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)

VICENTE B. VILLARAMA, JR.	**988-7400**
Contact Person	Company Telephone Number

1 2	3 1	1 7 Q	0 7	0 7 14
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year		**1st Quarter Ending 31 March 2014**	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

S T A M P S

Remarks = pls. use black ink for scanning purposes

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)

December 31
(Fiscal Year Ending)

July 07 ,2014
(Annual Meeting)

SEC FORM 17-Q
Quarterly Report
1st Quarter Ending 31 March 2014
(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 **31 March 2014**

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. **18th Floor, Philippine AXA Life Center, Sen. Gil Puyat Avenue, corner Tindalo Street, Makati City**
   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 thereunder 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 1. - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements listed below and covering pages 9 to 39 of this report are filed as part of this Form 17-Q:

a. Statements of Financial Position as of 31 March 2014 and 31 December 2013

b. Statements of Income for the Quarters ended March 2014 and March 2013

c. Statements of Comprehensive Income for the Quarters ended 31 March 2014 and 2013

d. Statements of Changes in Equity as of 31 March 2014 and 2013

e. Statements of Cash Flows for the Quarter ended 31 March 2014 and 2013

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, 1st Quarter, 2014

Results of Operations

Reinsurance Premium Income

Reinsurance premiums for the 1st Quarter 2014 totaled P544.1 million, 2.9% or P16.0 million lower than P560.1 million in 1st Quarter 2013. The decline was due to a decrease in non-life reinsurance premiums amounting to P12.0 million (non-life treaty business) and P35.6 million (non-life facultative business) respectively. These declines were not sufficiently offset by an increase in reinsurance premiums from the life business which increased by 31.4% or P31.6 million from P100.7 million in 1st Quarter 2013 to P132.3 million in 1st quarter 2014.

Reinsurance premiums retained for the 1st Quarter 2014 amounted to P224.7 million, an increase of P31.6 million or 16.4% from P193.1 million in 2013. The increase was due to higher premiums being retained by the Company and this translates to a retention ratio of P41.3% in 1st Quarter 2014 as compared to a retention ratio of 34.5% in 1st Quarter 2013.

Consistent with the increase in reinsurance premiums retained, premiums earned for the 1st Quarter 2014 amounted to P223.0 million or 1.4% higher than premiums earned of P219.8 million for the 1st Quarter 2013.

Underwriting Deductions

Share in claims and losses increased by P85.3 million or 80.3%, amounting to P191.6 million in 1st Quarter 2014 compared to P106.3 million for the 1st Quarter 2013. Reported large losses for the period are: flood claims arising from typhoon Agaton in January 19, 2014, MC Home depot fire loss in Fort Bonifacio , Richmond Flywood fire loss in January 19, 2014 and Habagat 2013 development losses.

In line with the increase in net premiums retained, commissions, net also increase by P9.7 million or 16.4% from P59.2 million in 1st Qtr. 2013 to P68.9 million in 1st Qtr. 2014. Relatively, commission ratio was flat at 30.7% for the 1st Qtr. 2014 and 2013 respectively.

Investment and Other Income (Charges)

Investment and other income dropped significantly from P258.2 million in 1st Qtr. 2013 to P93.2 million in 1st Qtr. 2014 essentially due to lower fixed income yield and net realized gain due to lack of trading opportunities brought about by volatile investment market in addition to a foreign exchange translation loss recorded during the 1st Qtr. of 2014 amounting to P9.6 million resulting primarily from appreciation of Philippine Peso as against US Dollar and Indonesian Rupee.

General and Administrative Expenses

General and administrative expenses (GAE) decreased by P22.1 million or 30.2% to P51.2 million for the 1st Qtr. 2014 from P73.3 million in 1st Qtr. 2013 traced to lower manpower cost and related employee benefit cost. Employee headcount decreased to 69 as of March 31, 2014 as compared to 96 as of 1st Qtr. 2013 as a result of the redundancy program implemented by the Company in October 2013.

Tax expense

The Company's tax expense declined by P3.1 million or 19.5% to P12.7 million for the 1st Qtr. 2014 compared to P15.8 million for the 1st Qtr. 2013 in view of lower final taxes on investment income.

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Net Profit (Loss)

Due to lower premiums written, higher underwriting deductions and lower investment and other income, the Company ended up with a net loss P8.3 million for the 1st Qtr. 2014 compared to a net profit of P223.5 million in 1st Qtr. 2013.

Financial Condition

Total resources of the Company as of March 31, 2014 amounted to P13.3 billion, 9.3% or P1.4 billion lower than the December 2013 ending level of P14.6 billion. Material changes in the Company's resources are described below.

- ***Cash and cash equivalents (P876.5M vs.P605.0M)***

  Cash and cash equivalents as of March 31, 2014 increased by P271.5 million or 44.9% resulting from the proceeds of matured available for sale financial assets and cash collection of interest income and cash dividends for the 1st Qtr. 2014.

- ***Reinsurance Balances Receivable-net (P5.3B vs. P6.5B)***

  Reinsurance balances receivable decreased by 19.6% to P5.3 billion as of March 31, 2014 from P6.5 billion as of December 31, 2013 principally due to settlement of claims (under reinsurance balances payable) with offsetting arrangement under this account amounting to P1.2 billion.

- ***<u>Available for Sale Financial Assets (P6.2B vs. P6.4B)</u>***

  Available for sale (AFS) financial assets slightly decreased by P232.3 million or 3.6% to P6,159.4 million as of March 31, 2014 from P6,391.7 million as of December 31, 2013 principally due to matured AFS temporarily shifted to time deposit placement.

- ***<u>Loans and Receivables (P300.3M vs. P320.0M)</u>***

  Loans and receivables held as investments decreased by 6.2% or P19.8 million from P320.0 million as of 31 December 2013 to P300.3 million as of 1st Qtr. 2014 mainly due to collection of accrued interest income and other receivables amounting to P19.8 million.

- ***<u>Property and Equipment, net (P101.3M vs. P102.8M)</u>***

  Property and equipment, net of accumulated depreciation amounted to P101.3 million as of March 31, 2014, a decrease of P1.5 million or 1.4% from December 31, 2013 mainly due to recorded depreciation of P3.0 million being higher than capital expenditures of P1.5 million.

- ***<u>Deferred Acquisition Cost (P82.0M vs. P85.2M)</u>***

  The decrease of P3.2 million or 3.7% in deferred acquisition cost relate to portions of reinsurance commissions that were deferred as of December 31, 2013 under the 24th method and eventually charged to expense in proportion to reinsurance premium revenue.

- ***<u>Deferred Reinsurance Premiums (P133.4M vs.P218.9M)</u>***

  Deferred reinsurance premiums decreased by P85.5 million or 39.0% as of March 31, 2014 due to recognition of a portion of reinsurance premiums deferred as of December 31, 2013 as ceded 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. The decline is also related to the decrease in premium ceded from P367.0 million in 1st Qtr. 2013 to P319.4 million in 1st Qtr. 2014.

- ***<u>Other Assets (P335.9M vs. P330.0M)</u>***

  Other assets slightly increased by P5.9 million or 1.8% to P335.9 million as of March 31, 2014 from P330.0 million as of 31 December 2013 million mainly due to increase in input VAT.

<u>Liabilities (P7.5B vs. P8.9B)</u>

Total liabilities decreased by P1.4 billion or 15.4% from P8.9 billion as of 31 December 2013 to P7.5 billion as of March 31, 2014. The increase in total liabilities is explained below:

- ***<u>Reinsurance Balances Payable (P6.9B vs. P8.2B)</u>***

  Reinsurance balances payable decreased by P1.3 billion or 15.4% from P8.2 billion as of December 31, 2013 to P6.9 billion as of 1st Qtr. 2014 primarily due to settlement of claims and retrocession premiums mentioned above (refer to reinsurance balances receivable).

- ***Accounts Payable and Accrued Expenses (P122M vs. P138M)***

Accounts payable and accrued expenses decreased by P15.4 million or 11.2% from P137.7 million as of 31 December 2013 to P122.4 million as of 1st Qtr. 2014 principally due to settlement of accounts payable and other payables (P17.2 million) net of increase in accrued expenses and withholding taxes payable (P1.8 million).

- ***Reserve for Unearned Reinsurance Premiums (P458M vs. P542M)***

Reserve for unearned reinsurance premium decreased by P83.8 million or 15.5% principally due to decline in reinsurance premium income for the 1st Qtr. 2014.

- ***Deferred Reinsurance Commissions (P20M vs. P24M)***

Deferred reinsurance commissions decreased by P3.7 million or 15.7% reflecting decrease in commission income from P49.3 million in 1st Qtr. 2013 to P25.6 million in 1st Qtr. 2014.

- ***Equity (P5.7B)***

Stockholders' equity stood at P5.7 billion as of March 31, 2014 and 2013 respectively. There was a slight increase in equity of P18.5 million resulting from favorable mark to market revaluation reserve of P26.7 less decrease in retained earnings due to recorded net loss of P8.3 million during the 1st Qtr. 2014.

Key Performance Indicators:

	1st Quarter 2014	1st Quarter 2013	% Inc.(Dec).
1. Net Income (Loss)	(P 8.3 million)	P 223 million	(103.7%)
2. Earnings per share (a)	(P .004)	P .11	(103.7%)
3. Retention ratio (b)	41%	34%	
4. Combined ratio (c)	140%	117%	
5. Return on average equity	(0.15%)	3.5%	

(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 (86%/48%) commissions ratio (31% /31%) and expense ratio (23% /38%).

Net Income (NI) - The Company reported a net loss of P8.3 million for the 1st Qtr. 2014 as compared to a net profit of P223 million for the 1st Qtr. 2013.

Earnings per share (EPS) - The Company's EPS was at (P0.004) and P0.11 as of 1st Qtr. 2014 and 2013, respectively.

Retention ratio - The retention ratio improved from 34% in 1st Qtr. 2013 to 41% in 1st Qtr.2014

Combined ratio—The combined ratio was at 140% and 117% for the 1st Qtr. 2014 and 2013 respectively.

Return on average equity (ROE) –ROE as of was at (.15%) as of 1st Qtr. 2014 compared to ROE as of 1st Qtr. 2014 of 3.5%.

Financial Soundness Indicators

	As of March 31, 2014	As of Dec. 31, 2013
Current Ratio	1.78	1.66
Asset to Equity Ratio	2.32	2.57
Total Liabilities/Equity	1.32	1.57

Discussion and Analysis of Material Events and Uncertainties:

NRCP 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.

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 the investments and may require the immediate sale or disposal of investments deemed too 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.

A certain portion 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.

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 currently evaluating the potential effects of FATCA to its business and may opt for full compliance before FATCA's final implementation on July 1, 2014.

PART 11. - OTHER INFORMATION

B. No other material information.

NATIONAL REINSURANCE CORPORATION
OF THE PHILIPPINES
(Registrant)

VICENTE B. VILLARAMA, JR.
VP-Head-Financial Control

AUGUSTO HIDALGO
President & Chief Executive Officer

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF FINANCIAL POSITION

March 31, 2014 and December 31, 2013

	Notes	March 2014 (Unaudited)	Dec. 2013 (Audited)	Changes
ASSETS				
CASH AND CASH EQUIVALENTS	3	876,507,534	605,045,799	271,461,735
REINSURANCE BALANCES RECEIVABLE-net	4	5,261,935,945	6,548,123,440	(1,286,187,495)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5	6,159,444,432	6,391,696,049	(232,251,617)
LOANS AND RECEIVABLES	6	300,258,507	320,047,429	(19,788,922)
PROPERTY AND EQUIPMENT-NET	7	101,283,021	102,753,246	(1,470,225)
DEFERRED ACQUISITION COST		82,021,925	85,207,534	(3,185,609)
DEFERRED REINSURANCE PREMIUMS	8	133,437,986	218,898,489	(85,460,503)
OTHER ASSETS	9	335,876,608	329,960,974	5,915,634
TOTAL ASSETS		**13,250,765,958**	**14,601,732,960**	**(1,350,967,002)**
REINSURANCE BALANCES PAYABLE	4	6,943,502,894	8,210,083,119	(1,266,580,225)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	10	122,375,165	137,729,054	(15,353,889)
RESERVE FOR UNEARNED RI PREMIUMS	8	458,116,370	541,893,656	(83,777,286)
DEFERRED REINSURANCE COMMISSIONS		19,876,548	23,587,283	(3,710,735)
TOTAL LIABILITIES		**7,543,870,977**	**8,913,293,112**	**(1,369,422,135)**
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	(101,702,472)	(101,702,472)	-
Revaluation reserve		231,545,255	204,821,823	26,723,432
Retained Earnings		476,404,572	484,672,871	(8,268,299)
Total Equity		**5,706,894,981**	**5,688,439,848**	**18,455,133**
TOTAL LIABILITIES & EQUITY		**13,250,765,958**	**14,601,732,960**	**(1,350,967,002)**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME (unaudited)

For the three months ended March 31, 2014 and 2013)

	Notes	2014	2013	Inc(Dec)	%
Reinsurance Premium Income					
Reinsurance premiums-net of returns		544,122,276	560,072,429	(15,950,153)	-2.85%
Retroceded premiums		319,426,036	366,973,260	(47,547,224)	-12.96%
Reinsurance premiums retained		224,696,240	193,099,169	31,597,071	16.36%
(Inc.) dec. in reserve for unearned reinsurance premiums	8	(1,683,217)	26,747,981	(28,431,198)	-106.29%
		223,013,023	219,847,150	3,165,873	1.44%
Underwriting deductions					
Share in claims & losses		191,635,161	106,298,687	85,336,474	80.28%
Commissions, net	12	68,931,506	59,207,537	9,723,969	16.42%
		260,566,667	165,506,224	95,060,443	57.44%
Net Underwriting Income (Loss)		(37,553,644)	54,340,926	(91,894,570)	-169.11%
Interest		66,220,774	82,222,798	(16,002,024)	-19.46%
Foreign currency gain (losses)		(9,645,258)	12,578,812	(22,224,070)	-176.68%
Others		36,577,633	163,405,967	(126,828,334)	-77.62%
Investment and Other Income	11	93,153,149	258,207,577	(165,054,428)	-63.92%
Profit after Investment and Other Income		55,599,505	312,548,503	(256,948,998)	-82.21%
General and Administrative Expenses	13,14	51,167,200	73,306,500	(22,139,300)	-30.20%
Profit Before Tax		4,432,305	239,242,003	(234,809,698)	-98.15%
Tax Expense		12,700,606	15,785,675	(3,085,069)	-19.54%
Net Profit		(8,268,301)	223,456,328	(231,724,629)	-103.70%
Earnings per Share	17	(0.004)	0.11		

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three months ended March 31, 2014 and 2013)

	Notes	2014	2013	Inc(Dec)	%
NET PROFIT (LOSS)		(8,268,301)	223,456,328	(231,724,629)	-103.70%
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	14	-	-	-	
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		53,904,216	506,224,100		
Fair value gains on disposal of AFS financial assets reclassified to profit or loss		(27,180,784)	(90,448,305)		
	5	26,723,432	415,775,795	(389,052,363)	-93.57%
		26,723,432	415,775,795		
TOTAL COMPREHENSIVE INCOME		**18,455,131**	**639,232,123**	(620,776,992)	-97.11%

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2014 and 2013)

	Notes	Capital Stock No. of Shares	Capital Stock Amount	Additional Paid-in Capital	Treasury Shares - At Cost	Revaluation Reserves Remeasurement of defined Benefit liability	Revaluation Reserves Available for sale securities	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total Equity
Balance as of January 1, 2014		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	(101,702,472)	204,821,824	270,342,396	214,330,476	5,688,439,850
Appropriated for contingencies								-	-	-
Total comprehensive income (loss) for the period						-	26,723,432		(8,268,301)	18,455,131
Total equity as of March 31, 2014	15	**2,181,954,600**	**2,181,954,600**	**3,019,218,458**	**(100,525,432)**	**(101,702,472)**	**231,545,256**	**270,342,396**	**206,062,175**	**5,706,894,981**
Balance as of January 1, 2013		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	-	399,020,095	268,469,546	237,889,026	6,006,026,293
Appropriated for contingencies								22,345,633	(22,345,633)	-
Total comprehensive income (loss) for the period						-	415,775,796		223,456,327	639,232,123
Total equity as of March 31, 2013	15	**2,181,954,600**	**2,181,954,600**	**3,019,218,458**	**(100,525,432)**	**-**	**814,795,891**	**290,815,179**	**438,999,720**	**6,645,258,416**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS (unaudited)
For the three months ended March 31, 2014 and 2013)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 4,432,305	P 239,242,003
Adjustments for:			
Increase in reserve for unearned RI Premiums	8	1,683,217	(26,747,981)
Unrealized foreign currency loss (gain)		9,810,741	(676,677)
Gain on sale of AFS financial assets	11	(31,184,417)	(158,267,868)
Gain on disposal of property and equipment		12,944	-
Impairment loss	13	-	11,400,000
Depreciation	13	8,353,747	8,657,305
Interest income	11	(66,220,774)	(82,222,798)
Dividend income	11	(6,730,930)	(6,478,660)
Operating income before working capital changes		(79,843,167)	(15,094,676)
(Increase)Dec. in reinsurance balances receivable		1,253,161,846	1,541,678,573
Decrease (Increase) in deferred acquisition costs		(525,126)	1,364,028
(Increase) in other assets		(11,305,741)	(11,376,474)
(Increase) Decrease in loans and receivables		3,820,380	5,947,987
Increase (decrease) in reinsurance balances payable		(1,247,423,422)	(1,772,297,833)
Increase (decrease) in accounts payable and accrued exp.		(15,353,891)	107,593,709
Cash generated from (used in) operations		(97,469,121)	(142,184,686)
Cash paid for income taxes		(12,700,606)	(15,785,675)
Net Cash From (Used in) Operating Activities		**(110,169,727)**	**(157,970,361)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
Available-for-sale financial assets		1,572,311,703	4,240,183,313
Property and equipment		(12,944)	
Interest received		82,189,319	98,052,299
Dividends received		6,730,931	6,478,660
Disposals (acquisitions) of:			
Available-for-sale financial assets		(1,279,236,975)	(4,745,567,287)
Intangible assets		-	
Property and equipment		(1,493,414)	(173,991)
Net Cash From (Used in) Investing Activities		**380,488,620**	**(401,027,006)**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**270,318,893**	**(558,997,367)**
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		1,142,842	(858,129)
CASH AND CASH EQUIVALENTS -January 1		**605,045,799**	**1,226,499,273**
CASH AND CASH EQUIVALENTS -March 31		**P 876,507,534**	**P 666,643,777**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Notes and Other Disclosures

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 (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. These policies have been consistently applied to all the periods/ 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 (IASB). 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, 2013.

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.

The Company's adoption of PAS 19 (Revised), *Employee Benefits*, resulted in material retrospective restatements on certain accounts in the comparative financial statements for December 31, 2012 and in the corresponding figures as of January 1, 2012 [see Note 2.2(a)(ii)]. Accordingly, the Company presents a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(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 2013 that are Relevant to the Company

In 2013, the Company adopted the following new PFRS, revision, amendments and annual improvements thereto that are relevant to the Company and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 13	:	Fair Value Measurement
Annual Improvements to PFRS 2009-2011 Cycle		
PAS 1 (Amendment)	:	Presentation of Financial Statements – Clarification of the Requirements for Comparative Information
PAS 32 (Amendment)	:	Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments

Discussed below and in the succeeding pages are relevant information about these new, revised and amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (*effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Company applied the amendment retrospectively, hence, the presentation of other comprehensive income has been modified to reflect the changes.

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plans as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The details and outstanding balances of financial assets and financial liabilities that are subject to enforceable master netting agreements and similar arrangements are disclosed in Note 18.2.

(iv) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 18 and 19, the application of this new standard had no significant impact on the amounts recognized in the financial statements.

(v) 2009 – 2011 Annual Improvements to PFRS. Annual improvement to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Company but has no material impact on the Company's financial statements.

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information.* The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, related notes to the third statement of financial position are not required to be presented.

Consequent to the Company's adoption of PAS 19 (Revised) in the current year and certain other restatement which resulted in retrospective restatement of the prior years' financial statements, the Company has presented a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8.

(b) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Company's financial statements as it has been recognizing the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with PAS 12.

(b) Effective in 2013 that are not Relevant to the Company

The following revisions, amendments, annual improvements, and interpretation to PFRS are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Company's financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Cost
PFRS 10	:	Consolidated Financial Statements
PFRS 11	:	Joint Arrangements
PFRS 12	:	Disclosure of Interest in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associate and Joint Venture
PFRS 10, 11 and 12 (Amendments)	:	Amendments to PFRS 10, 11 and 12 – Transition Guidance to PFRS 10, 11 and 12
Annual Improvements to PFRS 2009-2011 Cycle		
PAS 16 (Amendment)	:	Property, Plant and Equipment – Classification of Servicing Equipment.

PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PPRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
Philippine Interpretation International Financial Reporting Interpretations Committee 20	:	Stripping Costs in the Production Phase of a Surface Mine

(c) *Effective Subsequent to 2013 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from January 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. Management has initially determined that this amendment will have no material impact on the Company's financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to 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 the principle behind net settlement and includes an example of a gross settlement system with characteristics that would satisfy the criterion for net settlement. The Company does not expect this amendment to have a significant impact on its financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' financial statements the changes arising from this relief on disclosure requirements, if the resulting impact of this amendment will be applicable.

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective January 1, 2014). 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 it applies hedge accounting, the amendment will not have impact on the financial statements.

(v) PFRS 9, *Financial Instruments: Classification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement, and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 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 arrangement, 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 main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and 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. The amendment also now 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 in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS 9 and PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Company does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Company and evaluating the need to conduct a comprehensive study of the potential impact and changes that may result from the adoption of PFRS 9 when it becomes effective.

(vi) PFRS 10, 12 and PAS 27 (Amendments) - *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

Management does not anticipate these amendments to have a material impact on the Company's financial statements.

(vii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Company but management does not expect a 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 entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only 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 definitions 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, *Business Combinations*, 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, or a business combination in reference to PFRS 3.

3. CASH AND CASH EQUIVALENTS

This account consists of:

		March 2014		December 2013
Short-term placements	P	**565,353,815**	P	526,193,501
Cash on hand and in banks		**311,153,719**		78,852,298
	P	**876,507,534**	P	605,045,799

Short-term placements include time deposits and special deposit accounts made for varying periods between one day and one month depending on the liquidity requirements of the Company. Peso short-term placements earn annual interest rates ranging from 0.25% to 1.38% in 2014 and from 0.48% to 1.38% in 2013 while dollar short-term placements earn annual interest rates ranging from 0.25% to 1.86% in 2014 and from 0.50% to 1.0% in 2013. 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$5,966,725 (or P268,478,765) as of March 31, 2014 and US$1,916,084 (or P85,100,933) as of December 31, 2013.

4. REINSURANCE BALANCES

The details of reinsurance balances are as follows:

		March 2014		December 2013
Reinsurance balances receivable:				
Reinsurance recoverable on unpaid losses	P	**4,128,225,306**	P	5,060,294,113
Due from ceding companies		**552,951,589**		1,072,506,104
Reinsurance recoverable on paid losses		**1,010,496,351**		833,040,221
Funds held by ceding companies		**142,825,597**		154,845,900
		5,834,498,843		7,120,686,338
Allowance for impairment		**(572,562,898)**		(572,562,898)
	P	**5,261,935,945**	P	6,548,123,440

Reinsurance balances payable:		March 2014		December 2013
Claims payable	P	**6,297,458,322**	P	7,271,270,522
Due to retrocessionaires		**571,939,955**		858,462,597
Funds held for retrocessionaires		**74,104,617**		80,350,000
	P	**6,943,502,894**	P	8,210,083,119

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.

- 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 March 2014 and December 2013 is shown below.
The fair values of these short-term financial assets and liabilities are not individually determined as

		March 2014		December 2013
Balance at the beginning of year	**P**	**572,562,898**	P	335,629,959
Impairment losses during the year		**-**		236,932,939
Balance at the end	**P**	**572,562,898**	P	572,562,898

their carry amounts are reasonable approximation of their fair values.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The amounts in the statements of financial position comprise of the following financial assets:

		March 2014		December 2013
Bonds	**P**	**4,267,261,980**	P	4,601,588,981
Equity securities - net		**1,322,911,699**		1,318,680,165
Investment in Asian Re shares		**4,503,092**		4,444,847
Various funds		**564,767,661**		466,982,056
	P	**6,159,444,432**	P	6,391,696,049

Bonds include investments in corporate bonds, long-term negotiable instruments and government securities. This also includes government securities amounting 250,000,000 both March 2014 and December 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 of the Philippines. Bonds earn interest at annual rates ranging from 2.125% to 15.00% both in March 2014 and December 2013. 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:

		March 2014		December 2013
Due within one year	**P**	**97,060,312**	P	178,360,037
Due after one year through five years		**1,416,301,320**		1,396,331,798
Due after five years through ten years		**2,128,862,603**		2,277,689,961
Due after ten years		**625,037,745**		749,207,185
	P	**4,267,261,980**	P	4,601,588,981

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

		March 2014		December 2013
Cost:				
Quoted in the stock exchange	**P**	**1,233,863,178**	P	1,302,628,348
Not quoted in the stock exchange		**38,346,338**		40,636,735
	P	**1,272,209,516**	P	1,343,265,083
Fair value gains (losses):				
Quoted in the stock exchange	**P**	**69,659,391**	P	(4,413,687)
Not quoted in the stock exchange		**(18,957,208)**		(20,171,231)
	P	**50,702,183**	P	(24,584,918)
	P	**1,322,911,699**	P	1,318,680,165

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.

In 2013, the Company made retrospective adjustments to present the foreign exchange differences pertaining to investment in ARC as part of other comprehensive income [see Note 2.2 (a)(ii)]. These were previously presented in profit or loss. The fair value of investment in ARC shares amounted to P4,503,092 and P4,444,847, as of March 31, 2014 and December 31, 2013, respectively.

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

		March 2014		December 2013
Balance at beginning of year	**P**	**6,391,696,050**	P	5,690,040,419
Additions		**1,279,236,975**		4,477,286,405
Disposals/maturities		**(1,541,127,286)**		(3,578,210,286)
Fair value gains(loss) - net		**26,723,432**		(211,065,818)
Foreign currency gains (losses)		**2,915,261**		13,645,329
Balance at end of year	**P**	**6,159,444,432**	P	6,391,696,049

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 P26,723,432 fair value gain and P211,065,818 fair value loss in March 2014 and December 2013 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:

		March 2014		December 2013
Current:				
Term loans	P	-	P	-
Accrued interest receivable		45,220,686		61,189,232
Others		3,312,044		4,591,915
	P	48,532,730	P	65,781,147
Non-current:				
Term loans	P	245,500,000	P	247,500,000
Loans receivable		6,225,777		6,766,282
	P	251,725,777	P	254,266,282
	P	300,258,507	P	320,047,429

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	154,882,915	P	74,243,831	P	80,639,084
Office Improvement		15,029,692		8,985,149		6,044,543
Office Furniture/Equipment		10,202,903		9,106,345		1,096,558
Transportation Equipment		11,417,678		5,516,195		5,901,483
EDP Equipment		34,523,407		26,922,054		7,601,353
Total	P	226,056,595	P	124,773,574	P	101,283,021

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8. DEFERRED REINSURANCE PREMIUMS AND RESERVE FOR UNEARNED REINSURANCE PREMIUMS

The movement of these accounts follows:

		Deferred Reinsurance Premiums			Reserve for Unearned Reinsurance Premiums		
		2014	2013		2014		2013
Balance at beginning of year	P	218,898,489	400,632,000	P	541,893,656	P	734,563,495
Inc (Dec) during the year		(85,460,503)	(181,733,511)		(83,777,286)		(192,669,839)
Balance at end of year	P	133,437,986	218,898,489	P	458,116,370		541,893,656

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

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

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

9. OTHER ASSETS

The Other Assets account includes the following:

		March 2014		December 2013
Creditable withholding tax		**129,007,897**		126,131,327
Deferred input VAT	**P**	**71,138,000**	P	74,123,058
Input VAT		**77,441,757**		68,517,247
Intangible assets – net		**35,619,283**		41,008,141
Deferred withholding VAT		**9,200,181**		9,200,181
Prepayments		**6,233,436**		4,729,864
Investment property - net		**2,838,659**		2,839,909
Deposit		**619,385**		619,385
Security fund		**192,888**		192,888
Others		**3,585,122**		2,598,974
	P	**335,876,608**	P	329,960,974

Deferred input VAT relates to the value-added tax on unpaid commission to ceding companies.

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

Deferred withholding VAT represents unapplied input taxes resulting from unpaid premiums on ceded out transactions.

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.

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 March 31, 2014 and December 31, 2013 follows:

		March 2014		December 2013
Cost	**P**	**110,108,534**	P	110,108,534
Accumulated amortization		**(74,489,251)**		(69,100,393)
Balance at end of year	**P**	**35,619,283**	P	41,008,141

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

		March 2014		December 2013
Deferred output VAT	**P**	**34,054,105**	P	34,949,912
Accrued expenses		**6,037,855**		5,039,574
Defined benefit liability		**64,429,416**		64,429,415
Accounts payable and other liabilities		**15,098,759**		31,355,892
Withholding taxes payable		**2,755,030**		1,954,261
	P	**122,375,165**	P	137,729,054

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

11. INVESTMENT AND OTHER INCOME

The details of this account follow:

		March 2014		March 2013
Interest	**P**	**66,220,774**	P	82,222,798
Gain on sale of stocks		**14,295,414**		121,077,003
Dividend income		**6,730,931**		6,478,660
Foreign exchange gain(loss)		**(9,645,258)**		12,578,812
Trading gains		**16,889,003**		37,190,865
Gain (loss) on disposal of property & equipment		**(12,944)**		-
Other income (charges)		**(1,324,771)**		(1,340,561)
	P	**93,153,149**	P	258,207,577

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:

		March 2014		March 2013
Commission expense	**P**	**94,549,751**	P	108,513,182
Reinsurance revenues		**(25,618,245)**		(49,305,645)
	P	**68,931,506**	P	59,207,537

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 AMD ADMINISTRATIVE EXPENSES

The details of this account follow:

		March 2014		March 2013
Salaries and employee benefits	**P**	**29,874,770**	P	39,527,440
Impairment loss				11,400,000
Depreciation and amortization		**8,353,747**		8,657,305
Professional fees		**3,357,963**		2,227,194
Repairs and maintenance		**2,327,907**		4,758,871
Taxes, licenses and fees		**989,627**		1,082,792
Transportation and traveling		**611,547**		442,748
Light and water		**283,872**		462,378
Representation and entertainment		**631,664**		365,662
Contract labor		**396,173**		264,920
Association and pool expense		**802,772**		1,030,094
Rental		**675,709**		123,184
Communication and postages		**490,941**		206,711
Printing and office supplies		**210,460**		275,215
Advertising and publicity		**157,925**		131,500
Insurance		**246,213**		265,598
Miscellaneous		**1,755,910**		2,084,888
	P	**51,167,200**	P	73,306,500

14. SALARIES AND EMPLOYEE BENEFITS

14.1 Salaries, Wages and Employee Benefit Expense

Expenses recognized for employee benefits are presented below.

		March 2014		March 2013
Short-term employee benefits	**P**	**24,303,964**	P	28,100,314
Post-employment defined benefit		**2,685,506**		6,835,646
Compensated absences		**2,885,300**		4,591,480
	P	**29,874,770**	P	39,527,440

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 2013 including the comparative year which has been restated in line with the adoption of PAS 19 (Revised), see Note 2.2(a)(ii).

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:

	March 2014	December 2013	2012 (As Restated- see Note 2.2)
Present value of the obligation	**P 144,762,543**	P 144,762,543	P 174,933,081
Fair value of plan assets	**(80,333,128)**	(80,333,128)	(80,951,387)
Defined benefit liability	**P 64,429,415**	P 64,429,415	P 93,981,694

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

	March 2014	December 2013	2012 (As Restated- see Note 2.2)
Balance at beginning of year	**P 174,933,081**	P 174,933,081	**P** 152,043,509
Current service cost	**9,581,702**	9,581,702	9,276,730
Interest Expenses	**9,096,520**	9,096,520	8,362,393
Remeasurement on actuarial losses (gains) arising from:			
Changes in financial assumptions	**11,708,682**	11,708,682	4,147,740
Changes in demographic assumptions	**25,294**	25,294	-
Experience adjustments	**921,633**	921,633	5,486,134
Benefits paid other than settlement	**(44,771,305)**	(44,771,305)	-
Settlement gain	**(164,971)**	(164,971)	-
Benefits paid by the plan	**(16,568,093)**	(16,568,093)	(4,383,425)
Balance at end of year	**P 144,762,543**	P 144,762,543	**P** 174,933,081

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

		March 2014		December 2013		2012 (As Restated- see Note 2.2)
Balance at beginning of year	**P**	**80,951,387**	P	80,951,387	P	67,704,396
Interest income		**4,209,472**		4,209,472		3,723,742
Return on plan assets (excluding amounts included in net interest)		**2,261,487**		2,261,487		5,283,655
Contributions paid into the plan		**54,250,180**		54,250,180		8,623,019
Benefits paid by the plan		**(61,339,398)**		(61,339,398)		(4,383,425)
Balance at end of year	**P**	**80,333,128**	P	80,333,128	P	80,951,387

The plan assets as of March & December 31 consist of:

		March 2014		December 2013		2012 (As Restated- see Note 2.2)
Cash and cash equivalents	**P**	**4,798,403**	P	4,798,403	P	22,707,549
Equity securities		**26,137,227**		26,137,227		17,197,422
Government securities		**49,159,686**		49,159,686		39,631,244
Loans and receivables		**237,812**		237,812		1,415,172
Balance at end of year	**P**	**80,333,128**	P	**80,333,128**	P	**80,951,387**

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

The plan assets earned a return of P6.5 million in 2013, P9.0 million in 2012 and P2.9 million in 2011.

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:

		March 2014		December 2013		2012 (As Restated- see Note 2.2)
Reported in profit or loss:						
Current service cost	P	**9,276,730**	P	9,276,730	P	9,276,730
Settlement gain		**4,638,651**		4,638,651		4,638,651
Net interest expense	**P**	**13,915,381**	P	13,915,381	P	13,915,381
Reported in other comprehensive loss (income):						
Actuarial losses arising from changes in:						
Financial assumptions	**P**	**11,708,682**	P	11,708,682	P	4,147,740
Experience adjustments		**921,633**		921,633		5,486,134
Demographic assumptions		**25,294.00**		25,294.00		-
Return on plan assets (excluding amounts included in net interest)		**(2,261,487)**		(2,261,487)		(5,283,655)
	P	**10,394,122**	P	10,394,122	P	4,350,219

Current service cost and settlement gain are presented as part of Salaries and employee benefits; while net interest expense is presented as Finance costs. These accounts are presented in the statements of income under General and administrative expenses (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:

	March 2014	2013	2012
Discount rates	**5.20%**	5.20%	5.20%
Expected rate of salary increase	**5.00%**	5.00%	5.00%
Employee turn-over rate	**5.0% to 9.5%**	5.0% to 9.5%	5.0% to 9.5%

15. EQUITY

15.1 Capital Stock

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

	Number of Shares		
	March 2014	2013	2012
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning of year	**2,123,605,600**	2,123,605,600	2,159,677,600
Reacquired during the year	**-**	-	-
Balance at end of year	**2,123,605,600**	2,123,605,600	2,123,605,600

	Amount		
	2013	2012	2011
Authorized – 3,000,000,000 shares			
Issued and outstanding			
Balance at beginning of year	**P2,123,605,600**	P2,123,605,600	P 2,159,677,600
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 totalling 741,902,600. The shares were initially issued at an offer price of P3.80 per share. As of March 31, 2014 and December 31 2013, there are 282 & 281 holders of the listed shares, respectively. Such listed shares closed at P1.47 and P1.36 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 2012 and 2013. As of December 31, 2013 and 2012, 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 P270,342,396, P270,342,396 and P268,469,546 as of March 31,2014, December 2013 and 2012, 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, P0.10 per share (or a total of P212,360,560) on May 17, 2012 and P0.02 per share (or a total of P43,193,552) on May 19, 2011, payable to stockholders of record as of June 14, 2013, June 1, 2012 and June 3, 2011, respectively. There were no outstanding dividends payable as of December 31, 2013 and 2012.

16. RELATED PARTY TRANSACTIONS

The Company's related parties include its principal stockholders, the Company's key management personnel and other related parties with which the Company had transactions as described below.

16.1 Reinsurance Contracts with Related Parties

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

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

	March 2014		December 2013	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Premiums	**90,371,502**	**1,668,472**	P 365,120,220	P 4,074,436
Retrocessions	**84,779**	**172,798**	1,221,459	(1,343,046)
Commission income	**21,525**	**-**	59,360	-
Commission expenses	**22,959,247**	**-**	97,893,969	-
Losses incurred	**30,172,450**	**2,122,392**	352,657,903	5,304,356
Losses recoveries	**39**	**-**	8,262	122,875

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

	March 2014		December 2013	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from ceding cos.	**263,619,054**	**4,952,176**	252,395,929	5,531,868
RI recoverable on losses	**102,852,906**	**388,669**	97,064,646	-
Funds held by ced. cos.	**65,972,063**	**-**	63,791,182	-
Claims payable	**1,253,521,424**	**8,367,997**	1,778,046,311	4,458,459
Due to Retrocessionaires	**13,403,668**	**206,810**	13,568,173	166,279
Funds held for retro	**164,032**	**-**	164,032	-

The balance of due from ceding companies pertaining to related parties is presented net of P30,700,236 allowance for impairment both in March 31, 2014 and December 31, 2013.

16.2 Other Transactions

The Company's other transactions with related parties follow:

		March 2014		December 2013	
		Amount of Transactions	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash & cash equivalent	(a)	**4,155,280**	**7,116,086**	(183,905)	2,960,806
AFS financial assets	(b)	**-**	**-**	-	-
Interest Income- Bank accounts	(a)	**5,829**	**-**	19,380	-
Interest Income-AFS Financial assets	(b)	**-**	**-**	-	-
Trading gain	(b)	**-**		(100,197)	
Service fees	(d)	**12,717**	**-**	31,526	-
Related Party Under Common Ownership					
Cash & Cash equivalent	(a)	**112,807,579**	**298,213,214**	(195,025,988)	185,405,635
AFS financial assets	(b)	**1,532,361**	**188,828,108**	(101,632,209)	187,295,747
Loans and receivables	(c)	**(2,147,044)**	**1,054,264**	(132,059,922)	3,201,308
Interest Income- Bank accounts	(a)	**457,797**	**-**	6,898,130	-
Interest Income-AFS Financial assets	(b)	**2,658,235**	**-**	16,528,796	-
Interest income-Loans and receivables	(c)	**-**	**-**	5,308,681	-
Trading gain	(b)	**-**		1,285,723	

(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 5.00% to 5.50% in March 2014, 2013 and 2012 and has matured in 2013. As of December 31, 2012, management assessed that these term loans are not impaired.

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(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 March 31, 2014 and December 31, 2013.

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 2013 except for its contribution of P54,250,180.

16.5 Key Management Personnel Compensation

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

	March 2014	March 2013
Short-term benefits	**P 6,479,190**	P 13,511,705
Post-employment benefits	**559,185**	709,394
	P 7,038,375	P 14,221,099

17. Earnings (loss) Per Share

The earnings per share amounts are as follows:

	March 2014	March 2013
Net income (loss) available to common shareholders	**(P 8,268,301)**	P 223,456,328
Divided by the average number of outstanding common shares	**2,123,605,600**	2,123,605,600
	(P 0.004)	P 0.11

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		March 2014				December 2013		
			Carrying Values		Fair Values		Carrying Values		Fair Values
Financial assets									
Loans and receivables:									
Cash and cash equivalents		P	876,507,534	P	876,507,534	P	605,045,799	P	605,045,799
Reinsurance balances receivables			5,261,935,945		5,261,935,945		6,548,123,440		6,548,123,440
Loans and receivables			300,258,507		300,258,507		320,047,429		320,047,429
		P	6,438,701,986	P	6,438,701,986	P	7,473,216,668	P	7,473,216,668
AFS financial assets:									
Debt securities		P	4,267,261,980	P	4,267,261,980	P	4,601,588,981	P	4,601,588,981
Equity securities			1,322,911,699		1,322,911,699		1,318,680,165		1,318,680,165
Investment in ARC			4,503,092		4,503,092		4,444,847		4,444,847
Various funds			564,767,661		564,767,661		466,982,056		466,982,056
		P	6,159,444,432	P	6,159,444,432	P	6,391,696,049	P	6,391,696,049
Financial liabilities									
Financial liabilities at amortized cost									
Reinsurance balances payable		P	6,943,502,894	P	6,943,502,894	P	8,210,083,119	P	8,210,083,119
Accounts payable and other accrued expenses			21,136,613		21,136,613		36,395,466		36,395,466
		P	6,964,639,507	P	6,964,639,507	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.

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 December 31 are as follows.

	Note		March 2014		December 2013
Reinsurance balances receivable	4	P	**5,834,498,843**	P	7,120,686,338
Reinsurance balances payable	4		**6,943,502,894**		8,210,083,119

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 March 31, 2014 and December 31, 2013 (amounts in thousand Philippine Peso).

	Level 1	**Level 2**	**Level 3**	**Total**
March 31, 2014				
AFS financial assets	**P 4,106,206**	**P 584,157**	**P 329,724**	**P 5,020,086**
December 31, 2013				
AFS financial assets	P 4,312,494	P 487,448	P 494,103	P 5,294,045

The Company's AFS financial assets includes certain investments measured at cost amounting to P1,139,357 and P1,097,652 (amounts in thousand Philippine Peso) as of March 31, 2014 and December 31, 2013, respectively.

The Company has no financial liabilities measured at fair value as of March 31, 2014 and December 31, 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 March 31, 2014 and December 31, 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 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 March 2014 statement of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 876,507,534	P -	P -	P 876,507,534
Reinsurance balances receivables	-	-	5,261,935,945	5,261,935,945
Loans and receivables	-	-	300,258,507	300,258,507
	P876,507,534	**P -**	**P5,562,194,542**	**P 6,438,701,986**
Financial liabilities:				
Reinsurance balances payable	P -	P -	P6,943,502,894	P 6,943,502,894
Accounts payable and other accrued expenses	-	-	21,136,613	21,136,613
	P -	**P -**	**P6,964,639,507**	**P 6,964,639,507**

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 March 31, 2014 and December 31, 2013, 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.

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AGING OF REINSURANCE BALANCES RECEIVABLE

As of March 31, 2014
(In million pesos)

	Total	Below 360 days	Over 360 days
Due from Ceding Companies	553	268	285
Reinsurance recoverable on paid losses	1,011	648	363
Reinsurance recoverable un unpaid losses	4,128	4,128	-
Funds Held by Ceding companies	143	143	-
	5,835	5,187	648
Allowance for impairment*	(573)		
	5,262		

*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.