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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000080118
Company Name	NATIONAL REINSURANCE CORPORATION OF THE PHILIP- PINES DOING BUSINESS UNDER THE NAME AND STYLE OF PHILIF
Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

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S.E.C. Registration Number

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

(Company's Full Name)

31ST FLOOR AYALA LIFE-FGU CENTER 6811 AYALA AVENUE MAKATI CITY

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

REGINA S. RAMOS	**988-7400**
Contact Person	Company Telephone Number

1 2 / 3 1	1 7 Q	0 7 / 1 3 15
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year	**3rd Quarter Ending 30 September 2015**	Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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COVER SHEET

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
(“PhilNaRe”)
(Company’s Full Name)

31st Floor, Ayala Life-FGU Centre, 6811 Ayala Avenue, Makati City, Philippines
(Company’s Address)

(632) 988-7400
(Telephone Number)

31 December
(Fiscal Year Ending)

13 Jul 2015
(Annual Meeting)

SEC FORM 17-Q
Quarterly Report
Quarter Ending 30 September 2015
(Form Type)

Amendment Designation (If applicable)

(Secondary License Type and File Number)

Cashier

LCU

DTU

80118
S.E.C. REG. No.

Central Receiving Unit

File Number

Document I.D.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATIONS ACT AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarter ended **30 September 2015**

2. Commission identification Number **80118**

3. BIR Tax Identification Number **000-480-869**

4. **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES doing business under the name and style of Philippine National Reinsurance Company; PhilNaRe**
   Exact name of registrant as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. Industry classification code [ ] (SEC Use Only)

7. **31st FLOOR, AYALA LIFE-FGU CENTRE, 6811 AYALA AVENUE MAKATI CITY, PHILIPPINES** **1227**
   Address of registrant's principal office Postal Code

8. **(632) 988-7400**
   Registrant'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 4 and 8 of the RSA as of quarter ended:

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**2,123,605,600**

11. Are any or all of the securities listed on the Philippine Stock Exchange?

    Yes [✓] No [ ]

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report);

    Yes [✓] No [ ]

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

    Yes [✓] No [ ]

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements listed below and covering pages11 to 40 of this report are filed as part of this Form 17-Q:

a. Statements of Financial Position as of 30 September 2015 and 31 December 2014

b. Statements of Income:

   i. For the Quarters ended 30 September 2015 and 2014.
   ii. For the Nine months ended 30 September 2015 and 2014.

c. Statements of Comprehensive Income for the nine months ended 30 September 2015 and 2014.

d. Statements of Changes in Equity as of 30 September 2015 and 2014.

e. Statements of Cash Flows:

   i. For the Quarters ended 30 September 2015 and 2014.
   ii. For the nine months ended 30 September 2015 and 2014.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, 3rd Quarter, 2015

a. Results of Operations

i. For the Nine-Months Ended September 30, 2015 and 2014

1) Reinsurance Premium Income

Reinsurance premiums, as of the 3rd Quarter 2015, totaled to P1,777 million, which is an increase of 3% (P51 million) from prior year's 3rd quarter-end results. The increase is mainly coming from the growth in non-life treaty business (24% or P174 million) and life business (28% or P96 million) that more than offset the 33% (P219 million) decline in non-life facultative business.

Reinsurance premiums retained, as of 30 September 2015, increased by 49% (P256 million) from P524 million in 3rd Quarter 2014, which improved the retention ratio from 30% (3rd Quarter 2014) to 44% (3rd Quarter 2015). Consistent with this increase, premiums earned also increased to P676 million or by 31% (P159 million) from prior year's 3rd quarter-end results. All lines of business posted improvement in retained and earned premiums.

2) Underwriting Deductions

Share in claims and losses (inclusive of incurred but not reported losses- IBNR) declined by P64 million or 11% mainly due to net decrease in outstanding loss reserves as of 30 September 2015. This translates into a lower loss ratio of 77% in 3rd Quarter 2015 compared to 113% in 3rd Quarter 2014.

Net commissions also decreased by 19% (P39 million) from P201 million last year. Commissions and other underwriting costs are deferred and charged to expense in proportion to reinsurance premium revenue recognized. Commission ratio as of the 3rd Quarter 2015 is at 21%, which is lower than commission ratio of 38% from last year's 3rd Quarter.

3) Investment and Other Income (Charges)

Total investment and other income, net increased by 41% or P131 million from P317 million for the first three quarters of 2014. The increase is mainly coming from trading/capital gains realized on the sale of fixed income and equity securities (P128), dividend income (P7 million) and foreign exchange gain (P12 million) that offset the net decrease of P12 million in interest, due to lower rate, and P4 million in other income/charges.

4) General and Administrative Expenses (GAE)

General and administrative expenses increased by P161 million or 41% to P311 million for the 3rd Quarter 2015, primarily due to increase in impairment loss (P143 million), salaries and employee benefits (P3 million), taxes and licenses (P3 million), professional fees (P8 million) relative to ongoing work process improvement, which started in January 2015.

5) Tax expense

Tax expense decreased slightly by 3% from P36 million in 3rd Quarter 2014, principally due to lower interest income subject to final tax.

6) Net Profit

Net profit amounted to P97 million in 3rd Quarter 2015 compared to a net loss of P135 million in 3rd Quarter 2014, primarily due to net increase in investments and other income.

ii. For the Quarters ended September 30, 2015 and 2014

1) Reinsurance Premium Income

Reinsurance premiums generated for the quarter ended 30 September 2015 amounted to P580 million or 22% higher than the reinsurance premium generated for the 3rd quarter 2014. Generally, the increase is mainly coming from non-life treaty (increased by 50% or P102 million) and life businesses (increased by 61% or P51 million). This increase more than offset the decline in non-life facultative business, which was decreased by 27% or P50 million from P188 million for the Quarter ended 30 September 2014.

Reinsurance premiums retained, as well as premiums earned, increased by 77% and 6% respectively due to higher reinsurance premiums retained both for life and non-life treaty businesses.

2) Underwriting deductions

Share in claims and losses declined by P100 million or 38% mainly due to lower claims reported during the period. Net commissions also decreased by 48% in proportion to premiums revenue recognized using the 24th method.

3) Investment and Other Income (Charges)

Investment and other income increased by 122% or P127 million from P104 million for the quarter ended 30 September 2014, principally due to capital/trading gains realized on the sale of fixed income and equity securities during the period.

4) General and Administrative Expenses

General and administrative expenses (GAE) increased by P90 million or 172% to P42 million for the quarter ended 30 September 2015, mainly due to increase in impairment loss (P143 million).

5) Tax expense

Tax expense was flat at P11 million for the quarters ended 30 September 2015 and 2014 generally due to lower interest income subject to final tax.

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6) Net Profit (Loss)

Due to improvement in underwriting performance, higher investment and other income and lower general and administrative expenses, the Company reported a net income of P60 million for the quarter ended 30 September 2015 compared to a net loss of P118 million for the quarter ended 30 September 2014.

b. Financial Condition

i. Assets

Total resources of the Company as of 30 September 2015 amounted to P12 billion, 4% or P661 million lower than the December 2014 ending level. Material changes in the Company's resources are described below:

1) Cash and cash equivalents

Cash and cash equivalents, as of 30 September 2015, decreased by P246 million or 28%, principally due to settlement of claims and other reinsurance balances payable;

2) Net Reinsurance Balances Receivable

Reinsurance balances receivable decreased by 11% to P5 billion as of September 30, 2015, principally due to downward revisions of loss reserves, collection of reinsurance balances receivable and net of increase in allowance for impairment of P143 million;

3) Available for Sale Financial Assets (AFS)

Available for sale financial assets slightly decreased by P74 million or 1% to P6,034 million, as of September 30, 2015, principally due to lower revaluation reserve of AFS financial assets;

4) Loans and Receivables

Loans and receivables held as investments decreased by 10% or P31 million from P322 million as of 31 December 2014, mainly due to collection of accrued interest income amounting to P32 million and partial maturity of term loans amounting to P3 million, net of increase in car facility loan/other receivables amounting to P4 million;

5) Net Property and Equipment

Property and equipment, net of accumulated depreciation, amounted to P73 million as of 30 September 2015, a decrease of P3 million or 5% from 31 December 2014, mainly due to recorded depreciation of P9 million and disposals amounting to P1 million, being higher than capital expenditures of P6 million;

6) Deferred Acquisition Cost

The increase of P30 million or 61% in deferred acquisition cost relate to portions of reinsurance commissions that were deferred as of 30 September 2015 under the 24th method, and eventually will be charged to expense in proportion to reinsurance premium revenue;

7) Deferred Reinsurance Premiums

Deferred reinsurance premiums increased by P176 million or 124%, as of 30 September 2015, due to recognition of a portion of ceded reinsurance premiums as deferred or earned under the 24th method of reinsurance accounting. Reinsurance premiums are deferred and charged to income over the life of the policies under the 24th method;

8) Other Assets

Other assets increased by P64 million or 19% to P409 million, as of 30 September 2015, mainly due to increases in creditable withholding tax (P15 million), defined benefit asset (P32 million), input VAT (P22 million), offsetting decreases in intangible asset net of other assets (P5 million).

ii. Liabilities

Total liabilities decreased by P438 million or 6% from P8 billion as of 31 December 2014. The decrease in total liabilities is explained below:

1) Reinsurance Balances Payable

Reinsurance balances payable decreased by P651 million or 9% from P7 billion as of 31 December 2014, primarily due to declines in both claims payable (P197 million) and due to reinsurers (P427 million). As mentioned above, there were downward revisions of loss reserves as of 3rd Quarter 2015.

2) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses decreased by P83 million or 55% from P152 million as of 31 December 2014, principally due to settlement of accounts payable, accrued expenses and other payables (P87 million), offsetting the increase in deferred output VAT (P4 million).

3) Reserve for Unearned Reinsurance Premiums

Reserve for unearned reinsurance premium increased by P280 million or 68% principally due to increase in reinsurance premium income for the 3rd Quarter 2015.

4) Deferred Reinsurance Commissions

Deferred reinsurance commissions increased by P16 million or 151% reflecting portions of reinsurance commission income that were deferred as of 30 September 2015, under the 24th method and eventually will be charged to income or liability in proportion to reinsurance revenue recognized.

iii. Equity

Stockholders' equity declined by P223 million or 4% to P5 billion as of 3rd Quarter 2015 from P6 billion as of 31 December 2014, principally due to reported net income of P97 million for the nine months period ended 30 September 2015, less decline in revaluation reserve of P330 million, net of movement in the re-measurement of the defined benefit liability as of 3rd Quarter 2015 of P9 million.

c. Key Performance Indicators:

	3rd Quarter 2015	3rd Quarter2014	% Inc. (Dec).
1. Net Income (Loss)	P97 million	(P135 million)	172%
2. Earnings per share (a)	P 0.05	(P 0.06)	167%
3. Retention ratio (b)	44%	30%	33%
4. Combined ratio (c)	137%	180%	(24%)
5. Return on average equity	1.79%	(2.38%)	175%

(a) Net income divided by weighted average number of shares issued.
(b) Reinsurance premiums retained divided by reinsurance premiums (gross premiums written or GPW).
(c) Sum of loss ratio (77%/113%) commissions ratio (21% /38%) and expense ratio (40% /29%).

Net Income (NI)	Reported P97million for the nine-month period ended 30 September2014 compared to a net loss of P135 million for the nine-month period ended 30 September 2014.
Earnings per share (EPS)	P0.05 and (P0.06) as of 3rdQuarter 2015 and 2014, respectively.
Retention ratio	Improved from 30% in 3rd Quarter 2014 to 44% in 3rd Quarter 2015
Combined ratio	137% and 180% for the3rd Quarter 2015 and 2014 respectively.
Return on average equity (ROE)	1.79% as of 3rd Quarter 2015 compared to ROE as of 3rd Quarter 2014 of negative 2.38%.

d. Financial Soundness Indicators

	As of 30 Sep 2015	As of 31 Dec2014
Current Ratio	1.81	1.75
Asset to Equity Ratio	2.33	2.36
Total Liabilities/Equity	1.33	1.36

e. Discussion and Analysis of Material Events and Uncertainties:

The Company has nothing to report on the following:

i. Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
ii. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
iii. 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.

iv. Any material commitments for capital expenditures.
v. 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.
vi. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
vii. Any seasonal aspects that had a material effect on the financial condition or results of operations.

f. Financial Risk Disclosure

The Company's investments are regulated under the pertinent provisions of the new Insurance Code, otherwise known as Republic Act (R.A.) 10607. The Insurance Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all investments. The Company provides the IC with a monthly report on all investments made during the previous month. The IC reviews these investment reports and may require the immediate sale or disposal of any investment found to be risky.

A portion of the Company's funds are invested in equities. Section 207 of the new Insurance Code provides 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 risk inherent in equity investments. The Company's own investment policy requires that the Company invest only in shares of common stock of companies that are listed on the Philippine Stock Exchange. Furthermore, these listed companies must have profitable business operations and market capitalization which are on a scale that would qualify them as blue chips.

The Company also invests in fixed income securities. The Company attempts to limit interest rate risk by establishing limits on the duration and average maturity of its fixed income portfolio. Investments in fixed income securities are made primarily to ensure adequate cash flow from investments to meet cash requirements. Moreover, investment in fixed income securities are limited only to securities issued by entities of undisputedly strong creditworthiness and to those instruments, which have active secondary or resale markets to allow for transparent valuation and immediate liquidation in the event of market turmoil.

Certain portions of the Company's investments are in foreign currencies, particularly the U.S. Dollar. These investments are monitored closely and are limited largely to dollar-denominated obligations backed by the full faith and credit of the Republic of the Philippines (ROP's).

The Company does not invest in foreign securities nor does it invest in complex financial securities or derivatives. The Company's financial assets are generally classified as available-for-sale (AFS) and are measured at fair value. For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date. The Company has not made nor does it intend to make any reclassification of financial assets held as investments.

g. Other Disclosure

Pursuant to SEC Memorandum Circular No. 8 (Series of 2014), which provides guidance to non-bank financial institutions that are covered by Foreign Account Tax Compliance Act (FATCA) regulations, the Company is still evaluating/assessing the potential effects of FATCA to its business. Based on the regulation, the Company is a 'Non-financial foreign Entity' (NFFE) which may either be an "exempt NFFE" or "non-exempt NFFE". Under the regulations also, excepted NFFEs such as publicly traded corporations are generally exempt from FATCA withholding if a proper FATCA certification is provided to the payor.

The Bureau of Internal Revenue (BIR) advised all concerned Philippine Financial Institution to take necessary steps to prepare for full implementation of the Inter-Governmental Agreement (IGA) on FATCA between the Philippines and the United States of America which was signed on July 13, 2015. According to the Bureau, submission of information on reportable accounts will take place beginning the second quarter of 2016.

PART II. – OTHER INFORMATION

No other material information.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
(Registrant)

JEFFREY R. LACSON
Senior Assistant Vice President &
Head of Management Accounting

AUGUSTO HIDALGO
President &CEO

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF FINANCIAL POSITION

30 September 2015 and 31 December 2014

	Notes	30 September 2015 (Unaudited)	31 December 2014 (Audited)	Changes
ASSETS				
CASH AND CASH EQUIVALENTS	3	640,770,354	886,643,838	(245,873,484)
REINSURANCE BALANCES RECEIVABLE-net	4	4,598,289,400	5,175,072,044	(576,782,644)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5	6,033,552,650	6,107,737,706	(74,185,056)
LOANS AND RECEIVABLES	6	291,704,603	322,338,295	(30,633,692)
PROPERTY AND EQUIPMENT-NET	7	72,979,574	76,346,345	(3,366,771)
DEFERRED ACQUISITION COST		79,461,057	49,322,031	30,139,026
DEFERRED REINSURANCE PREMIUMS	8	317,592,823	142,058,572	175,534,251
OTHER ASSETS	9	408,699,084	344,446,320	64,252,764
TOTAL ASSETS		**12,443,049,545**	**13,103,965,151**	**(660,915,606)**
LIABILITIES				
REINSURANCE BALANCES PAYABLE	4	6,324,241,879	6,974,870,479	(650,628,600)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	10	68,647,522	151,554,847	(82,907,325)
RESERVE FOR UNEARNED RI PREMIUMS	8	691,544,898	411,855,614	279,689,284
DEFERRED REINSURANCE COMMISSIONS		26,995,934	10,767,573	16,228,361
TOTAL LIABILITIES		**7,111,430,233**	**7,549,048,513**	**(437,618,280)**
EQUITY				
Capital Stock	15	2,181,954,600	2,181,954,600	-
Treasury Stock		(100,525,432)	(100,525,432)	-
Additional Paid in Capital		3,019,218,458	3,019,218,458	-
Remeasurement of the Defined Benefit Liability	14	(64,723,656)	(73,800,095)	9,076,439
Revaluation reserve		594,078	330,285,833	(329,691,755)
Retained Earnings		295,101,264	197,783,274	97,317,990
Total Equity		**5,331,619,312**	**5,554,916,638**	**(223,297,326)**
TOTAL LIABILITIES & EQUITY		**12,443,049,545**	**13,103,965,151**	**(660,915,606)**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME (unaudited)
For the nine months ended 30 September 2015 and 2014

	Notes	2015	2014	Inc(Dec)	%
Reinsurance Premium Income					
Reinsurance premiums-net of returns		1,777,292,434	1,726,301,744	50,990,690	2.95%
Retroceded premiums		997,483,972	1,202,306,195	(204,822,223)	-17.04%
Reinsurance premiums retained		779,808,462	523,995,549	255,812,913	48.82%
(Inc.) dec. in reserve for unearned reinsurance premiums	8	(104,155,033)	(7,349,833)	(96,805,200)	-1317.11%
		675,653,429	516,645,716	159,007,713	30.78%
Underwriting deductions					
Share in claims & losses		517,560,791	581,445,279	(63,884,488)	-10.99%
Commissions, net	12	162,219,514	200,982,884	(38,763,370)	-19.29%
		679,780,305	782,428,163	(102,647,858)	-13.12%
Net Underwriting Income (Loss)		(4,126,876)	(265,782,447)	261,655,571	98.45%
Interest		179,117,631	190,998,790	(11,881,159)	-6.22%
Foreign currency gain (losses)		15,364,062	3,201,019	12,163,043	379.97%
Others		253,359,898	122,681,815	130,678,083	106.52%
Investment and Other Income	11	447,841,591	316,881,624	130,959,967	41.33%
Profit after Investment and Other Income		443,714,715	51,099,177	392,615,538	768.34%
General and Administrative Expenses	13,14	310,976,402	149,890,098	161,086,304	107.47%
Profit (Loss) Before Tax		132,738,313	(98,790,921)	231,529,234	234.36%
Tax Expense		35,420,323	36,404,921	(984,598)	-2.70%
Net Profit (Loss)		97,317,990	(135,195,842)	232,513,832	171.98%
Earnings per Share	17	0.05	(0.06)		

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME (unaudited)
For the Quarters ended 30 September 2015 and 2014

	Notes	2015	2014	Inc(Dec)	%
Reinsurance Premium Income					
Reinsurance premiums-net of returns		579,649,528	476,371,561	103,277,967	21.68%
Retroceded premiums		310,390,187	324,113,792	(13,723,605)	-4.23%
Reinsurance premiums retained		269,259,341	152,257,769	117,001,572	76.84%
(Inc.) dec. in reserve for unearned reinsurance premiums	8	(94,646,129)	11,827,969	(106,474,098)	-900.19%
		174,613,212	164,085,738	10,527,474	6.42%
Underwriting deductions					
Share in claims & losses		160,191,114	260,005,581	(99,814,467)	-38.39%
Commissions, net	12	32,577,992	62,924,843	(30,346,851)	-48.23%
		192,769,106	322,930,424	(130,161,318)	-40.31%
Net Underwriting Income (Loss)		(18,155,894)	(158,844,686)	140,688,792	88.57%
Interest		57,835,536	61,140,152	(3,304,616)	-5.40%
Foreign currency gain (losses)		8,098,321	4,528,155	3,570,166	78.84%
Others		165,633,872	38,672,624	126,961,248	328.30%
Investment and Other Income	11	231,567,729	104,340,931	127,226,798	121.93%
Profit after Investment and Other Income		213,411,835	(54,503,755)	267,915,590	491.55%
General and Administrative Expenses	13,14	141,807,813	52,118,441	89,689,372	172.09%
Profit Before Tax		71,604,022	(106,622,196)	178,226,218	167.16%
Tax Expense		11,542,605	11,713,659	(171,054)	-1.46%
Net Profit (Loss)		60,061,417	(118,335,855)	178,397,272	150.76%
Earnings per Share		0.03	(0.06)		

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
For the nine months ended 30 September 2015 and 2014

	Notes	2015	2014	Inc(Dec)	%
NET PROFIT (LOSS)		97,317,990	(135,195,842)	232,513,832	171.98%
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	14	9,076,439	-	9,076,439	
Items that will be reclassified subsequently to profit or loss					
Fair valuation of available for sale (AFS) financial assets					
Fair value gains (loss) during the period		(115,709,285)	132,004,914		
Fair value gains on disposal of AFS financial assets reclassified to profit or loss		(213,982,470)	(24,611,710)		
	5	(329,691,755)	107,393,204	(437,084,959)	-406.99%
		(320,615,316)	107,393,204		
TOTAL COMPREHENSIVE INCOME (LOSS)		**(223,297,326)**	**(27,802,638)**	(195,494,688)	-703.15%

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the nine months ended 30 September 2015 and 2014

						Revaluation Reserves				
						Remeasurement				
		Capital Stock		**Additional**	**Treasury**	**of defined**	**Available for**	**Retained Earnings**		**Total**
	Notes	**No. of Shares**	**Amount**	**Paid-in Capital**	**Shares - At Cost**	**Benefit liability**	**sale securities**	**Appropriated**	**Unappropriated**	**Equity**
Balance as of January 1, 2015		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	(73,800,095)	330,285,834	270,342,396	(72,559,122)	5,554,916,639
Appropriated for contingencies								19,731,799	(19,731,799)	-
Total comprehensive income (loss) for the period						9,076,439	(329,691,755)		97,317,990	(223,297,326)
Total equity as of September 30, 2015	15	**2,181,954,600**	**2,181,954,600**	**3,019,218,458**	**(100,525,432)**	**(64,723,656)**	**594,079**	**290,074,195**	**5,027,069**	**5,331,619,313**
Balance as of January 1, 2014		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	(101,702,472)	204,821,823	270,342,396	214,330,475	5,688,439,848
Appropriated for contingencies								-	-	-
Total comprehensive income (loss) for the period						-	107,393,204		(135,195,842)	(27,802,638)
Total equity as of September 30, 2014	15	**2,181,954,600**	**2,181,954,600**	**3,019,218,458**	**(100,525,432)**	**(101,702,472)**	**312,215,027**	**270,342,396**	**79,134,633**	**5,660,637,210**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS (unaudited)
For the nine months ended 30 September 2015 and 2014

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 232,738,313	(P 98,790,921)
Adjustments for:			
Increase in reserve for unearned RI Premiums	8	104,155,033	7,349,833
Unrealized foreign currency loss (gain)		(5,293,668)	(3,070,893)
Gain on sale of AFS financial assets	11	(213,618,056)	(85,748,384)
Gain on disposal of property and equipment		(163,256)	9,451
Impairment Loss		143,137,531	-
Depreciation	13	19,776,229	25,150,336
Interest income	11	(179,117,631)	(190,998,790)
Dividend income	11	(44,308,680)	(37,554,999)
Operating income before working capital changes		57,305,815	(383,654,367)
(Increase)Dec. in reinsurance balances receivable		373,996,166	1,077,777,215
Decrease (Increase) in deferred acquisition costs		(13,910,665)	2,843,037
(Increase) in other assets		(62,224,023)	(37,363,200)
(Increase) Decrease in loans and receivables		(1,880,837)	(5,897,639)
Increase (decrease) in reinsurance balances payable		(699,982,447)	(1,072,027,922)
Increase (decrease) in accounts payable and accrued exp.		(82,907,325)	(12,430,899)
Cash generated from (used in) operations		(429,603,316)	(430,753,775)
Cash paid for income taxes		(35,420,323)	(36,404,921)
Net Cash From (Used in) Operating Activities		**(465,023,639)**	**(467,158,696)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
Available-for-sale financial assets		4,343,591,130	1,533,741,249
Property and equipment		864,225	(9,451)
Interest received		211,632,160	208,628,741
Dividends received		44,308,680	37,554,999
Disposals (acquisitions) of:			
Available-for-sale financial assets		(4,374,578,906)	(1,094,139,503)
Intangible assets		(3,689,307)	(60,789)
Property and equipment		(6,373,428)	(6,594,120)
Net Cash From (Used in) Investing Activities		**215,754,554**	**679,121,126**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
Payment of dividends	15.4	-	-
Net Cash From (Used in) Financing Activities		**-**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(249,269,085)**	**211,962,430**
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		3,395,602	5,466,286
CASH AND CASH EQUIVALENTS - January 1		**886,643,837**	**605,045,799**
CASH AND CASH EQUIVALENTS - September 30, 2015		**P 640,770,354**	**P 822,474,515**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS (unaudited)
For the three months period ended 30 September 2015 and 2014

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 171,604,022	(P 106,622,196)
Adjustments for:			
Increase in reserve for unearned RI Premiums	8	94,646,129	(11,827,969)
Unrealized foreign currency loss (gain)		(2,486,637)	(1,642,739)
Gain on sale of AFS financial assets	11	(151,800,178)	(26,167,489)
Gain on disposal of property and equipment		(22,992)	(3,493)
Impairment Loss		100,000,000	-
Depreciation	13	4,222,746	8,369,212
Interest income	11	(57,835,536)	(61,140,152)
Dividend income	11	(15,512,341)	(12,745,052)
Operating income before working capital changes		142,815,213	(211,779,878)
(Increase)Dec. in reinsurance balances receivable		97,585,035	336,550,007
Decrease (Increase) in deferred acquisition costs		(21,409,298)	4,824,312
(Increase) in other assets		(35,649,723)	(14,475,028)
(Increase) Decrease in loans and receivables		(16,728,074)	4,592,889
Increase (decrease) in reinsurance balances payable		(333,816,308)	(170,112,551)
Increase (decrease) in accounts payable and accrued exp.		16,300,293	7,922,862
Cash generated from (used in) operations		(150,902,862)	(42,477,387)
Cash paid for income taxes		(11,542,605)	(11,713,660)
Net Cash From (Used in) Operating Activities		**(162,445,467)**	**(54,191,047)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
Available-for-sale financial assets		2,684,947,324	452,997,118
Property and equipment		160,491	3,493
Interest received		89,134,570	73,936,172
Dividends received		15,512,342	12,745,051
Disposals (acquisitions) of:			
Available-for-sale financial assets		(2,714,364,066)	(302,414,283)
Intangible assets		(3,228,571)	(60,789)
Property and equipment		(1,479,928)	(3,417,518)
Net Cash From (Used in) Investing Activities		**70,682,162**	**233,789,244**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
Payment of dividends	15.4	-	-
Net Cash From (Used in) Financing Activities		**-**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(91,763,305)**	**179,598,197**
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		(83,567)	8,039,306
CASH AND CASH EQUIVALENTS - June 30		**732,617,226**	**634,837,012**
CASH AND CASH EQUIVALENTS -September 30		**P 640,770,354**	**P 822,474,515**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Notes and Other Disclosures

1. CORPORATE INFORMATION

National Reinsurance Corporation of the Philippines (the Company) was incorporated on September 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 (Asian Re), 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, which is also its principal place of business, is located at 31st Floor, Ayala Life-FGU Center, 6811 Ayala Avenue, Makati City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim 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). These interim financial statements do not include all the information required for a complete set of financial statements, and should be read in conjunction with the annual financial statements as of December 31, 2014.

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.

3. CASH AND CASH EQUIVALENTS

This account consists of:

		September 2015		December 2014
Short-term placements	P	469,037,820	P	737,428,357
Cash on hand and in banks		171,732,534		149,215,481
	P	640,770,354	P	886,643,838

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 2.5% in 2015 and from 0.25% to 1.88% in 2014 while dollar short-term placements earn annual interest rates ranging from 1.5% to 1.85% in 2015 and from 0.25% to 2.0% in 2014. Cash in banks generally earn interest at rates based on daily bank deposit rates. The Cash and Cash Equivalents account includes foreign currency denominated cash of US$2,385,486 (or P111,941,330) as of September 30, 2015 and US$7,845,611 (or P350,047,638) as of December 31, 2014.

4. REINSURANCE BALANCES

The details of reinsurance balances are as follows:

		September 2015		December 2014
Reinsurance balances receivable:				
Reinsurance recoverable on unpaid losses	P	3,306,659,538	P	3,482,729,371
Due from ceding companies		1,112,386,159		1,209,089,581
Reinsurance recoverable on paid losses		826,859,367		956,677,133
Funds held by ceding companies		99,207,597		130,261,689
		5,345,112,661		5,778,757,774
Allowance for impairment		(746,823,261)		(603,685,730)
	P	4,598,289,400	P	5,175,072,044

Reinsurance balances payable:		September 2015		December 2014
Claims payable	P	5,687,287,428	P	5,883,774,181
Due to retrocessionaires		590,029,793		1,016,675,866
Funds held for retrocessionaires		46,924,657		74,420,432
	P	6,324,241,878	P	6,974,870,479

Reinsurance balances receivable pertains to the following:

- Reinsurance recoverable on unpaid losses represents 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 receivable 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 quarter end September 2015 and December 2014 is shown below.

		September 2015		December 2014
Balance at the beginning of year	**P**	**603,685,730**	P	572,562,898
Impairment losses during the year		**143,137,531**		31,122,832
Balance at the end	**P**	**746,823,261**	P	603,685,730

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.

5. AFS FINANCIAL ASSETS

This account is composed of the following:

		September 2015		December 2014
Bonds	**P**	**4,078,616,205**	P	4,049,823,361
Equity securities - net		**1,929,688,165**		1,574,372,297
Treasury Bills		**8,429,757**		-
Investment in Asian Re shares		**4,444,847**		4,444,847
Various funds		**12,373,676**		479,097,201
	P	**6,033,552,650**	P	6,107,737,706

Bonds include investments in corporate bonds, long-term negotiable instruments and government securities. This also includes government securities amounting to P500,000,000 and 250,000,000 in September 2015 and December 2014, respectively 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 2.125% to 9.125% and 2.125% to 15% in September 2015 and December 2014, respectively. Interest incomes recognized are presented as part of Investment and Other Income in the statements of income (see Note 11).

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

		September 2015		December 2014
Due within one year	P	281,754,099	P	219,072,654
Due after one year through five years		734,258,611		1,442,173,049
Due after five years through ten years		2,601,061,165		1,921,891,112
Due after ten years		461,542,330		466,686,546
	P	4,078,616,205	P	4,049,823,361

The balance of equity securities classified as available-for-sale financial assets consists of:

		September 2015		December 2014
Cost:				
Quoted in the stock exchange	P	1,850,357,390	P	1,388,821,282
Not quoted in the stock exchange		38,346,335		38,346,335
	P	1,888,703,725	P	1,427,167,617
Fair value gains (losses):				
Quoted in the stock exchange	P	59,901,648	P	165,859,088
Not quoted in the stock exchange		(18,917,208)		(18,654,408)
	P	40,984,440	P	147,204,680
	P	1,929,688,165	P	1,574,372,297

Equity securities mainly consist of investments in companies listed in the PSE.
The shares of Asian Re 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 Asian Re, 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 September 30, 2015 and December 31, 2014.

The reconciliation of the carrying amounts of available-for-sale financial assets are as follows:

		September 2015		December 2014
Balance at beginning of year	P	6,107,737,707	P	6,391,696,049
Additions		4,365,137,669		1,322,097,053
Disposals/maturities		(4,120,531,835)		(1,735,640,365)
Fair value gains(loss) - net		(329,691,756)		125,464,010
Foreign currency gains (losses)		10,900,865		4,120,959
Balance at end of period	P	6,033,552,650	P	6,107,737,706

Changes in fair value of available-for-sale financial assets, net of taxes, recognized as Fair Value Gains (Losses) account under Other Comprehensive Income (Loss) in the statements of comprehensive income amounted to P329,691,756 fair value losses and P125,464,010 fair value gain in September 2015 and December 2014 respectively.

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

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

6. LOANS AND RECEIVABLES

This account includes the following:

		September 2015		December 2014
Current:				
Accrued interest receivable	P	**22,864,623**	P	55,214,152
Others		**19,815,312**		18,121,292
	P	**42,679,935**	P	73,335,444
Non-current:				
Term loans	P	**242,500,000**	P	245,000,000
Loans receivable		**6,524,668**		4,002,851
	P	**249,024,668**	P	249,002,851
	P	**291,704,603**	P	322,338,295

7. PROPERTY AND EQUIPMENT

Presented below are the gross carrying amounts and accumulated depreciation of property and equipment.

		Cost		Accumulated Depreciation		Net Carrying Amount
Condominium Units	P	101,310,361	P	53,750,775	P	47,559,586
Office Improvement		10,826,265		4,334,224		6,492,041
Office Furniture/Equipment		10,334,292		9,346,012		988,280
Transportation Equipment		9,658,214		3,878,899		5,779,315
EDP Equipment		40,060,668		27,900,316		12,160,352
Total	**P**	**172,189,800**	**P**	**99,210,226**	**P**	**72,979,574**

.

8. DEFERRED REINSURANCE PREMIUMS AND RESERVE FOR UNEARNED REINSURANCE PREMIUMS

The movement of these accounts follows:

		Deferred Reinsurance Premiums			Reserve for Unearned Reinsurance Premiums		
		2015	2014		**2015**		2014
Balance at beginning of year	P	**142,058,572**	218,898,489	P	**411,855,614**	P	541,893,656
Inc (Dec) during the year		**175,534,251**	(76,839,917)		**279,689,284**		(130,038,042)
Balance at end of period	P	**317,592,823**	142,058,572	P	**691,544,898**		411,855,614

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 in the statements of income.

9. OTHER ASSETS

The Other Assets account includes the following:

		September 2015		December 2014
Creditable withholding tax	**P**	**154,157,182**	P	144,083,852
Input VAT		**108,401,932**		86,794,566
Deferred input VAT		**74,810,556**		74,470,070
Define Benefit asset		**32,504,014**		-
Intangible assets – net		**13,539,045**		20,582,988
Deferred withholding VAT		**9,202,886**		9,202,886
Investment property - net		**2,831,159**		2,834,909
Prepayments		**2,504,361**		3,248,228
Deposit		**799,399**		791,268
Security fund		**192,888**		192,888
Others		**9,755,661**		2,244,665
	P	**408,699,083**	P	344,446,320

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 transaction, unpaid commission to ceding companies and unamortized input vat on capital asset acquisition.

Deferred withholding VAT represents unapplied input taxes resulting from unpaid premiums on ceded out transactions to the company from a certain government entity.

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

Security fund represents amount deposited with the IC, as required by the Insurance Code, 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.

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 September 2015 and December 2014, respectively.

		September 2015		December 2014
Balance at beginning of year	**P**	**2,834,909**	P	2,839,909
Depreciation and amortization charges for the year		**(3,750)**		(5,000)
Balance at end of period	**P**	**2,831,159**	P	2,834,909

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 September 30, 2015 and December 31, 2014 follows:

		September 2015		December 2014
Cost	**P**	**114,934,981**	P	111,245,674
Accumulated amortization		**(101,395,936)**		(90,662,686)
Balance at end of period	**P**	**13,539,045**	P	20,582,988

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

		September 2015		December 2014
Accounts payable	P	**12,017,021**	P	50,362,325
Deferred output VAT		**36,934,972**		33,087,669
Accrued expenses		**16,032,663**		30,857,886
Defined benefit liability		**-**		7,786,976
Withholding taxes payable		**2,111,361**		6,959,043
Other liabilities		**1,551,505**		22,500,948
	P	**68,647,522**	P	151,554,847

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.

11. INVESTMENT AND OTHER INCOME

The details of this account follow:

		September 2015		September 2014
Interest	P	**179,117,631**	P	190,998,790
Gain on sale of stocks		**43,527,463**		48,883,146
Dividend income		**44,308,680**		37,554,999
Foreign exchange gain(loss)		**15,364,062**		3,201,019
Trading gains		**170,090,594**		36,865,238
Gain(loss) on sale of property & equipment		**163,256**		(9,451)
Other income (charges)		**(4,730,095)**		(612,117)
	P	**447,841,591**	P	316,881,624

12. UNDERWRITING DEDUCTIONS

a. ***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.

b. ***Commissions** – net*

This account consists of the following:

		September 2015		September 2014
Commission expense	P	**284,840,398**	P	289,158,025
Reinsurance revenues		**(122,620,884)**		(88,175,141)
	P	**162,219,514**	P	200,982,884

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.

13. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account follow:

		September 2015		September 2014
Impairment loss	P	143,137,531	P	-
Salaries and employee benefits		80,063,184		77,186,063
Professional fees		21,637,644		13,771,410
Depreciation and amortization		19,776,229		25,150,336
Contract labor		11,261,527		1,584,869
Taxes, licenses and fees		6,354,494		3,728,205
Repairs and maintenance		4,275,852		7,074,302
Rental		2,581,806		2,038,684
Association and pool expense		2,148,196		3,323,648
Advertising and publicity		1,992,473		1,195,279
Light and water		1,737,089		1,726,445
Transportation and traveling		1,592,817		2,657,253
Communication and postages		1,549,876		1,387,556
Insurance		620,417		670,680
Printing and office supplies		580,676		637,581
Representation and entertainment		421,898		1,492,797
Miscellaneous		11,244,693		6,264,990
	P	310,976,402	P	149,890,098

14. SALARIES AND EMPLOYEE BENEFITS

14.1 Salaries, Wages and Employee Benefit Expense

Expenses recognized for employee benefits are presented below.

		September 2015		September 2014
Short-term employee benefits	P	67,514,550	P	64,962,641
Post-employment defined benefit		926,747		8,056,518
Compensated absences		3,696,500		4,166,904
Separation benefits		7,925,387		-
	P	80,063,184	P	77,186,063

14.2 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 September 2015, 2014 and 2013.

The amounts of defined benefit liability (presented as part of Accounts Payable and Accrued Expenses – see Note 10) recognized in the statements of financial position are determined as follows:

		September 2015		December 2014		December 2013
Present value of the obligation	**P**	**50,933,981**	P	90,007,834	P	144,762,543
Fair value of plan assets		**(83,437,995)**		(82,220,858)		(80,333,128)
Defined benefit liability(asset)	**P**	**(32,504,014)**	P	7,786,976	P	64,429,415

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

		September 2015		December 2014		December 2013
Balance at beginning of year	**P**	**90,007,834**	P	144,762,543	**P**	174,933,081
Current service cost		**4,082,749**		8,222,834		9,581,702
Interest Expenses		**2,767,741**		5,660,215		9,096,520
Remeasurement on actuarial losses (gains) arising from:						
Changes in financial assumptions		**(1,060,909)**		(1,153,040)		11,708,682
Changes in demographic assumptions		**-**		-		25,294
Experience adjustments		**(9,246,886)**		(16,495,240)		921,633
Settlement benefits payments		**(32,141,298)**		(45,988,089)		(61,339,398)
Benefits paid (other than settlement)		**(79,798)**		(18,773,888)		
Settlement gain		**(3,395,452)**		13,772,499		(164,971)
Balance at end of period	**P**	**50,933,981**	P	90,007,834	**P**	144,762,543

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

		September 2015		December 2014		December 2013
Balance at beginning of year	**P**	**82,220,858**	P	80,333,128	P	80,951,387
Interest income		**2,528,291**		3,141,025		4,209,472
Contributions paid into the plan		**32,141,298**		53,254,585		54,250,180
Benefits paid by the plan		**(32,221,096)**		(64,761,977)		(61,339,398)
Gain(Loss) on Plan Asset		**(1,231,356)**		10,254,097		2,261,487
Balance at end of period	**P**	**83,437,995**	P	82,220,858	P	80,333,128

The plan assets as of September 2015 & December 2014 consist of:

		September 2015		December 2014		December 2013
Cash and cash equivalents	**P**	**13,064,668**	P	19,798,028	P	4,798,403
Equity securities		**21,167,022**		24,152,947		26,137,227
Government securities		**49,176,131**		48,892,150		49,159,686
Loans and receivables		**1,225,439**		293,162		237,812
Benefits payable		**-**		(10,773,889)		-
Accounts payable		**(1,195,265)**		(141,540)		-
Balance at end of period	**P**	**83,437,995**	P	82,220,858	P	80,333,128

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 P1.3 million in September 2015, P13.4 million in 2014 and P6.5 million 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:

		September 2015		December 2014		December 2013
Reported in profit or loss:						
Current service cost	P	**4,082,749**	P	8,222,834	P	9,581,702
Settlement gain		**(3,395,452)**		13,772,499		(164,971)
Net interest expense		**239,450**		2,519,190		4,887,048
	P	**926,747**	P	24,514,523	P	14,303,779
Reported in other comprehensive loss (income):						
Actuarial losses arising from changes in:						
Financial assumptions	**P**	**(1,060,909)**	P	(1,153,040)	P	11,708,682
Experience adjustments		**(9,246,886)**		(16,495,240)		921,633
Demographic assumptions				-		25,294.00
Return on plan assets (excluding amounts included in net interest)		**1,231,356**		(10,254,097)		(2,261,487)
	P	**(9,076,439)**	P	(27,902,377)	P	10,394,122

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 (see Note 13).

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:

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

	September 2015	2014	2013
Discount rates	**4.37%**	4.10%	5.20%
Expected rate of salary increase	**5.0%**	5.0%	5.0%
Employee turn-over rate	**6.5-9.5%**	10.0%	5.0% to 9.5%

15. EQUITY

15.1 Capital Stock

Capital stock (net of Treasury Shares–see Note 15.2) consists of common shares with P1 par value per share with details as follows:

	Number of Shares		
	September 2015	2014	2013
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning of year	**2,123,605,600**	2,123,605,600	2,123,605,600
Reacquired during the year	**-**	-	-
Balance at end of year	**2,123,605,600**	2,123,605,600	2,123,605,600

	Amount		
	September 2015	2014	2013
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning of year	**P2,123,605,600**	P2,123,605,600	P 2,123,605,600
Reacquired during the year	**-**	-	-
Balance at end of year	**P2,123,605,600**	P2,123,605,600	P 2,123,605,600

On April 27, 2007, the SEC approved the listing of the Company's shares totaling 741,902,600. The shares were initially issued at an offer price of P3.80 per share. As of September 30, 2015 and December 31 2014, there are 281 & 282 holders of the listed shares, respectively. Such listed shares closed at P0.96 and P0.90 per share, as of those dates, respectively,

15.2 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 September 2015 and 2014. As of December 31, 2014 and 2013, total shares in treasury is 58,349,000 amounting to P100,525,432.

15.3 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 P276,071,243 as of September 30, 2015 and P270,342,396 as of December 2014 and 2013, respectively.

15.4 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 September 14, 2013, and September 1, 2012, respectively. The total outstanding dividends payable amounted to 2,542,536 both in September 30, 2015 and December 2014.

16. 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.

16.1 Reinsurance Contracts with Related Parties

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

		September 2015				December 2014		
		Stockholders		Related Parties Under Common Ownership		Stockholders		Related Parties Under Common Ownership
Premiums	P	**282,626,812**	P	**25,502,780**	P	353,442,391	P	49,545,015
Retrocessions		**999,714**		**5,010,237**		908,118		811,770
Commission income		**42,130**		**-**		31,626		-
Commission expenses		**76,208,795**		**-**		108,042,840		-
Losses incurred	P	**248,403,135**		**-**		150,150,352		3,950,722
Losses recoveries		**77,498.73**		**-**		39		388,699

As a result of the above transactions, reinsurance balances receivable from and payable to related parties are as follows (see Note 4):

		September 2015			December 2014	
		Stockholders		Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Due from ceding cos.	P	**226,917,436**	P	**34,095,056**	217,855,945	48,406,620
RI recoverable on losses		**100,387,205**		**-**	89,291,265	-
Funds held by ced. cos.		**49,542,259**		**-**	64,021,845	-
Claims payable		**1,231,820,505**		**4,404,782**	1,342,005,997	6,499,019
Due to Retrocessionaires		**2,424,331**		**(1,001,307)**	7,192,935	1,895,203
Funds held for retro	P	**(865,154)**	P	**-**	164,032	-

The balance of due from ceding companies pertaining to related parties is presented net of P52.2 and P37.3 million allowance for impairment in September 30, 2015 and December 31, 2014, respectively. There are no other impairment losses recognized on other receivables.

16.2 Other Transactions

The Company's other transactions with related parties follow:

		September 2015		December 2014	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash & cash equivalent	(a)	**5,292,181**	**10,014,189**	1,761,206	4,722,008
AFS financial assets	(b)	**2,649,900.00**	**2,649,900.00**	-	-
Interest Income- Bank accounts	(a)	**16,435**	**-**	25,550	-
Interest Income-AFS Financial assets	(b)	**-**	**-**	-	-
Trading gain	(b)	**-**			
Service fees	(d)	**(21,044)**	**-**	(64,655)	-
Related Party Under Common Ownership					
Cash & Cash equivalent	(a)	**(31,596,348)**	**256,644,280**	102,834,993	288,240,628
AFS financial assets	(b)	**(80,606,294)**	**155,058,103**	48,368,650	235,664,397
Loans and receivables	(c)	**(1,579,144)**	**566,176**	(1,055,988)	2,145,320
Interest Income- Bank accounts	(a)	**2,877,312**	**-**	2,452,830	-
Interest Income-AFS Financial assets	(b)	**6,757,177**	**-**	10,469,169	-
Interest income-Loans and receivables	(c)	**-**	**-**	-	-
Trading gain	(b)	**-**	**(1,116,748)**	-	
Service fees	(d)	**-**		(1,168)	

(a) Cash and Cash Equivalent
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 in the statements of income (see Note 11).

(b) AFS Financial Assets
The Company has AFS financial assets with a stockholder and related party under common ownership. Relative to these transactions, the Company recognized interest income and trading gains which are presented as part of Investment and Other Income in the statements of income (see Note 11).

(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 in the statements of income (see Note 11). The term loan is unsecured and earns interest of 4.80% to 5.86% and 5.00% to 5.50% in September 2015 and December 2014, respectively. As of September 30, 2015, 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 income (charges) under Investment and Other Income account (see Note 11) in the statements of income. There are no outstanding liabilities from these transactions as of September 30, 2015 and December 31, 2014.

16.3 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.

16.4 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 2015, 2014 and 2013 except for its contribution of P32,141,298, P53,254,585 and P54,250,180, respectively.

16.5 Key Management Personnel Compensation

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

	September 2015	September 2014
Short-term benefits	**P 27,542,440**	P 19,015,950
Post-employment benefits	**108,456**	2,229,746
	P 27,650,896	P 21,245,696

17. Earnings (loss) Per Share

The earnings per share amounts are as follows:

		September 2015	September 2014
Net income (loss) available to common shareholders	**P**	**97,317,990**	(P 135,195,842)
Divided by the average number of outstanding common shares		**2,123,605,600**	2,123,605,600
	P	**0.05**	(P 0.01)

18. Categories and offsetting of financial assets and liabilities

18.1. Comparison of Carrying Amounts and Fair Values

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

	Notes		September 2015 Carrying Values		September 2015 Fair Values		December 2014 Carrying Values		December 2014 Fair Values
Financial assets									
Loans and receivables:									
Cash and cash equivalents		P	640,770,354	P	640,770,354	P	886,643,838	P	886,643,838
Reinsurance balances receivables			4,598,289,400		4,598,289,400		5,175,072,044		5,175,072,044
Loans and receivables			291,704,603		291,704,603		322,338,295		322,338,295
		P	5,530,764,357	P	5,530,764,357	P	6,384,054,177	P	6,384,054,177
AFS financial assets:									
Debt securities		P	4,078,616,205	P	4,078,616,205	P	4,049,823,361	P	4,049,823,361
Equity securities			1,929,688,165		1,929,688,165		1,574,372,297		1,574,372,297
Treasury Bills			8,429,757		8,429,757		-		-
Investment in ARC			4,444,847		4,444,847		4,444,847		4,444,847
Various funds			12,373,676		12,373,676		479,097,201		479,097,201
		P	6,033,552,650	P	6,033,552,650	P	6,107,737,706	P	6,107,737,706
Financial liabilities									
Financial liabilities at amortized cost									
Reinsurance balances payable		P	6,324,241,878	P	6,324,241,878	P	6,974,870,479	P	6,974,870,479
Accounts payable and other accrued expenses			17,584,167		17,584,167		83,221,159		83,221,159
		P	6,341,826,045	P	6,341,826,045	P	7,058,091,638	P	7,058,091,638

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.

18.2 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 September 2015 and December 2014 are as follows.

	Note		September 2015		December 2014
Reinsurance balances receivable	4	P	4,598,289,400	P	5,175,072,044
Reinsurance balances payable	4		6,324,241,878		6,974,870,479

19. Fair value measurement and disclosures

19.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and 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.

19.2 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 September 30, 2015 and December 31, 2014 (amounts in thousand Philippine Peso).

	Level 1	Level 2	Level 3	Total
September 30, 2015				
AFS financial assets	**P 4,915,253**	**P 31,803**	**P 4,445**	**P 4,951,501**
December 31, 2014				
AFS financial assets	P 3,980,728	P 498,789	P 590,796	P 5,070,313

The Company's AFS financial assets includes certain investments measured at cost amounting to P1,073,621 and P1,037,425 (amounts in thousand Philippine Peso) as of September 30, 2015 and December 31, 2014, respectively.

The Company has no financial liabilities measured at fair value as of September 30, 2015 and December 31, 2014.

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 September 30, 2015 and December 31, 2014, 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 Philippine stock exchanges 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 Level 1.

19.3 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 September 2015 statement of financial position but for which fair value is disclosed.

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.

19.4 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 September 30, 2015 and December 31, 2014, the fair values of the investment properties is P5,880,000, respectively, and are 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.

20. Other SEC requirements

The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report:

• Explanatory comments about the seasonality or cyclicality of interim operations	• Nothing to report.
• The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents	• Nothing to report.
• The nature and amount of changes in estimates of amounts reported in prior interim periods of the current fiscal year or changes in estimates of amounts reported prior financial years, if those changes have a material effect in the current interim period	• Nothing to report.
• Issuances, repurchases, and repayments of debt and equity securities	• Nothing to report.
• Dividends paid (aggregate or per share) separately for ordinary shares and other shares	• Nothing to report.
• Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements)	• Nothing to report.
• Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period	• Nothing to report
• The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations	• Nothing to report.
• Changes in contingent liabilities or contingent assets since the last annual balance sheet date	• Nothing to report.
• Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.	• Nothing to report.

AGING OF REINSURANCE BALANCES RECEIVABLE

As of 30 September 2015
(In million pesos)

	Total	Below 360 days	Over 360 days
Due from Ceding Companies	1,112	950	162
Reinsurance recoverable on paid losses	827	95	732
Reinsurance recoverable un unpaid losses	3,307	3,307	-
Funds Held by Ceding companies	99	99	-
	5,345	4,451	894
Allowance for impairment*	(747)		
	4,598		

*Our policy on providing provision on receivables of more than one year is by specific identification method and each account has been subjected to impairment test.