COVER SHEET

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S.E.C. Registration Number

NATIONAL REINSURANCE
CORPORATION
OF THE PHILIPPINES

(Company's Full Name)

18TH FLOOR PHILIPPINE AXA LIFE
CENTRE SEN. GIL J. PUYAT AVENUE
CORNER TINDALO ST. MAKATI CITY

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

JOHN E. HUANG

Contact Person

988-7400

Company Telephone Number

1 2 | 3 1
Month *Day*
Fiscal Year

1 7 Q
FORM TYPE
2nd Quarter Ending 30 June 2013

0 6 | 2 5 13
Month *Day*
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

STAMPS

Remarks = pls. use black ink for scanning purposes

COVER SHEET

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
("PhilNaRe")
(Company's Full Name)

18th Floor, Philippine AXA Life Centre, Sen. Gil J. Puyat Avenue
corner Tindalo St., Makati City, Philippines 1200
(Company's Address)

(632) 988-7400
(Telephone Number)

December 31
(Fiscal Year Ending)

June 25 ,2013
(Annual Meeting)

SEC FORM 17-Q
Quarterly Report
2nd Quarter Ending 30 June 2013
(Form Type)

Amendment Designation (If applicable)

(Secondary License Type and File Number)

Cashier

LCU

DTU

80118
S.E.C. REG. No.

Central Receiving Unit

File Number

Document I.D.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarter ended **30 June 2013**
2. Commission identification Number **80118**
3. BIR Tax Identification Number **000-480-869**
4. **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**
   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. **18/F PHILIPPINE AXA LIFE CENTRE, SEN. GIL J. PUYAT AVE. CORNER TINDALO STREET, MAKATI CITY** — **1200** Postal Code
   Address of registrant's principal office
8. **(632) 988-7400**
   Registrant's telephone number, including area code
9. **Not applicable**
   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 11 to 34 of this report are filed as part of this Form 17-Q:

a. Statements of Financial Position as of 30 June 2013 and 31 December 2012

b. Statements of Income:
   For the Quarters ended 30 June 2013 and 2012
   For the Six Months ended 30 June 2013 and 2012

c. Statements of Comprehensive Income for the Quarters ended 30 June 2013 and June 2012

d. Statement of Changes in Stockholders Equity as of 30 June 2013 and 30 June 2012

e. Statement of Cash Flows:
   For the Quarters ended 30 June 2013 and 2012
   For the Six Months ended 30 June 2013 and 2012

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, 2nd Quarter 2013

Results of Operations

For the Six months ended June 30, 2013 and 2012

Reinsurance Premium Income

Reinsurance premiums increased by P107.2 million or 8.4% to P1,379.6 million for 1st semester of 2013 compared to P1,272.3 million for 1st semester of 2012 due to growth in the Company's non-life business, which more than offset a decline in reinsurance premiums for the Company's life business.

Reinsurance premiums for the non-life treaty business increased by P101.6 million or 22.9% from P443.8 million for the first six months of 2012 to P545.4 million for the first six months of 2013. Reinsurance premiums for the non-life facultative business grew by P25.1 million or 4.2% from P595.0 million for the first six months of 2012 to P620.1 million for the first six months of 2013.

Life reinsurance premiums, however, decreased by P19.5 million or 8.3% from P233.5 million for 1st semester of 2012 to P214.1 million for 1st semester of 2013.

Reinsurance premiums retained for the first six months of 2013 amounted to P423.5 million, a solid 57.3% increase from P269.3 million for the first six months of 2012. The increase was due to the growth in reinsurance premiums mentioned above, but also to a significant reduction in retroceded premiums for the comparative periods. The reduction in retroceded premiums, in turn, was the result of, among other things, a reduction in premiums paid by the Company for its catastrophe and risk excess of loss protection.

Consistent with the increase in reinsurance premiums retained, premiums earned for the six months ended June 30, 2013 amounted to P419.0 million or 48.0% higher than premiums earned of P283.0 million for the six months ended June 30, 2012.

<u>Underwriting Deductions</u>

Share in claims and losses for the 1st semester of 2013 was P310.2 million or 10% lower than the P344.5 million reported for the 1st semester of 2012. The decrease was primarily due to improved underwriting as well as a lower volume of insurance claims during the period, as a result of which the loss ratio improved from 122% for the 1st semester of 2012 to 74% for the 1st semester of 2013.

In line with the increase in reinsurance premiums, net commissions increased by P1.6 million or 1.2% from P130.7 million for the 1st semester of 2012 to P132.3 million for the 1st semester of 2013. Commission expense as a percentage of net premiums retained decreased significantly from 49% in 1st semester 2012 to 31% in 1st semester 2013 because of the Company's higher level of retained premiums.

<u>Investment and Other Income</u>

Investment and other income increased by P9.9 million or 2.2% from P446.9 million for the 1st semester of 2012 to P456.8 million for the 1st semester of 2013. Lower interest and foreign exchange income were offset by higher trading gains for the period.

Interest income declined to P160.1 million for the 1st semester of 2013 compared to P186.6 million reported for the 1st semester of 2012 mainly because of declining interest rates. The Company had a small foreign exchange loss for the 1st semester of 2013 compared to P9.96 million foreign exchange gain for the 1st semester of 2012 due to the depreciation of the Philippine Peso against the U.S. Dollar.

Total other income, consisting primarily of trading gains arising from the Company's investment portfolio increased by 18.5% from P250.4 million for the first six months of 2012 to P296.7 million for the first six months of 2013.

<u>General and Administrative Expenses</u>

General and administrative expenses (GAE) decreased by 17.2% to P123.7 million attributable mainly to lower provisions for impairment (bad debt reserve) of P11.4 million for the 1st semester of 2013 compared to P43 million for the 1st semester of 2012, which decline was offset by increases on certain employee cost and repairs and maintenance expense.

<u>Tax expense</u>

The Company's tax expense declined by P5.0 million or 14.3% to P30.0 million for the 1st half of 2013 compared to P34.9 million for the 1st half of 2012 in view of lower final taxes on investment income.

<u>Net Profit</u>

As a result of the foregoing the Company's net income rose by P209.3 million or 297.4% to P279.6 million for the 1st half of 2013 compared to P70.4 million for the 1st half of 2012.

For the Quarters ended June 30, 2013 and 2012

Reinsurance Premium Income

Reinsurance premiums generated in 2nd Qtr. 2013 amounted to P819.5 million, 27.2% higher than the P644.3 million reinsurance premium booked in 2nd Qtr. 2012. The increase came from both the Company's life and non-life businesses.

Non-life facultative reinsurance premiums rose from P325.3 million in 2nd Qtr. 2012 to P410.5 million in 2nd Qtr. 2013, an increase of 26.2%. Non-life treaty premiums rose from P243.0 million in 2nd Qtr. 2012 to P295.6 million in 2nd Qtr. 2013, an increase of 21.7%. During the same period, premiums from the Company's life business increased by 49.2% from P76.0 million in 2nd Qtr. 2012 to P113.4 million in 2nd Qtr. 2013.

For 2nd Qtr. 2013, the increase in reinsurance premiums coupled with a decline in retroceded premiums (the result of lower excess of loss protection costs) resulted in a huge jump in the Company's reinsurance premiums retained. Reinsurance premiums retained for the 2nd Qtr. 2013 amounted to P230.4 million, an increase of 776% from reinsurance premiums retained of P26.3 million in the 2nd Qtr. 2012.

The 826% increase in premiums earned and 553% jump in the increase in unearned premium reserve between 2nd Qtr. 2013 and 2nd Qtr. 2012 are consistent with the increase in premiums retained for the periods under comparison.

Underwriting Deductions

Share in claims and losses increased by P68.0 million or 50% from P136.0 million in 2nd Qtr. 2012 to P203.9 million in 2nd Qtr. 2013 as a result of increases in insurance losses incurred in the current quarter, including fire losses amounting to P30 million from a commercial establishment in Manila.

Net commission expense increased 22.9% to P73.1 million in 2nd Qtr. 2013 from P59.5 million in 2nd Qtr. 2012, in line with the 27.2% increase of reinsurance premium income.

Despite the growth in the top line, the Company still incurred a net underwriting loss for 2nd Qtr. 2013 totaling P77.9 million. The figure, however, is a significant improvement over an underwriting loss of P174 million for the 2nd Qtr. 2012.

Investment and Other Income (Charges)

Investment and other income increased by 16.9% or P28.7 million from P169.9 million in 2nd Qtr. 2012 to P198.6 million in 2nd Qtr. 2013. Increases in trading gains and dividend income for 2nd Qtr. 2013 compared with 2nd Qtr. 2012 more than offset decreases in interest income and foreign exchange gains.

General and Administrative Expenses

General and administrative expenses (GAE) for 2nd Qtr. 2013 (P50.3 million vs. P91.8 million) decreased by P41.4 million or 45.1% mainly due to a one-time provision for impairment in 2012 amounting to P43 million in 2nd Qtr. 2012.

Tax expense

Tax expense declined by P1.8 million or 11.5% from P16.0 million for 2nd Qtr. 2012 to P14.2 million for the 2nd Qtr. 2013, reflecting a lower level of tax-paid interest income.

Net Profit

Net profit for the 2nd Qtr. 2013 was P56.2 million compared to a net loss for 2nd Qtr. 2012 of P111.8 million, principally due to higher investment income for the period.

Financial Condition

Total resources of the Company as of 30 June 2013 amounted to P14.4 billion, 7.6% or P1.2 billion lower than end-December 2012 level of P15.6 billion. Material changes in the Company's resources are described below.

- ***Cash and cash equivalents (P1,227M vs.P1,226M)***

  Cash and cash equivalents as of June 30, 2013 decreased by P0.7 million or 0.06% from cash and cash equivalents as of December 31, 2012. Income from operations and collections (primarily loss recoveries) were used for the payment of cash dividends and settlement of claims as well for the purchase of investments.

- ***Reinsurance Balances Receivable-net (P5.9B vs. P7.1B)***

  Reinsurance balances receivable decreased by 16.1% to P5.9 billion as of 30 June 2013 from P7.1 billion as of December 31, 2012 principally on collection of loss recoveries of P961 million as of 2nd Qtr.. 2013.

- ***Available for Sale Financial Assets (P5.8B vs. P5.7B)***

  Available for sale (AFS) financial assets increased by P88.3 million or 1.6% to P5,778.4 million as of 30 June 2013 from P5,690 million as of December 31, 2012 principally due to additional investment in fixed income securities and mark-to-market adjustments.

- ***Loans and Receivables (P552M vs. P715M)***

  Loans and receivables held as investments decreased by 22.8% or P163.1 million from P715.3 million as of 31 December 2012 to P552.2 million as of 2nd Qtr. 2013 mainly due to collection of accrued interest income and other receivables (P10.6 million) and maturity and/or prepayment of term loans (P152.5 million).

- ***Property and Equipment, net (P109M vs. P115M)***

  Property and equipment, net of accumulated depreciation amounted to P109.0 million as of 30 June 2013, a decrease of P5.9 million or 5.2% from December 31, 2012 mainly due to recorded depreciation of P6.5 million being higher than capital expenditures of P.5 million.

- ***Deferred Acquisition Cost (P111M vs. P98M)***

  The increase of P13.4 million or 13.7% in deferred acquisition cost relate to portions of reinsurance commissions that were deferred as of 30 June 2013 under the 24th method. The increase is consistent with the increase in reinsurance premiums for the first semester of 2013. Policy costs are deferred and charged to expense in proportion to reinsurance premium revenue.

- ***Deferred Reinsurance Premiums (P402M vs.P401M)***

  Deferred reinsurance premiums pertain to the portion of reinsurance premiums ceded out that relate to the unexpired periods of the policies at the end of each reporting period. Deferred reinsurance premiums increased only slightly by P1.1 million or 0.28% due the decline in retroceded premiums during the first six months of 2013.

- ***Other Assets (P322M vs. P302M)***

  Other assets went up by P20.7 million or 6.9% to P322.5 million as of 30 June 2013 from P301.7 million as of 31 December 2012 million mainly due to increases in creditable withholding taxes and input VAT.

Liabilities (P8,352M vs. P9,682M)

Total liabilities decreased by P1.3 billion or 13.7% from P9.7 billion as of 31 December 2012 to P8.4 billion as of 30 June 2013. The increase in total liabilities is explained below:

- ***Reinsurance Balances Payable (P7.4B vs. P8.7B)***

  Reinsurance balances payable decreased by P1.3 billion or 14.5% from P8.7 billion as of December 31, 2012 to P7.4 billion as of 2nd Qtr. 2013 primarily due to settlement of claims and retrocession premiums.

- ***Accounts Payable and Accrued Expenses (P148M vs. P237M)***

  Accounts payable and accrued expenses decreased by P89.6 million or 37.8% from P237.5 million as of 31 December 2012 to P147.8 million as of 2^{nd} Qtr. 2013 principally due to settlement of accrued expenses and other payables.

- ***Reserve for Unearned Reinsurance Premiums (P740M vs. P735M)***

  The growth in reinsurance premium income resulted in an increase in reserve for unearned reinsurance premiums which grew by P5.6 million or 0.76%.

- ***Deferred Reinsurance Commissions (P53M vs. P44M)***

  Deferred reinsurance commissions increased by P9.2 million or 20.7%, consistent with the increase in deferred acquisition cost as of June 30, 2013.

- ***Equity (P6.1B vs. P5.9B)***

  Stockholders' equity increased by P146.3 million or 2.5% to P6.1 billion as of June 30, 2013 from P5.9 billion as of 31 December 2012 on account of net income of P279.6 million and the effect of re-measurement of the defined benefit liability (P9.8 million) for the six-month period ended 30 June 2013 less payment of cash dividends to stockholders on June 14, 2013 amounting to P42.5 million and the impact of mark-to-market adjustments in the Company's investment portfolio (P100.6 million).

Key Performance Indicators:

	2nd Quarter 2013	2nd Quarter 2012	% Inc.(Dec).
1. Net Income (Loss)	P 280 million	P 70 million	300%
2. Earnings per share (a)	P 0.13	P .03	333%
3. Retention ratio (b)	31%	21%	
4. Combined ratio (c)	134%	226%	
5. Return on average equity	4.7%	1.2%	

(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 (74%/122%) commissions ratio (31% / 49%) and expense ratio (29% /55%).

Net Income (NI)- The Company's net income was P280 million for the 1st semester of 2013 compared to P70 million for the 1st semester of 2012.

Earnings per share (EPS) - The Company's EPS was at P0.13 and P0.03 as of 2nd Qtr. 2013 and 2012, respectively.

Retention ratio - The retention ratio was at 31% and 21% for the 1st semester of 2013 and 2012, respectively.

Combined ratio—The combined ratio was at 134% and 226% for the 1st semester of 2013 and 2012, respectively.

Return on average equity (ROE) –ROE as of 30 June 2013 was at 4.7% compared to ROE as of 30 June 2012 of 1.2%.

Financial Soundness Indicators

	As of June 30, 2013	As of Dec. 31, 2012
Current Ratio	1.78	1.65
Asset to Equity Ratio	2.37	2.63
Total Liabilities/Equity	1.37	1.63

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 Presidential Decree No. 1460 (as amended), otherwise known as The Insurance Code of the Philippines. The Insurance code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all investments. The Company provides the IC with a monthly report on all investments made during the previous month. The IC reviews the investments and may require the immediate sale or disposal of investments deemed too risky.

A portion of the Company's funds are invested in equities. Section 200 of the Insurance Code provides, among other things, that unless otherwise allowed by the Insurance Commission, insurance companies may only invest in common stock of Philippine corporations which have a prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution to 10% of an insurer's total admitted assets.

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.

PART 11. - OTHER INFORMATION

B. No other material information.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
(Registrant)

JOHN E. HUANG
Chief Finance Officer

ROBERTO B. CRISOL
President & Chief Executive Officer

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

BALANCE SHEET

June 30, 2013 and December 31, 2012

	Notes	June 2013 (Unaudited)	As restated Dec. 2012 (Audited)	Changes
ASSETS				
CASH AND CASH EQUIVALENTS	3	1,227,207,093	1,226,499,273	707,820
REINSURANCE BALANCES RECEIVABLE-net	4	5,929,652,806	7,068,319,259	(1,138,666,453)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5	5,778,373,604	5,690,040,419	88,333,185
LOANS AND RECEIVABLES	6	552,193,089	715,296,547	(163,103,458)
PROPERTY AND EQUIPMENT-NET	7	109,001,040	114,952,669	(5,951,629)
DEFERRED ACQUISITION COST		111,183,217	97,760,247	13,422,970
DEFERRED REINSURANCE PREMIUMS	8	401,736,289	400,632,000	1,104,289
OTHER ASSETS	9	322,460,607	301,719,133	20,741,474
TOTAL ASSETS		**14,431,807,745**	**15,615,219,547**	**(1,183,411,802)**
REINSURANCE BALANCES PAYABLE	4	7,410,367,404	8,665,239,181	(1,254,871,777)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	10	147,814,351	237,451,508	(89,637,157)
RESERVE FOR UNEARNED RI PREMIUMS	8	740,162,714	734,563,495	5,599,219
DEFERRED REINSURANCE COMMISSIONS		53,473,815	44,321,965	9,151,850
TOTAL LIABILITIES		**8,351,818,284**	**9,681,576,149**	**(1,329,757,865)**
EQUITY				
Capital Stock	15	2,181,954,600	2,181,954,600	-
Treasury Stock		(100,525,432)	(100,525,432)	-
Additional Paid in Capital		3,019,218,457	3,019,218,457	-
Remeasurement of the Defined Benefit Liability	14	(72,899,658)	(82,734,152)	9,834,494
Revaluation reserve		298,374,820	399,020,095	(100,645,275)
Retained Earnings		753,866,674	516,709,830	237,156,844
Total Equity		**6,079,989,461**	**5,933,643,398**	**146,346,063**
TOTAL LIABILITIES & EQUITY		**14,431,807,745**	**15,615,219,547**	**(1,183,411,802)**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME (unaudited)
For the Quarters ended June 30, 2013 and 2012)

	Notes	2013	2012	Inc(Dec)	%
Reinsurance Premium Income					
Reinsurance premiums-net of returns		819,498,171	644,298,430	175,199,741	27.19%
Retroceded premiums		589,143,560	618,014,075	(28,870,515)	-4.67%
Reinsurance premiums retained		230,354,611	26,284,355	204,070,256	776.39%
Increase in reserve for unearned reinsurance premiums	8	(31,242,910)	(4,785,224)	(26,457,686)	-552.90%
		199,111,701	21,499,131	177,612,570	826.14%
Underwriting deductions					
Share in claims & losses		203,936,825	135,978,403	67,958,422	49.98%
Commissions, net	12	73,066,673	59,465,421	13,601,252	22.87%
		277,003,498	195,443,824	81,559,674	41.73%
Net Underwriting Income (Loss)		(77,891,797)	(173,944,693)	96,052,896	55.22%
Investments and Other Income (Charges)					
Interest		77,902,428	87,910,555	(10,008,127)	-11.38%
Foreign currency gain (losses)		(12,599,385)	13,964,628	(26,564,013)	-190.22%
Others		133,293,085	68,069,299	65,223,786	95.82%
Investment and Other Income	11	198,596,128	169,944,482	28,651,646	16.86%
Profit after Investment and Other Income		120,704,331	(4,000,211)	124,704,542	3117.45%
General and Administrative Expenses	13,14	50,371,293	91,794,548	(41,423,255)	-45.13%
Profit (Loss) Before Tax		70,333,038	(95,794,759)	166,127,797	173.42%
Tax Expense		14,160,410	16,004,463	(1,844,053)	-11.52%
Net Profit (Loss)		56,172,628	(111,799,222)	167,971,850	150.24%

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME (unaudited)
For the Six Months ended June 30, 2013 and 2012)

	Notes	2013	2012	Inc(Dec)	%
Reinsurance Premium Income					
Reinsurance premiums-net of returns		1,379,570,600	1,272,327,657	107,242,943	8.43%
Retroceded premiums		956,116,820	1,003,036,975	(46,920,155)	-4.68%
Reinsurance premiums retained		423,453,780	269,290,682	154,163,098	57.25%
Increase in reserve for unearned reinsurance premiums	8	(4,494,929)	13,694,388	(18,189,317)	-132.82%
		418,958,851	282,985,070	135,973,781	48.05%
Underwriting deductions					
Share in claims & losses		310,235,512	344,482,414	(34,246,902)	-9.94%
Commissions, net	12	132,274,210	130,677,848	1,596,362	1.22%
		442,509,722	475,160,262	(32,650,540)	-6.87%
Net Underwriting Loss		(23,550,871)	(192,175,192)	168,624,321	87.75%
Interest		160,125,226	186,571,445	(26,446,219)	-14.17%
Foreign currency gain (losses)		(20,573)	9,885,331	(9,905,904)	-100.21%
Others		296,699,052	250,439,853	46,259,199	18.47%
Investment and Other Income	11	456,803,705	446,896,629	9,907,076	2.22%
Profit after Investment and Other Income		433,252,834	254,721,437	178,531,397	70.09%
General and Administrative Expenses	13,14	123,677,793	149,415,810	(25,738,017)	-17.23%
Profit Before Tax		309,575,041	105,305,627	204,269,414	193.98%
Tax Expense		29,946,085	34,933,342	(4,987,257)	-14.28%
Net Profit		279,628,956	70,372,285	209,256,671	297.36%
Earnings (loss) per Share	17	0.13	0.03		

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
For the Six Months ended June 30, 2013 and 2012)

	Notes	2013	2012	Inc(Dec)	%
NET PROFIT		279,628,956	70,372,285	209,256,671	297.36%
OTHER COMPREHENSIVE INCOME (LOSS)					
Remeasurement of Defined Benefit Liability	14	9,834,494	-	9,834,494	
Fair value gains (losses)-net of taxes	5	(100,645,274)	(82,216,828)	(18,428,446)	-22.41%
TOTAL COMPREHENSIVE INCOME (LOSS)		**188,818,176**	**(11,844,543)**	200,662,719	1694.14%

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

	Notes	Capital Stock No. of Shares	Capital Stock Amount	Additional Paid-In Capital	Treasury Shares - At Cost	Revaluation Reserves: Remeasurement of defined Benefit liability	Revaluation Reserves: Available for sale securities	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total Equity
Balance as of January 1, 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								27,962,896	(27,962,896)	-
Total comprehensive income (loss) for the period						9,834,494	(100,645,274)		279,628,955	188,818,175
Total equity as of June 30, 2013	15	**2,181,954,600**	**2,181,954,600**	**3,019,218,457**	**(100,525,432)**	**(72,899,658)**	**298,374,820**	**296,432,442**	**457,434,232**	**6,079,989,461**
Balance as of January 1, 2012										
As previously reported		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	-	334,665,263	265,673,762	425,087,529	6,126,074,180
Prior period adjustment						(78,383,933)			5,582,164	(72,801,769)
As restated		2,181,954,600	2,181,954,600	3,019,218,458	(100,525,432)	(78,383,933)	334,665,263	265,673,762	430,669,693	6,053,272,411
Cash Dividends									(212,360,560)	(212,360,560)
Appropriated for contingencies						-		7,037,229	(7,037,229)	-
Total comprehensive income (loss) for the period							(82,216,828)		70,372,285	(11,844,543)
Total equity as of June 30, 2012	15	**2,181,954,600**	**2,181,954,600**	**3,019,218,458**	**(100,525,432)**	**(78,383,933)**	**252,448,435**	**272,710,991**	**281,644,189**	**5,829,067,308**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS (unaudited)
For the Six months period ended June 30, 2013 and June 30, 2012

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		P 309,575,041	P 105,305,627
Adjustments for:			
Increase in reserve for unearned RI Premiums	8	4,494,929	(13,694,388)
Unrealized foreign currency loss (gain)		10,327,389	(9,388,546)
Gain on sale of AFS financial assets	11	(278,768,863)	(83,867,850)
Gain on sale of property and equipment			(10,000)
Impairment loss	13	11,400,000	43,000,000
Depreciation	13	17,233,879	16,054,006
Interest income	11	(160,125,226)	(186,571,445)
Dividend income	11	(20,881,662)	(18,294,337)
Operating income before working capital changes		(106,744,513)	(147,466,933)
(Increase)Dec. in reinsurance balances receivable		1,227,883,257	(669,932,911)
Decrease (Increase) in deferred acquisition costs		(4,271,120)	6,772,899
(Increase) in other assets		(29,798,620)	(21,812,421)
(Increase) Decrease in loans and receivables		153,773,686	(164,662,440)
Increase (decrease) in reinsurance balances payable		(1,380,277,587)	739,081,334
Increase (decrease) in accounts payable and accrued exp.		(79,802,665)	(1,763,642)
Cash generated from (used in) operations		(219,237,562)	(259,784,114)
Cash paid for income taxes		(29,946,085)	(34,933,342)
Net Cash From (Used in) Operating Activities		**(249,183,647)**	**(294,717,456)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals (acquisitions) of:			
Available-for-sale financial assets	5	99,578,063	(38,041,401)
Property and equipment	7	(509,032)	(15,401,791)
Intangible asset	9	(1,716,070)	
Interest received		169,454,998	194,539,718
Dividends received		20,881,662	18,294,337
Net Cash From (Used in) Investing Activities		**287,689,621**	**159,390,863**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends	15.4	(42,472,112)	(212,360,560)
Net Cash From (Used in) Financing Activities		**(42,472,112)**	**(212,360,560)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(3,966,138)**	**(347,687,153)**
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		4,673,958	(5,631,728)
CASH AND CASH EQUIVALENTS -January 1		**1,226,499,273**	**1,699,806,389**
CASH AND CASH EQUIVALENTS -June 30		**P 1,227,207,093**	**P 1,346,487,508**

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS (unaudited)
For the three months period ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income(loss) before tax	P 70,333,038	(P 95,794,759)
Adjustments for:		
Increase (Decrease) in reserve for unearned RI Premiums	31,242,910	4,785,224
Unrealized foreign currency loss (gain)	11,004,066	(11,718,876)
Gain on sale of AFS financial assets	(120,500,995)	(28,916,280)
Impairment loss	-	43,000,000
Depreciation	8,576,574	7,718,671
Interest income	(77,902,428)	(87,910,555)
Dividend income	(14,403,002)	(13,526,926)
Operating income before working capital changes	(91,649,837)	(182,363,501)
(Increase)Dec. in reinsurance balances receivable	(313,795,315)	216,743,071
Decrease (Increase) in deferred acquisition costs	(5,635,148)	2,237,353
(Increase) in other assets	(18,422,146)	(9,060,877)
(Increase) Decrease in loans and receivables	147,825,699	(109,817,767)
Increase (decrease) in reinsurance balances payable	392,020,246	(267,868,102)
Increase (decrease) in accounts payable and accrued exp.	(187,396,374)	(56,082,814)
Cash generated from (used in) operations	(77,052,875)	(406,212,637)
Cash paid for income taxes	(14,160,410)	(16,004,463)
Net Cash From (Used in) Operating Activities	**(91,213,285)**	**(422,217,100)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals (acquisitions) of:		
Available-for-sale financial assets	604,962,036	151,793,955
Property and equipment/Intangible assets	(2,051,111)	(500,975)
Interest received	71,402,699	68,693,100
Dividends received	14,403,002	13,526,926
Net Cash From (Used in) Investing Activities	**688,716,626**	**233,513,006**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	(42,472,112)	(212,360,560)
Net Cash From (Used in) Financing Activities	**(42,472,112)**	**(212,360,560)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**555,031,229**	**(401,064,654)**
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS	5,532,087	(3,640,400)
CASH AND CASH EQUIVALENTS - March 31	**666,643,777**	**1,751,192,562**
CASH AND CASH EQUIVALENTS -June 30	**P 1,227,207,093**	**P 1,346,487,508**

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 18^{th} Floor, Philippine AXA Life Center, Sen. Gil J. Puyat Avenue corner Tindalo Street, 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, 2012.

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. Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(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 2012 that are Relevant to the Company

In 2012, the Company adopted the following amendments to PFRS that are relevant to the Company and effective for financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012:

PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Transfers of Financial Assets
PAS 12 (Amendment)	:	Income Taxes – Deferred Taxes: Recovery of Underlying Assets

Discussed below are relevant information about these new and amended standards.

(i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*. The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Company did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Company's disclosures in its financial statements.

(ii) PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment property measured at fair value under PAS 40, *Investment Property* should reflect the tax consequence of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g., building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretations Committee (SIC) 21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, is accordingly withdrawn and is incorporated under PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment* should always be measured on a sale basis of the asset. The amendment has no significant impact on the Company's financial statements as the Company has no investment properties and land classified in property and equipment that are measured using the revaluation model.

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

PAS 27 (Amended)	-Separate Financial Statements
PAS 28 (Amended)	-Investments in Associates and Joint Ventures
Amendment to PFRS 1	-Government Loans
PFRS 10	-Consolidated Financial Statements
PFRS 11	-Joint Arrangements
PFRS 12	-Disclosure of Interests in Other Entities

(c) Effective in 2013

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for the six month period ended June 30. 2013, and have been applied in preparing these interim financial statements. Except as otherwise indicated, the adoption of these new or revised, amended standards and interpretations did not have any significant impact on the financial statements:

(i) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The revision made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all actuarial gains and losses arising in the reporting period;
- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and re-measurement; 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.

As of June 30, 2013, the Company adopted PAS 19 (Revised). The Company recognized the effect of re-measurements of the net defined benefit liability amounting to P72,382,895 as of January 1, 2013.

(ii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting 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 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 will 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 financial position. The Company has initially assessed that the adoption of the amendment will not have a significant impact on its financial statements.

(iii) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to assess the impact of the new standard on the Company's financial statements.

d) Effective subsequent to 2013.

The Company will adopt the following new standards and amendments to standards that are relevant to the company in the respective effective dates:

a. 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.

b. PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). 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. This chapter covers the classification and measurement of financial assets and financial liabilities and it deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. 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 an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to International Financial Reporting Standard 9's financial asset classification model to address certain application issues.

The Company does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management has conducted an evaluation of the impact of PFRS 9 on the interim financial statements of the Company ending June 30, 2013 and will continuously assess the potential impact of this standard until its mandatory implementation by January 1, 2015.

3. CASH AND CASH EQUIVALENTS

This account consists of:

	June 2013	December 2012
Short-term placements	P 896,326,460	P 1,155,116,069
Cash on hand and in banks	330,880,633	71,383,204
	P 1,227,207,093	P 1,226,499,273

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 1.00% to 2.00% in 2013 and from 1.50% to 3.68% in 2012 while dollar short-term placements earn annual interest rates ranging from 1.75% to 1.85% in 2013 and from 1.00% to 1.2% in 2012. 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$3,743,024 (or P162,099,137) as of June 30, 2013 and US$3,066,726 (or P126,324,596) as of December 31, 2012.

4. REINSURANCE BALANCES

The details of reinsurance balances are as follows:

	June 2013	December 2012
Reinsurance balances receivable:		
Reinsurance recoverable on unpaid losses	P 4,578,631,912	P 5,636,333,721
Due from ceding companies	790,511,962	974,562,134
Reinsurance recoverable on paid losses	729,639,720	626,525,861
Funds held by ceding companies	177,899,171	166,527,502
	6,276,682,765	7,403,949,218
Allowance for impairment	(347,029,959)	(335,629,959)
	P 5,929,652,806	P 7,068,319,259
Reinsurance balances payable:		
Claims payable	P 6,761,376,475	P 7,721,947,388
Due to retrocessionaires	562,076,368	856,526,244
Funds held for retrocessionaires	86,914,561	86,765,549
	P 7,410,367,404	P 8,665,239,181

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 June 2013 and December 2012 is shown below.

	June 2013	December 2012
Balance at the beginning of year	**335,629,959**	315,629,959
Impairment losses during the year	**11,400,000**	20,000,000
Balance at the end	**347,029,959**	335,629,959

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.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	June 2013	December 2012
Bonds	**P 4,279,384,642**	P 4,501,347,585
Equity securities - net	**1,230,467,740**	927,763,530
Investment in Asian Re shares	**4,334,061**	30,735,913
Various funds	**264,187,161**	230,193,391
	P 5,778,373,604	P 5,690,040,419

Bonds include investments in corporate bonds, long-term negotiable instruments and government securities. This also includes government securities amounting 250,000,000 both June 2013 and December 2012, 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 3.90% to 15.00% both June 2013 and December 2012. 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:

	June 2013	December 2012
Due within one year	**P 28,000,000**	P 77,897,545
Due after one year through five years	**1,196,622,845**	1,204,696,350
Due after five years through ten years	**2,200,257,457**	2,024,673,568
Due after ten years	**854,504,340**	1,194,080,122
	P 4,279,384,642	P 4,501,347,585

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

	June 2013	December 2012
Cost:		
Quoted in the stock exchange	P 1,094,967,013	P 811,603,964
Not quoted in the stock exchange	40,636,735	40,636,735
	1,135,603,748	852,240,699
Fair value gains (losses):		
Quoted in the stock exchange	112,736,482	93,395,321
Not quoted in the stock exchange	(17,872,490)	(17,872,490)
	94,863,992	75,522,831
	P 1,230,467,740	P 927,763,530

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. These shares of stock are measured at fair value and changes in the fair values are recognized under Other Comprehensive Income (Loss) in the statement of comprehensive income. The fair value of investment in Asian Re shares amounted to P4,334,061 and P30,735,913, as of June 30, 2013 and December 2012, respectively.

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

	June 2013	December 2012
Balance at beginning of year	P 5,690,040,419	P 5,365,644,659
Additions	5,874,840,498	7,260,278,243
Disposals/maturities	(5,695,649,697)	(6,993,213,909)
Fair value gains(loss) - net	(100,645,274)	64,354,832
Foreign currency gains (losses)	9,787,658	(7,023,406)
Balance at end of year	P 5,778,373,604	P 5,690,040,419

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 P100,645,274 fair value loss and P64,354,832 fair value gains in June 2013 and December 2012 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:

	June 2013	December 2012
Current:		
Term loans	P 130,000,000	P 130,000,000
Accrued interest receivable	61,637,742	70,967,515
Others	4,534,211	5,442,814
	196,171,953	206,410,329
Non-current:		
Term loans	346,500,000	498,950,000
Loans receivable	9,521,136	9,936,218
	356,021,136	508,886,218
	P 552,193,089	P 715,296,547

7. PROPERTY AND EQUIPMENT

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

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	Cost	Accumulated Depreciation	Net Carrying Amount
Condominium Units	P 154,882,915	70,706,587	84,176,328
Office Improvement	14,767,510	8,286,900	6,480,610
Office Furniture/Equipment	10,095,760	8,854,857	1,240,903
Transportation Equipment	12,052,728	5,424,722	6,628,006
EDP Equipment	34,994,176	24,518,983	10,475,193
Total	226,793,089	117,792,049	109,001,040

8. DEFERRED REINSURANCE PREMIUMS AND RESERVE FOR UNEARNED REINSURANCE PREMIUMS

The movement of these accounts follows:

	Deferred Reinsurance Premiums		Reserve for Unearned Reinsurance Premiums	
	2013	2012	2013	2012
Balance at beginning of year	P 400,632,000	P 564,483,447	P734,563,495	P897,469,364
Inc (Dec) during the year	1,104,289	(163,851,447)	5,599,219	(162,905,869)
Balance at end of year	P 401,736,289	P400,632,000	P740,162,714	P734,563,495

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:

	June 2013	December 2012
Deferred input VAT	P 75,159,816	P 68,437,058
Creditable withholding tax	110,352,860	100,418,362
Intangible assets – net	51,138,170	60,192,819
Investment property - net	2,842,409	2,844,909
Input VAT	62,020,846	52,472,376
Deferred withholding VAT	9,200,181	9,200,181
Prepayments	3,214,968	4,493,607
Deposit	289,616	284,616
Security fund	192,888	192,888
Others	8,048,853	3,182,317
	P 322,460,607	P 301,719,133

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 June 30, 2013 and December 31, 2012 follows:

	June 2013	December 2012
Cost	P 109,423,255	P 107,642,973
Accumulated amortization	(58,285,085)	(47,450,154)
Balance at end of year	P 51,138,170	P 60,192,819

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	June 2013	December 2012 (As Restated- see Note 15)
Deferred output VAT	P 42,870,786	P 39,998,373
Accrued expenses	4,793,880	8,251,532
Defined benefit liability	86,825,623	93,981,694
Accounts payable and other liabilities	11,602,953	93,120,827
Withholding taxes payable	1,721,109	2,099,082
	P 147,814,351	P 237,451,508

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:

	June 2013	June 2012
Interest	P 160,125,226	P 186,571,445
Gain on sale of stocks	137,999,579	83,867,850
Dividend income	20,881,662	18,294,337
Foreign exchange gain(loss)	(20,573)	9,885,331
Trading gains	140,769,284	150,326,407
Gain on sale of property & equipment	-	10,000
Other income (charges)	(2,951,473)	(2,058,741)
	P 456,803,705	P 446,896,629

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:

	June 2013	June 2012
Commission expense	P 233,252,374	P 208,836,278
Reinsurance revenues	(100,978,164)	(78,158,430)
	P 132,274,210	P 130,677,848

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:

	June 2013	June 2012 (As Restated- see Note 15)
Salaries and employee benefits	P **65,934,574**	P 64,302,191
Impairment loss	**11,400,000**	43,000,000
Depreciation and amortization	**17,233,879**	16,054,006
Professional fees	**7,251,478**	5,775,075
Repairs and maintenance	**5,367,090**	3,069,671
Taxes, licenses and fees	**2,339,246**	2,883,732
Transportation and traveling	**1,311,696**	1,298,067
Light and water	**1,520,040**	1,700,767
Representation and entertainment	**998,515**	1,395,286
Contract labor	**577,697**	1,078,155
Association and pool expense	**2,182,100**	2,210,662
Rental	**269,261**	354,195
Communication and postages	**885,529**	1,241,447
Printing and office supplies	**550,597**	718,671
Advertising and publicity	**866,988**	822,791
Insurance	**540,329**	503,484
Miscellaneous	**4,448,774**	3,007,610
	P **123,677,793**	P 149,415,810

14. SALARIES AND EMPLOYEE BENEFITS

a. *Salaries and Employee Benefits*

Expenses recognized for employee benefits are presented below.

	June 2013	June 2012 (As Restated- see Note 15)
Short-term employee benefits	P **53,726,499**	P 50,903,195
Post-employment defined benefit	**7,234,375**	8,777,488
Compensated absences	**4,973,700**	4,621,508
	P **65,934,574**	P 64,302,191

b. *Post-employment Defined Benefit*

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 regularly to update the retirement benefit costs and the amount of contributions.

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:

	June 2013	2012 (As Restated- see Note 15)	2011 (As Restated- see Note 15)
Present value of the obligation	P **168,130,881**	P 174,933,081	P 152,043,509
Fair value of plan assets	(**81,305,258**)	(80,951,387)	(67,704,396)
Unfunded(Overfunding)	**86,825,623**	93,981,694	84,339,113

	June 2013	2012	2011
Opening net DB liability (asset)	P **93,981,694**	P 84,339,113	P 104,221,014
Expense recognized in profit or loss	**7,234,375**	13,915,381	15,587,469
Contributions paid	(**4,555,952**)	(8,623,019)	(22,905,345)
Remeasurements of the net DB Liability (asset) – OCI	(**9,834,494**)	4,350,219	(12,564,025)
Closing net DB liability (asset)	P **86,825,623**	P 93,981,694	P 84,339,113

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

	June 2013	2012 (As Restated- see Note 15)	2011 (As Restated- see Note 15)
Balance at beginning of year	P **174,933,081**	P 152,043,509	P 167,377,632
Actuarial (gains) losses	(**52,411**)	9,633,874	(13,134,603)
Current service cost and interest cost	**9,339,111**	17,639,123	19,061,083
Benefits paid by the plan	(**16,088,900**)	(4,383,425)	(21,260,603)
Balance at end of year	P **168,130,881**	P 174,933,081	P 152,043,509

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

	June 2013	2012 (As Restated- see Note 15)	2011 (As Restated- see Note 15)
Balance at beginning of year	P **80,951,387**	P 67,704,396	P 63,156,618
Contributions paid into the plan	**4,555,952**	8,623,019	22,905,345
Benefits paid by the plan	(**16,088,900**)	(4,383,425)	(21,260,603)
Interest income	**2,104,736**	3,723,742	3,473,614
Gain (loss) on Plan Asset	**9,782,083**	5,283,655	(570,578)
Balance at end of year	P **81,305,258**	P 80,951,387	P 67,704,396

The plan assets as of June 30, 2013 and December 31, 2012 and 2011 consist of:

	June 2013	2012 (As Restated- see Note 15)	2011 (As Restated- see Note 15)
Cash and cash equivalents	P **11,177,208**	P 22,707,549	P 12,801,326
Government securities	**45,655,303**	39,631,244	41,375,637
Equity securities	**21,390,479**	17,197,422	12,199,683
Loans and receivables	**387,811**	1,415,172	1,327,750
Balance at end of year	P **78,610,801**	P 80,951,387	P 67,704,396

The amounts recognized as retirement expense are as follows:

	June 2013	2012 (As Restated- see Note 15)	2011 (As Restated- see Note 15)
Current service costs	P 4,790,851	P 9,276,730	P 9,855,313
Net interest on the net DB liability (asset)	2,443,524	4,638,651	5,732,156
	P **7,234,375**	P 13,915,381	P 15,587,469

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

	June 2013	2012	2011
Discount rates	5.5%	5.2%	5.5%
Expected rate of salary increase	5.0%	5.0%	6.0%
Employee turn-over rate	5.0% to 9.5%	5.0% to 9.5%	5.0% to 9.5%

Assumptions regarding future mortality and disability are based on published statistics and mortality and disability tables. The discounts rates assumed are based on the yield of long-term government bonds as of the valuation dates as published by the Philippine Dealing and Exchange Corporation (PDEX), approximating the average expected future working lifetime of employees.

The overall expected long-term rate of return on plan assets assumed at 5.7% and 8% are based on a reputable fund trustee's indicative yield rate for a risk portfolio similar to that of a fund with consideration to the fund's past performance.

Presented below are the historical information related to the present value of the retirement benefit obligation, fair value of plan assets and excess or deficit in the plan.

	June 2013	2012	2011	2010	2009
Present value of the obligation	**P168,130,881**	P174,933,081	P152,043,509	P167,377,632	P137,244,682
Fair value of the plan assets	**81,305,258**	80,951,387	67,704,396	63,156,618	56,468,323
Deficit in the plan	**P 86,825,623**	P 93,981,694	P84,339,113	P104,221,014	P 80,776,359
Experience adjustment arising on plan liabilities	**(P 14,754,746)**	P 5,486,134	P749,283	P 8,568,818	P 4,661,181

15. EQUITY

15.1 Capital Stock

The Company is authorized to issue 3,000,000,000 shares of common stock with a par value of P1 per share.

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 June 30, 2013, there are 279 holders of the listed shares. Such listed shares closed at P1.80 per share as of June 30, 2013

15.2 Treasury Shares

In 2011, the Company acquired 36,072,000 of its own shares at a total cost of P60,443,621. The total reacquired shares as of June 30, 2013 and December 31, 2012 is 58,349,000 at a total cost of 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. The amount of P5,000,000 was initially appropriated from retained earnings for this purpose on April 30, 1989. Subsequently, at December 31 of each year where there is profit, 10% of such profit shall be 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 P296,432,442 as of June 30, 2013, and P268,469,546 as of December 31, 2012 respectively.

15.4 Declaration of Cash Dividends

The BOD approved the declaration of cash dividends of P.02 per share (or a total of P42,472,112) on May16, 2013, P.10 per share (or a total of P212,360,560) on May 17, 2012 and P.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. The dividends were paid within their respective year of declaration and approval.

15.5 Prior Period Adjustments

As of June 30, 2013, the Company adopted PAS 19 (Revised). The Company recognized the effect of re-measurements of the net defined benefit liability amounting to P72,382,895 as of January 1, 2013. Presented below are the effects of the prior period adjustments and reclassifications in the consolidated statements of financial position as at January 1, 2013.

	Notes	As Previously Reported	Prior Period Adjustments	As Restated
Change in liability:				
Defined benefit obligation	14(b)	P 21,598,799	P 72,382,895	P 93,981,694
Changes in equity:				
Remeasurement of post-employment obligation		P -	(P 82,734,152)	P 82,734,152
Unappropriated retained earnings		237,889,026	10,351,257	248,240,283

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:

	June 2013				December 2012			
		Stockholders		Related Parties Under Common Ownership		Stockholders		Related Parties Under Common Ownership
Premiums	P	**190,660,936**	P	**4,294,199**	P	606,272,630	P	35,659,571
Retrocessions		**198,517**	(	**752,270)**		16,355,172		1,600,177
Commission income		**-**		**-**		1,692,371		-
Commission expenses		**50,435,624**				135,320,711		-
Losses incurred		**212,815,029**		**2,453,336**		137,730,775		5,543,290
Losses recoveries		**-**		**-**		70,917		281,218

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

	June 2013				December 2012			
		Stockholders		Related Parties Under Common Ownership		Stockholders		Related Parties Under Common Ownership
Due from ceding cos.	P	**348,618,289**	P	**8,376,725**	P	325,821,318	P	21,324,607
RI recoverable on losses		**97,068,333**		**-**		96,014,808		124,685
Funds held by ced. cos.		**65,803,102**		**-**		60,967,241		-
Claims payable		**939,067,857**		**7,309,479**		1,083,635,002		9,762,815
Due to Retrocessionaires		**10,329,961**		**190,285**		9,558,961		265,740
Funds held for retro.		**164,032**		**-**		164,032		-

The balance of due from ceding companies pertaining to related parties is presented net of P30,700,236 allowance for impairment both in June 30, 2013 and December 31, 2012.

16.2 Other Transactions

The Company's other transactions with related parties follow:

	Note	June 2013 Amount of Transactions	June 2013 Outstanding Balance	December 2012 Amount of Transactions	December 2012 Outstanding Balance
Stockholder:					
Cash & cash equivalent	(a)	3,029,382	6,174,093	(1,313,195)	3,144,711
AFS financial assets	(b)	-	-	(200,000,000)	-
Interest Income-Bank accounts	(a)	3,069	-	499,314	-
Interest Income-AFS Financial assets	(b)			6,139,195	-
Service fees	(d)	2,029,938	-	3,827,855	-
Related Party Under Common Ownership					
Cash & Cash equivalent	(a)	360,587,559	741,019,182	(231,151,025)	380,431,623
AFS financial assets	(b)	(88,897,593)	200,030,363	(32,218,972)	288,927,956
Loans and receivables	(c)	(1,610,217)	133,471,013	(20,354,843)	135,081,230
Interest Income-Bank accounts	(a)	4,363,142	-	36,230,048	-
Interest income-AFS Financial assets	(b)	6,607,860	-	17,919,652	-
Interest income-Loans and receivables	(c)	3,858,750		4,359,722	-
Trading gains	(b)	-	-	156,051	

(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% to 6.25% in 2013 and 2012 and will mature in 2013. As of June 30, 2013 and December 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 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 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 June 30, 2013 and December 31, 2012.

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

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 for the six months period ended June 30, 2013

16.5 Key Management Personnel Compensation

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

	June 2013	June 2012
Short-term benefits	**P 22,097,607**	P 20,909,254
Post-employment benefits	**1,364,874**	1,526,592
	P 23,462,481	P 22,435,846

17. Earnings (loss) Per Share

The earnings per share amounts are as follows:

	June 2013	June 2012
Net income (loss) available to common shareholders	**P 279,628,956**	P 70,372,285
Divided by the average number of outstanding common shares	**2,123,605,600**	2,123,605,600
	P 0.13	P 0.03

18. 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	• The Board of Directors approved the declaration of P0.02/share cash dividend payable to stockholders of record as of May 31,2013. Payment of said cash dividend was on June 14,2013.
• 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 June 30, 2013
(In million pesos)

	Total	Below 360 days	Over 360 days
Due from Ceding Companies	791	364	427
Reinsurance recoverable on paid losses	729	354	375
Reinsurance recoverable un unpaid losses	4,579	4,579	-
Funds Held by Ceding companies	178	178	-
	6,277	5,475	802
Allowance for impairment*	(347)		
	5,930		

*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.