time to time. 	<p>He shall observe the following norms of conduct:</p> <ul style="list-style-type: none"> • Conduct fair business transactions with the corporation and ensure that personal interest does not prejudice Board decisions; • Devotes time and attention necessary to properly discharge his duties and responsibilities; • Acts judiciously; • Exercises independent judgment; • Have working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation, By-laws, the requirements of the SEC, and where applicable the requirements of other regulatory agencies such as the IC; • Observes confidentiality; and • Ensures the continuing soundness, effectiveness and adequacy of the Company's internal control system. <p>Directors shall have the duty of preparing and actively participating in board meetings.</p> <p>Independent directors should always attend board meetings.</p>	
Deliverables	<p>Submits and recommends for Board approval:</p> <ul style="list-style-type: none"> • short and long range plans for the Corporation; • Balance Sheet, Profit and Loss Statement, Budget of administration expenses; and • Annual Report on the operation and condition of the Corporation <p>Executes all resolutions of the stockholders and the Board of directors.</p>	<p>The Board establishes the general policies and guidelines which will enable Management to render an effective management of the Company and as part of which undertakes to:</p> <ul style="list-style-type: none"> • Formulate company's <u>vision and mission</u>; • Approve and confirm management's <u>corporate strategies, major plans of actions, risk policy, annual budget and business plan</u>; • Adopts a <u>succession plan</u>; • Review annually the Company's <u>compliance with its Code of Corporate Governance</u>; • <u>Approve corporate policies on major areas of operations</u>, including Underwriting, Investments, Reinsurance Claims management and risk management; • Ensures the adequacy and effectiveness of the Company's <u>internal control and management information systems</u>; • Approves <u>annual budget and general expenses</u> upon recommendation of the President; and • Submits annually at regular General Meeting of Stockholders the <u>Balance Sheet, Profit and Loss Statement and Annual Report on the condition of the Corporation</u>. <p>(emphasis supplied)</p>	

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independent Director refers to a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having any relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from directors' fees and shareholdings, he should be independent of Management and free from any business or other relationships which could materially interfere with the exercise of his independent judgment. He must also possess all the qualifications and none of the disqualifications of an independent director provided under IC Circular Letter No. 31-2005, SRC Rule 38, the SEC Revised Code of Corporate Governance, and other relevant IC and SEC issuances and regulations. (Amended By- Laws- Article VI, Section 1, page 18)

Pursuant to the applicable rules and regulations of the IC and the SEC, independent directors are nominated and elected in the Annual Stockholders' Meeting and each director issues a certification confirming his independence within 30 days from his election. Messrs. Ermilando D. Napa, Romeo L. Bernardo and Medel T. Nera are currently the Company's Independent Directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company follows the SEC's guidelines on setting the term limit for an Independent Director.

The Company will formalize its policy which will be consistent with the related SEC Memorandum Circular 9, Series of 2011 on the Term Limits for Independent Directors, which took effect on January 2, 2012.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Roberto B. Crisol	ED	March 31, 2014	term expiration

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure: (Amended By- Laws, Article III, Board of Directors, pages 7-8 and Nomination and Election Rules- Nomination Committee, Nomination of Candidates, pages 1-3)

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (we have only one Executive Director who is also the President / CEO)	<ol style="list-style-type: none"> The Board thru its Nomination Committee pre-screens the qualifications of all nominees to the Board of Directors, taking into consideration the relevant issuances of the Insurance Commission and the Securities and Exchange Commission. [Nomination and Election Rules] Nominations for directors shall be made in writing and shall be delivered or mailed to the Chairman of the Board or Vice 	Qualifications of Regular Directors: <ul style="list-style-type: none"> Directors sitting on the Board must own at least one (1) share of the outstanding capital stock of the Corporation which share shall stand in his name in the books of the Corporation; Majority of directors must be residents of the Philippine; Directors sitting in the Board shall be possessed of the necessary skills, competence and experience, in terms of management capabilities and

Procedure	Process Adopted	Criteria
	<p><i>Chairman of the Board at the principal office of the Corporation, with the written consent of the nominees, at least sixty (60) days before the scheduled date of the annual stockholders' meeting. The Chairman or Vice Chairman of the Board shall forward or refer such nominations to the Nomination Committee. [Amended By-laws, Page 9, Section 4. Nomination of Directors]</i></p> <p>3. <i>Evaluation of Qualifications of Candidates- Before the annual stockholders' meeting, the Committee shall convene for the purpose of evaluating the qualifications of the nominees for directors of the Corporation. The Committee shall thereafter prepare the final list of qualified candidates. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting. [Nomination and Election Rules]</i></p> <p>4. <i>The election of directors shall be by secret ballot. Cumulative voting shall be allowed and each shareholder shall have the right to vote in person or by proxy the number of shares standing in his name at record date. He may also 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 him shall not exceed the number of shares</i></p>	<p><i>preferably in the field of insurance or insurance-related discipline;</i></p> <ul style="list-style-type: none"> • <i>He must possess all the qualifications and none of the disqualifications of regular directors under the IC Code of Corporate Governance as provided in the Guidelines for Nomination of Directors; and [Nomination and Election Rules, Annex A- Guidelines for the Nomination of Directors]</i> • <i>The Board of directors may provide for additional qualifications of a director, such as but not limited to the following: (a) educational attainment, (b) adequate competency and understanding of the business, (c) integrity, credibility and probity, and (d) assiduousness or diligence. [Amended By-Laws, Page 8, Section 2. Qualifications of Directors.]</i>

Procedure	Process Adopted	Criteria
	<p>owned by him as shown in the books of the Corporation multiplied by the total number of directors to be elected. Provided further, that no delinquent stock shall be voted. Candidates receiving the highest number of votes shall be declared elected. [Amended By-Laws, Page 6, Section 7. Election of Directors]</p> <p>5. "At the organizational meeting of the Board of Directors, the Board shall elect the President from among the members of the Board." [Amended By-Laws, Article IV, Officers, Section 1, Page 13]</p>	
(ii) Non-Executive Directors	<i>(Process adopted is similar as stated above)</i>	<i>(Same criteria provided above)</i>
(iii) Independent Directors	<i>(Process adopted is similar as stated above)</i>	<p><i>Additional Qualifications of Independent Directors- apart from the qualifications set forth above:</i></p> <ul style="list-style-type: none"> • <i>a candidate for independent director must be independent of the Corporation's management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation.</i> • <i>He should satisfy the definition, possess the qualifications and none of the disqualifications as provided by the Insurance Code and the SRC Rule 38 on the requirements on nomination and election of Independent Directors. [Nomination and Election Rules, Annex A- Guidelines for the Nomination of Directors]</i>
b. Re-appointment		
(i) Executive Directors	<i>The President and CEO is a regular employee of the company, effective April 01, 2014. He is subject to election of directors on Annual Stockholders' Meeting.</i>	<i>His performance is evaluated by the Nomination and Compensation Committee .</i>
(ii) Non-Executive Directors	<i>The process for initial selection or appointment is likewise adopted for re-appointments.</i>	<i>The same criteria mentioned above for selection/ appointment is likewise observed for re-election of directors.</i>
(iii) Independent Directors	<i>The process for initial selection or</i>	<i>The same criteria mentioned above</i>

Procedure	Process Adopted	Criteria
	<i>appointment is likewise adopted for re-appointments.</i>	<i>for selection/ appointment is likewise observed for re-election of directors.</i>
c. Permanent Disqualification		
(i) Executive Directors	<p><i>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors.</i></p> <p><i>It shall pre-screen the qualifications of all nominees to the Board of Directors, taking into consideration the relevant issuances of the Insurance Commission and the Securities and Exchange Commission. [Nomination & Election Rules, page 1]</i></p>	<p><u><i>Permanent Disqualifications</i></u></p> <ol style="list-style-type: none"> 1. <i>Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;</i> 2. <i>Persons who have been convicted by final judgment of the court for violation of insurance laws;</i> 3. <i>Persons who have been judicially declared insolvent, spendthrift or unable to enter into a contract; or</i> 4. <i>Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission; [Nomination & Election Rule, Annex A, Guidelines in the Evaluation of the Qualifications of Nominees for Regular and Independent Directors, pages 15-20]</i> 5. <i>Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</i> 6. <i>Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations, or misconduct enumerated in subparagraphs above; and</i> 7. <i>Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years; or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment. (Revised Manual of Corporate Governance, pages 6-8)</i>
(ii) Non-Executive Directors	<i>(Same process adopted above for Executive Directors.)</i>	<i>(Same criteria for permanent disqualifications, as stated above for Executive Directors)</i>

Procedure	Process Adopted	Criteria
(iii) Independent Directors	<i>(Same process adopted above for Executive Directors.)</i>	<p><i>(Same criteria for permanent disqualifications, as stated above for Executive Directors)</i></p> <p><u><i>Disqualifications of Independent Directors.</i></u> <i>The disqualifications of an independent director shall be as provided for under SEC Revised Code of Corporate Governance, the Securities Regulation Code and its Amended Implementing Rules and Regulations, and such other relevant issuances of the SEC and IC. [Amended By-Laws, Article VI, Section 3. Disqualifications of Independent Directors and Revised Manual of Corporate Governance]</i></p> <p>He shall likewise be disqualified during his tenure under the following instances or causes:</p> <ol style="list-style-type: none"> 1. He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under Section II (5) of the Code of Corporate Governance; 2. His beneficial security ownership exceeds two (2) percent of the outstanding capital stock of the company where he is such director; 3. Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency; 4. Such other disqualifications which the covered company's Manual of Corporate Governance provides; and 5. A securities broker-dealer is likewise disqualified from sitting as an independent director of listed companies and registered issuers of securities. <i>[Nomination and Election Rules, pages 19-21]</i>
d. Temporary Disqualification		
(i) Executive Directors	<p><i>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors.</i></p> <p><i>It shall pre-screen the qualifications of all nominees to the Board of Directors, taking into consideration</i></p>	<p><i>Any of the following shall be a ground for the <u>temporary disqualifications</u> of a director:</i></p> <ol style="list-style-type: none"> 1. <i>Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules and</i>

Procedure	Process Adopted	Criteria
	<p><i>the relevant issuances of the Insurance Commission and the Securities and Exchange Commission. [Nomination & Election Rules, page 1]</i></p>	<p><i>Regulations, and the disqualification shall be in effect as long as the refusal persists;</i></p> <ol style="list-style-type: none"> <i>2. Absence in more than fifty (50) percent of all regular and special meetings of the board during his incumbency or any twelve months during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident;</i> <i>3. Dismissal or termination for cause as director of any corporation covered by this Code;</i> <i>4. Beneficial equity ownership of an independent director in the corporation or its subsidiary exceeds two (2) percent of its subscribed capital stock;</i> <i>5. If any of the judgment or orders cited in the grounds for permanent disqualifications has not yet become final; and</i> <i>6. A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</i> <p><i>[Page 8, Manual of Corporate Governance]</i></p>
(ii) Non-Executive Directors	<i>(Same process stated above for Executive Directors is adopted.)</i>	<i>(Same criteria for temporary disqualifications, as stated above for Executive Directors is adopted.)</i>
(iii) Independent Directors	<i>(Same process stated above for Executive Directors is adopted.)</i>	<i>(Same criteria for temporary disqualifications, as stated above for Executive Directors' is adopted.)</i>
e. Removal		
(i) Executive Directors	<p><i>(Same process stated above for Executive Directors is adopted.)</i></p> <p><i>Vacancy in the Board. Any vacancy in the Board of Directors, other than those caused by removal by the stockholders or expiration of term, shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office. [Amended By-Laws, Section 3. Vacancy in the Board,</i></p>	<p><i>He possesses any of the criteria enumerated for permanent disqualifications, as stated above.</i></p>

Procedure	Process Adopted	Criteria
	<i>pages 8-9]</i>	
(ii) Non-Executive Directors	<i>(same process as stated above is adopted)</i>	<i>He possesses any of the criteria enumerated for permanent disqualifications, as stated above.</i>
(iii) Independent Directors	<p><i>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors [Nomination & Election Rule]</i></p> <p><i>The termination and cessation of an Independent director shall be governed by the provisions of SEC Memorandum Circular 2, otherwise known as the Code of Corporate Governance, the Securities Regulation Code and its Amended Implementing Rules and Regulations, and such other relevant issuances of the Securities and Exchange Commission and the Insurance Commission. [Amended By-Laws, Article VI, Section 4, pages 18-19]</i></p>	<i>He possesses any of the criteria enumerated for permanent disqualifications, as stated above.</i>
f. Re-instatement		
(i) Executive Directors	<i>(Same process as stated above in the selection/appointment and re-election of both regular and independent directors is adopted.)</i>	<i>(Same criteria is used as stated above in the selection/appointment and re-election of both regular and independent directors is adopted.)</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	<i>(Same process as stated above in the removal of both regular and independent directors is adopted.)</i>	<i>(Same criteria are used as stated above in the removal of both regular and independent directors are adopted.)</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting (held last July 7, 2014)

The number of nominees for directors is 13 and this equals the number of board seats available. 1,567,066,700 votes each were received by Ms. Helen Y. Dee, Mr. Robert G. Vergara, Mr. Augusto Hidalgo, Ms. Yvonne S. Yuchengco, Mr. Cezar P. Consing, Mr. Jose Teodoro K. Limcaoco, Mr. Gregorio T. Yu, Mr. Rafael G. Ayuste, Jr., Mr. Roman Felipe S. Reyes, Mr. Rafael C. Gallaga, Mr. Romeo L. Bernardo, Mr. Ermilando D. Napa and Mr. Medel T. Nera.

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The Company does not have a formal orientation program however, new directors are provided with reference reading materials to assist them in understanding better the business and operations of the Company. Further, the President also conducts annual in-house training for new directors to provide them an overview of the reinsurance business which includes both the Non-Life and Life insurance operations. Among the reading materials provided are: (1) Audited Financial Statements, (2) SEC Form 20-IS- Information Statement/ Annual Report, (3) Revised Manual of Corporate Governance, (4) Amended Articles of Incorporation, (5) Amended By-laws, (6) Code of Ethics and Code of Conduct, (7) Definitive Information Statement, (8) Board Committee Charters, (9) Minutes of Annual Stockholders' Meeting, (10) Other relevant write-ups, references or insurance industry reports.

(b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years: (2010 to 2012)

Name of Director/Officer	Date of Training	Program	Name of Training Institution
1) Robert G. Vergara	March 1, 2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
3) Ermilando D. Napa	December 1, 2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
4) Medel T. Nera	June 1-2, 2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
5) Yvonne S. Yuchengco	July 12, 2012	Munich Re Regional CEO Forum	Munich Re
	May 3-4, 2012	ADB 45 th Annual Conference	ADB
	April 1-3, 2012	BOAO Conference-Haikou, China	
	October 1-5, 2011	22 nd FAIR Conference- Cairo, Egypt	FAIR
	September 13, 2011	9 th MAP International CEO Conference	MAP
	August 11-12, 2011	Investor in People Leadership Training	
	July 22, 2011	ADB Policy & Technical Training on Implementing Disaster Risk	Insurance Commission
	September 2-3, 2010	ING Annual Conference-Hongkong	ING
	July 9-10, 2010	Enneagram Seminar	Exec. Lounge, Mapua, Makati
	May 20-21, 2010	10 th Marketing Driving Strategies	Mr. Josiah Go
April 28, 2010	7 th Philippine Nonlife Insurance Summit		
April 8-11, 2010	BOAO Forum for Asia Annual Conference 2010- China		

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. (2013 and current)

Name of Director/Officer	Date of Training	Program	Name of Training Institution
1. Helen Y. Dee (Chairperson)	December 4, 2014	Corporate Governance: What to Expect from the SEC	PLDT
	December 4, 2014	Corporate Governance Trends and Current Topics in Developed Economies and their Application in the Philippines and Other ASEAN Countries	PLDT

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	March 22, 2014	Corporate Governance	SGV & Co.
2. Robert G. Vergara (Vice Chairman)	March 22, 2014	Corporate Governance	SGV & Co.
3. Augusto Hidalgo (Director / President & CEO)	Nov. 2-6, 2014	27 th East Asian Insurance Congress (EAIC)	East Asian Insurance Congress / EAIC Secretariat
	Oct. 15-18, 2014	20 th Indonesia Rendezvous 2014	Asosiasi Asuransi Umum Indonesia
	Sept. 4-5, 2014	12 th Conference on Catastrophe Insurance in Asia	Asia Insurance Review
	August 28-30, 2014	14 th Asian Reinsurers' Summit (ARS)	China Reinsurance (Group) Corp.
	June 5-6, 2014	37 th Meeting of the Counsel of Members, 8 th Shareholders' Assembly	Asian Reinsurance Corp.
	May 19, 2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation Insurance Philippines
	April 23, 2014	Philippine General Insurance Summit	Singapore Reinsurer's Association, Singapore
	November 5-7, 2013	12 th Singapore International Reinsurance Federation of Afro-Asian Insurers and Reinsurers (F.A.I.R.) 23 rd Conference	China Reinsurance (Group) Corporation, Beijing China
	September 16-19, 2013	First Asia Conference on M & A in Insurance	Asia Insurance Review, Singapore
September 5-6, 2013			
4. Gregorio T. Yu (Director)	March 22, 2014	Corporate Governance	SGV & Co.
5. Medel T. Nera (Independent Director)	March 22, 2014	1) Corporate Governance	SGV & Co.
	December 6, 2013	2) Professional Directors Program – Policy Module	Institute of Corporate Directors
	December 5, 2013	3) Professional Directors Program – Strategy Module	Institute of Corporate Directors
	September 13, 2013	4) Professional Directors Program – Accountability Module	Institute of Corporate Directors
September 12, 2013	5) Professional Directors Program – Monitoring Module	Institute of Corporate Directors	
6. Ermilando D. Napa (Independent Director)	November 25, 2014	Corporate Governance for GOCCs	Institute of Corporate Directors
	March 22, 2014	Corporate Governance	SGV & Co.
	July 3-4, 2013	Board Director's Guide for Audit	Center for Global Best Practices
7. Jose Teodoro K. Limcaoco (Director)	April 29, 2014	1) Distinguished Corporate Governance Speaker Seminar	Institute of Corporate Directors
	February 28 - March	2) Asia Retail Banking CEO	McKinsey & Company

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	1, 2013	Roundtable 2013	
8. Romeo L. Bernardo (Independent Director)	February 4, 2014	Corporate Governance and Risk Management Summit	Institute of Corporate Directors
9. Yvonne S. Yuchengco (Director)	September 16, 2014 May 17, 2014 March 22, 2014 August 27, 2013 September 13, 2013	Growth Hacking Customer Service Forum Creating Advantage Through Governance Corporate Governance Seminar Critical Analysis Executive Session on Directions for Malayan Insurance	SGV & Co. SEC
10. Rafael G. Ayuste (Director)	September 17-19, 2014 June 27, 2014 March 18-20, 2014 May 15-16, 2013	2014 Annual Investment Conference in Tokyo Corporate Governance Private Banking Asia 2014 (Asian Family Office Forum 2014) Indexation and Passive Investment Conference and Global Institutional Investment Conference	Risk, Opportunities, Assessment & Management (RAM), Inc. Private Banking Asia EDHEC Risk Institute
11. Roman Felipe S. Reyes (Director)	May 19, 2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
12. Rafael C. Gallaga (Director)	June 27, 2014	Corporate Governance	Risk, Opportunities, Assessment and Management (ROAM), Inc.
13. Cezar P. Consing (Director)	February 4, 2014	Corporate Governance and Risk Management Summit	Institute of Corporate Directors
14. John E. Huang (Officer)	April 29, 2014	Distinguished Corporate Governance Speaker Seminar	Institute of Corporate Directors
15. Victor R. Tanjuakio (Officer)	November 27-28, 2014	Corporate Governance Orientation Program	Institute of Corporate Directors
16. Alexander L. Reyes (Officer)	November 27-28, 2014	Corporate Governance Orientation Program	Institute of Corporate Directors

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<i>Directors, Senior Management and Employees shall avoid any activity and interest that could significantly affect the objective or effective performance of duties and responsibilities in the company, including business interests or unauthorized employment outside the company, the receipt from and giving of gifts of unusually high value to persons or entities with whom the Company relates, as well as insider dealing. They shall base all business decisions and actions on the best interests of the company. Whenever opportunities arise, constantly advance the Company's legitimate interest.</i>		
(b) Conduct of Business and Fair Dealings	<p><i>In competition and fair dealings, the company's Directors, Senior Management and Employees, shall:</i></p> <ul style="list-style-type: none"> • <i>not take unfair advantage of anyone through manipulation, collusion, concealment, abuse of privileged information, or misrepresentation of material fact;</i> • <i>not make false statements against competitors, their products and/or services;</i> • <i>exercise reasonable and prudent professional judgment when dealing with clients; and</i> • <i>deal fairly with the Company's customers, service providers, suppliers, competitors and employees.</i> 		
(c) Receipt of gifts from third parties	<i>Everybody is enjoined to avoid the receipt from and giving of gifts of unusually high value to persons or entities with whom the company relates.</i>		
(d) Compliance with Laws & Regulations	<i>Directors, officers and employees shall uphold right conduct and shall personally adhere to the norms and restrictions imposed by applicable laws, rules and regulations. They shall not accept demands brought on by prevailing business conditions or perceived pressures as excuses to violate any law, rule or regulation.</i>		
(e) Respect for Trade Secrets/Use of Non-public Information	<i>Directors, Officers and employees shall maintain and safeguard the confidentiality of information entrusted by the Company, customers, business partners or such other parties with whom the Company relates, except when disclosure is authorized or legally mandated. They should not trade 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.</i>		
(f) Use of Company Funds, Assets and Information	<i>Directors, Officers and Employees shall use company property and resources including company time, supplies and software, efficiently, responsibly and only for legitimate business purposes only. They shall safeguard company assets from loss, damage, misuse or theft and shall respect intellectual property rights.</i>		
(g) Employment & Labor Laws & Policies	<p><i>Employment in the Company signifies willingness and commitment to perform according to standards set by management and to abide by all the policies and procedures as well as rules and regulations of the Company.</i></p> <p><i>The Company has an Employees' Manual of Policies and Procedures which provides for employee rights, obligations and sets policies on employee-related matters to ensure uniformity and consistency in the interpretation and implementation of Human Resources Policies and Programs, which are consistent with and in accordance with relevant provisions of the Labor Code.</i></p>		
(h) Disciplinary action	<i>Any officer or employee who commits a violation of the Code of Ethics shall be subject to disciplinary action (including termination), without prejudice to any civil or criminal proceedings that the Company or regulators may file for violation of existing law. There shall be no exception from or waivers of any provision of this Code of Ethics, except as expressly approved by the Board of Directors.</i>		
(i) Whistle Blower	<i>Illegal or unethical behavior by a colleague or co-employee, regardless of his or her level of authority, should not be condoned. It is the responsibility of each employee to report legitimate concerns so that problems can be properly resolved and</i>		

Business Conduct & Ethics	Directors	Senior Management	Employees
	corrective measures instituted. An officer or employee or employee who becomes aware of any violation on Code of Ethics should immediately notify his Department / Division Head. The Division / Department Head shall in turn immediately inform the Human Resources Department (HRD). HRD shall conduct or manage the necessary actions or investigation of any reported violations of this Code. In case Senior Management or any Board Member is involved, the same shall be referred to Audit Committee.		
(j) Conflict Resolution	The Audit Committee will handle resolution of reported illegal or unethical behavior involving Senior Management or any Board Member. The Audit Committee may ask assistance from Internal Audit and Human Resources Department (HRD) to conduct investigation of subject illegal acts or activities to further support subject reports and findings.		

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. For the proper implementation and monitoring of the Code of Ethics and Rules of Conduct, these were distributed to the directors, senior management and employees of the company, who signified that they received, read and understood these Codes. These are also uploaded in the Company's website for information and guidance of parties concerned.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

A copy of the Code of Ethics and Rules of Conduct was distributed to all Directors, Senior Management and Employees for strict compliance and they have signified that they have received, read and understood subject Code. It is the responsibility of each employee to report legitimate concerns so that problems can be properly resolved and corrective measures instituted. An officer or employee who becomes aware of any violation of this Code should immediately notify his Department/Division Head. The Department/Division Head shall in turn immediately inform the HRD. The Company's HRD shall conduct or manage the necessary actions or investigation of any reported violations of this Code. In case Senior Management or any Board Member is involved, the same should be referred to the Audit Committee.

Generally, the HRD shall be responsible for Company-wide implementation and monitoring of compliance with this Code.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company does not have any parent company, joint venture arrangement and any subsidiary.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	Overlapping interests in the company shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed. Related party transactions shall be disclosed fully to the Board. Prior board approval shall be obtained for related party transactions.
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	Related party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the Corporation, its
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

Related Party Transactions	Policies and Procedures
	<i>stockholders, creditors, policyholders and claimants. [Revised Manual of Corporate Governance, f.3 Related Party Transactions, pages 22-23]</i>

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

		Details of Conflict of Interest (Actual or Probable)
1.	Bank of Philippine Islands	<i>Though there may seem to be an 'actual or probable' conflict of interest due to the nature of our reinsurance business exchanges, we fully disclosed all our related party transactions with subject significant stockholders, as subject transactions are conducted on terms that are comparable to normal commercial practices.</i>
2.	Government Service Insurance System	
3.	MICO Equities Inc.	<i>None</i>
4.	Helen Y. Dee	<i>No related party transaction with subject director/officer, other than the Per Diem received for attendance at Board Meeting.</i>
5.	Robert G. Vergara	
6.	Gregorio T. Yu	
7.	Cezar P. Consing	
8.	Augusto P. Hidalgo	
9.	Yvonne S. Yuchengco	
10.	Ermilando D. Napa	
11.	Jose Teodoro K. Limcaoco	
12.	Romeo L. Bernardo	
13.	Roman Felipe S. Reyes	
14.	Medel T. Nera	
15.	Rafael C. Gallaga	
16.	Rafael G. Ayuste, Jr.	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

		Directors/Officers/Significant Shareholders
Company		<i>PhilNaRe promotes a culture of good corporate governance by formally adopting a 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. Violations of the Code shall be subject to disciplinary action, without prejudice to any civil or criminal proceedings that the Company or regulators may file for violation of existing laws. In case Senior Management or any Board member is involved, the same will be referred to the Audit Committee for guidance on actions or investigations to be conducted for the proper resolution of subject findings or violation.[Code of Ethics]</i> <i>In compliance with disclosure requirements of related accounting standards and the Securities Regulation Code reporting requirements, we promptly and properly disclose to the public all material information, including all related party transactions through detailed disclosures provided in the related Notes to financial statements (Note 19. Related Party Transactions), SEC Form 17-A, Annual Report and SEC's Form 20-IS, Definitive Information Statement under item (j). Certain Relationships and Related Transactions.</i>
Group <i>(This pertains to Directors, officers and significant shareholders)</i>		

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
There is nothing to report.		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Bank of Philippine Islands	<i>Business</i>	<i>Investment Management and Custodianship Agreement</i>
Government Service Insurance System	<i>Business</i>	<i>Reinsurance business exchanges as ceding company and reinsurer.</i>
MICO Equities Inc.	<i>None</i>	<i>Not applicable</i>

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>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.</i>		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	<i>The Board of Directors shall establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders and the corporation and third parties, including the regulatory authorities. [Page 11, Revised Manual of Corporate Governance]</i>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

During the annual organizational meeting held right after the annual stockholders' meeting, schedule of monthly board meetings is already set, which currently is held every third Thursday of the month.

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	1. Helen Y. Dee	July 07, 2014	12	9	75%
Vice-Chairman	2. Robert G. Vergara	July 07, 2014	12	11	92%
Regular Director	3. Augusto Hidalgo ¹	July 07, 2014	9	9	100%
Regular Director	4. Rafael G. Ayuste, Jr.	July 07, 2014	12	9	75%
Independent Director	5. Romeo L. Bernardo	July 07, 2014	12	12	100%
Regular Director	6. Rafael C. Gallaga ²	July 07, 2014	6	4	67%
Regular Director	7. Cezar P. Consing ²	July 07, 2014	6	6	100%
Regular Director	8. Jose Teodoro K. Limcaoco	July 07, 2014	12	9	75%
Independent Director	9. Ermilando D. Napa	July 07, 2014	12	11	92%
Independent Director	10. Medel T. Nera	July 07, 2014	12	12	100%
Regular Director	11. Gregorio T. Yu	July 07, 2014	12	12	100%
Regular Director	12. Yvonne S. Yuchengco	July 07, 2014	12	11	92%
Regular Director	13. Roman Felipe S. Reyes	July 07, 2014	12	10	83%

¹ Appointed by the Board last April 2014

² Elected during the annual stockholders' meeting on July 07, 2014

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? YES. If yes, how many times?

As there are matters of concern that need to be discussed in an executive session, the non-executive directors request the President and other senior management officials present during the regular board meeting to be excused from the board room so they can conduct their executive session accordingly. On the average, this executive session is done at least twice a year or even more as the need arises.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? NO. Please explain.

The Company's amended By-Laws state under Article III, Section 7. Quorum. 'At all meetings of the Board of Directors, a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of the business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors...' (emphasis supplied)

5) Access to Information

(a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

Notice of the meeting, agenda and reference materials, presentations and other related reports are required to be sent to the members of the Board of Directors at least five days prior to the date of the meeting. [SEC Form 20-IS Preliminary Information Statement, Policies and Implementing Rules Related to Corporate Governance, Page 54, Item 2]

(b) Do board members have independent access to Management and the Corporate Secretary? YES

(c) State the policy on the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? YES

The Corporate Secretary who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation and as such is responsible for: safekeeping and preserving the integrity of Board Minutes of Meetings; working fairly and objectively with the Board, Management and stockholders; informing members of the Board, in accordance with the by-laws, meeting agenda; ensuring that all Board procedures, rules and

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

regulations are strictly followed by the members; keeping them updated regarding relevant statutory and regulatory changes which impacts their respective roles and responsibilities as members of the Board.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? YES.

Please explain should the answer be in the negative.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive	Notice of the meeting and related Agenda and presentation materials (if any), are sent at least three days before the scheduled meeting date.
Audit	
Nomination and Compensation	
Risk Management	
Underwriting	
IT Special Board	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details: Generally, the members, either individually or as a Board, in furtherance of their duties and responsibilities, have access to independent professional advice at the corporation's expense.

Procedures	Details
<ul style="list-style-type: none"> Seeking legal advice/opinion 	Refer to the Corporate Secretary or legal counsel for advice and guidance on possible legality or implications.
<ul style="list-style-type: none"> Seek independent opinion on financial matters and related regulatory concerns. 	Refer to the external auditors for proper guidance on the correct accounting treatment and other financial statement disclosure requirements.
<ul style="list-style-type: none"> Seeking guidance or clarification on application system- I.T. related matters 	Refer to I.T. solution providers/consultants.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change: The amendments to the company's Articles of Incorporation and By-laws were approved on July 20, 2012 and following are the changes made:

Existing Policies	Changes	Reason
1. Number of Directors is eleven (11).	To increase the number of directors from 11 to 13. [Amended Articles of Incorporation, Article Sixth]	Increasing the number of directors provide additional representatives to the Company's Board of Directors and this translates to having more experienced and competent directors guiding and providing Management with valuable insights and corporate strategies to help generate sustainable value for

Existing Policies	Changes	Reason
		shareholders. Furthermore, with this increased number of board seat, the minimum number of independent directors is fixed to three.
2. Title page does not mention the trade name PhilNaRe	Title page of the Amended By-Laws, to add the trade name PhilNaRe	For consistency in both the Articles of Incorporation and the Company's By-Laws
3. Schedule of the annual meeting <u>from the fourth Monday of June of each year.</u>	To change the schedule of the annual meeting <u>to the fourth Wednesday of June of each year.</u> [Amended By-Laws, Article II, Section 1]	This is intended to give Management sufficient time to prepare for the annual stockholders' meeting.
4. Submission of proxies in connection with stockholders' meetings to the corporate secretary <u>not later than five (5) calendar days prior to the stockholders meeting.</u>	Submission of proxies in connection with stockholders meetings to the corporate secretary is <u>not later than ten (10) calendar days prior to the date of stockholders' meeting.</u> [Amended By-Laws, Article II, Section 5]	This is in accordance with SRC Rule 20 (11) (b) (viii) which provides that "If the by-laws provide for a cut-off for the submission of proxies, the same should be strictly followed. In the absence of a provision in the by-laws fixing a deadline, proxies shall be submitted not later than ten (10) days prior to the date of the stockholders' meeting".
5. Nomination of directors should be submitted to the Chairman / Vice Chairman <u>at least ten (10) business days prior to the meeting.</u>	Nomination of directors should be submitted to the Chairman / Vice Chairman <u>at least sixty (60) days prior to the meeting.</u> [Amended By-Laws, Article III, Section 4]	The foregoing amendment is intended to provide the Nomination Committee sufficient time to evaluate the qualifications of nominees for directors and confirm that such nominees do not possess any of the disqualifications under the relevant issuances of the Insurance Commission and the Securities and Exchange Commission.
6. At the organization meeting of the Board of Directors, Treasurer shall be elected from among the members of the Board.	Removal of the requirement that the Treasurer should be elected from among the members of the Board. [Amended by Laws, Article IV, Section 1]	Since the law does not require that the Treasurer should be elected by the Board from among the members of the Board, the foregoing amendment will enable the Corporation to ensure that the Treasurer to be elected will have the necessary qualifications and time demanded by the position of Treasurer.
7. The Board of Directors, by a majority vote thereof, and the owners of at least a majority of the outstanding capital stock, at a regular or special meeting duly called for the purpose, may amend or repeal	Delegation to the Board of the power to amend the by-laws as necessary. [Amended By-Laws, Article III, Section 2, page 20]	In accordance with Section 48 of the Corporation Code, the owners of 2/3 of the outstanding capital stock of the Corporation may delegate to the Board of Directors the power to amend or repeal the by-laws or adopt new by-laws, provided, however, that any

Existing Policies	Changes	Reason
<p><i>these By-Laws or adopt new By-Laws. The owners of two-thirds (2/3) of the outstanding capital stock may delegate to the Board of Directors the power to amend or repeal these By-laws, or adopt new By-Laws; provided, that any power delegated to the Board of Directors to amend or repeal these By-Laws or adopt new By-Laws shall be considered as revoked whenever the stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting.</i></p>		<p><i>power delegated to the board to amend or repeal the by-laws or adopt new by-laws shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting.</i></p>
<p>8. To reflect specific principal office address of the Corporation</p> <p><i>Source: Amended Article of Incorporation, Approved by the SEC last August 5, 2014</i></p>	<p><i>Change of principal office of the Corporation from Metro Manila, Philippines to 31st Floor, Ayala Life-FGU Center, 6811 Ayala Avenue, Makati City, Philippines</i></p>	<p><i>As required by the SEC through its Memorandum Circular No. 6, Series of 2014, issued February 20, 2014</i></p>

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<i>Company Salary Structure, market rates used as a guide; salary adjustments based on performance and changes in responsibilities and authorities.</i>	
(2) Variable remuneration	None	
(3) Per diem allowance	None	
(4) Bonus	<i>Board approved bonus.</i>	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

Directors	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
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Directors	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<i>Follows Company's salary structure and benefit package and Board-approved rate/package.</i>	<i>Compensation / salary package is composed of basic monthly pay plus number of bonus months as approved by the Board.</i>	<i>Basic monthly salary is multiplied by the number of bonus months then divided by (Divisor) 261 days for daily rate factor, which is used in computing other benefits (e.g. sick leave, vacation leave, etc.)</i>
Non-Executive Directors	<p><i>Each director receives the following schedule of per diem for attendance in meetings of the Board of Directors/Committees:</i></p> <p><i><u>Board Meetings:</u> Chairman (P50,000), Vice- Chairman (P45,000), Independent Directors (P20,000), Regular Director (P17,000)</i></p> <p><i><u>Committee Meetings:</u> Independent Directors (P6,000), Regular Director (P5,000)</i></p> <p><i>The Corporation's 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 there from, 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 30 of the 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 after tax of the corporation during the preceding year."</i></p>		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? YES. Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
No change from the policy and scheme mentioned above and the same have been approved during the respective annual stockholders' meeting.	July 07, 2014
	June 25, 2013
	June 27, 2012
	June 30, 2011
	June 29, 2010
	June 22, 2009

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors & Other Officers*	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	P28,540,864	-	-
(b) Variable Remuneration	P 7,428,459	-	-
(c) Per diem Allowance	P 205,882	P 3,280,589	P 1,141,176
(d) Bonuses	P7,201,451	-	-

Remuneration Item	Executive Directors & Other Officers*	Non-Executive Directors (other than independent directors)	Independent Directors
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
Total	P43,376,656	P3,280,589	P1,141,176

Other Benefits	Executive Directors & Other Officers*	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	Php 225,392.47	-	-
(f) Hospitalization Plan	Php 216,808.00	Php 216,808.00	Php 81,303.00
(g) Car Plan	-	-	-
(h) Others (Specify)	-	-	-
Total	Php 442,200.47	Php 216,808.00	Php 81,303.00

* includes officers with the rank of Vice President and up

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<i>None of the Company's Common Shares are subject to outstanding options or warrants to purchase, or securities convertible into Common Shares of the Company.</i>				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
No amendment or discontinuance of any incentive program was introduced.		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Senior Management as a group (Executive Vice President, Senior Vice President and First Vice Presidents)*	Php 13,416,825.00

* includes the following officers:

- John E. Huang, Treasurer, Senior Vice President and Head, Financial Management;
- Roberto S. De Leon II, First Vice President and Head, Non Life Operations (resigned effective October 31, 2014)
- Amerfil V. Basco, Vice President and Head, Special Projects (resigned effective December 31, 2014);
- Regina S. Ramos, Vice President and Head, Risk and Compliance
- Alexander S. Reyes, Senior Vice President and Head, Claims

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit	-	-	3	Audit Committee Charter	To assist the Board in fulfilling its oversight responsibilities on (1) financial reporting process, (2) system of internal control, (3) external and internal auditors' independence, qualification and performance, (4) Company's process for monitoring compliance with laws and regulations and the code of conduct. [Audit Committee Charter, B. Purpose, Page 3]	Its key responsibilities focuses on areas pertaining to: (1) <u>Financial Statements</u> - generally reviews significant accounting and financial reporting issues and understands its impact on the financial statements, (2) <u>Internal Control</u> - considers effectiveness of the company's internal control system, including I.T. security and control; (3) <u>Internal Audit</u> - review the effectiveness of the internal audit function; and (4) <u>External Audit</u> - review and confirm independence of the external auditors.	It has the authority to: (1) Recommend the appointment and compensation of the independent external auditor; (2) Resolve any disagreements between management & the auditor regarding financial reporting; (3) Recommend approval of all auditing and audit-related services; (4) Conduct or authorized investigations into any matters within its scope of responsibility; (5) Retain independent counsel, accountants, or others to advise the Committee; (6) Seek any information it requires from Company Officers and employees; (7) Meet with company officers, external auditors or outside counsel as necessary. [Audit Committee Charter, C. Authority, page 3]

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
Nomination	-	4	1	Committee Charter still to be formalized.	<i>Reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other position requiring appointment by the Board and provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members. [Amended By-Laws, Article V, Board Committees, Section 4, page 17]</i>	<i>Pre-screens qualifications of all nominees to the Board of Directors; supervise and coordinate the conduct of elections of the Board; hear and decide election controversies, including, but not limited to, validation of proxies, appreciation of ballots, and election protests.</i>	<i>The Committee shall have the exclusive power to enforce and administer the Nomination and Election Rules of the Company. A majority of all members of the Committee shall constitute a quorum. The affirmative vote of a majority of the members present, there being a quorum, shall be sufficient to pass any motion, affirm any resolution, render any decision, or effectuate any other business, requiring the exercise of the Committee's discretion. [Nomination & Election Rules]</i>
Compensation	-	4	1	Committee Charter still to be formalized	<i>Provides oversight over remuneration of senior management and other key personnel. [Revised Manual of Corporate Governance, page 15]</i>	<i>Establish a formal and transparent procedure for developing a policy on executive remuneration, and for fixing the remuneration packages of corporate officers and directors.</i>	<i>Make recommendations to the Board on matters pertaining to remuneration and compensation packages of corporate officers and directors, after conducting review and evaluation.</i>
Risk Management	1	4	3	Risk Management Charter	<i>Assist the Board in its development and oversight role relative to the Company's risk management program. [Revised Manual of Corporate Governance, page 15]</i>	<i>Be aware of the risks that threatens the company's existence, strategy, goals and objectives; oversee the development of a risk management plan ; review and evaluate effectiveness of</i>	<i>The Committee has an oversight role on the company's risk management program and after reviewing and evaluating, makes recommendation to the Board for approval on matters relating to risk</i>

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
						the risk management process / program to ensure that the key risks to which the company is exposed are managed accordingly.	management.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Starting June 2009, the Executive Committee was no longer set up since specific board committees are already in place with their respective oversight role on key business areas such as: <i>Underwriting, Investment & Budget, Risk, Audit, Nomination & Compensation and I.T. Special Board</i> and each reporting to the Board on significant matters arising from their respective area of responsibility.					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Ermilando D. Napa	July 2014	8	8	100%	3
Member (ID)	Romeo L. Bernardo	July 2014	8	7	88%	3 ¹
Member (ID)	Medel T. Nera	July 2014	8	8	100%	3

¹ Reckoned from the election immediately following January 2, 2012

Disclose the profile or qualifications of the Audit Committee members.

Ermilando D. Napa, Independent Director since June 2011. Mr. Ermilando D. Napa is presently the President and CEO and Vice-Chairman of the Board of Directors of the Philippine Export-Import Credit Agency (PhilEXIM), also known as the Trade and Investment Development Corporation of the Philippines (TIDCORP), a government financial institution attached to the Department of Finance. He is the Founding CEO of Manila Consulting and Management Co., Inc., Century Woods, Inc., and Catanauan Resources and Development Corporation. Currently, Mr. Napa is an Independent Director at the National Reinsurance Corporation of the Philippines (PhilNaRe or NRCP) and the CIIF Oil Mills Group. He is the Chairman of the Audit Committee of PhilNaRe and CIIF Oil Mills, as well as a Member of the Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC). His previous professional experience include being a 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 Deloitte Haskins & Sells International), and a Manager of Arthur Andersen in New York. In 2013, he was appointed as Conservator of the NLIC. 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. 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).

Romeo L. Bernardo, Independent Director since June 2006. 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 the 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.

Medel T. Nera, Independent Director since July 2011. Mr. Medel T. Nera is the President and CEO of House of Investments, Inc. 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 Rizal Commercial Banking Corporation and Seafront Resources Corp. He was a former senior partner of SyCip, Gorres, Velayo and Co., CPAs (SGV) where he served as Financial Services Practice Head. He also serves as Director and Treasurer of CRIBS Foundation Inc. 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.

Describe the Audit Committee’s responsibility relative to the external auditor.

The Audit Committee recognizes its responsibility in confirming personal identification and professional qualifications of the company’s independent external auditor. It reviews the proposed scope and approach in the annual audit and special engagements, including coordination of audit effort with internal audit and the terms of engagements. It conducts due diligence checks with guidance from SEC and IC requirements on independent auditors for publicly listed insurance companies, maintains complete documentation of selected independent auditor’s accreditation certifications, and performs an annual evaluation of its independent auditor together with key Company officers. On a regular basis, it meets separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

(c) Nomination and Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Robert G. Vergara	July 2014	2	2	100%	3
Vice Chairperson	Yvonne S. Yuchengco	July 2014	2	2	100%	7
Member (NED)	Cezar P. Consing	July 2014	2	0	0%	0.5
Member (ID)	Ermilando D. Napa	July 2014	2	2	100%	3
Member (NED)	Rafael C. Gallaga	July 2014	2	2	100%	0.5

(d) Risk Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Medel T. Nera	July 2014	1	1	100%	3
Vice Chairman (ID)	Romeo L. Bernardo	July 2014	1	1	100%	5
Member (NED)	Gregorio T. Yu	July 2014	1	0	0%	3
Member (ID)	Ermilando D. Napa	July 2014	1	1	100%	3
Member (NED)	Helen Y. Dee	July 2014	1	0	0%	4
Member (NED)	Jose Teodoro K. Limcaoco	July 2014	1	1	100%	5
Member (ED)	Augusto Hidalgo	July 2014	1	1	100%	0.75
Member (NED)	Rafael C. Gallaga	July 2014	1	1	100%	0.5
Advisor	Noel A. Laman	July 2014	1	1	100%	5

(e) Others – Investment and Budget Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jose Teodoro K. Limcaoco	July 2014	4	4	100%	5
Vice Chairman	Yvonne S. Yuchengco	July 2014	4	4	100%	7

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (NED)	Cezar P. Consing	July 2014	4	4	100%	0.5
Member (ID)	Medel T. Nera	July 2014	4	1	25%	2.5
Member (NED)	Rafael G. Ayuste, Jr.	July 2014	4	4	100%	2.5
Member (NED)	Gregorio T. Yu	July 2014	4	3	75%	3

(f) Others – Underwriting Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Helen Y. Dee	July 2014	-	-	-	4
Vice Chairman	Cezar P. Consing	July 2014	-	-	-	0.5
Member (NED)	Rafael C. Gallaga	July 2014	-	-	-	5
Member (NED)	Roman Felipe S. Reyes	July 2014	-	-	-	1.08
Ex-Officio Member	Joli Co Wu	July 2014	-	-	-	5

(g) Others- I.T. Special Board Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Medel T. Nera	July 2014	2	2	100%	2.5
Vice Chairman (ID)	Romeo L. Bernardo	July 2014	2	2	100%	5
Member (NED)	Helen Y. Dee	July 2014	2	1	50%	4
Member (NED)	Roman Felipe S. Reyes	July 2014	2	1	50%	1.08
Member (ID)	Ermilando D. Napa	July 2014	2	2	100%	3
Ex-Officio Member	Joli Co Wu	July 2014	2	1	50%	5

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive Audit Nomination Remuneration Others (Underwriting, Investment & Budget, Risk, I.T. Special Board)	<i>Mr. Roberto B. Crisol had been replaced by Mr. Augusto Hidalgo, due to contract expiration, in Risk Oversight Committee. Mr. Alfonso L. Salcedo was not re-elected and was replaced by the newly elect Mr. Cezar P. Consing in Nomination & Compensation Committee, Investment and Budget Committee and Underwriting Committee.</i>	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	No Executive Committee was set up since June 2009.	
Audit	Assisted the Board in fulfilling its	Reviewed and discussed quarterly unaudited

Name of Committee	Work Done	Issues Addressed
	oversight responsibilities for financial reporting process, system of internal control, audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.	financial statements, audited annual financial statements including Management's Discussion and analysis of financial condition and results of operations, adequacy of the company's enterprise risk management framework, and the effectiveness of the system for monitoring compliance with laws and regulations. Approved the overall scope and audit plans of Internal and external audits, effectiveness of the internal audit function and recommended for approval the re-appointment of the current external auditors. Performed a self-evaluation of the Committee in terms of expectations set out in the Audit Committee Charter.
Nomination	Reviewed and evaluated the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring the appointment by the Board.	Reviewed the qualifications of all nominees to the Board of directors, taking into consideration the relevant requirements of the Insurance Commission and the Securities and Exchange Commission relative to qualifications and disqualifications of both regular and independent director nominees.
Remuneration	Provided a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors.	Provided oversight over remuneration of senior management and other key personnel. No other resolution relating to director's remuneration has been adopted by the Board of Directors as the schedule of the amount of per diem for attendance in meetings of the Board of Directors/Committees has remained unchanged since 2008.
Risk Oversight	Assisted the Board in its oversight role and oversee that the risk management process becomes an integral part of planning and operations of the Company to meet corporate goals and objectives.	Re-launched the planned activities for Enterprise Risk Management Program. Focused on strengthening current Risk Management structure, clarified roles and responsibilities, defined communication frequency, training plan and facilitation activities Performed risk assessment, quantification and aggregation.
Investment & Budget	Authorized by the Board to implement the Company's investment strategy and make specific investments in accordance with the provisions of the company's investment policy.	Approved the investment strategy for 2012, Operating Budget for 2012, review and approval of authorized signatories for checks and other financial transactions, approval of authorized depository banks, review and approval of GS settlement, foreign exchange, derivative lines, accredited brokers for equity transactions, approved equities list, review of investment policy and approval of RCBC Trust Group, in addition to existing fund manager BPI-AMTG.
Underwriting	Reviews and evaluates the company's underwriting policies, guidelines, performance, as well as	Reviewed underwriting guidelines for life and non-life, proper monitoring of the company's earthquake aggregates, analysis of

Name of Committee	Work Done	Issues Addressed
	accumulations and aggregations of exposures of the reinsurance business.	accumulation factors, clarification on line of approval authorities, increase in underwriting limits, signing authorities, claims approving authority, claims cooperation clause, strict implementation of the IC Circular on Minimum CAT Pricing and need to review (professionally) the company's portfolio to validate recommendations made by existing broker.
I.T. Special Board	Special Board Committee responsible for overseeing the computerization project of the Company.	Generally monitors the activities and developments relative to the computerization efforts of the company and this includes: zero migration for Nonlife facultative business, perform parallel run of the legacy system vs. ARIMA or RMS production, request on-site support from ARIMA to fast track resolution of data migration and other issues, defer the implementation/roll out of the life module and document imaging and tracking system to 2 nd half of the year, engagement of TSFI for SAP application management support services and the RMS nonlife system will be the authoritative reference starting Jan. 2013.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<i>No Executive Committee was set up since June 2009.</i>	
Audit	<ul style="list-style-type: none"> Align existing charter with other Board Committee Charter Deliver 2014-2015 Internal Audit Work Plan & 2014-2015 Compliance Work Plan. Compliance spin-off from Internal Audit and the formation of a separate Unit to be called Risk and Compliance. Conduct Board self-evaluation of the company's current and potential state of CG practices using existing CG scorecards and best practice guidelines. Conduct learning sessions for the company- toward improving audit consciousness and 	<p>Revised Audit Committee and Compliance Committee Charters</p> <p>Review financial reporting process, system of internal control and the company's process for monitoring compliance with laws and regulations and the code of conduct.</p> <p>A more-focused compliance function will ensure that all regulatory requirements are generally complied as well as internal policies and procedures are implemented accordingly.</p> <p>CG practices to evolve from mere compliance to performance improvement and consistent implementation.</p> <p>Better understanding of roles, responsibilities, business policies, processes and procedures as well as laws, rules and</p>

Name of Committee	Planned Programs	Issues to be Addressed
	compliance awareness throughout the organization.	good conduct lead to well-informed and more productive work force.
Nomination	<ul style="list-style-type: none"> • Formalize a Board Committee Charter 	Defines the purpose, roles and responsibilities, membership, authority, frequency of meetings and other matters affecting the committee.
Remuneration	<ul style="list-style-type: none"> • Pre-screen qualifications of all nominees to the Board of Directors • Establish and formalize a succession plan for senior management • Provide oversight over remuneration of senior management and other key personnel. 	<p>Ensures all nominees to the Board both regular and independent directors possess all the qualifications and none of the disqualifications enumerated under the IC Code of Corporate Governance and related SRC Rule 38- Requirements on Nomination and Election of Independent Directors.</p> <p>Recommend adoption of a formal succession plan for the company.</p> <p>Review/evaluate existing remuneration policy and procedures on executives' compensation and for fixing the remuneration of directors and corporate officers.</p>
Risk Oversight	<ul style="list-style-type: none"> • Align existing charter with other Board Committee Charter • Secure Board approval of the updated Risk Management Plan for 2014-2015 • Develop Risk Reporting and monitoring system • Conduct annual risk re-evaluation • Facilitate training to promote an organization - wide risk awareness. 	<p>Revised Charter.</p> <p>Monitor implementation of the approved Risk Management Plan for 2014-2015</p> <p>Monthly monitoring of identified risk priorities per department, through established performance measurements and reporting requirements.</p> <p>Keep the Risk Universe up to date to ensure that risk priorities remain current.</p> <p>Embed the risk management process to become an integral part of business planning, identifying strategies and actions and in executing the same to realize corporate goals and objectives.</p>
Underwriting	<ul style="list-style-type: none"> • Formalize a Board Committee Charter • Review and Evaluate the excess of loss program protection for the company • Review and evaluate existing underwriting policies and guidelines 	<p>Defines the purpose, roles and responsibilities, membership, authority, frequency of meetings and other matters affecting the committee.</p> <p>Adequate excess of loss program protection is obtained.</p> <p>Revised underwriting policies and guidelines as required.</p>

Name of Committee	Planned Programs	Issues to be Addressed
Investment and Budget	<ul style="list-style-type: none"> • Align existing charter with other Board Committee Charter • Approval of the 2015 Operating Budget • Business Plan for 3-years (2015-2018) 	<p>Revised Charter.</p> <p>Approved 2015 Operating Budget</p> <p>Approved Business Plan for 2015-2018</p>
I.T. Special Board	<ul style="list-style-type: none"> • Implement the Life module system • RMS nonlife operating system should be fully functional and should be generating the authoritative results in lieu of the legacy system • Implement recommendations provided by SGV on the RMS Security Review and DTS (document tracking system) to support the nonlife reinsurance process • Review and recommend the possibility of weaning away from SAP TSFI for support services. 	<p>Life Module system be in place.</p> <p>Nonlife Operating System becomes fully functional.</p> <p>Adopt and implement recommendations on RMS Security improvements and DTS-document tracking system to improve nonlife reinsurance process.</p> <p>Justify and recommend if support services from SAP TSFI is still relevant.</p>

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Board and Management believe that 'risk management' should be an integral part of the planning and operations process of the Company in order to meet corporate goals and objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Company's 2013 Annual Report includes a signed Report of the Audit Committee and the following statement is included therein:

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

...we have reviewed and discussed the adequacy of PhilNaRe's enterprise risk management framework and risk management processes specific to financial statement reporting, business continuity, fraud, revenue assurance and regulatory risks with Management who is primarily responsible for the risk management process."

(c) Period covered by the review- 2013

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

Risk Management system is reviewed annually.

A Risk Management Plan is updated to determine whether the risks identified, assessed, quantified and

aggregated remain current and are among the key risks priorities. Measures and/ or controls identified to address these key risk priorities are evaluated if still effective in mitigating subject risks. Risk monitoring and reporting activities are reviewed to ensure its effectiveness such that these risks priorities and control activities are optimized and utilized to help Management meet its goals and objectives.

(e) Where no review was conducted during the year, an explanation why not.

Annual review is conducted.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
1. Severe catastrophic event having a material adverse effect on the company's financial results and conditions	Maintaining a balanced portfolio leads to diversification of risks thus minimizing significant risk exposure accumulation.	Realize underwriting profits thus becoming a dependable partner to our clients (ceding companies/ cedants).
2. Significant amount of invested assets will be subject to changes in interest rates, exchange rates and market volatility.	Invest only in securities allowable under Section 200 of the Insurance Code and other related issuances of the Insurance Commissioner and implement investment strategy through guidance and approval of the Investment (Board) Committee.	To fully realize investment income target and limit investments to instruments not exposed to significant risks.
3. Company's financial condition may be affected by delays in the payment of premiums by cedant.	Deal only with creditworthy companies.	To improve cash flow to generate more investible funds.
4. Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses.	When procuring Excess of Loss protection, deal only with global reinsurers with investment grade financial strength ratings.	To meet our commitment to clients; which is to settle promptly and judiciously all valid claims.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
This is not applicable since the Company has no identified Group.		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
While there is a risk that the exercise of the controlling shareholders' voting power may be restrictive or authorizing preferences in their favor, the Board in its commitment to practice good governance, is committed to respect the rights of the shareholders as provided for in the Corporation Code. These include the <i>right to</i>

Risk to Minority Shareholders

vote on all matters that require their consent or approval, such that a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
1. <i>Severe catastrophic event having a material adverse effect on the company's financial results and conditions.</i>	<p>Established an Underwriting (Board) Committee to oversee the underwriting operations.</p> <p>Monitors and control risk exposures and accumulations through careful underwriting and evaluation of risk acceptances and treaty arrangements entered into.</p> <p>Procure excess of loss coverage to limit the company's exposure up to a specified amount.</p>	<p>Conducts an annual review and evaluation of the Underwriting Policy and Guidelines. Regularly generates Earthquake and typhoon/ flood aggregate reports to monitor significant risk accumulation exposures.</p> <p>The company procures an excess of loss protection which limits its risk exposure to P100M per catastrophic event, with an aggregate loss limit of P3 billion per event.</p> <p>Most risks reinsured are situated in the domestic market and only a small portion comes from the overseas market.</p>
2. <i>Significant amount of invested assets will be subject to changes in interest rates, exchange rates and market volatility.</i>	<p>Established an Investment (Board) Committee to oversee investment performance relative to Company's adherence to approved investment policy /guidelines.</p> <p>Prepares an annual budget for investment income and related strategies involved is submitted for review and evaluation of the Investment committee prior to seeking final Board approval.</p>	<p>Renders regular investment report to the Investment Committee and the Board on the following:</p> <ul style="list-style-type: none"> • Actual results vs. budgeted figures; • Monitoring of non-Philippine peso cash flows (foreign currency risk); • Maintaining investment limits per asset class (market price risk); • Establishing limits on the duration and average maturity of the variable investment income portfolio (interest rate risk); and • General adherence to established investment policy and guidelines.
3. <i>Company's financial condition may be affected by delays in the payment of premiums by cedant.</i>	<p>Continuously review and evaluate ceding companies' financial capacity, payment history, other available credit information and compliance with IC's requirements such as</p>	<p>Strict implementation of 'Premium Payment Warranty Clause' on reinsurance policies- for ceding companies not paying premium within the prescribed premium payment warranty term, subject reinsurance cover is automatically cancelled and any claim arising from said acceptance will be denied settlement.</p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
	capitalization, latest available certificate of authority and any relevant reports.	A list of companies with provision for impairment due to long outstanding reinsurance receivable balances are reviewed regularly for possible account write off.
4. <i>Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses.</i>	Carefully review a retrocessionaires financial capacity, technical knowledge, expertise, industry reputation and rating by international rating agencies. Consider retrocessionaires record of paying claims and adverse balances if timely and regular.	Underwriting Committee oversees evaluation of the panel of global reinsurers, for obtaining excess of loss cover, to ensure we are dealing only with reputable foreign reinsurers whose ratings are above par and meet the Company's standards. Claims evaluation follows set guidelines to ensure that only valid claims are settled. Proper management of cash and investment position to meet obligations arising from reinsurance agreements and other financial liabilities on a timely manner. Contractual maturities of financial obligations should be timed with maturities of investments to facilitate cash flow requirements.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
This is not applicable since the Company has no identified Group.		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Management Committee	Assists the Board in the development and oversight of the company's risk management program.	Generally oversees the risk management process to be an integral part of planning and operations of the Company to meet corporate goals and objectives.
Audit and Compliance Committee	Assists the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.	Mainly responsible for recommending the appointment of external auditors whose report they review; monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics; serve as a direct channel of communications to the Board for the internal auditor, compliance officer and the general counsel.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

While policies are set by the Board, Management is primarily responsible for the design, implementation and maintenance of the internal control system of the Company. The Board through its Audit Committee oversees the actions of Management and monitors the effectiveness of the internal control system put in place. Recommendations are provided by Operating Management and /or the Board, and in some cases by the Internal Audit, Risk and Compliance functions, to address certain issues and concerns of the Company.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

On an annual basis, the Chief Audit Executive issues an Internal Control Report indicating procedures performed by Internal Audit in evaluating the internal control system of the Company that includes its policies, procedures, processes as well as an attestation that a sound internal audit, control, compliance system is in place and working effectively.

A 'Report of the Audit Committee' is issued, confirming the performance of its role and responsibilities and this is included in the Company's Annual Report being distributed to the stockholders.

(c) Period covered by the review-

The year 2013.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit Committee is tasked by the Board (through its approved charter) to review the internal control system of the Company. Part of their regular meeting (minimum of 4 times / year) is to review the internal control system through the reports of the auditors (internal and external) and representation made by the Management.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable, quarterly review is conducted.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
1. Evaluating the reliability and integrity of significant information	All financial, managerial, and operating information and the means used to identify, measure, classify, and report such information is accurate, reliable and timely.	In-house	Claudia Karen S. Fidelino	Quarterly (between January to September)
2. Evaluating the systems	Compliance with those	In-house	Claudia Karen S.	Annual

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<i>established to ensure compliance</i>	<i>policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.</i>		<i>Fidelino</i>	
3. <i>Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.</i>	<i>All Company assets</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>Biennial</i>
4. <i>Evaluating the effectiveness and efficiency with which resources are employed.</i>	<i>All resources</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>As needed</i>
5. <i>Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.</i>	<i>All key operations or programs</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>As needed</i>
6. <i>Monitoring and evaluating governance processes</i>	<i>Includes reviewing the quality and continuous improvement program fostered in the organization's control process and interacting with related groups as needed.</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>Annual</i>
7. <i>Monitoring and evaluating the effectiveness of the organization's risk management processes.</i>	<i>All risk management processes</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>Annual</i>
8. <i>Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.</i>	<i>Based on the leading practices' criteria, as approved by Audit Committee</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>Annual</i>
9. <i>Performing other non-assurance services</i>	<i>Non-assurance services related to governance, risk management and control as appropriate for the organization.</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>As needed</i>
10. <i>Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.</i>	<i>Based on the leading practices' criteria, as approved by Audit Committee</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>Quarterly / Annually</i>
11. <i>Reporting significant risk exposures and control issues</i>	<i>All risk exposures and control issues including fraud risks, governance issues, and other matters needed or requested by the Board.</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>As needed</i>
12. <i>Monitoring all significant legislative and/or regulatory issues are properly recognized and addressed.</i>	<i>All impacting the organization</i>	<i>In-house through the Compliance Function</i>	<i>Claudia Karen S. Fidelino</i>	<i>Quarterly</i>
13. <i>Evaluating specific operations at the request of the Board, Audit Committee or Management, as appropriate.</i>	<i>Based on the request of the sponsor</i>	<i>In-house</i>	<i>Claudia Karen S. Fidelino</i>	<i>As needed</i>

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, all matters concerning the auditors are handled by the Audit Committee.

- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Internal Audit is directly reporting to the Audit Committee and administratively to the President / Chief Executive Officer.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
<i>Abigail Philline G. Zoleta</i>	<i>availed the Voluntary Separation Program offered by the Company</i>

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

<i>Progress Against Plans</i>	<i>50% (for the year ended December 31, 2014)</i>
<i>Issues</i>	<i>No critical issues noted</i>
<i>Findings</i>	<i>No critical findings noted</i>
<i>Examination Trends</i>	<i>Need to strengthen controls to fully mitigate some risks. Need to update policies and procedure manual.</i>

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) *Preparation of an audit plan inclusive of a timeline and milestones;*
- 2) *Conduct of examination based on the plan;*
- 3) *Evaluation of the progress in the implementation of the plan;*
- 4) *Documentation of issues and findings as a result of the examination;*
- 5) *Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;*
- 6) *Conduct of the foregoing procedures on a regular basis.]*

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
<i>1. Governance frameworks must be established to define the scope of work and policies that will regulate and control the unit’s activities.</i>	<i>Implemented</i>
<i>2. Risk-based plans must be established to determine the priorities of the internal audit activity, consistent with the Company’s goals</i>	<i>Implemented</i>
<i>3. The unit must effectively communicate the results of its work, thereby helping</i>	<i>Implemented</i>

Policies & Procedures	Implementation
<i>to drive changes that contribute to the achievement of organizational objectives</i>	
4. <i>To help ensure the efficient functioning of the people management system, the CAE shall issue written instructions, guidelines or other communications that deal with policies and procedures regarding leave, attendance reporting and record keeping, and other administrative requirements.</i>	Implemented
5. <i>Audit Committee will make all decisions regarding the performance evaluation, appointment, or removal of the CAE and its Staff, as well as approval of annual compensation and salary adjustment for the CAE and its Staff, as recommended by Human Resource Head and the President / CEO.</i>	Implemented

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><u>INTERNAL AUDITORS</u></p> <p><i>The Chief Audit Executive (“CAE”) and the Internal Audit Staff (“Staff”) are not authorized to:</i></p> <ol style="list-style-type: none"> 1. <i>Perform any operational duties for the organizations or its affiliates.</i> 2. <i>Initiate or approve accounting transactions external to the Internal Audit Department.</i> 3. <i>Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.</i> 	<p><i>There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.</i></p>		
<p><u>EXTERNAL AUDITORS</u></p> <p><i>Under the PhilNaRe policy of auditor independence, the External Auditor may not provide the following services to the Company:</i></p> <ol style="list-style-type: none"> 1. <i>Management responsibilities;</i> 2. <i>Preparing accounting records and financial statements;</i> 3. <i>Financial information systems design and implementation; and</i> 4. <i>Litigation support and legal services.</i> 	<p><i>There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.</i></p>		

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all

directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

From the year 2013, the SEC no longer required companies to issue an annual certification on their compliance with the Code of Corporate Governance however; we have included the following statements about our *Compliance with the Best Practices on Corporate Governance*, in our Information Statement:

PhilNaRe, 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, PhilNaRe fully complied with the SEC and PSE's reportorial requirements on good corporate governance practices and these include the following:

1. We submitted the Annual Corporate Governance Report (ACGR) and this is pursuant to SEC Memorandum Circular No. 5, Series of 2013.
2. We uploaded the ASEAN Corporate Governance Scorecard to the Company's website, pursuant to the SEC Memorandum Circular No. 18, Series of 2013;
3. We 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. We 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 PhilNaRe.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

Areas of Concern	Policy	Activities
Customers' welfare	<i>The company underwrites reinsurance business from life and non-life insurance companies and brokers, with the objective of realizing profits and being a dependable partner to its clients.</i>	<p><i>Each risk accepted or treaty arrangement entered into is carefully evaluated based on the company's underwriting guidelines, such as maximum limits per type of risk, existing exposures, premium adequacy, financial condition of the client and the like.</i></p> <p><i>Significant risk concentrations may result in potential losses in a given area, including losses that could arise from catastrophes such as earthquakes and typhoons and thereby the company gets an 'excess of loss protection' to limit the company's exposure up to a specified amount.</i></p> <p><i>In evaluating a claim, the company follows set guidelines such as setting up 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 to ensure that only valid claims are settled and that these are settled promptly and judiciously.</i></p>

Areas of Concern	Policy	Activities
Supplier/contractor selection practice	<i>For major suppliers or service providers, a request for proposal is required to be submitted based on an approved term of reference. A separate (board) committee may be designated to review and evaluate proposals submitted and make recommendations for Board consideration.</i>	<i>A bidding process is in place where at least three suppliers or service providers are required to submit their bid proposal for review and evaluation of the designated official and a recommendation is submitted for consideration.</i>
Environmentally friendly value-chain	<i>The Company's efforts are currently focused on mitigating the consequences of natural catastrophes.</i>	<i>The Company participates in conferences on mitigating consequences of natural catastrophes and works with the Philippine non-life insurance industry to put in place mitigation measures. It also participates jointly in community related projects undertaken by other entities from time to time through donations, sponsorship and being resource speaker in certain events which aim to raise the insurance awareness of the general public.</i>
Community interaction		
Anti-corruption programmes and procedures?	<p><i>The Company does not condone any dishonest, unethical or unprofessional behavior and actions displayed by an employee, regardless of his/her level of authority.</i></p> <p><i>It is the responsibility of each employee to report legitimate concerns so that issues can be properly investigated or resolved and corrective measures can be instituted.</i></p> <p><i>These concerns may involve commission of fraud, theft or corruption, unauthorized use of Company funds and properties, breach of a legal obligation, internal or external regulation or any procedure regarding accounting, auditing matters, as well as alleged irregularities of a general, operational and financial nature in the company. [Code of Ethics and Rules of Conduct]</i></p>	<p><i>Concerns may be raised verbally or in writing to the HRD Head while concerns involving the HRD Head should be raised to the CEO and complaints concerning the CEO should be raised to the Chairman of the Nomination and Compensation Committee of the Company's Board of Directors.</i></p> <p><i>Management shall maintain the confidentiality of all the concerns or complaints raised and the anonymity of the person making the complaint to the fullest extent reasonably practicable within the legitimate needs of law.</i></p>
Safeguarding creditors' rights	<i>The company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities.</i>	<p><i>Currently, the Company's excess cash is invested in available-for-sale financial assets.</i></p> <p><i>All valid claims are settled promptly and judiciously, as part of the company's commitment to its clients.</i></p>

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes. Corporate Responsibility Section is included in the Information Statement. (SEC Form 20-IS Definitive Information Statement, page 55)

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company's policy on Health, Safety, Security and Proper Use of Company Assets states that, "The Company is committed in providing and maintaining a safe, secure and healthy work environment. In turn, the employee has the responsibility to work safely, to keep work areas and common areas in the company neat and clean, not just to reduce the chances of injury but also to make the office a more attractive and

pleasant place to work in.

Employees are urged to report to their immediate superior or to the General Services Department accidents or any condition or practice which is unsafe, whether or not these result in personal injury or no matter how minor they might seem to be.

In order to ensure the promotion of employee health and well-being, the company offers health care benefits covered by the health insurance provider of the Company.

Employees are involved in deciding, planning and implementing employee activities and programs such as sports and summer outing events, company parties and employee uniform. [Code of Conduct, 11.3 – Health, Safety, Security and Proper Use of Company Assets]

(b) Show data relating to health, safety and welfare of its employees.

Generally all our regular employees undergo annual medical check-up with their preferred medical clinic/hospital. There have been no reported work-related accidents in the Company.

Employees Sick Leave (SL) Usage for the year ended December 31, 2014 is as follows:

Rank	No. of Employees	Average SL Usage per Employee
AVP & up	25	1
Assistant Manager to Senior Manager	11	2
Supervisor / Specialist	27	6
Non-Supervisory	14	4

(c) State the company's training and development programmes for its employees. Show the data.

New employees are given orientation on the Company's policies and procedures and made to undergo basic insurance and reinsurance training. Depending on their work assignment and employee development plans, employees undergo or are sent to specialized training courses.

The top five (5) training programs attended by our employees are as follows:

Training Programs Subject Matter	No. of Employees	Percentage
Insurance / Reinsurance Training	6	38%
Accounting Updates	1	6%
Compliance Requirements and Updates, including Corporate Governance	4	25%
Risk Management	1	6%
Others (Communication/Supervisory/Management)	4	25%

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

It is the policy of the company to promote advancement among its employees for consistently exceeding expectations over five (5) years, meeting organizational requirements and facilitating the achievement of long-term corporate goals and objectives. Depending on the performance of the Company and also taking into consideration various qualitative performance parameters such as succession planning and corporate governance, the Board also grants performance bonus.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

- i. Concerns may be raised verbally or in writing to the HRD Head, the Company CEO or to the Chairman of the Nomination and Compensation Committee of the Company's Board of Directors for complaints concerning the CEO should be raised.*
- ii. When raising a concern or complaint, the employee should give the background, the nature of the*

- alleged wrongdoing or a description of the event, relevant dates, reasons for the concern, witnesses and the names of the individual involved.
- iii. If the concern is raised verbally, then the person receiving the information should prepare the outline of the matters raised.
 - iv. Employees are assured that Management shall maintain the confidentiality of all the concerns and complaints raised and the anonymity of the person making the complaint to the fullest extent reasonably practicable within the legitimate needs of law.
 - v. The HRD Head/monitoring officer shall be responsible for deciding whether there are grounds for proceeding further with the case. Potential action may include a clarification of facts, a more formal investigation conducted by the Senior ManCom or Internal Audit Department, or referral to external auditors or legal consultants. Concerns that fall within the scope of specific procedures shall be referred for consideration under those procedures.
 - vi. The monitoring officer (or the HRD Head/CEO/Chairman of NCC as the case maybe) shall inform the reporting employee in writing within seven (7) working days of the following:
 - a. What has been done or how monitoring officer plans to deal with the matter;
 - b. An estimate of how long it might take to give a final response;
 - c. If an initial inquiry has been made;
 - d. If further investigation will take place;
 - e. Any further information that may be sought from the employee.
 - vii. The monitoring officer, subject to legal constraints, will provide the employee with information on the outcome of any investigation.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure (as of December 31, 2014)

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	290,795,500	13.69%	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City
PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	546,465,400	25.73%	Government Service Insurance System ² , New GSIS Headquarters, Financial Center, Pasay City
PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	273,717,100	12.89%	MICO Equities Inc. ² Yuchengco Bldg., 484 Quintin Paredes Street Manila

^{1,2}The PCD is not related to the Company. The 546,465,400 shares and 273,717,100 shares beneficially owned by GSIS and MICO Equities, respectively, form part of the 1,644,569,400 shares registered in the name of PCD Nominee Corporation (Filipino) as of 31 December 2014.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Amerfil V. Basco	31,800	0	0.001497%
Vicente B. Villarama, Jr.	12,800	0	0.000603%
TOTAL	44,600	0	0.002100%

2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES

Details of whistle-blowing policy (Code of Ethics)	YES
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<i>Punongbayan & Araullo for 2014</i>	<i>P 1,225,000.00</i>	<i>P 160,000.00</i>

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE, IC and other regulating agencies.

5) Date of release of audited financial report:

December 31, 2013 audited financial statements were submitted to regulators on April 14, 2014.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value (in million pesos) For the year ending December 31, 2013
GSIS	Stockholder	Reinsurance Premiums	P 47

RPT	Relationship	Nature	Value (in million pesos) For the year ending December 31, 2013
BPI Group	Stockholder	Reinsurance Premiums	P238
Malayan Group	Stockholder	Reinsurance Premiums	P84

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

All related party transactions are fully disclosed to the Board of Directors. Reinsurance transactions are done in the regular course of business and conducted on an arm's length basis, negotiated based on prevailing competitive commercial terms and approved by the Company's Underwriting Committee. None of the Company's shareholders are granted special privileges or concessions.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	<i>A quorum at any meeting of the stockholders shall consist of stockholders representing at least a majority of the outstanding capital stock <u>except in those cases where the Corporation Code of the Philippines requires greater proportion</u>. In the event of lack of quorum, the Chairman of the meeting or a majority interest of the stockholders present in person or represented by proxy may adjourn the meeting from time to time without notice other than announcement of the meeting, until a quorum shall be obtained. At any such adjourned meeting at which there is a quorum, any business may be transacted which might have been transacted at the meeting originally called. (Emphasis supplied) [Amended By-Laws, Section 4. Quorum, page 5]</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	For the ratification of the acts of the Board of Directors and Officers, the vote required is a <u>majority of the outstanding common stock present in person or by proxy</u> , provided constituting a quorum. (Emphasis supplied.) (SEC Form 20-IS- Definitive Information Statement for 2013, page 26)
Description	The 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. (SEC Form 20-IS- Definitive Information Statement for 2013, page 26)

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<i>Stockholders' Rights concerning Annual/Special Stockholders' Meeting are in accordance with provisions stated in the Corporation Code.</i>	<i>There are no stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.</i>

Dividends

Declaration Date	Record Date	Payment Date
For Financial Year 2013, no dividend declared.		
<i>May 16, 2013</i>	<i>May 31, 2013</i>	<i>June 14, 2013</i>

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
<p><i>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation.</i></p> <p><i>Stockholders should be encouraged to personally attend subject meeting and if not possible, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</i></p> <p><i>To promote stockholders participation in the Annual Stockholders' Meeting, the Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.</i></p> <p><i>Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.</i></p> <p><i>Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. [Revised Manual of Corporate Governance, page 20]</i></p>	<ol style="list-style-type: none"> 1. <i>Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE, IC and other regulating agencies.</i> 2. <i>Shareholders are allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code.</i> 3. <i>Shareholders, upon request, are provided with periodic reports which disclose personal and professional information about the directors, officers and certain other matters such as their shareholdings, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.</i> 4. <i>Stockholders are informed at least 15 business days before the scheduled date of the Annual Stockholders' Meeting. The Notice of Meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders entitled to vote, and the date and place of proxy validation.</i> 5. <i>Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders' Meeting. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</i> 6. <i>Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are set out in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the date of meeting.</i> 7. <i>The Company continues to actively maintain its website to provide timely information updates on its governance, operational, and financial performance.</i>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution
- b. Authorization of additional shares
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Shareholders have the right to actively participate in the above corporate decisions (a,b,c) through shares held as each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders' Meeting. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts (which also includes the above corporate decision matters) in accordance with the Corporation Code.

Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are set out in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the date of meeting.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes, giving out notice of Annual Stockholders' Meeting is within 25 business days, counted from May 09, 2014 to July 07, 2014. (Notice of ASM)

a. Date of sending out notices-

Initial sending out of notice was made when we submitted to PSE on-line disclosure of the Definitive Information Statement on **May 30, 2014** and the same was uploaded to the Company's website. On June 09, 2014, hard copies of the Information Statement were sent out to all record stockholders thru personal delivery by courier service or registered mail. (SEC Form 20-IS Definitive Information Statement)

b. Date of the Annual/Special Stockholders' Meeting: July 07, 2014 is the annual stockholders' meeting .

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Following are the questions and answers provided during the June 25, 2013 Annual Stockholders' Meeting:

Question 1: Mr. Philip Turner requested the company to confirm that the company is compliant with the Securities Regulation Code and the Corporation Code.

Answer: The Corporate Secretary and Legal Counsel, Atty. Noel Laman, answered in the affirmative.

Question 2: Mr. Philip Turner inquired on why the economy of the country and the insurance industry as whole are growing, but the company is not.

Answer: The President replied that the growth by insurance companies does not necessarily result to growth in the operations of the company. Precisely, as a reinsurance company, the company absorbs some of the risks of the insurance companies.

Question 3: Mr. Philip Turner inquired on what the Company is doing to improve performance.

Answer: The President replied that the company has reduced its marine hull business and the company also complies with the minimum rates charged for natural perils. As regards the enterprise risk management, the President emphasized that the Company's business acceptances are guided primarily by its underwriting guidelines, approved by the Underwriting Committee and by the Board of Directors.

Question 4: Mr. Turner inquired about the legal proceedings of the company and noted that these cases may entail a lot of costs.

Answer: The Corporate Secretary / Legal counsel then made clarification on the status of

these cases. A summary of the facts of the cases and their status are provided in the Definitive Information Statement. The cases against Stronghold are still pending. The motion for reconsideration for the administrative case before the Office of the Insurance Commissioner is pending resolution.

Question 5: Another stockholder requested for clarification on why the net profit is declining for the past three years.

Answer: The Chairman reiterated that the reasons were discussed by the President during the management report earlier. The main reason is because of the many calamities that occurred in the past years.

5. Result of Annual/Special Stockholders' Meeting's Resolutions - July 07, 2014 Annual Stockholders' Meeting

Resolution	Approving	Dissenting	Abstaining
1. Approval / Ratification of the Minutes of Annual Stockholders' Meeting held on June 25, 2013.	1,567,066,700 votes representing 73.79%	-	-
2. Ratification of the acts of the Board of Directors / Officers	1,567,066,700 votes representing 73.79%	-	-
3. Appointment of the External Auditors- Punongbayan & Araullo for the year 2014	1,567,066,700 votes representing 73.79%	-	-
4. Amendment of the Articles of Incorporation to Indicate the Specific Principal Office Address to Comply with SEC Memorandum Circular No. 6, Series of 2014.	1,567,066,700 votes representing 73.79%	-	-
5. Election of Directors	1,567,066,700 votes representing 73.79%		

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The result of the annual stockholders' meeting was immediately disclosed to PSE's on-line reporting system (OdiSy) within the same date of the meeting- July 07, 2014.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
No modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual Stockholders' Meeting	Directors: (1) Helen Y. Dee, <i>Chairman</i> (2) Robert G. Vergara, <i>Vice-Chairman (Chairman of Nomination and Compensation Committee)</i> (3) Augusto Hidalgo, <i>Executive Director / President and CEO</i> (4) Ermilando D. Napa, <i>Independent Director (Chairman of Audit Committee)</i> (5) Romeo L. Bernardo, <i>Independent Director</i> (6) Medel T. Nera,	July 07, 2014	By ballots	0.008052%	73.784685%	73.792737%

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
	<i>Independent Director (Chairman of Risk Oversight Committee)</i> (7) Rafael G. Ayuste, Jr. (8) Rafael C. Gallaga (9) Roman Felipe S. Reyes (10) Cezar P. Consing (11) Gregorio T. Yu (12) Yvonne S. Yuchengco Officers: (1) Huang, John E. (2) De Leon II, Roberto S. (3) Basco, Amerfil V. (4) Ramos, Regina S. (5) Villarama Jr., Vicente B.					
Special	No Special Meeting Held during the year.					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. Punongbayan & Araullo was the appointed Board Canvasser, an independent party to count and validate the votes during the Annual Stockholders' Meeting held on July 07, 2014.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

The Company has only common shares and each share entitles the holder to one vote that may be exercised in person or by proxy at shareholders' meetings, including the Annual Stockholders' Meeting.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting. [Nomination and Election Rule disclosed to PSE]

	Company's Policies
Execution and acceptance of proxies	<p><i>Proxies shall be in writing, signed by the stockholders and submitted to the Corporate Secretary not later than ten (10) calendar days prior to the date of the stockholders' meeting. [Amended By-laws, Section 5. Proxies, page 5]</i></p> <p><i>The Corporate By-laws shall be controlling in determining the proper procedure to be followed in the execution and acceptance of proxies, provided that the minimum required formalities prescribed under Section 58 of the Corporation Code and SRC Rule 20 shall be complied with. [Nomination and Election Rules]</i></p>
Notary	<i>Unless required by the corporate by-laws, a proxy need not be notarized.</i>
Submission of Proxy	<i>Proxies shall be submitted not later than 10 calendar days prior to the annual stockholders' meeting, provided that in the case of the 2013 annual stockholders' meeting, the same should be submitted not later than 5 days prior to the annual stockholders' meeting, or not later than June 14, 2013, at 3 p.m. at the principal office of the Corporation.</i>
Several Proxies	<i>If the stockholder intends to designate several proxies, the</i>

	Company's Policies
	<i>number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholdings of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies. The number of persons to be designated as proxies may be limited by the By-Laws.</i>
Validity of Proxy	<i>A proxy shall be valid only for the meeting for which it is intended.</i>
Proxies executed abroad	<i>Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.</i>
Invalidated Proxy	<i>A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she had refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders' meeting. There shall be a presumption of regularity in the execution of proxies and shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge.</i>
Validation of Proxy	<i>Validation of proxies shall be held at the date, time and place as may be stated in the Notice of the stockholders' meeting which in no case shall be less than five (5) calendar days prior to the date of stockholders meeting. In the validation of proxies, a special committee of inspectors shall be designated or appointed by the Board of Directors which shall be empowered to pass on the validity of proxies. Any dispute that may arise pertaining thereto, shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party, or by the SEC officer supervising the proxy validation process. All issues relative to proxies including their validation shall be resolved prior to the canvassing of votes for purposes of determining a quorum.</i>
Violation of Proxy	<i>Any violation of this Rule on Proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void.</i>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<i>Except as otherwise provided by law, written or printed notice of every annual meeting or special meeting of stockholders, stating the place, day and hour of the meeting and the purposes for which the meeting is called shall be transmitted through personal delivery, telefax, electronic mail</i>	<ol style="list-style-type: none"> 1. <i>Personal Delivery of such Notice to a stockholder shall be equivalent to mailing.</i> 2. <i>Except as otherwise provided by law, no publication of notice of annual meeting of stockholders shall be required.</i>

Policies	Procedure
<p><i>or by mail to each stockholder at his address as the same appears on the stock book of the corporation at least fifteen (15) business days before the date of the meeting.</i> <i>[Amended By-Laws, Article II, Section 3, pages 4-5]</i></p>	<ol style="list-style-type: none"> 3. <i>Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.</i> 4. <i>Notice of meeting need not be given to any shareholder who signs a waiver of notice, in person or by proxy, whether before or after the meeting.</i> 5. <i>The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting to lack of notice of such meeting, shall constitute a waiver of notice by him.</i> 6. <i>No notice shall be necessary for any adjourned meeting.</i> 7. <i>The notice of stockholders' meeting shall also set the date, time and place of the validation of proxies which, in no case, shall be less than five (5) calendar days prior to the annual stockholders' meeting to be held. The presence of any stockholder who may wish to be present in person or through counsel shall be allowed.</i> 8. <i>The printed copy of the Definitive Information Statement which includes the 'Notice of Annual Meeting of Stockholders', shall be sent to all stockholders of record at least fifteen (15) business days from the date of the stockholders' meeting. (Distribution is done through courier services.)</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<i>282 Shareholders were entitled to receive the DIS and Management report.</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>June 09, 2014</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>June 09, 2014</i>
State whether CD format or hard copies were distributed	<i>Hard copies were distributed.</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>All stockholders of record were provided with hard copies.</i>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES

The amount payable for final dividends.	YES
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

We have disclosed the foregoing information.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<p>The Board shall respect the following rights of the stockholders as mandated or set forth in the Corporation Code of the Philippines, Articles of Incorporation and By-Laws of the Company:</p> <ol style="list-style-type: none"> i. Right to vote on all matters that require their consent or approval; ii. Right to inspect corporate books and records; iii. Right to information; iv. Right to dividends; and v. Appraisal right. <p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. <i>[Revised Manual of CG, Item E. pages 18-20]</i></p>	<ol style="list-style-type: none"> 1. Shareholders are informed at least 15 business days before the scheduled date of the Annual Stockholders' Meeting. Notice for the July 07, 2014 Annual Stockholders' Meeting was sent on May 31, 2014. 2. Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholders meeting, including the Annual Stockholders' Meeting. 3. Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' meeting are set out in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the date of meeting. 4. Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE, IC and other regulating agencies. 5. The Board of Directors are authorized to declare dividends out of the unrestricted retained earnings of the Company, which may be payable in cash, in property, or in stock to all stockholders.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. As per the election rule, nominations for directors shall be made in writing and shall be delivered or mailed to the Chairman of the Board or Vice Chairman of the Board at the principal office of the corporation, with the written consent of the nominees, at least 60 days before the scheduled annual stockholders' meeting. The Chairman or Vice-Chairman of the Board, as the case may be, shall forward or refer such nominations to the Nomination Committee. [Amended By-Laws, Article III, Section 4. Nomination of Directors, page 9]

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

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.

The President/CEO and Senior Vice President & Investment Head, exercise oversight responsibility over this investor relations program.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To build better understanding and cultivate a relationship of trust with stakeholders, the Company has set-up communication channels that promote effective communication with its shareholders and the investing community.
(2) Principles	Handle investors and shareholders queries and requests as a top priority matter and therefore, immediate resolution is required.
(3) Modes of Communications	Company Website and PSE Website for all our corporate disclosures which includes NRCP's stock performance, security information, company profile, chart, and historical data.
(4) Investors Relations Officer	Mr. Augusto Hidalgo, President and Chief Executive Officer, contact number- (632) 988-7402 Mr. John E. Huang, Senior Vice President and Head, Financial Management, contact number (632) 988-7465 Email: ir@nrcp.com.ph

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company does not have a separate rule or procedure governing the acquisition of corporate control in the capital markets and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets other than the provisions stated under Sections 40, 81 and 82 of the Corporation Code of the Philippines.

SEC. 40. Sale or other disposition of assets.- "... a corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge or otherwise dispose of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock... in a stockholders' or members' meeting duly called for the purpose."

SEC. 81. Instances of appraisal right.- "Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case of amendment to the Articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or

- shortening the term of corporate existence;*
2. *In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and*
 3. *In case of merger or consolidation.*”

SEC. 82. How right is exercised.- *“The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares...”*

(Emphasis supplied)

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Nothing to report, the Company does not have transaction pertaining to any disposal, acquisition or merger.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

The Company has made a number of donations to the following institutions to support the various civic spirited activities and projects.

Initiative	Beneficiary
<i>Gawad Kalinga Community Development Corp.</i>	<i>Charitable contribution to non-profit organization</i>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	<i>No formal performance evaluation is in place however, the Board, through its Audit Committee, performs a <u>self-evaluation</u> in which the current and potential state of the Company’s corporate governance practices were rated using <u>best practice guidelines issued by the PSE</u> (criteria used).</i>	
Board Committees	<i>Audit Committee conducts annual performance evaluation in compliance with the SEC requirement per SEC Memo Circular No. 4, Series of 2012.</i>	<i>Guidelines for the Assessment of the Performance of Audit Committee of Companies Listed on the Exchange.</i>
Individual Directors	<i>No formal evaluation process in place.</i>	
CEO/President	<i>The Nomination and Compensation Committee conducts a performance evaluation of the CEO/President.</i>	

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
<i>First Violation</i>	<i>Subject person shall be reprimanded.</i>
<i>Second Violation</i>	<i>Suspension from office shall be imposed to the subject person</i>
<i>Third Violation</i>	<i>The maximum penalty or removal from office shall be imposed.</i>



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

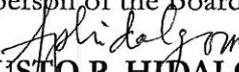
- a. Supplementary schedules required under Annex 68-E of the SRC
- b. Reconciliation of retained earnings available for dividend declaration
- c. List of standard and interpretations under Philippine Financial Reporting Standards as of December 31, 2014

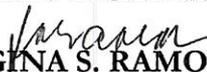
This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


HELEN Y. DEE
Chairperson of the Board


AUGUSTO P. HIDALGO
President & Chief Executive Officer

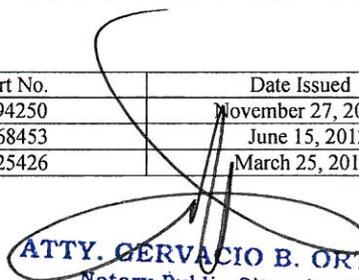

REGINA S. RAMOS
Vice President & Controller

APR 14 2015

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

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

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Page No. 11
Book No. XX
Series of WWS


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



Punongbayan & Araullo

An instinct for growth™

Financial Statements and
Independent Auditors' Report

**National Reinsurance Corporation
of the Philippines**

December 31, 2014, 2013 and 2012



Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

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

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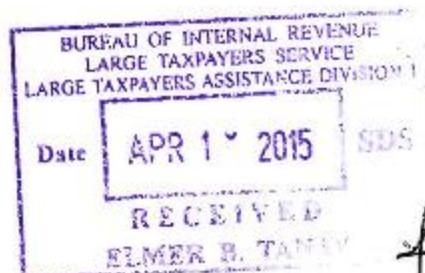
The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor Ayala Life FGU Center
6811 Ayala Avenue, Makati City

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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



Auditors' Responsibility

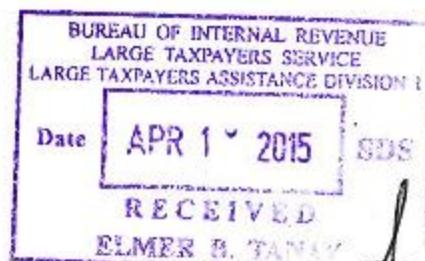
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

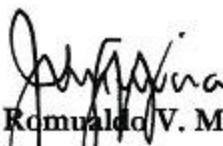
In our opinion, the financial statements present fairly, in all material respects, the financial position of National Reinsurance Corporation of the Philippines as at December 31, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December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



Report on Other Legal and Regulatory Requirements

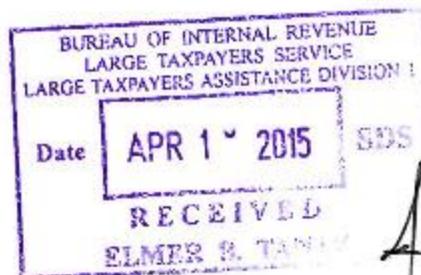
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2014 required by the Bureau of Internal Revenue as disclosed in Note 28 to the financial statements is presented for purposes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

PUNONGBAYAN & ARAULLO


By: **Remualdo V. Murcia III**
Partner

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

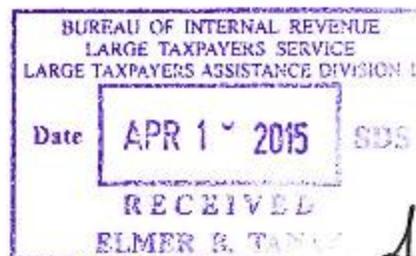
March 19, 2015



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2014 AND 2013
 (Amounts in Philippine Pesos)

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

See Notes to Financial Statements.



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

	Notes	2014	2013	2012
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	19	P 2,747,078,557	P 2,561,126,445	P 3,025,410,991
Retroceded premiums	19	<u>1,724,793,648</u>	<u>1,741,503,763</u>	<u>2,246,692,148</u>
Reinsurance premiums retained		1,022,284,909	819,620,680	778,718,843
Decrease (increase) in reserve for unearned reinsurance premiums	10	<u>53,198,125</u>	<u>10,936,328</u>	<u>(945,578)</u>
		<u>1,075,483,034</u>	<u>830,557,008</u>	<u>777,773,265</u>
UNDERWRITING DEDUCTIONS				
Share in claims and losses	14	1,081,572,704	662,547,481	843,897,848
Commissions - net		<u>365,604,406</u>	<u>289,904,723</u>	<u>298,907,847</u>
		<u>1,447,177,110</u>	<u>952,452,204</u>	<u>1,142,805,695</u>
NET UNDERWRITING LOSS		(371,694,076)	(121,895,196)	(365,032,430)
INVESTMENT AND OTHER INCOME - Net	13	<u>433,166,382</u>	<u>664,399,633</u>	<u>702,151,965</u>
PROFIT AFTER INVESTMENT AND OTHER INCOME		61,472,306	542,504,437	337,119,535
GENERAL AND ADMINISTRATIVE EXPENSES	15	<u>300,183,899</u>	<u>468,494,074</u>	<u>236,752,181</u>
PROFIT (LOSS) BEFORE TAX		(238,711,593)	74,010,363	100,367,354
TAX EXPENSE	17	<u>48,178,004</u>	<u>55,281,861</u>	<u>66,272,420</u>
NET PROFIT (LOSS)		(P 286,889,597)	P 18,728,502	P 34,094,934
Earnings (Loss) Per Share - Basic and diluted	22	(P 0.14)	P 0.01	P 0.02

See Notes to Financial Statements.



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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.



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

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 238,711,593)	P 74,010,363	P 100,367,354
Adjustments for:				
Interest income	13	(250,119,737)	(298,209,165)	(356,372,204)
Gain on sale of available-for-sale financial assets	13	(101,284,924)	(327,352,764)	(298,137,689)
Increase (decrease) in reserve for unearned reinsurance premiums	10	(53,198,125)	(10,936,328)	945,578
Dividend income	13	(41,831,599)	(34,303,900)	(30,947,188)
Depreciation and amortization	9, 11, 15	33,569,191	34,481,368	34,413,916
Gain on sale of property and equipment	13	(33,209,877)	-	(26,786)
Impairment losses	6, 15	31,122,832	236,932,939	20,000,000
Unrealized foreign exchange loss (gain)		(6,756,940)	2,622,301	(11,303,838)
Operating loss before working capital changes		(660,420,772)	(322,755,186)	(541,060,857)
Decrease (increase) in reinsurance balances receivable		1,286,227,098	365,985,399	(3,230,841,824)
Decrease (increase) in loans and receivables		(8,640,326)	384,928,134	(134,073,052)
Decrease (increase) in deferred acquisition costs		23,065,793	(8,181,969)	5,209,927
Increase in other assets		(34,915,499)	(47,431,520)	(37,731,432)
Increase (decrease) in reinsurance balances payable		(1,170,078,455)	(557,688,544)	3,290,673,039
Increase (decrease) in accounts payable and accrued expenses		41,728,170	(110,116,576)	52,824,707
Cash used in operations		(523,033,991)	(295,260,262)	(595,019,492)
Cash paid for income taxes		(48,178,004)	(55,281,861)	(66,272,420)
Net Cash Used in Operating Activities		(571,211,995)	(350,542,123)	(661,251,912)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
Available-for-sale financial assets	7	1,833,198,966	3,905,563,050	7,291,351,598
Property and equipment	9	62,112,569	1,607,354	26,786
Interest received		256,094,817	307,987,449	361,212,459
Dividends received	13	41,831,599	34,303,900	30,947,188
Acquisitions of:				
Available-for-sale financial assets	7	(1,322,097,053)	(4,477,286,406)	(7,260,278,243)
Property and equipment	9	(14,497,689)	(2,298,273)	(5,852,051)
Intangible assets	11	(1,137,140)	(2,401,348)	(14,012,160)
Net Cash From (Used in) Investing Activities		855,506,069	(232,524,273)	403,395,587
CASH FLOWS FROM FINANCING ACTIVITY				
Payments of dividends	18	-	(42,472,112)	(212,360,560)
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS				
		(2,696,035)	4,085,034	(3,050,231)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		281,598,039	(621,453,474)	(473,307,116)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		605,045,799	1,226,499,273	1,699,806,389
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 886,643,838	P 605,045,799	P 1,226,499,273

See Notes to Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) *Presentation of Financial Statements*

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

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

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS

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

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

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

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

- (i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The Company's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Company's financial statements for any periods presented.
- (ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the financial statements since the recoverable amounts of the Company's non-financial assets where impairment losses have been recognized were determined based on value-in-use which have been adequately disclosed in accordance with PAS 36.
- (iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Company neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Company's financial statements.

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

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

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

(c) *Effective Subsequent to 2014 but not Adopted Early*

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

- (i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.
- (ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

- (iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.
- (iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

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

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

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

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

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

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

Annual Improvements to PFRS (2010-2012 Cycle)

- (a) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- (b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.
- (c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

- (a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.
- (b) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

- (a) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.
- (b) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Financial Assets

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

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

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

(a) *Loans and Receivables*

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

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

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

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

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

(b) *AFS Financial Assets*

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

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

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

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

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

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

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

2.4 Property and Equipment

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

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

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

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

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

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

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

2.5 Other Assets

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

2.6 Investment Property

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

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

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

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

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

2.7 Intangible Assets

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

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

2.8 Financial Liabilities

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

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

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

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

2.9 Offsetting Financial Instruments

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

2.10 Provisions and Contingencies

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

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

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

2.11 Revenue and Expense Recognition

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

- (a) *Reinsurance premiums* – Premiums from short duration insurance contracts are recognized over the period of the contracts using the “24th method”, except for revenues from marine cargo risks wherein the premiums written during the first ten months of the current year and the last two months of the preceding year are recognized as revenue in the current year. The “24th method” assumes that the average date of issue of all policies written during any one month is the middle of that month. Accordingly, 1/24th of the net premiums are considered earned in the month the reinsurance contracts are issued and 2/24th for every month thereafter (or 1/24th for every 15-day period after the issue month). The portion of the gross reinsurance premiums that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as Reserve for Unearned Reinsurance Premiums and is presented in the liability section of the statement of financial position while the portion of the retroceded reinsurance premiums that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as Deferred Reinsurance Premiums and is presented in the asset section of the statement of financial position. The net changes in the account Reserve for Unearned Reinsurance Premiums and Deferred Reinsurance Premiums between the end of the reporting periods are recognized in the statement of income.
- (b) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (c) *Dividend income* – Revenue is recognized when the Company’s right to receive the payment is established.
- (d) *Gain on sale of assets* – Revenue is recognized when the risks and rewards of ownership of the investments have passed to the buyer.

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

2.12 Claim Costs Recognition

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

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

2.13 Acquisition Costs

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

2.14 Commissions on Retrocessions

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

2.15 Leases – Company as Lessee

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

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

2.16 Foreign Currency Transactions and Translation

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

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as part of profit or loss from operations.

2.17 Impairment of Non-financial Assets

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

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

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

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

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

2.18 Employee Benefits

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

(a) Defined Benefit Plan

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

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

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

(b) *Defined Contribution Plan*

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

(c) *Compensated Absences*

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

2.19 Income Taxes

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

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

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

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.20 Related Party Relationships and Transactions

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

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

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

2.21 Equity

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

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

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

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

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

2.22 Earnings (Loss) Per Share

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

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

2.23 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

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

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

(b) Distinguishing Investment Properties and Owner-managed Properties

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

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

(c) *Distinguishing Operating and Finance Leases*

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

(d) *Recognition of Provisions and Contingencies*

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

3.2 Key Sources of Estimation Uncertainty

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

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

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

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

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

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

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

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

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

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

(d) *Impairment of Non-financial Assets*

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

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

(e) *Determining Realizable Amount of Deferred Tax Assets*

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

(f) *Valuation of Post-employment Defined Benefit*

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

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

(g) *Valuation of Insurance Contract Liabilities*

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

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

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

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Reinsurance Risk

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

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

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

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

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

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

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

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

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

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

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

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

4.2 Credit Risk

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

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

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

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

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

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

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

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

4.3 Liquidity Risk

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

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

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

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

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

4.4 Market Risk

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

(a) Foreign Currency Risk

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

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

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

Foreign-currency denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are presented in the succeeding page.

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

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

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

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

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

(b) *Market Price Risk*

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

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

Beyond the provisions of the Insurance Code, the Company, through its Investment Committee, has established additional guidelines to control the risks inherent in equity investments. The Company's own investment policy requires that the Company invest only in shares of common stock of companies listed in the PSE. Furthermore, these listed companies must have profitable business operations and market capitalizations which are on a scale that would qualify them as blue chips. The Investment Committee regularly reviews and approves a list of publicly traded stocks authorized for investments on the basis of the foregoing considerations. Furthermore, the Investment Committee seeks to avoid unwarranted concentration of funds in a single asset class by regularly monitoring and limiting the proportion of equity investments to the Company's total investment portfolio. As of December 31, 2014 and 2013, investments in listed equities amounted to 22% and 18%, respectively, of the Company's total investment portfolio.

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

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

(c) *Interest Rate Risk*

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

5. CASH AND CASH EQUIVALENTS

This account consists of:

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

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

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

6. REINSURANCE BALANCES

The details of reinsurance balances are as follows:

	<u>2014</u>	<u>2013</u>
Reinsurance balances receivable:		
Reinsurance recoverable on unpaid losses	P 3,482,729,371	P 5,060,294,113
Due from ceding companies	1,209,089,581	833,040,221
Reinsurance recoverable on paid losses	956,677,133	1,072,506,104
Funds held by ceding companies	<u>130,261,689</u>	<u>154,845,900</u>
	5,778,757,774	7,120,686,338
Allowance for impairment	(603,685,730)	(572,562,898)
	<u>P 5,175,072,044</u>	<u>P 6,548,123,440</u>
Reinsurance balances payable:		
Claims payable	P 5,883,774,181	P 7,271,270,522
Due to retrocessionaires	1,016,675,866	858,462,597
Funds held for retrocessionaires	<u>74,420,432</u>	<u>80,350,000</u>
	<u>P 6,974,870,479</u>	<u>P 8,210,083,119</u>

Reinsurance balances receivable pertains to the following:

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

Reinsurance balances payable relates to the following:

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

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

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

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

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

7. AFS FINANCIAL ASSETS

This account is composed of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. LOANS AND RECEIVABLES

This account includes the following:

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

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

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

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

In 2014, Others includes receivables from retirement fund and remaining balance from sale of condominium unit amounting to P10.9 million and P6.7 million, respectively. In 2013, Others includes receivable from sale of various stocks amounting to P1.56 million.

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

9. PROPERTY AND EQUIPMENT

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

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

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

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

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

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

10. DEFERRED REINSURANCE PREMIUMS AND RESERVE FOR UNEARNED REINSURANCE PREMIUMS

The movement of these accounts follows:

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

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

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

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

11. OTHER ASSETS

The Other Assets account includes the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

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

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

13. INVESTMENT AND OTHER INCOME - Net

The details of this account follow:

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

14. UNDERWRITING DEDUCTIONS

14.1 Share in Claims and Losses

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

14.2 Commissions – net

This account consists of the following:

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

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

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

15. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account follow:

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

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries, Wages and Employee Benefit Expense

Expenses recognized for salaries and employee benefits are presented below.

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

16.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

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

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

(b) Explanation of Amounts Presented in the Financial Statements

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

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

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

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

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

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

The plan assets as of December 31 consist of:

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

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

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

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Reported in profit or loss:</i>			
Current service cost	P 8,222,834	P 9,581,702	P 9,276,730
Settlement loss (gain)	13,772,499	(164,971)	-
Net interest expense	<u>2,519,190</u>	<u>4,887,048</u>	<u>4,638,651</u>
	<u>P 24,514,523</u>	<u>P 14,303,779</u>	<u>P 13,915,381</u>
<i>Reported in other comprehensive loss (income):</i>			
Actuarial losses arising from changes in:			
Financial assumptions	(P 1,153,040)	P 11,708,682	P 4,147,740
Experience adjustments	(16,495,240)	921,633	5,486,134
Demographic assumptions	-	25,294	-
Return on plan assets (excluding amounts included in net interest)	(<u>10,254,097</u>)	(<u>2,261,487</u>)	(<u>5,283,655</u>)
	<u>(P 27,902,377)</u>	<u>P 10,394,122</u>	<u>P 4,350,219</u>

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

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

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

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

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

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Risks*

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

(ii) *Longevity and Salary Risks*

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

(iii) *Inflation Risk*

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

(d) *Other Information*

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

(i) *Sensitivity Analysis*

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

	<u>2014</u>			
	<u>Impact on Post-employment Benefit Obligation</u>			
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
Discount rate	+/- 1.0%	P	6,371,957	(P 6,250,853)
Salary growth	+/- 1.0%		6,250,853	(6,371,957)
Turn-over rate	+/-10.0%	(485,321)	485,321

	2013		
	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
Discount rate	+/- 1.0%	(P 10,374,312)	P 10,374,312
Salary growth	+/- 1.0%	10,131,427	(10,131,427)
Turn-over rate	+/-10.0%	(722,277)	722,277

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

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

(ii) *Asset-liability Matching Strategies*

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

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

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

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

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

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

(iii) *Funding Arrangements and Expected Contributions*

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

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

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

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

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

17. CURRENT AND DEFERRED TAXES

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

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

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

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

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

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

The details of the unrecognized NOLCO is shown below.

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

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

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

18. EQUITY

18.1 Capital Stock

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

	Number of Shares		
	2014	2013	2012
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning and end of year	<u>2,123,605,600</u>	<u>2,123,605,600</u>	<u>2,123,605,600</u>
	Amount		
	2014	2013	2012
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning and end of year	<u>P 2,123,605,600</u>	<u>P 2,123,605,600</u>	<u>P 2,123,605,600</u>

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

18.2 Treasury Shares

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

18.3 Appropriation for Contingencies

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

18.4 Declaration of Cash Dividends

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

19. RELATED PARTY TRANSACTIONS

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

19.1 Reinsurance Contracts with Related Parties

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

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

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

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

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

19.2 Other Transactions

The Company's other transactions with related parties follow:

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

(a) Cash and Cash Equivalents

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

(b) AFS Financial Assets

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

(c) *Loans and Receivables*

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

(d) *Investment Management and Custodianship*

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

19.3 Retirement Fund Investment Management

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

19.4 Transactions with Retirement Fund

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

19.5 Key Management Personnel Compensation

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

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

20. SOLVENCY

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

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

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

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

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

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

22. EARNINGS (LOSS) PER SHARE

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

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

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

23. COMMITMENTS AND CONTINGENCIES

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

23.1 Operating Lease Commitments – Company as Lessee

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

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

23.2 Legal Claims

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

23.3 Others

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

24. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

24.1 Comparison of Carrying Amounts and Fair Values

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

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

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

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

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

24.2 Offsetting of Financial Assets and Financial Liabilities

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

Reinsurance balances as at December 31 are as follows.

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

25. FAIR VALUE MEASUREMENT AND DISCLOSURES

25.1 Fair Value Hierarchy

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

- i. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- ii. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

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

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

25.2 Financial Instruments Measured at Fair Value

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

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

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

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

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

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

a) Equity securities

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

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

b) Debt securities

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

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

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

	<u>2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Cash and cash equivalents	P 886,643,838	P -	P -	P 886,643,838
Reinsurance balances receivables	-	-	5,175,072,044	5,175,072,044
Loans and receivables	-	-	322,338,295	322,338,295
	<u>P 886,643,838</u>	<u>P -</u>	<u>P 5,497,410,339</u>	<u>P 6,384,054,177</u>
Financial liabilities:				
Reinsurance balances payable	P -	P -	P 6,974,870,479	P 6,974,870,479
Accounts payable and other accrued expenses	-	-	80,720,312	80,720,312
	<u>P -</u>	<u>P -</u>	<u>P 7,055,590,791</u>	<u>P 7,055,590,791</u>
	<u>2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Cash and cash equivalents	P 605,045,799	P -	P -	P 605,045,799
Reinsurance balances receivables	-	-	6,548,123,440	6,548,123,440
Loans and receivables	-	-	320,047,429	320,047,429
	<u>P 605,045,799</u>	<u>P -</u>	<u>P 6,868,170,869</u>	<u>P 7,473,216,668</u>
Financial liabilities:				
Reinsurance balances payable	P -	P -	P 8,210,083,119	P 8,210,083,119
Accounts payable and other accrued expenses	-	-	36,395,466	36,395,466
	<u>P -</u>	<u>P -</u>	<u>P 8,246,478,585</u>	<u>P 8,246,478,585</u>

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

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

25.4 Fair Value Measurement for Non-financial Assets

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

26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

26.1 Minimum Capitalization

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

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

	<u>Minimum Network</u>	<u>Compliance Date</u>
P	2,250,000,000	December 31, 2016
	2,500,000,000	December 31, 2019
	3,000,000,000	December 31, 2022

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

26.2 Risk-Based Capital Requirements

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

26.3 Limitation on Dividend Declaration

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

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

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

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

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

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

27. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	<u>2014</u>	<u>2013</u>
Current ratio	1.75	1.66
Asset-to-equity	2.36	2.57
Liability-to-equity	1.36	1.57

28. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

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

28.1 Requirements under RR 15-2010

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

(a) Output VAT

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

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

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

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

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

(b) *Input VAT*

The movements in input VAT in 2014 are summarized below.

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

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

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

(c) *Taxes on Importation*

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

(d) *Excise Tax*

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

(e) *Documentary Stamp Tax (DST)*

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

(f) *Taxes and Licenses*

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

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

(g) *Withholding Taxes*

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

Compensation and benefits	P	29,852,567
Expanded		3,670,841
Final		<u>891,181</u>
	P	<u>34,414,589</u>

(h) *Deficiency Tax Assessments and Tax Cases*

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

28.2 Requirements Under RR 19-2011

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

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

(a) *Taxable Revenues*

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

(b) *Deductible Costs of Services*

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

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

(c) *Taxable Non-operating and Other Income*

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

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

(d) *Itemized Deductions*

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

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



Punongbayan & Araullo

An instinct for growth™

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

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

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

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626

TIN 906-174-059

PTR No. 4748317, January 5, 2015, Makati City

SEC Group A Accreditation

Partner - No. 0628-AR-2 (until Sept. 5, 2016)

Firm - No. 0002-FR-3 (until Apr. 30, 2015)

BIR AN 08-002511-22-2013 (until Nov. 7, 2016)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 19, 2015

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

Statement of Management's Responsibility for the Consolidated Financial Statements

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

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

Schedule	Content	No. of Pages
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
A	Financial Assets	4
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	4
Supplementary Schedule to Financial Statements (SEC Circular 11)		
	Reconciliation of Retained Earnings for Dividend Declaration	N/A
	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, 2014	4
	Map Showing the Relationship Between the Company and its Related Entities	N/A

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

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
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AVAILABLE FOR SALE

STOCKS:

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

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
Asian Reinsurance Corp	980	P 4,444,846.52	P 4,444,846.52	P
Evercrest Golf Club-A	1	50,000.00	50,000.00	
Makati Sports Club "A"	1	300,000.00	300,000.00	
Calatagan Golf Club, Inc.	1	30,000.00	30,000.00	
Benguet Consolidated	18	61.92	61.92	
Heritage Park - Garden	4	880,000.00	880,000.00	
Philippine Nuclear	100	10,000.00	10,000.00	
Rancho Palos Verdes	2	1,000,000.00	1,000,000.00	
Orchard Golf Club - C	1	190,000.00	190,000.00	
Batangas Venture(BAC)	2,200,000	845,724.97	845,724.97	
Phil. Hotel C (Hot)	750	96,971.77	96,971.77	7,500.00
Phil. Nuclear (PN)	200	20,000.00	20,000.00	
Roxas	2,628	262,800.00	262,800.00	
Roxas C	110,490	4,921,612.27	4,921,612.27	
Roxas Pref. others C (RXC-1)	189,305	8,432,328.66	8,432,328.66	
Seneca Holdings Inc. (SHI)	746,453	746,453.00	746,453.00	
Shell Co. (SHEP)	660	1,905,974.40	1,905,974.40	
Sold				2,491,989.06
SUB-TOTAL FOR STOCKS		P 1,578,817,144.31	P 1,578,817,144.31	P 41,831,599.17
BONDS				
Fixed Rate Treasury Notes				
FXTN 5-72	P 200,000,000.00	P 196,742,325.20	P 196,742,325.20	P 5,417,092.52
FXTN 7-56	102,760,000.00	104,820,427.66	104,820,427.66	3,055,417.60
FXTN1053	202,220,000.00	227,819,780.42	227,819,780.42	12,006,283.49
RTB 10-3	150,000,000.00	163,948,987.29	163,948,987.29	8,625,000.00
FXTN 1055	20,000,000.00	21,824,225.81	21,824,225.81	1,084,978.73
FXTN1054	622,416,280.00	703,247,589.77	703,247,589.77	40,392,874.29
FXTN10-58	50,000,000.00	50,314,348.99	50,314,348.99	1,850,229.90
RTB 15-1	150,000,000.00	175,435,598.59	175,435,598.59	12,387,152.79
MATURED/SOLD				5,150,369.59
	1,497,396,280.00	1,644,153,283.73	1,644,153,283.73	89,969,398.91
ROP BONDS				
ROP 24	106,439,925.35	111,328,383.02	111,328,383.02	3,352,020.97
RCBC 2015	76,874,000.00	76,072,654.26	76,072,654.26	4,714,047.76
RCBC 2017	8,785,600.00	9,317,992.75	9,317,992.75	463,906.63
PCORPM	10,163,250.00	11,540,633.22	11,540,633.22	831,922.50
PCORPM	10,163,250.00	11,540,633.22	11,540,633.22	831,922.50
SMIC 2019	8,376,000.00	8,956,862.75	8,956,862.75	382,688.40
SMC US\$	20,365,530.44	20,830,561.88	20,830,561.88	1,107,154.34
FGEN CSUFN	21,654,500.00	23,382,877.36	23,382,877.36	1,463,366.93
MATURED				1,154,214.80
TOTAL DOLLAR BONDS	262,822,055.79	272,970,598.45	272,970,598.45	14,301,244.82
(BPI Managed)				
FXTN-748cr	185,703,199.00	193,017,831.80	193,017,831.80	12,999,223.95
RT BONDMC	20,000,000.00	23,083,115.27	23,083,115.27	1,450,000.00
FXTN1054MC	85,632,706.00	96,753,565.16	96,753,565.16	3,998,562.95
FXTN2002C	55,000,000.00	86,307,107.06	86,307,107.06	6,109,877.96
FXTN2017	55,000,000.00	76,506,883.62	76,506,883.62	2,566,299.87
RTBOND	160,000,000.00	191,352,652.03	191,352,652.03	6,578,481.53
MATURED/SOLD				1,858,019.52
	561,335,905.00	667,021,154.94	667,021,154.94	35,560,465.78
(RCBC Managed)				
FXTN 10-42	40,000,000.00	43,423,574.06	43,423,574.06	1,560,361.18
FXTN 7-51	41,000,000.00	42,918,717.16	42,918,717.16	895,303.33
FXTN 7-56	41,000,000.00	41,822,085.79	41,822,085.79	915,132.87
FXTN1054	5,000,000.00	5,649,334.80	5,649,334.80	124,820.94
RTB 15-1	20,000,000.00	23,391,413.15	23,391,413.15	1,019,553.04
MATURED/SOLD				2,178,933.72
	147,000,000.00	157,205,124.96	157,205,124.96	6,694,105.08

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
Mandatory Reserves				
FXTN 1042	P 241,000,000.00	P 261,627,033.66	P 261,627,033.66	P 14,106,261.77
FXTN 7-51	9,000,000.00	9,421,181.82	9,421,181.82	396,582.71
MATURED				
	250,000,000.00	271,048,215.48	271,048,215.48	14,502,844.48
CORPORATE BONDS				
Meg Bond	50,000,000.00	50,000,000.00	50,000,000.00	4,230,000.00
EDC Bond	50,000,000.00	50,000,000.00	50,000,000.00	4,320,900.00
EDC-BOND	13,000,000.00	13,000,000.00	13,000,000.00	1,123,434.00
SMIC Series B	12,000,000.00	12,000,000.00	12,000,000.00	1,092,000.00
SMIC Series B	10,000,000.00	10,000,000.00	10,000,000.00	910,000.00
FLI Bond	50,000,000.00	50,000,000.00	50,000,000.00	3,098,100.00
San Miguel Brewery	71,550,000.00	71,550,000.00	71,550,000.00	4,328,775.00
San Miguel Brewery	5,000,000.00	5,000,000.00	5,000,000.00	302,500.00
Globe Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,875,000.00
GLOBE-BOND	23,000,000.00	23,000,000.00	23,000,000.00	1,322,500.00
ALI Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,812,500.00
FLI Bond	20,000,000.00	20,000,000.00	20,000,000.00	1,254,620.00
SMIC	50,000,000.00	50,000,000.00	50,000,000.00	3,000,000.00
JGS-BOND	25,000,000.00	25,000,000.00	25,000,000.00	1,100,836.88
JGS-BOND	25,000,000.00	25,000,000.00	25,000,000.00	1,100,836.88
EDC Bond	50,000,000.00	50,000,000.00	50,000,000.00	2,079,150.00
EDC-BOND	10,000,000.00	10,000,000.00	10,000,000.00	415,830.00
SMB-BOND	70,000,000.00	70,000,000.00	70,000,000.00	4,620,000.00
SMIC	80,000,000.00	87,401,239.38	87,401,239.38	4,645,217.57
FLI	50,000,000.00	50,000,000.00	50,000,000.00	2,428,100.00
Rockwell 2021	50,000,000.00	50,000,000.00	50,000,000.00	2,546,600.00
Filinvest Dev't. Corp(FDC)	20,000,000.00	20,000,000.00	20,000,000.00	1,147,216.00
RCBC Tier2	50,000,000.00	50,000,000.00	50,000,000.00	1,366,145.83
MATURED				8,179,318.47
	884,550,000.00	891,951,239.38	891,951,239.38	60,299,580.63
LONG-TERM NEGOTIABLE INSTRUMENT				
RCBC LTNCD	30,000,000.00	30,000,000.00	30,000,000.00	1,950,000.00
RCBC LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,617,708.32
RCBC LTNCD	15,000,000.00	15,473,749.95	15,473,749.95	666,313.53
EWB LTNCD	50,000,000.00	50,000,000.00	50,000,000.00	2,500,000.00
MATURED				
	145,000,000.00	145,473,749.95	145,473,749.95	7,734,021.85
SUB-TOTAL FOR INVESTMENT IN BONDS				
	P 3,748,104,240.79	P 4,049,823,366.89	P 4,049,823,366.89	P 229,061,661.55
PREMIUM FIXED INCOME FUND				
	4,690,671.00	479,097,200.71	479,097,200.71	-
TOTAL AVAILABLE FOR SALE				
		P 6,107,737,711.90	P 6,107,737,711.90	P 270,893,260.72
LOANS AND RECEIVABLE				
TERM LOANS				
SMPH	P 98,000,000.00	P 98,000,000.00	P 98,000,000.00	P 5,730,267.53
SMART 2017	98,000,000.00	98,000,000.00	98,000,000.00	5,235,096.39
SMPH	49,000,000.00	49,000,000.00	49,000,000.00	2,185,829.17
MATURED/SOLD	-	-	-	-
SUB-TOTAL TERM LOAN	P 245,000,000.00	P 245,000,000.00	P 245,000,000.00	P 13,151,193.09

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
ACCRUED INTEREST RECEIVABLE		P 55,214,151.54	P 55,214,151.54	
ACCOUNTS RECEIVABLE		18,121,292.16	18,121,292.16	
MORTGAGE LOANS		-	-	32,000.00
LOAN RECEIVABLES		4,002,851.01	4,002,851.01	
TOTAL LOANS AND RECEIVABLE		P 322,338,294.71	P 322,338,294.71	P 13,183,193.09
GRAND TOTAL FOR FINANCIAL ASSETS		P 6,430,076,006.61	P 6,430,076,006.61	P 284,076,453.81

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

Name of employee	Designation	Bal. at beg. of period	Additions	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts Written off	Current	Non-Current	
A. Emergency Loans								
1 Aguilar, Normando Antonio S.	Asst. Vice President	P 41,196.62	P 80,000.00	P 121,196.62	P -	P -	P -	P -
2 Albina, Ruby	Rank & File	12,779.09	10,000.00	22,779.09	-	-	-	-
3 Aman, Ma. Socorro J.	Rank & File	14,411.86	20,000.00	34,411.86	-	-	-	-
4 Arcangel, Tristan Russell T.	Rank & File	15,222.16	20,000.00	24,092.21	-	11,129.95	-	11,129.95
5 Baring, Julius	Rank & File	10,299.19	20,000.00	22,517.28	-	7,781.91	-	7,781.91
6 Barit, Roanna Katrina C.	Rank & File	6,082.67	-	6,082.67	-	-	-	-
7 Bautista, Jonathan B.	Rank & File	-	20,000.00	12,218.09	-	7,781.91	-	7,781.91
8 Castillo, Jocelyn	Rank & File	8,625.19	20,000.00	14,213.34	-	14,411.85	-	14,411.85
9 Collantes, Jereco L.	Rank & File	11,956.58	20,000.00	20,000.00	-	11,956.58	-	11,956.58
10 Cruz, Bethzayda	Rank & File	6,082.67	20,000.00	25,200.62	-	882.05	-	882.05
11 De Guzman, Mary Ann	Rank & File	11,129.95	-	11,129.95	-	-	-	-
12 De Leon II, Roberto S.	First Vice President	63,049.48	-	63,049.48	-	-	-	-
13 Fandialan, Jocelyn SP	Manager	36,029.63	25,000.00	61,029.63	-	-	-	-
14 Guerra, Ronnierick	Asst. Vice President	19,454.68	50,000.00	69,454.68	-	-	-	-
15 Ignacio, Jose Alladin	Rank & File	19,152.46	20,000.00	21,698.63	-	17,453.83	-	17,453.83
16 Lacson, Jeffrey	Asst. Vice President	76,854.35	-	76,854.35	-	-	-	-
17 Lampa, Kathy	Rank & File	8,625.19	20,000.00	14,213.33	-	14,411.86	-	14,411.86
18 Magalona, Natalie S.	Asst. Manager	39,871.70	50,000.00	55,877.95	-	33,993.75	-	33,993.75
19 Magalona, Wilmar	Asst. Manager	17,335.92	50,000.00	58,581.50	-	8,754.42	-	8,754.42
20 Magtals, Ivy I.	Manager	32,727.61	50,000.00	61,164.71	-	21,562.90	-	21,562.90
21 Malabanan, Daryl Casey	Rank & File	15,694.22	10,000.00	16,879.73	-	8,814.49	-	8,814.49
22 Malana, Jackilyn	Rank & File	-	10,000.00	6,532.80	-	3,467.20	-	3,467.20
23 Mirano, Seth Louis	Rank & File	-	20,000.00	3,169.31	-	16,830.69	-	16,830.69
24 Navarrete, Ma Doris	Rank & File	8,625.19	20,000.00	28,625.19	-	-	-	-
25 Pascual, Teofista	Asst. Manager	-	30,000.00	15,803.63	-	14,196.37	-	14,196.37
26 Paz, Anjo Raval	Rank & File	-	20,000.00	11,374.81	-	8,625.19	-	8,625.19
27 Ramos, Rizza Glein	Rank & File	-	20,000.00	3,169.31	-	16,830.69	-	16,830.69
28 Avila, Lylibeth	Rank & File	8,625.18	20,000.00	20,000.00	-	8,625.18	-	8,625.18
29 Sabiano, Henry	Rank & File	5,564.99	-	5,564.99	-	-	-	-
30 Salesa, Mario	Rank & File	16,830.68	-	16,830.68	-	-	-	-
31 Salesa, Marjorie	Rank & File	10,299.18	20,000.00	14,270.76	-	16,028.42	-	16,028.42
32 Sanoy, Vicente	Asst. Vice President	17,465.35	80,000.00	79,999.90	-	17,465.45	-	17,465.45
33 Toledo, Warlito	Rank & File	8,625.14	20,000.00	28,625.14	-	-	-	-
34 Velasquez, Florlene	Rank & File	15,948.69	-	15,948.69	-	-	-	-
35 Velasquez, Rolly M.	Asst. Manager	40,071.19	-	40,071.19	-	-	-	-
36 Yamat, Jennifer	Rank & File	4,109.00	20,000.00	22,349.34	-	1,759.66	-	1,759.66
		602,745.81	785,000.00	1,124,981.46	-	262,764.35	-	262,764.35
B. Emergency/Calamity Loan								
1 Albina, Ruby	Rank & File	394.70	-	394.70	-	-	-	-
2 Baring, Julius	Rank & File	394.70	-	394.70	-	-	-	-
3 Bantad, Benedict C.	Rank & File	1,342.05	-	1,342.05	-	-	-	-
4 Fandialan, Jocelyn SP	Manager	1,184.10	-	1,184.10	-	-	-	-
5 Ignacio, Jose Aladin	Rank & File	3,947.39	-	3,947.39	-	-	-	-
6 Joson, Willfor	Rank & File	4,736.75	-	4,736.75	-	-	-	-
7 Reyes, Lylibeth	Rank & File	7,894.72	-	6,842.16	-	1,052.56	-	1,052.56
		19,894.41	-	18,841.85	-	1,052.56	-	1,052.56
C. Car Facility Loan								
1 Aguilar, Normando Antonio S.	Asst. Vice President	383,498.78	-	383,498.78	-	-	-	-
2 Basco, Amerfil V.	Vice President	234,581.64	-	234,581.64	-	-	-	-
3 Benito, Noli Mario	Vice President	-	440,000.00	21,126.28	-	418,873.72	-	418,873.72
4 De Guzman, Rene	Vice President	21,616.74	-	21,616.74	-	-	-	-
5 De Leon II, Roberto S.	First Vice President	227,223.69	-	227,223.69	-	-	-	-
6 Engracia, Rosario V.	Asst. Vice President	528,851.62	-	107,550.46	-	421,301.16	-	421,301.16
7 Fandialan, Jocelyn	Manager	399,832.62	-	399,832.62	-	-	-	-
8 Fidlino, Karen	Asst. Vice President	-	600,000.00	32,980.51	-	567,019.49	-	567,019.49
9 Fong, Allan	Sr. Manager	351,862.39	-	91,961.72	-	259,900.67	-	259,900.67
10 Geronimo, Editha B.	Asst. Vice President	354,479.84	-	122,048.23	-	232,431.61	-	232,431.61
11 Guerra, Ronnierick	Asst. Vice President	423,081.30	-	423,081.30	-	-	-	-
12 Kabigting, Francisco B.	Asst. Vice President	120,840.29	-	120,840.29	-	-	-	-
13 Lacson, Jeffrey	Asst. Vice President	183,648.99	-	90,189.41	-	93,459.58	-	93,459.58
14 Lucos, Honarata S.	Asst. Vice President	354,479.84	-	122,048.23	-	232,431.61	-	232,431.61
15 Martinez, Ariel D.	Asst. Vice President	524,539.75	-	107,908.96	-	416,630.79	-	416,630.79
16 Papa, Regina	Sr. Asst. Vice President	240,099.77	-	101,405.50	-	138,694.28	-	138,694.28
17 Ramos, Regina S.	Vice President	234,581.64	-	91,611.41	-	142,970.23	-	142,970.23
18 Reyes, Angelita U.	Manager	258,344.30	-	258,344.30	-	-	-	-
19 Salonga, Daisy Cua	Asst. Vice President	369,062.22	-	120,835.83	-	248,226.39	-	248,226.39
20 Sanoy, Jr., Vicente R.	Asst. Vice President	359,357.05	-	121,642.75	-	237,714.30	-	237,714.30
21 Tanjuakio, Viktor	Vice President	-	440,000.00	21,127.16	-	418,872.84	-	418,872.84
22 Villarama, Jr., Vicente B.	Vice President	263,529.05	-	89,204.70	-	174,324.35	-	174,324.35
		5,833,511.52	1,480,000.00	3,310,660.50	-	-	4,002,851.01	4,002,851.01

Name of employee	Designation	Bal. at beg. of period	Additions	Amounts collected	Amounts Written off	Current	Non-Current	Balance at end of period
D. Receivables on Insurance coverage of Co. Car (Officers share)								
1 Aguilar, Normando Antonio S.	Asst. Vice President	P -	P 16,978.61	P 16,978.61	P -	P -	P -	P -
2 Basco, Amerfil V.	Vice President	3,138.80	13,392.78	16,531.58	-	-	-	-
3 Benito, Noli Mario	Vice President	-	15,421.67	3,855.42	-	11,566.25	-	11,566.25
4 De Guzman, Rene	Vice President	5,132.03	-	5,132.03	-	-	-	-
5 De Leon II, Roberto S.	First Vice President	4,657.49	13,211.02	17,868.51	-	-	-	-
6 Engracia Rosario	Asst. Vice President	5,932.51	18,065.53	18,728.92	-	5,269.12	-	5,269.12
7 Fandialan Jocelyn	Manager	8,016.26	10,614.68	18,630.94	-	-	-	-
8 Fidelino, Karen	Asst. Vice President	-	17,051.25	3,552.35	-	13,498.90	-	13,498.90
9 Fong, Allan	Sr. Manager	8,730.15	17,387.41	17,423.91	-	8,693.65	-	8,693.65
10 Geronimo, Editha B.	Asst. Vice President	10,859.59	13,304.84	14,740.18	-	9,424.25	-	9,424.25
11 Guerra, Ronnierick	Asst. Vice President	3,784.41	15,064.04	18,848.45	-	-	-	-
12 Kabigting, Francisco	Asst. Vice President	3,850.52	-	3,850.52	-	-	-	-
13 Lacson, Jeffrey	Asst. Vice President	4,702.38	10,501.60	10,828.36	-	4,375.62	-	4,375.62
14 Lucos, Honarata S.	Asst. Vice President	10,859.59	13,304.84	14,740.18	-	9,424.25	-	9,424.25
15 Martinez, Ariel	Asst. Vice President	3,354.56	11,634.83	11,595.82	-	3,393.57	-	3,393.57
16 Papa, Regina	Sr. Asst. Vice President	3,412.74	12,506.24	12,792.36	-	3,126.62	-	3,126.62
17 Ramos, Regina S.	Vice President	5,792.80	12,082.37	11,833.96	-	6,041.21	-	6,041.21
18 Reyes, Angelita U.	Manager	11,764.46	15,904.64	27,669.10	-	-	-	-
19 Salonga, Daisy Cua	Asst. Vice President	13,855.78	5,519.06	19,374.84	-	-	-	-
20 Sanoy, Vicente	Asst. Vice President	3,019.44	15,009.98	15,147.97	-	2,881.45	-	2,881.45
21 Tanjuakio, Viktor	Vice President	-	13,228.99	2,204.84	-	11,024.15	-	11,024.15
22 Villarama, Jr., Vicente B.	Vice President	3,806.06	18,898.58	19,168.64	-	3,536.00	-	3,536.00
		<u>114,669.57</u>	<u>279,082.96</u>	<u>301,497.49</u>	<u>-</u>	<u>92,255.04</u>	<u>-</u>	<u>92,255.04</u>
E. Housing Loan								
1 De Leon II, Roberto S.	First Vice President	877,196.20	-	877,196.20	-	-	-	-
2 Kabigting, Francisco B.	Asst. Vice President	55,574.34	-	55,574.34	-	-	-	-
		<u>932,770.54</u>	<u>-</u>	<u>932,770.54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL		P 7,503,591.85	P 2,544,082.96	P 5,688,751.84	P -	P 356,071.95	P 4,002,851.01	P 4,358,922.96

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

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

NA

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

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

NATIONAL REINSURANCE CORPORATION OF THE PHILS.

Schedule E - Long-term Debt

December 31, 2014

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

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

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

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

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

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

Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
1 PCD NOMINEE CORP. (F)	Common	1,644,569,400	NIL	820,182,500	60,000	824,326,900
2 BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500	NIL	290,795,500	-	-
3 FGU INSURANCE CORPORATION	Common	36,126,000	NIL	36,126,000	-	-
4 PHILIPPINE CHARTER INSURANCE CORP.	Common	15,305,900	NIL	-	-	15,305,900
5 PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200	NIL	-	-	11,075,200
6 PHILIPPINE AMERICAN LIFE INSURANCE CO.	Common	8,628,600	NIL	-	-	8,628,600
7 PA, ANA GO &/OR GO KIM	Common	7,500,000	NIL	-	-	7,500,000
8 EMPIRE INSURANCE COMPANY	Common	7,498,900	NIL	-	-	7,498,900
9 PCD NOMINEE CORP. (NF)	Common	7,296,100	NIL	-	-	7,296,100
10 PHIL. INT'L LIFE INSURANCE CO., INC.	Common	4,450,200	NIL	-	-	4,450,200
11 NEW INDIA ASSURANCE CO., LTD.	Common	4,168,300	NIL	-	-	4,168,300
12 SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700	NIL	-	-	4,152,700
13 FEDERAL PHOENIX ASSURANCE COMPANY INC.	Common	3,786,300	NIL	-	-	3,786,300
14 ORIENTAL ASSURANCE CORPORATION	Common	3,560,800	NIL	-	-	3,560,800
15 VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500	NIL	-	-	3,545,500
16 BPI/MS INSURANCE CORP.	Common	3,347,500	NIL	3,347,500	-	-
17 BENEFICIAL LIFE INSURANCE COMPANY INC.	Common	3,193,500	NIL	-	-	3,193,500
18 MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400	NIL	-	-	3,168,400
19 ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000	NIL	-	-	3,000,000
20 MERCANTILE INSURANCE CO., INC.	Common	2,997,700	NIL	-	-	2,997,700
21 STRONGHOLD INSURANCE CO., INC.	Common	2,817,600	NIL	-	-	2,817,600
22 UNTIED LIFE ASSURANCE CORP.	Common	2,518,100	NIL	-	-	2,518,100
23 PREMIER INSURANCE & SURETY CORPORATION	Common	2,456,100	NIL	-	-	2,456,100
24 STERLING INSURANCE CO., INC.	Common	2,453,900	NIL	-	-	2,453,900
25 ANSALDO GODINEZ & CO. INC. FAO : MARK V. PANGILINAN	Common	2,451,000	NIL	-	-	2,451,000
26 PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300	NIL	-	-	2,435,300
27 COUNTRY BANKERS INS. CORP.	Common	2,220,300	NIL	-	-	2,220,300
28 UNION INSURANCE SOCIETY OF CANTON LTD.	Common	2,197,300	NIL	-	-	2,197,300
29 UNTIED INSURANCE CO., INC.	Common	2,006,600	NIL	-	-	2,006,600
30 CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPHINE S. DEL	Common	1,896,000	NIL	-	-	1,896,000
31 EASTERN ASSURANCE & SURETY CORPORATION	Common	1,872,400	NIL	-	-	1,872,400
32 UTILITY ASSURANCE CORP.	Common	1,837,900	NIL	-	-	1,837,900
33 PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900	NIL	-	-	1,771,900
34 MONARCH INSURANCE CO., INC.	Common	1,674,000	NIL	-	-	1,674,000
35 ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900	NIL	-	-	1,578,900
36 PACIFIC UNION INSURANCE CO.	Common	1,351,600	NIL	-	-	1,351,600
37 TABACALERA INSURANCE CO. INC.	Common	1,278,700	NIL	-	-	1,278,700
38 ASIA UNTIED INSURANCE, INC	Common	1,252,300	NIL	-	-	1,252,300
39 MANILA INSURANCE COMPANY INC.	Common	1,148,400	NIL	-	-	1,148,400
40 ANTONIO ROXAS CHUA	Common	1,089,500	NIL	-	-	1,089,500
41 PARAMOUNT LIFE & GENERAL INS. CORP.	Common	940,900	NIL	-	-	940,900
42 FIDELITY INSURANCE COMPANY INC.	Common	818,800	NIL	-	-	818,800
43 ZENITH INSURANCE CORPORATION	Common	805,800	NIL	-	-	805,800
44 ENRIQUE M. REYES	Common	752,600	NIL	-	-	752,600
45 PHILIPPINE GENERAL INSURANCE CORP.	Common	750,000	NIL	-	-	750,000
46 INSURANCE CO. OF NORTH AMERICA	Common	705,600	NIL	-	-	705,600
47 TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100	NIL	-	-	696,100
48 PHILIPPINE BRITISH ASSURANCE CO., INC.	Common	590,400	NIL	-	-	590,400
49 GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700	NIL	-	-	544,700
50 REPUBLIC SURETY & INSURANCE COMPANY INC.	Common	542,300	NIL	-	-	542,300
51 EMPIRE INSURANCE COMPANY	Common	500,000	NIL	-	-	500,000
52 CHENG, BERCK Y.	Common	500,000	NIL	-	-	500,000
53 GARCIA, WINSTON F.	Common	442,300	NIL	-	-	442,300
54 PHILIPPINE REMNANTS CO., INC.	Common	399,300	NIL	-	-	399,300
55 BF LIFE INSURANCE CORP.	Common	397,300	NIL	-	-	397,300
56 SUNGA, PROSPERO S. SUNGA &/OR CLARITA J.	Common	375,000	NIL	-	-	375,000
57 WU, JOLI CO	Common	344,100	NIL	-	-	344,100
58 GENERAL INSURANCE & SURETY CORPORATION	Common	313,300	NIL	-	-	313,300
59 SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700	NIL	-	-	305,700
60 STERLING INSURANCE COMPANY, INC.	Common	300,000	NIL	-	-	300,000
61 SUNGA, PETER EDWIN J. SUNGA &/OR ROSANNA MARIE S.	Common	300,000	NIL	-	-	300,000
62 JAYMERLI C. BAUTISTA	Common	298,100	NIL	-	-	298,100
63 JENNIFER C. MARTIN	Common	294,000	NIL	-	-	294,000
64 JACQUELINE M. HALILI CO	Common	293,800	NIL	-	-	293,800
65 FIRST INTEGRATED BONDING & INS. CO INC.	Common	275,300	NIL	-	-	275,300
66 MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800	NIL	-	-	271,800
67 CENTENNIAL GUARANTEE ASSURANCE CORP.	Common	265,200	NIL	-	-	265,200
68 HYDEE MANAGEMENT & RESOURCE CORPORATION	Common	264,000	NIL	-	-	264,000
69 ANSALDO, GODINEZ & CO INC.FAO: MARK V. PANGILINAN	Common	254,000	NIL	-	-	254,000
70 LEE, LEA B.	Common	250,000	NIL	-	-	250,000
71 VISAYAN SURETY & INSURANCE CORPORATION	Common	200,000	NIL	-	-	200,000
72 GO, IRENE CHAN	Common	185,000	NIL	-	-	185,000
73 ADELITA VERGEL DE DIOS	Common	171,500	NIL	-	-	171,500
74 PLARIDEL SURETY & INSURANCE COMPANY INC.	Common	162,500	NIL	-	-	162,500
75 CONSOLIDATED INSURANCE CO., INC.	Common	144,600	NIL	-	-	144,600
76 PHIL. PHOENIX SURETY & INS. INC.	Common	134,900	NIL	-	-	134,900
77 AYUSTE JR., RAFAEL G.	Common	100,000	NIL	-	100,000	-
78 TAN, LOZANO A.	Common	100,000	NIL	-	-	100,000

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
79 UY, FRANCISCO A.	Common	100,000	NIL			100,000
80 INVESTOR'S ASSURANCE CORP.	Common	99,000	NIL			99,000
81 TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300	NIL			92,300
82 LIM, IAN VINCENT &/OR FLORA &/OR ERNESTO	Common	86,000	NIL			86,000
83 KAWSEK, PAUL L.	Common	80,000	NIL			80,000
84 MANUEL A. TORRES JR.	Common	79,100	NIL			79,100
85 ARAVAL, INC	Common	77,100	NIL			77,100
86 FRANCISCO JOSE ELIZALDE YTURREALDE	Common	75,700	NIL			75,700
87 COOPERATIVE INSURANCE SYSTEM OF THE PHILS.	Common	72,900	NIL			72,900
88 L.O. JOSEPHINE NG	Common	71,000	NIL			71,000
89 SM SAVINGS & LOAN ASSOCIATION	Common	70,000	NIL			70,000
90 LIM, ROQUE A.	Common	66,000	NIL			66,000
91 INSURANCE OF THE PHIL. ISLANDS CO., INC.	Common	59,100	NIL			59,100
92 BANZON JR., JOSE G.	Common	54,000	NIL			54,000
93 NELIA M. MALUBAY	Common	54,000	NIL			54,000
94 YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000	NIL			50,000
95 ALMEDA, VALERIANO &/OR TITA JANE	Common	40,000	NIL			40,000
96 GILI JR., GUILLERMO F.	Common	38,000	NIL			38,000
97 B.F. GENERAL INSURANCE CO., INC.	Common	36,900	NIL			36,900
98 MABASA & COMPANY, INC.	Common	36,500	NIL			36,500
99 ALEGAR CORPORATION	Common	32,600	NIL			32,600
100 LUZON INSURANCE & SURETY CO., INC.	Common	32,300	NIL			32,300
101 COUNTRY BANKERS LIFE INSURANCE CORP.	Common	30,000	NIL			30,000
102 YAO, WILSON A.	Common	30,000	NIL			30,000
103 TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000	NIL			29,000
104 DAVID C. MERCADO	Common	27,300	NIL			27,300
105 DIZON, VLADimir S.	Common	26,000	NIL			26,000
106 FLORES, WALDO Q.	Common	25,000	NIL			25,000
107 ANTONIO S. ROXAS-CHUA JR.	Common	24,900	NIL			24,900
108 MALAYAN INSURANCE CO., INC.	Common	21,600	NIL	21,600		-
109 MENDIOLA, JORGE T.	Common	20,000	NIL			20,000
110 OLIVA, DULCE MARIA S.	Common	20,000	NIL			20,000
111 NORMANDO ANTONIO S. AGUILAR	Common	16,900	NIL		16,900	-
112 PEDRO P. BENEDICTO JR.	Common	15,800	NIL			15,800
113 CASTRO, WILLIAM Y.	Common	15,000	NIL			15,000
114 EDITHA B. GERONIMO	Common	15,000	NIL		15,000	-
115 HONORATA S. LUCOS	Common	15,000	NIL		15,000	-
116 ISABELITA M. CABANGUNAY	Common	14,500	NIL			14,500
117 RITA LEGARDA, INC.	Common	13,700	NIL			13,700
118 RAFAEL C. GALLAGA	Common	13,500	NIL		13,500	-
119 BETTY RC YAO	Common	13,400	NIL			13,400
120 LUCITA R.C. LIMPE	Common	13,400	NIL			13,400
121 LUZ NER CRUZ	Common	13,400	NIL			13,400
122 PACITA RODRIGUEZ	Common	13,400	NIL			13,400
123 PETER T. ROXAS-CHUA	Common	13,400	NIL			13,400
124 SEVERINO T. ROXAS-CHUA	Common	13,400	NIL			13,400
125 REYES, CARLOS, R.	Common	12,000	NIL			12,000
126 BASCO, AMERFIL V.	Common	11,800	NIL		11,800	-
127 ANDRES E. SIOCHI	Common	11,700	NIL			11,700
128 MAURO PRIETO	Common	11,600	NIL			11,600
129 CHUA, CARLOS T.	Common	10,000	NIL			10,000
130 YU, PAN	Common	10,000	NIL			10,000
131 RIVARA, INC.	Common	8,700	NIL			8,700
132 BANCOM DEVELOPMENT CORP.	Common	8,500	NIL			8,500
133 TIMES SURETY & INSURANCE CO., INC.	Common	7,500	NIL			7,500
134 CONRADO BENITEZ	Common	7,400	NIL			7,400
135 DANILO J. CABERO	Common	7,200	NIL			7,200
136 ROSARIO M. LLORA	Common	7,100	NIL			7,100
137 ALICIA S. CRUZ	Common	6,400	NIL			6,400
138 PAZ VDA. DE RODAS	Common	6,200	NIL			6,200
139 REGINA CAPITAL.DEV. CORP. 018400	Common	6,000	NIL			6,000
140 DINOY, MARILOU A.	Common	6,000	NIL			6,000
141 GALVEZ, ANTONIO R.	Common	6,000	NIL			6,000
142 LAO, EDMUND Y.	Common	6,000	NIL			6,000
143 LIM, WILLIAM S.	Common	6,000	NIL			6,000
144 TIU, ALFONSO SY	Common	6,000	NIL			6,000
145 UY, ALVIN CHRIS SY	Common	6,000	NIL			6,000
146 VILLANUEVA, NICERATA C.	Common	6,000	NIL			6,000
147 UNION BANK OF THE PHILIS.	Common	5,000	NIL			5,000
148 CHAVEZ, RAMON NONATO D.	Common	5,000	NIL			5,000
149 CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I.	Common	5,000	NIL			5,000
150 NATIVIDAD CANTAJAL	Common	4,800	NIL			4,800
151 ANTONIO P. MADRIGAL	Common	4,200	NIL			4,200
152 LUCINA OCAMPO LEGASPI	Common	3,800	NIL			3,800
153 AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300	NIL			3,300
154 REGINA CAPITAL.DEV. CORP.018414	Common	3,000	NIL			3,000
155 CRUZ, MARY ANN PINEDA DELA	Common	3,000	NIL			3,000
156 LIM, PEDRO C.	Common	3,000	NIL			3,000
157 ANGELITA U. REYES	Common	2,800	NIL		2,800	-
158 EUGENIA G. SILVA	Common	2,800	NIL			2,800
159 LILY VICTORIA G. GALO	Common	2,800	NIL			2,800
160 VICENTE B. VILLARAMA JR.	Common	2,800	NIL		2,800	-
161 MACARIA P. MADRIGAL	Common	2,300	NIL			2,300

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				Related parties	Directors, officers and employees	Others
162 HANS MENZI	Common	2,100	NIL			2,100
163 MAMERTA ANDAYA	Common	2,100	NIL			2,100
164 GABAT, MA. ANGELA C.	Common	2,000	NIL			2,000
165 GABAT, ROMAN O.	Common	2,000	NIL			2,000
166 GAPUZ, CO KIAN CHAY &/OR RITA	Common	2,000	NIL			2,000
167 PRIETO, MAURO R.	Common	1,934	NIL			1,934
168 MARILEX REALTY DEVELOPMENT CORPORATON	Common	1,933	NIL			1,933
169 LEON, BEATRIZ P. DE	Common	1,933	NIL			1,933
170 PRIETO JR., BENITO R.	Common	1,933	NIL			1,933
171 PRIETO, MERCEDES R.	Common	1,933	NIL			1,933
172 GERARDO A.S. MADRIGAL	Common	1,600	NIL			1,600
173 VICENTE A.S. MADRIGAL	Common	1,600	NIL			1,600
174 CONSUELO P. MADRIGAL	Common	1,200	NIL			1,200
175 FRANCISCO M. BAYOT	Common	1,100	NIL			1,100
176 LOURDES S. RODAS	Common	1,100	NIL			1,100
177 SUSANA B. ORTIGAS	Common	1,100	NIL			1,100
178 VICENTE M. BAYOT	Common	1,100	NIL			1,100
179 M.J. SORIANO TRADING, INC.	Common	1,000	NIL			1,000
180 PNB GENERAL INSURERS CO., INC.	Common	1,000	NIL			1,000
181 CHUA, VICKY B.	Common	1,000	NIL			1,000
182 CRISOL, ROBERTO B.	Common	1,000	NIL			1,000
183 GO, GEORGE L.	Common	1,000	NIL			1,000
184 GOZO, DANILO A.	Common	1,000	NIL			1,000
185 HIDALGO, AUGUSTO PEDROSA III	Common	1,000	NIL		1,000	-
186 MANANSALA, CONSUELO D.	Common	1,000	NIL			1,000
187 NAPA, ERMILANDO D.	Common	1,000	NIL		1,000	-
188 NERA, MEDEL T.	Common	1,000	NIL		1,000	-
189 REYES, ROMAN FELIPE S.	Common	1,000	NIL		1,000	-
190 TURNER, PHILIP &/OR ELNORA	Common	1,000	NIL			1,000
191 VERGARA, ROBERT G.	Common	1,000	NIL		1,000	-
192 YU, GREGORIO T.	Common	1,000	NIL		1,000	-
193 PRIETO, MARTIN L.	Common	967	NIL			967
194 TEODORO, MONICA P.	Common	967	NIL			967
195 MANUEL DYTOC	Common	900	NIL			900
196 ROSARIO RODAS	Common	900	NIL			900
197 CONCEPCION S. ARANETA	Common	700	NIL			700
198 SUSANA REALTY	Common	600	NIL			600
199 ESTATE OF VICENTE M. WARNS	Common	600	NIL			600
200 GONZALEZ, GIZELA M.	Common	600	NIL			600
201 MANUEL B. ENRIQUEZ	Common	500	NIL			500
202 MA. LUISA MADRIGAL VASQUEZ	Common	400	NIL			400
203 ROMEO ECHAUZ	Common	400	NIL			400
204 VICTORIANO G. BELIZARIO	Common	300	NIL			300
205 ARAGON, BIENVENIDO M.	Common	200	NIL			200
206 CARREDO, RAMON M.	Common	200	NIL			200
207 DAVID C. COYUKIAT	Common	200	NIL			200
208 MERCEDES U. GONZALES	Common	200	NIL			200
209 REYES, OSCAR C.	Common	200	NIL			200
210 WONGAIHAM, ANTHONY T.	Common	200	NIL			200
211 WORLDWIDE INSURANCE & SURETY COMPANY	Common	100	NIL			100
212 AFRICA, ISABELO P.	Common	100	NIL			100
213 ALVENDIA, JOSE P.	Common	100	NIL			100
214 BELTRAN, AURELIO M.	Common	100	NIL			100
215 BERNARDO, ROMEO L.	Common	100	NIL		100	-
216 BUENO, FRANCIS EDWIN I.	Common	100	NIL			100
217 CABANGON CHUA, ANTONIO L.	Common	100	NIL			100
218 CASTANEDA JR., CONSTANCIO T.	Common	100	NIL			100
219 CHENG, GEMA O.	Common	100	NIL			100
220 CORPUS, SERGIO	Common	100	NIL			100
221 COTOCO, DOMINGO	Common	100	NIL			100
222 COTOCO, NAZARIO	Common	100	NIL			100
223 CRUZ JR., ROMAN A.	Common	100	NIL			100
224 CUYEGKENG, ROSARIO W.	Common	100	NIL			100
225 DEE, HELEN Y.	Common	100	NIL		100	-
226 DESIDERIO JR., JOSE O.	Common	100	NIL			100
227 DESIDERIO, RODOLFO O.	Common	100	NIL			100
228 DOMINO, JUAN	Common	100	NIL			100
229 EDUARDO ECHAUZ	Common	100	NIL			100
230 FERNANDEZ, JAIME C.	Common	100	NIL			100
231 FERNANDEZ, VICENTE T.	Common	100	NIL			100
232 FRANCISCO CORPUS	Common	100	NIL			100
233 FRANCISCO, CLEOTILDE B.	Common	100	NIL			100
234 FRANCISCO, ROLANDO B.	Common	100	NIL			100
235 RAFAEL C. GALLAGA	Common	100	NIL		100	-
236 HARI, ABDON M.	Common	100	NIL			100
237 INDON, REYNALDO P.	Common	100	NIL			100
238 JACINTO JR., FERNANDO P.	Common	100	NIL			100
239 JOSE R. RODAS	Common	100	NIL			100
240 JUAN, FRISCO F. SAN	Common	100	NIL			100
241 JUNTREAL JR., FILEMON A.	Common	100	NIL			100
242 KO PIO, RODERICK C.	Common	100	NIL			100
243 KO PIO, RUFFY C.	Common	100	NIL			100
244 KO PIO, RUFINO H.	Common	100	NIL			100

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
245 KOH, ANTONIO M.	Common	100	NIL			100
246 LA'O, LUIS C.	Common	100	NIL			100
247 LEE, JOSE C.	Common	100	NIL			100
248 LEON, JAIME S. DE	Common	100	NIL			100
249 LICAROS JR., GREGORIO B.	Common	100	NIL			100
250 LICAROS, ABELARDO B.	Common	100	NIL			100
251 LIM, JAMES ORTEGA	Common	100	NIL			100
252 LOCSIN, JULIAN J.	Common	100	NIL			100
253 MACROHON JR., IGNACIO	Common	100	NIL			100
254 MALLILLIN, MELECIO C.	Common	100	NIL			100
255 MALONG, ALEJANDRO V.	Common	100	NIL			100
256 MANUEL U. CO	Common	100	NIL			100
257 MARIANO JR., JORGE T.	Common	100	NIL			100
258 MERCADO JR., DANIEL M.	Common	100	NIL			100
259 MERCADO JR., DAVID P.	Common	100	NIL			100
260 MORALES, RHODORA B.	Common	100	NIL			100
261 ONGKINGCO, FLORENCIO N.	Common	100	NIL			100
262 PADIERNOS, GAY G.	Common	100	NIL			100
263 PUYAT, ALFONSO G.	Common	100	NIL			100
264 RAMAJO, HONORIO J.	Common	100	NIL			100
265 REMO JR., JOSE H.	Common	100	NIL			100
266 ROMAN, VICTOR B.	Common	100	NIL			100
267 SALCEDO JR., ALFONSO L.	Common	100	NIL			100
268 SALVADOR, BIENVENIDO C.	Common	100	NIL			100
269 SAUCO, NORBERTO V.	Common	100	NIL			100
270 SUDHAKAR, RANIPETA RANI	Common	100	NIL			100
271 TANCO, EUSEBIO H.	Common	100	NIL			100
272 TRINIDAD, ARMANDO C.	Common	100	NIL			100
273 UNSON JR., ALEJANDRO F.	Common	100	NIL			100
274 UNSON JR., EDMUNDO L.	Common	100	NIL			100
275 UNSON, MA. ANICIA F.	Common	100	NIL			100
276 UY JR., CARLOS F.	Common	100	NIL			100
277 VALENCIA, JESUS SAN LUIS	Common	100	NIL			100
278 VILLAMAYOR, ANTONIO S.	Common	100	NIL			100
279 YAO, BONIFACIO N.	Common	100	NIL			100
280 YUCHENGCO, YVONNE S.	Common	100	NIL		100	-
281 CONSING, CEZAR P.	Common	50	NIL		50	-
282 LIMCAOCO, JOSE TEODORO K.	Common	50	NIL		50	-
Total		2,123,605,600		1,150,473,100	244,300	972,888,200

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

31st floor Ayala Life FGU Center, 6811 Ayala Avenue, Makati City

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

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

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

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

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

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

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

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