COVER SHEET

8 0 1 1 8

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	0 7 14
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year		**3rd Quarter Ending 30 September 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

111132014002122

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Darwin San Jose
Receiving Branch : SEC Head Office
Receipt Date and Time : November 13, 2014 04:32:21 PM
Received From : Head Office

Company Representative

Doc Source

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

Document ID	111132014002122
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2014
No. of Days Late	0
Department	CFD
Remarks	

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 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 10 to 42 of this report are filed as part of this Form 17-Q:

a. Statements of Financial Position as of 30 September 2014 and 31 December 2013

b. Statements of Income:
For the Quarters ended 30 September 2014 and 2013
For the Nine months ended 30 September 2014 and 2013

c. Statements of Comprehensive Income for the nine months ended 30 Sept. 2014 and 2013

d. Statements of Changes in Equity as of 30 September 2014 and 2013

e. Statements of Cash Flows:
For the Quarters ended 30 September 2014 and 2013
For the nine months ended 30 September 2014 and 2013

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, 3rd Quarter ending September 30, 2014

Results of Operations

For the nine months ended September 30, 2014 and 2013

Reinsurance Premium Income

Reinsurance premiums for the nine months ended September 30, 2014 totaled P1.7 billion, 14.3% or P288.4 million lower than P2.0 billion in 2013. The decline came from non-life facultative business which decreased by P193.1 million or 22.4%, and amounts to P669.1 million for the nine months ended September 30, 2014 from P862.2 million in 2013 while the non-life treaty business also decreased by P97.8 million or 12.0% and amounts to P716.2 million for the nine months ended September 30, 2014 from P814 million in 2013.

Life business, however, slightly increased by P2.5 million or 1%, and this amounts to P341.0 million for the nine months ended September 30, 2014 from P338.5 million in 2013.

Reinsurance premiums retained for the nine months ended September 30, 2014 amounted to P524.0 million, a decrease of P142.5 million or 21.4% from P666.5 million in 2013. The decline was due to the increase in the premium cost of the excess of loss protection which also contributed to the decline in premiums earned from P651.7 million in 2013 to P516.6 million in 2014.

Underwriting Deductions

Share in claims and losses increased by P182.8 million or 45.9%, amounting to P581.4 million in 2014 compared to P398.7 million in 2013. The increase is mainly due to development of prior year's losses and the impact of typhoon Glenda that hit Southern Luzon in July 16, 2014.

The increase in net commission of P5.7 million or 3.0% is consistent with the higher net retained premiums for non-life treaty business (P637.4 million vs. P614.5 million) before deducting the excess of loss premiums.

Investment and Other Income (Charges)

Investment and other income dropped by P261.0 million or 45.2% and this amounts to P316.9 million for the nine months ended September 30, 2014 from P577.9 million in 2013. This was primarily due to lack of trading opportunities brought about by volatile investment market. The decrease in interest income (P39.4 million) and capital gains/trading gains (P233.3 million) was partially offset by the increase in dividend/other income of P13.0 million.

General and Administrative Expenses

General and administrative expenses (GAE) decreased by P262.9 million or 63.7% to P149.9 million in 2014 from P412.8 million in 2013, essentially due to the significant provision for impairment loss of P236.9 million in 2013.

Tax expense

The Company's tax expense declined by P6.6 million or 15.4% to P36.4 million for the nine months ended September 30, 2014 compared to P43.0 million for the nine months ended September 30, 2013 in view of lower final taxes on investment income.

.

Net Profit (Loss)

As a result of the foregoing, the Company ended up with a net loss of P135.2 million for the nine months ended September 30, 2014 compared to a net profit of P179.9 million for the nine months ended September 30, 2013.

For the Quarters ended September 30, 2014 and 2013

Reinsurance Premium Income

Reinsurance premiums for the quarter ended September 30, 2014 decreased by 25% or P158.8 million and this amounts to P476.4 million from P635.1 million for the quarter ended September 30, 2013 due to decline in both life (P84.0 million in 2014 vs. P124.5 million in 2013) and non-life treaty (P204.6 million in 2014 vs. P268.6 million in 2013) and non-life facultative (P187.8 million in 2014 vs. P242.1 million in 2013) businesses.

Reinsurance premiums retained as well as premium earned went down by 37.4% and 29.5% respectively due to higher cost of excess of loss protection premium recorded during the 3rd Qtr. 2014 amounting to P150.3 million as against P100.5 million in 3rd Qtr. 2013.

Underwriting deductions

Share in claims and losses increased by P171.6 million or 194.1% and this amounts to P260.0 million in 3rd Qtr. 2014 from P88.4 million in 2013 and this was mainly due to the impact of typhoon Glenda that hit Southern Luzon in July 16, 2014.

Net commission expense was generally flat at P62.9 million for the 3rd quarter 2014 and 2013 respectively.

Investment and Other Income (Charges)

Investment and other income decreased by 13.8% or P16.7 million from P121.0 million during the 3rd Quarter of 2013 to P104.3 million in the 3rd Quarter of 2014.The increase in dividend and other income of P6.5 million was not enough to offset the decrease in interest income (P9.1 million) and trading gains (P14.1 million).

General and Administrative Expenses

General and administrative expenses (GAE) decreased by P237.0 million or 82.0% to P52.1 million for the 3rd Qtr. 2014 from P289.1 million in 2013, principally due to the significant provision for impairment loss of P225.5 million in 2013. Excluding the impairment loss provision in 2013, total decline in GAE would have been P11.4 million only or 18.0%.

Tax expense

The Company's tax expense declined by P1.4 million or 10.6% from P13.1 million in 3rd Qtr. 2013 to P11.7 million in 3rd Qtr. 2014, generally due to the lower level of tax-paid interest income.
.

Net (Loss)

Due to reasons stated above such as the Net Underwriting loss and the lower level of Investment Income, the Company ended up with a net loss of P118.3 million for the 3rd Qtr. 2014 compared to a net loss of P99.7 million in 2013.

Financial Condition

Total resources of the Company as of September 30, 2014 amounted to P13.5 billion, 7.5% or P1.1 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 (P822.5M vs.P605.0M)***

  Cash and cash equivalents as of September 30, 2014 increased by P217.4 million or 35.9% resulting from the proceeds of matured available for sale financial assets shifted to time deposit placement.

- ***Reinsurance Balances Receivable-net (P5.4B vs. P6.5B)***

  Reinsurance balances receivable decreased by 17.2% to P5.4 billion as of September 30, 2014 from P6.5 billion as of December 31, 2013, principally due to settlement of Reinsurance Recoverable on Paid Losses amounting to P1.2 billion.

- ***Available for Sale Financial Assets (P6.1B vs. P6.4B)***

  Available for sale (AFS) financial assets slightly decreased by P244.0 million or 3.8% to P6,147.7 million as of September 30, 2014 from P6,391.7 million as of December 31, 2013, principally due to matured AFS shifted to time deposit placement.

- ***Loans and Receivables (P308.3M vs. P320.0M)***

  Loans and receivables held as investments decreased by 3.7% or P11.7 million from P320.0 million as of 31 December 2013 to P308.3 million as of 3rd Qtr. 2014, mainly due to collection of accrued interest income net of increase in other receivables.

- ***Property and Equipment, net (P100.4M vs. P102.8M)***

  Property and equipment, net of accumulated depreciation amounted to P100.4 million as of September 30, 2014, a decrease of P2.4 million or 2.3% from December 31, 2013 mainly due to recorded depreciation of P8.9 million, compared to acquisitions made of about P6.5 million.

- ***Deferred Acquisition Cost (P93.3M vs. P85.2M)***

  The increase of P8.1 million or 9.5% in deferred acquisition cost relate to portions of reinsurance commissions that were deferred as of September 30, 2014 under the 24th method. Policy costs are deferred and charged to expense in proportion to reinsurance premium revenue.

- ***Deferred Reinsurance Premiums (P265.9M vs.P218.9M)***

  Deferred reinsurance premiums increased by P47.0 million or 21.5% as of September 30, 2014 due to recognition of a portion of reinsurance premiums ceded deferred as of September 30, 2014 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.

- ***Other Assets (P351.2M vs. P330.0M)***

  Other assets increased by P21.3 million or 6.4% to P351.2 million as of September 30, 2014 from P330.0 million as of 31 December 2013 million mainly due to increases in input VAT (P21.8 million), creditable withholding tax (P12.3 million), and other assets (P3.2 million) partially offset by the decrease in intangible assets (P16.1 million).

Liabilities (P7.9B vs. P8.9B)

Total liabilities decreased by P1.1 billion or 11.9% from P8.9 billion as of 31 December 2013 to P7.9 billion as of September 30, 2014. The decrease in total liabilities is explained below:

- ***Reinsurance Balances Payable (P7.1B vs. P8.2B)***

  Reinsurance balances payable decreased by P1.1 billion or 13.6% from P8.2 billion as of December 31, 2013 to P7.1 billion as of 3rd Qtr. 2014 primarily due to settlement of claims.

- ***Accounts Payable and Accrued Expenses (P125.3M vs. P137.7M)***

  Accounts payable and accrued expenses decreased by P12.4 million or 9% from P137.7 million as of 31 December 2013 to P125.3 million as of 3rd Qtr. 2014 principally due to settlement of accounts payable and other payables (P17.1 million) net of increase in accrued expenses, withholding taxes payable and deferred output VAT (P4.7 million).

- ***Reserve for Unearned Reinsurance Premiums (P596.2M vs. P541.9M)***

  Reserve for unearned reinsurance premium increased by P54.3 million or 10% principally due to increase in life reinsurance premium for the nine months ended September 20, 2014.

- ***Deferred Reinsurance Commissions (P34.6 vs. P23.6M)***

  Deferred reinsurance commissions increased by P11.0 million or 46.5% reflecting major portion of commission income being subjected to 24^{th} method. (Income and expense policy recognition).

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

  Stockholders' equity stood at P5.7 billion as of September 30, 2014 and 2013 respectively. Total equity declined by P27.8 reflecting the registered net loss of P135.2 million for the nine months ended September 30, 2014 as well as increases in revaluation reserve due to the impact of mark-to-market adjustments on the Company's investment portfolio amounting to P107.4 million.

Key Performance Indicators:

	3rd Quarter 2014	3rd Quarter 2013	% Inc.(Dec).
1. Net Income (Loss)	(P135.2 million)	P 180 million	(175%)
2. Earnings per share (a)	(P 0 .06)	P 0.08	(175%)
3. Retention ratio (b)	30%	33%	
4. Combined ratio (c)	180%	152%	
5. Return on average equity	(2.38%)	3.0%	

(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 (113%/61%) commissions ratio (38% /29%) and expense ratio (29% /62%).

Net Profit (loss) - The Company reported a net loss of P135.2 million for the nine months ended Sept. 30, 2014 as compared to a net profit of P180 million in 2013.

Earnings per share (EPS) - The Company's EPS is (P0.06) and P0.08 as of 3rd Qtr. 2014 and 2013, respectively.

Retention ratio - Retention ratio decreased from 33% in 2013 to 30% in 2014.

Combined ratio—The combined ratio is 180% and 152% for 2014 and 2013 respectively.

Return on average equity (ROE) –ROE is negative 2.38% as of 3rd Qtr. 2014 compared to 2.82% as of 3rd Qtr. 2013.

Financial Soundness Indicators

	As of Sept. 30, 2014	As of Dec. 31, 2013
Current Ratio	1.76	1.66
Asset to Equity Ratio	2.39	2.57
Total Liabilities/Equity	1.39	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 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.

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 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.

PART 11. - OTHER INFORMATION

B. No other material information.

NATIONAL REINSURANCE CORPORATION
OF THE PHILIPPINES
(Registrant)

REGINA S. RAMOS
Controller

AUGUSTO HIDALGO
President & Chief Executive Officer

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

BALANCE SHEET

September 30, 2014 and December 31, 2013

	Notes	September 2014 (Unaudited)	Dec. 2013 (Audited)	Changes
ASSETS				
CASH AND CASH EQUIVALENTS	3	822,474,515	605,045,799	217,428,716
REINSURANCE BALANCES RECEIVABLE-net	4	5,421,806,219	6,548,123,440	(1,126,317,221)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5	6,147,719,344	6,391,696,049	(243,976,705)
LOANS AND RECEIVABLES	6	308,315,117	320,047,429	(11,732,312)
PROPERTY AND EQUIPMENT-NET	7	100,369,381	102,753,246	(2,383,865)
DEFERRED ACQUISITION COST		93,331,778	85,207,534	8,124,244
DEFERRED REINSURANCE PREMIUMS	8	265,856,849	218,898,489	46,958,360
OTHER ASSETS	9	351,212,615	329,960,974	21,251,641
TOTAL ASSETS		**13,511,085,818**	**14,601,732,960**	**(1,090,647,142)**
REINSURANCE BALANCES PAYABLE	4	7,094,394,039	8,210,083,119	(1,115,689,080)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	10	125,298,156	137,729,054	(12,430,898)
RESERVE FOR UNEARNED RI PREMIUMS	8	596,201,849	541,893,656	54,308,193
DEFERRED REINSURANCE COMMISSIONS		34,554,564	23,587,283	10,967,281
TOTAL LIABILITIES		**7,850,448,608**	**8,913,293,112**	**(1,062,844,504)**
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		312,215,027	204,821,823	107,393,204
Retained Earnings		349,477,029	484,672,871	(135,195,842)
Total Equity		**5,660,637,210**	**5,688,439,848**	**(27,802,638)**
TOTAL LIABILITIES & EQUITY		**13,511,085,818**	**14,601,732,960**	**(1,090,647,142)**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME (unaudited)
For the Quarters ended September 30, 2014 and 2013)

	Notes	2014	2013	Inc(Dec)	%
Reinsurance Premium Income					
Reinsurance premiums-net of returns		476,371,561	635,140,893	(158,769,332)	-25.00%
Retroceded premiums		324,113,792	392,097,234	(67,983,442)	-17.34%
Reinsurance premiums retained		152,257,769	243,043,659	(90,785,890)	-37.35%
Increase in reserve for unearned reinsurance premiums	8	11,827,969	(10,268,276)	22,096,245	215.19%
		164,085,738	232,775,383	(68,689,645)	-29.51%
Underwriting deductions					
Share in claims & losses		260,005,581	88,423,179	171,582,402	194.05%
Commissions, net	12	62,924,843	62,958,713	(33,870)	-0.05%
		322,930,424	151,381,892	171,548,532	113.32%
Net Underwriting Income (Loss)		(158,844,686)	81,393,491	(240,238,177)	-295.16%
Investments and Other Income (Charges)					
Interest		61,140,152	70,246,935	(9,106,783)	-12.96%
Foreign currency gain (losses)		4,528,155	4,526,055	2,100	0.05%
Others		38,672,624	46,276,938	(7,604,314)	-16.43%
Investment and Other Income	11	104,340,931	121,049,928	(16,708,997)	-13.80%
Profit after Investment and Other Income		(54,503,755)	202,443,419	(256,947,174)	-126.92%
General and Administrative Expenses	13,14	52,118,441	289,074,053	(236,955,612)	-81.97%
Profit (Loss) Before Tax		(106,622,196)	(86,630,634)	(19,991,562)	-23.08%
Tax Expense		11,713,659	13,101,376	(1,387,717)	-10.59%
Net Profit (Loss)		(118,335,855)	(99,732,010)	(18,603,845)	-18.65%

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME (unaudited)
For the Nine Months ended September 30, 2014 and 2013)

	Notes	2014	2013	Inc(Dec)	%
Reinsurance Premium Income					
Reinsurance premiums-net of returns		1,726,301,744	2,014,711,493	(288,409,749)	-14.32%
Retroceded premiums		1,202,306,195	1,348,214,054	(145,907,859)	-10.82%
Reinsurance premiums retained		523,995,549	666,497,439	(142,501,890)	-21.38%
Increase in reserve for unearned reinsurance premiums	8	(7,349,833)	(14,763,205)	7,413,372	50.22%
		516,645,716	651,734,234	(135,088,518)	-20.73%
Underwriting deductions					
Share in claims & losses		581,445,279	398,658,691	182,786,588	45.85%
Commissions, net	12	200,982,884	195,232,923	5,749,961	2.95%
		782,428,163	593,891,614	188,536,549	31.75%
Net Underwriting Loss		(265,782,447)	57,842,620	(323,625,067)	-559.49%
Interest		190,998,790	230,372,161	(39,373,371)	-17.09%
Foreign currency gain (losses)		3,201,019	4,505,481	(1,304,462)	-28.95%
Others		122,681,815	342,975,990	(220,294,175)	-64.23%
Investment and Other Income	11	316,881,624	577,853,632	(260,972,008)	-45.16%
Profit after Investment and Other Income		51,099,177	635,696,252	(584,597,075)	-91.96%
General and Administrative Expenses	13,14	149,890,098	412,751,846	(262,861,748)	-63.69%
Profit Before Tax		(98,790,921)	222,944,406	(321,735,327)	-144.31%
Tax Expense		36,404,921	43,047,461	(6,642,540)	-15.43%
Net Profit		(135,195,842)	179,896,945	(315,092,787)	-175.15%
Earnings (loss) per Share	17	(0.06)	0.08		

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
For the Nine Months ended September 30, 2014 and 2013)

	Notes	2014	2013	Inc(Dec)	%
NET PROFIT (LOSS)		(135,195,842)	179,896,945	(315,092,787)	-175.15%
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	14	-	9,834,494	(9,834,494)	-100.00%
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		132,004,914	70,061,636		
Fair value gains on disposal of AFS financial assets reclassified to profit or loss		(24,611,710)	(161,670,829)		
	5	107,393,204	(91,609,193)	199,002,397	-217.23%
		107,393,204	(81,774,699)		
TOTAL COMPREHENSIVE INCOME		**(27,802,638)**	**98,122,246**	(125,924,884)	-128.33%

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the Nine Months ended September 30, 2014 and 2013)

						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, 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**
Balance as of January 1, 2013										
As previously reported		2,181,954,600	2,181,954,600	3,019,218,457	(100,525,432)	-	399,020,095	268,469,546	237,889,027	6,006,026,293
Prior period adjustment						(82,734,152)			10,351,257	(72,382,895)
As restated		2,181,954,600	2,181,954,600	3,019,218,457	(100,525,432)	(82,734,152)	399,020,095	268,469,546	248,240,284	5,933,643,398
Cash Dividends									(42,472,112)	(42,472,112)
Appropriated for contingencies								17,989,694	(17,989,694)	-
Total comprehensive income (loss) for the period						9,834,494	(91,609,193)		179,896,945	98,122,246
Total equity as of September 30, 2013	15	**2,181,954,600**	**2,181,954,600**	**3,019,218,457**	**(100,525,432)**	**(72,899,658)**	**307,410,902**	**286,459,240**	**367,675,423**	**5,989,293,532**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS (unaudited)
For the Nine Months ended September 30, 2014 and 2013)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		(P 98,790,921)	P 222,944,407
Adjustments for:		-	
Increase in reserve for unearned RI Premiums	8	7,349,833	14,763,205
Unrealized foreign currency loss (gain)		(3,070,893)	9,207,569
Gain on sale of AFS financial assets	11	(85,748,384)	(319,028,808)
(Gain) loss on sale of property and equipment		9,451	-
Impairment loss	13	-	236,932,939
Depreciation	13	25,150,336	25,822,589
Interest income	11	(190,998,790)	(230,372,161)
Dividend income	11	(37,554,999)	(28,393,706)
Operating income before working capital changes		(383,654,367)	(68,123,966)
(Increase)Dec. in reinsurance balances receivable		1,077,777,215	1,279,189,950
Decrease (Increase) in deferred acquisition costs		2,843,037	(10,509,370)
(Increase) in other assets		(37,363,200)	(38,397,876)
(Increase) Decrease in loans and receivables		(5,897,639)	234,144,302
Increase (decrease) in reinsurance balances payable		(1,072,027,922)	(1,534,721,354)
Increase (decrease) in accounts payable and accrued exp.		(12,430,899)	(68,469,952)
Cash generated from (used in) operations		(430,753,775)	(206,888,266)
Cash paid for income taxes		(36,404,921)	(43,047,461)
Net Cash From (Used in) Operating Activities		**(467,158,696)**	**(249,935,727)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
Available-for-sale financial assets	5	1,533,741,249	3,647,627,437
Property and equipment	7	(9,451)	(1,072,238)
Interest received		208,628,741	255,249,289
Dividends received		37,554,999	28,393,706
Disposals (acquisitions) of:		-	
Available-for-sale financial assets		(1,094,139,503)	(3,800,852,804)
Intangible assets	9	(60,789)	(1,716,070)
Property and equipment		(6,594,120)	-
Net Cash From (Used in) Investing Activities		**679,121,126**	**127,629,320**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends	15.4	-	(42,472,112)
Net Cash From (Used in) Financing Activities		**-**	**(42,472,112)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**211,962,430**	**(164,778,519)**
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		5,466,286	1,093,936
CASH AND CASH EQUIVALENTS -January 1		**605,045,799**	**1,226,499,273**
CASH AND CASH EQUIVALENTS -September 30		**P 822,474,515**	**P 1,062,814,690**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS (unaudited)
For the three months period ended September 30, 2014 and 2013

	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income(loss) before tax	(P 106,622,196)	(P 86,630,635)
Adjustments for:		
Increase (Decrease) in reserve for unearned RI Premiums	(11,827,969)	10,268,276
Unrealized foreign currency loss (gain)	(1,642,739)	(1,119,820)
Gain on sale of AFS financial assets	(26,167,489)	(40,259,945)
Gain on sale of property and equipment	(3,493)	
Impairment loss	-	225,532,939
Depreciation	8,369,212	8,588,710
Interest income	(61,140,152)	(70,246,935)
Dividend income	(12,745,051)	(7,512,044)
Operating income before working capital changes	(211,779,878)	38,620,546
(Increase)Dec. in reinsurance balances receivable	336,550,007	51,306,694
Decrease (Increase) in deferred acquisition costs	4,824,312	(6,238,250)
(Increase) in other assets	(14,475,028)	(8,599,257)
(Increase) Decrease in loans and receivables	4,592,889	80,370,617
Increase (decrease) in reinsurance balances payable	(170,112,551)	(154,443,767)
Increase (decrease) in accounts payable and accrued exp.	7,922,862	11,332,713
Cash generated from (used in) operations	(42,477,387)	12,349,296
Cash paid for income taxes	(11,713,660)	(13,101,378)
Net Cash From (Used in) Operating Activities	**(54,191,047)**	**(752,082)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal/maturities of:		
Available-for-sale financial assets	452,997,118	457,724,186
Property and equipment	3,493	605,138
Interest received	73,936,172	85,794,291
Dividends received	12,745,051	7,512,044
Disposals (acquisitions) of:		
Available-for-sale financial assets	(302,414,283)	(710,527,615)
Intangible assets	(60,789)	-
Property and equipment	(3,417,518)	(1,168,344)
Net Cash From (Used in) Investing Activities	**233,789,244**	**(160,060,300)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	-	
Net Cash From (Used in) Financing Activities	**-**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**179,598,197**	**(160,812,382)**
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS	8,039,306	(3,580,021)
CASH AND CASH EQUIVALENTS - June 30	**634,837,012**	**1,227,207,093**
CASH AND CASH EQUIVALENTS -September 30	**P 822,474,515**	**P 1,062,814,690**

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:

		September 2014		December 2013
Short-term placements	**P**	**595,793,220**	P	526,193,501
Cash on hand and in banks		**226,681,295**		78,852,298
	P	**822,474,515**	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 1.875% 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 1.85% 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$6,794,094 (or P305,503,220) as of September 30, 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:

		September 2014		December 2013
Reinsurance balances receivable:				
Reinsurance recoverable on unpaid losses	**P**	**4,154,422,855**	P	5,060,294,113
Due from ceding companies		**467,523,085**		833,040,221
Reinsurance recoverable on paid losses		**1,257,072,451**		1,072,506,104
Funds held by ceding companies		**115,350,726**		154,845,900
		5,994,369,117		7,120,686,338
Allowance for impairment		**(572,562,898)**		(572,562,898)
	P	**5,421,806,219**	P	6,548,123,440

Reinsurance balances payable:		September 2014		December 2013
Claims payable	**P**	**6,365,478,481**	P	7,271,270,522
Due to retrocessionaires		**657,347,592**		858,462,597
Funds held for retrocessionaires		**71,567,966**		80,350,000
	P	**7,094,394,039**	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 September 2014 and December 2013 is shown below.
The fair values of these short-term financial assets and liabilities are not individually determined as their carry amounts are reasonable approximation of their fair values.

		September 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

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

		September 2014		December 2013
Bonds	**P**	**4,171,379,929**	P	4,601,588,981
Equity securities - net		**1,446,263,403**		1,318,680,165
Investment in Asian Re shares		**4,444,847**		4,444,847
Various funds		**525,631,165**		466,982,056
	P	**6,147,719,344**	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 September 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 September 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:

		September 2014		December 2013
Due within one year	**P**	**273,422,754**	P	178,360,037
Due after one year through five years		**1,307,697,765**		1,396,331,798
Due after five years through ten years		**2,064,404,105**		2,277,689,961
Due after ten years		**525,855,305**		749,207,185
	P	**4,171,379,929**	P	4,601,588,981

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

		September 2014		December 2013
Cost:				
Quoted in the stock exchange	**P**	**1,257,509,412**	P	1,302,628,348
Not quoted in the stock exchange		**38,346,338**		40,636,735
	P	**1,295,855,750**	P	1,343,265,083
Fair value gains (losses):				
Quoted in the stock exchange	**P**	**169,374,861**	P	(4,413,687)
Not quoted in the stock exchange		**(18,967,208)**		(20,171,231)
	P	**150,407,653**	P	(24,584,918)
	P	**1,446,263,403**	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 P4,444,847, both September 30, 2014 and December 31, 2013, respectively.

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

		September 2014		December 2013
Balance at beginning of year	**P**	**6,391,696,050**	P	5,690,040,419
Additions		**1,094,139,503**		4,477,286,405
Disposals/maturities		**(1,447,992,865)**		(3,578,210,286)
Fair value gains(loss) - net		**107,393,204**		(211,065,818)
Foreign currency gains (losses)		**2,483,452**		13,645,329
Balance at end of year	**P**	**6,147,719,344**	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 P107,393,204 fair value gain and P211,065,818 fair value loss in September 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:

		September 2014		December 2013
Current:				
Term loans	P	-	P	-
Accrued interest receivable		43,559,281		61,189,232
Others		13,081,956		4,591,915
	P	56,641,237	P	65,781,147
Non-current:				
Term loans	P	245,000,000	P	247,500,000
Loans receivable		6,673,880		6,766,282
	P	251,673,880	P	254,266,282
	P	308,315,117	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	76,601,994	P	78,280,921
Office Improvement		15,188,192		9,456,940		5,731,252
Office Furniture/Equipment		10,224,545		9,305,910		918,635
Transportation Equipment		10,995,357		4,567,517		6,427,840
EDP Equipment		32,114,781		23,104,048		9,010,733
Total	**P**	**223,405,790**	**P**	**123,036,409**	**P**	**100,369,381**

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		**46,958,360**		(181,733,511)		**54,308,193**		(192,669,839)
Balance at end of year	P	**265,856,849**		218,898,489	P	**596,201,849**		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:

		September 2014		December 2013
Creditable withholding tax		**141,680,492**		126,131,327
Deferred input VAT	**P**	**72,579,820**	P	74,123,058
Input VAT		**91,905,278**		68,517,247
Intangible assets – net		**24,900,330**		41,008,141
Deferred withholding VAT		**9,200,181**		9,200,181
Prepayments		**4,802,363**		4,729,864
Investment property - net		**2,836,159**		2,839,909
Deposit		**791,268**		619,385
Security fund		**192,888**		192,888
Others		**2,323,836**		2,598,974
	P	**351,212,615**	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 September 30, 2014 and December 31, 2013 follows:

		September 2014		December 2013
Cost	**P**	**110,169,323**	P	110,108,534
Accumulated amortization		**(85,268,993)**		(69,100,393)
Balance at end of year	**P**	**24,900,330**	P	41,008,141

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

		September 2014		December 2013
Deferred output VAT	P	**36,115,955**	P	34,949,912
Accrued expenses		**8,154,168**		5,039,574
Defined benefit liability		**64,429,415**		64,429,415
Accounts payable and other liabilities		**14,266,477**		31,355,892
Withholding taxes payable		**2,332,141**		1,954,261
	P	**125,298,156**	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:

		September 2014		September 2013
Interest	P	**190,998,790**	P	230,372,161
Gain on sale of stocks		**48,883,146**		164,036,779
Dividend income		**37,554,999**		28,393,706
Foreign exchange gain(loss)		**3,201,019**		4,505,482
Trading gains		**36,865,238**		154,992,029
Gain(loss) on sale of property & equipment		**(9,451)**		-
Other income (charges)		**(612,117)**		(4,446,525)
	P	**316,881,624**	P	577,853,632

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 2014		September 2013
Commission expense	P	**289,158,024**	P	342,331,536
Reinsurance revenues		**(88,175,140)**		(147,098,613)
	P	**200,982,884**	P	195,232,923

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:

		September 2014		September 2013
Salaries and employee benefits	P	77,186,063	P	103,374,013
Impairment loss				236,932,939
Depreciation and amortization		25,150,336		25,822,589
Professional fees		13,771,410		14,247,940
Repairs and maintenance		7,074,302		6,680,661
Taxes, licenses and fees		3,728,205		3,461,910
Transportation and traveling		2,657,253		1,935,848
Light and water		1,726,445		2,492,731
Representation and entertainment		1,492,797		1,953,220
Contract labor		1,584,869		1,240,578
Association and pool expense		3,323,648		2,993,371
Rental		2,038,684		410,283
Communication and postages		1,387,556		1,301,688
Printing and office supplies		637,581		804,950
Advertising and publicity		1,195,279		1,425,676
Insurance		670,680		783,673
Miscellaneous		6,264,990		6,889,776
	P	149,890,098	P	412,751,846

14. SALARIES AND EMPLOYEE BENEFITS

14.1 Salaries, Wages and Employee Benefit Expense

Expenses recognized for employee benefits are presented below.

		September 2014		September 2013
Short-term employee benefits	P	64,962,642	P	75,602,966
Post-employment defined benefit		8,056,518		10,851,563
Compensated absences		4,166,903		4,987,398
Separation Benefits		-		11,932,086
	P	77,186,063	P	103,374,013

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:

	September 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:

	September 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.

		September 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 September & December 31 consist of:

		September 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:

		September 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:

	September 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		
	September 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		
	September 2014	2013	2012
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 September 30, 2014 and December 31 2013, there are 281 holders of the listed shares. Such listed shares closed at P1.21 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 September 30,2014, 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:

	September 2014			December 2013		
	Stockholders	**Related Parties Under Common Ownership**		Stockholders		Related Parties Under Common Ownership
Premiums	**186,913,410**	**6,333,178**	P	365,120,220	P	4,074,436
Retrocessions	**492,947**	**669,160**		1,221,459		(1,343,046)
Commission income	**31,626**	**-**		59,360		-
Commission expenses	**62,577,482**	**-**		97,893,969		-
Losses incurred	**136,239,673**	**3,950,722**		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):

	September 2014		December 2013	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from ceding cos.	**132,057,372**	**7,683,128**	252,395,929	5,531,868
RI recoverable on losses	**107,917,823**	**30,953**	97,064,646	-
Funds held by ced. cos.	**53,030,717**	**-**	63,791,182	-
Claims payable	**1,418,693,838**	**6,499,019**	1,778,046,311	4,458,459
Due to Retrocessionaires	**12,803,860**	**224,221**	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 P30,938,804 andP30,700,236 allowance for impairment as of September 30, 2014 and December 31, 2013 respectively.

16.2 Other Transactions

The Company's other transactions with related parties follow:

		September 2014		December 2013	
		Amount of Transactions	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash & cash equivalent	(a)	**38,128,334**	**41,089,140**	(183,905)	2,960,806
AFS financial assets	(b)	**-**	**-**	-	-
Interest Income- Bank accounts	(a)	**21,588**	**-**	19,380	-
Interest Income-AFS Financial assets	(b)	**-**	**-**	**-**	-
Trading gain	(b)	**-**		(100,197)	
Service fees	(d)	**60,625**	**-**	31,526	-
Related Party Under Common Ownership					
Cash & Cash equivalent	(a)	**90,183,961**	**275,589,596**	(195,025,988)	185,405,635
AFS financial assets	(b)	**50,482,896**	**237,778,643**	(101,632,209)	187,295,747
Loans and receivables	(c)	**(2,045,897)**	**1,155,411**	(132,059,922)	3,201,308
Interest Income- Bank accounts	(a)	**1,493,940**	**-**	6,898,130	-
Interest Income-AFS Financial assets	(b)	**8,500,899**	**-**	16,528,796	-
Interest income-Loans and receivables	(c)	**-**	**-**	5,308,681	-
Trading gain	(b)	**-**		1,285,723	
Service fees	(d)	**49,783**		454,541	

(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 September 2014, 2013 and 2012 and has matured in 2013. As of December 31, 2012, 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, 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:

	September 2014	September 2013
Short-term benefits	**P 19,015,950**	P 30,484,380
Post-employment benefits	**2,229,746**	2,079,828
	P 21,245,696	P 32,564,208

17. Earnings (loss) Per Share

The earnings per share amounts are as follows:

	September 2014	September 2013
Net income (loss) available to common shareholders	**(P 135,195,842)**	P 179,896,945
Divided by the average number of outstanding common shares	**2,123,605,600**	2,123,605,600
	(P 0.06)	P 0.08

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.

		September 2014		December 2013	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents		**P 822,474,515**	**P 822,474,515**	P 605,045,799	P 605,045,799
Reinsurance balances receivables		**5,421,806,219**	**5,421,806,219**	6,548,123,440	6,548,123,440
Loans and receivables		**308,315,117**	**308,315,117**	320,047,429	320,047,429
		P 6,552,595,851	**P 6,552,595,851**	P 7,473,216,668	P 7,473,216,668
AFS financial assets:					
Debt securities		**P 4,171,379,929**	**P 4,171,379,929**	P 4,601,588,981	P 4,601,588,981
Equity securities		**1,446,263,403**	**1,446,263,403**	1,318,680,165	1,318,680,165
Investment in ARC		**4,444,847**	**4,444,847**	4,444,847	4,444,847
Various funds		**525,631,165**	**525,631,165**	466,982,056	466,982,056
		P 6,147,719,344	**P 6,147,719,344**	P 6,391,696,049	P 6,391,696,049
Financial liabilities					
Financial liabilities at amortized cost					
Reinsurance balances payable		**P 7,094,394,038**	**P 7,094,394,038**	P 8,210,083,119	P 8,210,083,119
Accounts payable and other accrued expenses		**60,868,740**	**60,868,740**	36,395,466	36,395,466
		P 7,155,262,778	**P 7,155,262,778**	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 September 30 are as follows.

	Note		**September 2014**		September 2013
Reinsurance balances receivable	4	**P**	**5,421,806,219**	P	5,559,148,216
Reinsurance balances payable	4		**7,094,394,038**		7,157,567,861

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

	Level 1	Level 2	Level 3	Total
September 30, 2014				
AFS financial assets	**P4,203,824**	**P 545,010**	**P 278,165**	**P 5,026,999**
December 31, 2013				
AFS financial assets	P4,312,494	P 487,448	P 494,103	P 5,294,045

The Company's AFS financial assets includes certain investments measured at cost amounting to P1,120,720 and P1,097,652 (amounts in thousand Philippine Peso) as of September 30, 2014 and December 31, 2013, respectively.

The Company has no financial liabilities measured at fair value as of September 30, 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 September 30, 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 September 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 822,474,515	P -	P -	P 822,474,515
Reinsurance balances receivables	-	-	5,421,806,219	5,421,806,219
Loans and receivables	-	-	308,315,117	308,315,117
	P822,474,515	**P -**	**P5,730,121,336**	**P 6,552,595,851**
Financial liabilities:				
Reinsurance balances payable	P -	P -	P7,094,394,038	P 7,094,394,038
Accounts payable and other accrued expenses	-	-	60,868,740	60,868,740
	P -	**P -**	**P7,155,262,778**	**P 7,155,262,778**

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, 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.

.

AGING OF REINSURANCE BALANCES RECEIVABLE

As of September 30, 2014
(In million pesos)

	Total	Below 360 days	Over 360 days
Due from Ceding Companies	468	236	232
Reinsurance recoverable on paid losses	1,257	694	563
Reinsurance recoverable un unpaid losses	4,155	4,155	-
Funds Held by Ceding companies	115	115	-
	5,995	5,200	795
Allowance for impairment*	(573)		
	5,422		

*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.