

# 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  
CENTER SEN. GIL J. PUYAT AVENUE  
CORNER TINDALO ST. MAKATI CITY

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

JOHN E. HUANG

Contact Person

759-58-01

Company Telephone Number

1 2    3 1

Month    Day  
Fiscal Year

1 7 Q

FORM TYPE

**1st Quarter Ending 31 March 2008**

0 6    2 3 08

Month    Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I.D.

Document I.D.

Cashier

Cashier

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Remarks = pls. use black ink for scanning purposes

**COVER SHEET**

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**

**("PhilNaRe")**

*(Company's Full Name)*

**18<sup>th</sup> Floor, Philippine AXA Life Centre Sen. Gil J. Puyat Avenue  
corner Tindak St., Makati City, Philippines 1200**

*(Company's Address)*

**(632) 759-5801 to 06**

*(Telephone Number)*

**December 31**

*(Fiscal Year Ending)*

**June 23, 2007**

*(Annual Meeting)*

**SEC FORM 17-Q**

**Quarterly Report**

**1<sup>st</sup> Quarter Ending 31 March 2008**

*(Form Type)*

Amendment Designation (If applicable)

(Secondary License Type and File Number)

Cashier

LCU

DTU

**80118**

S.E.C. REG. No.

Central Receiving Unit

File Number

Document I.D.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

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

1. For the quarter ended 31 March 2008
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.** 1200  
**CORNER TINDALO STREET, MAKATI CITY** Postal Code  
Address of registrant's principal office
8. **(632) 759-5801 to 06**  
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:
- | <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding</u> |
|----------------------------|---|
| <b>Common</b>              | <b>2,181,954,600</b>                                |
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 8 to 19 of this report are filed as part of this Form 17-Q:

- a. Balance Sheet as of 31 March 2008 and December 31, 2007.
- b. Income Statement for the Quarters Ended 31 March 2008 and 31 March 2007.
- c. Statement of Changes in Stockholders Equity for the Quarters Ended 31 March 2008 and 31 March 2007.
- d. Statement of Cash Flows as of 31 March 2008 and 31 March 2007.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, 1<sup>st</sup> Quarter**

**Results of Operations**

**Reinsurance Premium Income**

Reinsurance premiums in 1<sup>st</sup> Qtr. 2008 increased slightly by 0.41% to ₱726M from ₱723M in 1<sup>st</sup> Qtr. 2007. However, net premiums retained amounted to ₱346 million, higher by 22.2% from ₱283 million in 1<sup>st</sup> Qtr. 2007. The increase in net premiums retained was attributable to a higher retention ratio, which increased to 48% from 39% for the corresponding period last year. The higher retention ratio is in line with the Company's thrust towards retaining more risk (and therefore more premiums) for its own account.

Premiums earned increased by 28.9%, from ₱248 million to ₱320 million, due to the increase in net premiums retained and a decrease in reserve for unexpired risks of ₱26.2 million, arising from the use of the 24<sup>th</sup> method of recognizing reinsurance premiums.

**Underwriting Deductions**

Share in claims and losses stood at ₱160.2 million and ₱147.5 million, respectively for the 1<sup>st</sup> Qtr. 2008 and 2007, an increase of ₱12.7 million or 8.6%. Recorded losses during the 1<sup>st</sup> Qtr. 2008 were largely losses of previous years which were reported by ceding companies during the period. Despite the increase, the average loss ratio improved from 59.5% in 1<sup>st</sup> Qtr. 2007 to 50% in 1<sup>st</sup> Qtr. 2008, reflecting a continuing benign underwriting environment.

Net commissions decreased by ₱13.3 million or 21.4% in 1<sup>st</sup> Qtr. 2008 compared to 1<sup>st</sup> Qtr. 2007 due to a higher level of deferred commissions amounting to ₱10.7 million which, in turn, resulted in the commission ratio going down to 14.2% from 22% in 2007.

**Investment and Other Income (Charges)**

Investment and other income in 1<sup>st</sup> Qtr. 2008 decreased by ₱100.6 million to ₱86.5 or 53.8% from ₱187 million in 1<sup>st</sup> Qtr. 2007. The decrease was largely due to the lack of trading opportunities during the quarter, which resulted mainly from lower equity prices and

higher interest rates which significantly affected the performance of the Company's investments portfolio.

Interest Income exhibited a growth of P28.9 million to P95.7 million in 1<sup>st</sup> Qtr. 2008 from P66.7 million in 1<sup>st</sup> Qtr. 2007 as a result of a higher level of investments in fixed income securities resulting from the deployment of funds raised from the Company's IPO, which occurred in 2<sup>nd</sup> Qtr. 2007. While the Company incurred a realized trading loss of P22 million in equity securities, this was partially offset by currency translation gain of P8.1 million (compared to a loss of P26.8 million in 2007).

#### **General and Administrative Expenses**

General and administrative expenses increased by 16% to P34 million in 1<sup>st</sup> Qtr. 2008 from P29 million in 1<sup>st</sup> Qtr. 2007 mainly due to increases in manpower-related expenses (salary and employee benefits plus payments to the employees' retirement fund). There were also expenses during 1<sup>st</sup> Qtr. 2008 which did not occur in 1<sup>st</sup> Qtr. 2007, including: professional fees for enterprise risk management consultancy (P.850M), IC regulatory fees (.190M) and advertising (P.424M).

#### **Provision for Income Tax**

Deferred income tax (DIT) and current income tax were up by P19 million or 136% and P11 million or 122% respectively. The increase in DIT was due to unrealized foreign exchange gains and deferred commission expenses, while the increase in current income tax was due to higher taxable income base.

#### **Net Income**

Net income for the 1<sup>st</sup> Qtr. 2008 declined to P110 million from P174 million in 2007 due to lower investment and other income.

#### **Financial Condition**

Total resources as of 1<sup>st</sup> Qtr. 2008 stood at P11.2 billion, lower by P334 million or 2.9% from total assets of P11.5 billion as of December 31, 2007. Material changes in the company's resources are described below:

- **Cash and cash equivalents (P682M vs. P1,347M)**

Cash and cash equivalents declined by P665 million due to additional investment made by the Company in available-for-sale financial assets.

- **Reinsurance balances receivable-net (P3,012M vs. P2,909M)**

Reinsurance balances receivable rose by P103 million or 3.55% due to increase in due from ceding companies (P90 million), funds held by ceding companies (P3 million) and reinsurance recoverable on losses (P10 million).

- **Available-for-sale financial assets (P5,827M vs. P5,218M)**

Available-for-sale financial assets (AFS) increased by P609 million or 11.7% due to maturities of time deposits (booked under cash equivalents) which were shifted to AFS assets.

- **Loans and Receivables (P145M vs. P194M)**

Loans and receivables went down by P48 million or 25% mainly due to collection of term loans (P10 million) and accrued interest income.

- **Property and Equipment, net (P90M vs. P91M)**

Property and equipment, net of accumulated depreciation amounted to P90 million, a slight decrease of P.841 million or .92%, mainly due to recorded depreciation (P2.7 million) being higher than capital expenditure made during the period of P1.3 million.

- **Deferred Acquisition Cost (P204M vs. P207M) and Deferred Reinsurance Premium (P1,033M vs. P1,348M)**

Following the 24<sup>th</sup> method of revenue recognition, deferred acquisition cost and deferred reinsurance premium decreased by P2.6 million or 1.3% and P315 million or 23.4% respectively, reflecting portions of reinsurance premiums written as of December 31, 2007 that were earned as of March 31, 2008.

- **Deferred Input Value Added Tax (P68M vs. P81M)**

Deferred input value added tax decreased by P13.4 million or 16.5%, reflecting the continued runoff of this account because of discontinuance of VAT on reinsurance premiums effective April 6, 2007 (BIR Regulations 4-2007).

- **Other Assets (P122M vs. P122M)**

Other assets were maintained at P122 million level as of 1<sup>st</sup> Qtr. 2008.

**Liabilities (P4,561M vs. P4,841M)**

Total liabilities decreased by P279 million or 5.8% from P4.8 billion to P4.6 billion in 1<sup>st</sup> Qtr. 2008. The decrease in total liabilities are explained below:

- **Reinsurance balances payable (P2,695M vs. P2,671M)**

Reinsurance balances payable increased by P24.2 million or .90% from P2,671 million at year end 2007 to P2,695 million in 1<sup>st</sup> Qtr. 2008 mainly due to slight increase in claims payable.

- **Accounts payable and accrued expenses (P39M vs. P43M)**

Payment of withholding taxes and expenses brought reduced the balance of accounts payable and accrued expenses by P4 million or 8.6% as of 1<sup>st</sup> Qtr. 2008.

- **Reserve for Unexpired Risks (P1,556M vs. P1,845M) and Deferred Reinsurance Commission (P110M vs. P123M)**

Reserve for unexpired risk and deferred reinsurance commission decreased by P289 million or 15.7% and P13 million or 10.9%, respectively. During the 1<sup>st</sup> Qtr. 2008, as portions of deferred reinsurance premiums at year end 2007 are deemed earned under the 24<sup>th</sup> method of revenue recognition, there is a corresponding reduction in the associated reserve for unexpired risk and deferred reinsurance commission

- **Deferred Output Value Added Tax (P126M vs. P156M)**

Deferred output value added tax decreased by P30 million or 19.3% to P126 million as of 1<sup>st</sup> Qtr. 2008 from P156 million at year end 2007 because reinsurance premiums are no longer subject to VAT, as explained earlier.

- **Deferred Tax Liabilities (P35M vs. P1.6M)**

Deferred tax liabilities rose by P33 million due to increase in deferred taxes for reserves and unrealized gain (loss).

- **Equity (P6,623M vs. P6,677M)**

Stockholders equity decreased by P54.5 million or .82% to P6.6 billion from P6.7 billion at year end 2007 due to decline in revaluation reserve.

**Key Performance Indicators:**

	1 <sup>st</sup> Qtr. 2008	1 <sup>st</sup> Qtr. 2007	% Incr./ Decr.
1. Net Income	₱ 110 million	₱ 174 million	(36.59%)
2. Earnings per share (a)	₱ 0.20	₱ 0.12	66.67%
3. Retention ratio (b)	48.0%	39.0%	
4. Combined ratio (c)	74.03%	91.8%	
5. Return on average equity	8.00%	18.0%	

(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 (50.07% / 59.45%) commissions ratio (14.16% / 22.04%) and expense ratio (9.8% / 10.31%).

Net Income (NI)-Net income as of 1<sup>st</sup> Qtr. 2008 declined to P110 million from P174 million in 1<sup>st</sup> Qtr. 2007.

Earnings per share (EPS)-The Company's EPS was at P.20 and P.12 as of 1<sup>st</sup> Qtr. 2008 and 2007 respectively.

Retention ratio-The retention ratio was at 48% in 2008, nine percentages point higher than in 2007.

Combined ratio-The decrease in combined ratio to 74.03% as of 1<sup>st</sup> Qtr 2008 vs. 91.8% as of 1<sup>st</sup> qtr. 2007, indicates continuing profitability of insurance operations.

Return on average equity (ROE)-Return on average equity were at 8% and 18% for the 1<sup>st</sup> Qtr. 2008 and 2007 respectively.

**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.

**PART 11. -- OTHER INFORMATION**

B. No other material information.

**NATIONAL REINSURANCE CORPORATION  
OF THE PHILIPPINES**  
(Registrant)



**JOHN E. HUANG**  
Chief Finance Officer



**WILFRIDO C. BANTAYAN**  
President & Chief Executive Officer

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**

**BALANCE SHEET**

March 31, 2008 and December 31, 2007

	<u>Notes</u>	<u>March 2008</u> <u>(Unaudited)</u>	<u>Dec. 2007</u> <u>(Audited)</u>	<u>Changes</u>
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	2	682,312,619	1,346,912,651	(664,600,032)
REINSURANCE BALANCES RECEIVABLE-net	3	3,012,020,153	2,908,836,020	103,184,133
AVAILABLE-FOR-SALE FINANCIAL ASSETS	4	5,826,632,025	5,217,539,378	609,092,647
LOANS AND RECEIVABLES	5	145,545,451	193,990,002	(48,444,551)
PROPERTY AND EQUIPMENT-NET	6	90,486,589	91,328,046	(841,457)
DEFERRED ACQUISITION COST		204,043,204	206,688,943	(2,645,739)
DEFERRED REINSURANCE PREMIUMS	7	1,032,788,249	1,348,262,605	(315,474,356)
DEFERRED INPUT VALUE ADDED TAX		68,130,385	81,554,300	(13,423,915)
OTHER ASSETS	8	121,939,742	122,623,373	(683,631)
<b>TOTAL ASSETS</b>		<b>11,183,898,417</b>	<b>11,517,735,318</b>	<b>(333,836,901)</b>
<b>LIABILITIES AND EQUITY</b>				
REINSURANCE BALANCES PAYABLE	3	2,695,346,047	2,671,190,453	24,155,594
ACCOUNTS PAYABLE & ACCRUED EXPENSES	9	39,205,351	42,890,121	(3,684,770)
RESERVE FOR UNEXPIRED RISKS	7	1,556,264,790	1,845,503,599	(289,238,809)
DEFERRED REINSURANCE COMMISSIONS		109,789,557	123,145,081	(13,355,524)
DEFERRED OUTPUT VALUE ADDED TAX		126,098,049	156,326,449	(30,228,400)
DEFERRED TAX LIABILITIES		34,658,094	1,610,803	33,047,291
<b>TOTAL LIABILITIES</b>		<b>4,561,361,888</b>	<b>4,840,666,506</b>	<b>(279,304,618)</b>
<b>EQUITY</b>				
Capital Stock	14	2,181,954,600	2,181,954,600	-
Additional Paid in Capital		3,019,218,458	3,019,218,458	-
Revaluation reserve		10,836,073	175,513,508	(164,677,435)
Retained Earnings		1,410,527,398	1,300,382,246	110,145,152
<b>Total Equity</b>		<b>6,622,536,529</b>	<b>6,677,068,812</b>	<b>(54,532,283)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>11,183,898,417</b>	<b>11,517,735,318</b>	<b>(333,836,901)</b>

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

For the period January 1, 2008 to March 31, 2008

(With comparative figures for the period Jan. 1, 2007 to March 31, 2007)

	<u>Notes</u>	<u>March 2008</u>	<u>March 2007</u>	<u>Inc(Dec)</u>	<u>%</u>
<b>Reinsurance Premium Income</b>					
Reinsurance premiums		725,693,655	722,720,208	2,973,447	0.41%
Retroceded premiums		379,569,219	439,686,264	(60,117,045)	-13.67%
Net Premiums retained		346,124,436	283,033,944	63,090,492	22.29%
Inc. in reserve for unexpired risk	7	(26,235,547)	(34,892,973)	8,657,426	-24.81%
Premiums Earned		319,888,889	248,140,971	71,747,918	28.91%
<b>Underwriting deductions</b>					
Share in claims & losses		160,183,973	147,519,808	12,664,165	8.58%
Commissions, net		49,025,789	62,368,580	(13,342,791)	-21.39%
	11	209,209,762	209,888,388	(678,626)	-0.32%
<b>Net Underwriting Income</b>		110,679,127	38,252,583	72,426,544	189.34%
<b>Investments and Other Income (Charges)</b>					
Interest		95,655,934	66,697,697	28,958,237	43.42%
Foreign currency gain (losses)		8,138,868	(26,830,341)	34,969,209	-130.33%
Others		(17,344,485)	147,177,816	(164,522,301)	-111.78%
<b>Investment and Other Income</b>	10	86,450,317	187,045,172	(100,594,855)	-53.78%
<b>Income after Investment Income</b>		197,129,444	225,297,755	(28,168,311)	-12.50%
<b>General and Administrative Expenses</b>	12, 13	33,883,911	29,179,847	4,704,064	16.12%
<b>Income Before Tax</b>		163,245,533	196,117,908	(32,872,375)	-16.76%
<b>Tax Expense</b>		53,100,382	22,414,859	30,685,523	136.90%
<b>Net Income</b>		110,145,151	173,703,049	(63,557,898)	-36.59%
<b>Earnings per Share</b>	16	0.20	0.12		

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
**STATEMENT OF CHANGES IN EQUITY (unaudited)**  
**As of March 31, 2008 and 2007**

	<u>Notes</u>	<u>March 2008</u>	<u>March 2007</u>
<b>CAPITAL STOCK - P1 par value</b>			
Authorized - 3,000,000,000 shares			
Issued -2,181,954,600 shares in 2008 and 1,588,558,300 in 2007			
	14	<u>2,181,954,600</u>	<u>1,588,558,300</u>
<b>ADDITIONAL PAID IN CAPITAL</b>			
		<u>3,019,218,457</u>	<u>1,274,936,540</u>
<b>TREASURY SHARES (at cost)</b>			
	14	<u>-</u>	<u>(358,070,611)</u>
<b>REVALUATION RESERVE</b>			
Balance at beginning of the year		175,513,508	378,444,968
Changes during the period		<u>(164,677,435)</u>	<u>(148,705,845)</u>
		<u>10,836,073</u>	<u>229,739,123</u>
<b>RETAINED EARNINGS</b>			
Appropriated for contingencies			
Balance at beginning of the year		211,890,435	150,949,099
Additional appropriations		<u>11,014,515</u>	<u>17,370,305</u>
	14	<u>222,904,950</u>	<u>168,319,404</u>
Unappropriated			
Balance at beginning of the year		1,088,491,813	692,756,613
Net Income		110,145,150	173,703,051
Appropriated for contingencies		<u>(11,014,515)</u>	<u>(17,370,305)</u>
		<u>1,187,622,448</u>	<u>849,089,359</u>
		<u><b>6,622,536,528</b></u>	<u><b>3,752,572,115</b></u>

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
**CASH FLOW STATEMENTS (unaudited)**  
**For the three months period ended March 31, 2008 and March 31, 2007**

	<u>March 2008</u>	<u>March 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	P 163,245,532	P 196,117,908
Adjustments for:		
Increase in reserve for unexpired risks	26,235,547	34,892,973
Unrealized foreign currency loss	(10,006,825)	25,695,109
Depreciation	2,690,165	1,807,868
Interest income	(95,655,934)	(66,697,697)
Dividend income	(5,155,412)	(1,213,497)
Operating income before working capital changes	<u>81,353,073</u>	<u>190,602,664</u>
(Increase)Dec. in reinsurance balances receivable	(88,070,415)	60,213,414
(Increase) Dec. in deferred input value added tax	13,423,916	32,170,762
Decrease (increase) in deferred acquisition costs	(10,709,785)	23,916,443
(Increase) in other assets	101,537	(35,948,649)
(Increase) Decrease in loans and receivables	10,885,979	6,878,927
Increase (decrease) in reinsurance balances payable	13,240,252	(202,228,790)
Increase (Dec.) in deferred output value added tax	(30,228,401)	(14,803,452)
Increase (decrease) in accounts payable and accrued exp.	(3,684,770)	4,611,213
Cash generated from (used in) operations	<u>(13,688,614)</u>	<u>65,412,532</u>
Cash paid for income taxes	<u>(20,245,395)</u>	<u>(8,526,225)</u>
Net Cash From (Used in) Operating Activities	<u><b>(33,934,009)</b></u>	<u><b>56,886,307</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposals (acquisitions) of:		
Available-for-sale financial assets	(768,234,263)	(113,785,986)
Property and equipment	(1,266,612)	(1,912,134)
Interest received	133,214,506	93,306,004
Dividends received	<u>5,155,412</u>	<u>1,213,497</u>
Net Cash From (Used in) Investing Activities	<u><b>(631,130,957)</b></u>	<u><b>(21,178,619)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisitions/payments of:	-	
Treasury Shares	<u>-</u>	<u>(103,430,976)</u>
Net Cash From (Used in) Financing Activities	<u>-</u>	<u><b>(103,430,976)</b></u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(665,064,966)</b>	<b>(67,723,288)</b>
<b>EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS</b>	464,934	(3,039,221)
<b>CASH AND CASH EQUIVALENTS -January 1</b>	<u><b>1,346,912,651</b></u>	<u><b>446,834,344</b></u>
<b>CASH AND CASH EQUIVALENTS -March 31</b>	<u><b>P 682,312,619</b></u>	<u><b>P 376,071,835</b></u>

## NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

### Notes and Other Disclosures

1. The financial statements of the Company had been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board.

The Financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on historical cost basis, except for the revaluation of certain financial assets.

### 2. Cash and Cash Equivalents

This account consists of:

	March 2008	December 2007
Time Deposits/Short-Term Investment	P 565,481,630	P 1,283,627,639
Cash on hand and in banks	116,830,989	63,285,012
	<b>P 682,312,619</b>	<b>P 1,346,912,651</b>

### 3. Reinsurance Balances

The details of reinsurance balances are as follows:

Reinsurance balances receivable:	March 2008	December 2007
Due from ceding companies	P 1,720,606,490	P 1,630,803,800
Reinsurance recoverable on losses	1,307,790,838	1,297,757,239
Funds held by ceding companies	90,422,296	87,074,452
	3,118,819,624	3,015,635,491
Allowance for impairment	( 106,799,471)	( 106,799,471)
	<b>P 3,012,020,153</b>	<b>P 2,908,836,020</b>

Reinsurance balances payable:

Due to retrocessionaires	P 979,815,190	P 981,270,895
Claims payable	1,653,944,305	1,628,313,780
Funds held for retrocessionaires	61,586,552	61,605,778
	<b>P 2,695,346,047</b>	<b>P 2,671,190,453</b>

### 4. Available-for-sale Financial Assets

The amount in the balance sheets are composed of the following financial assets:

	March 2008	December 2007
Bonds	P 5,062,692,889	P 4,479,540,250
Equity securities	551,608,779	581,920,970
Investment in Asian Re shares	70,193,398	69,410,454
Various funds	142,136,959	86,667,704
	<b>P 5,826,632,025</b>	<b>P 5,217,539,378</b>

## 5. Loans and Receivables

This account includes the following:

	<u>March 2008</u>	<u>December 2007</u>
Current:		
Accrued interest receivable	P 52,803,450	P 90,362,021
Term Loans		
Others	1,206,809	715,769
Non-current		
Term Loans	80,000,000	90,000,000
Loans receivable	11,535,192	12,912,212
	<b>P 145,545,451</b>	<b>P 193,990,002</b>

## 6. 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 104,227,734	P 31,734,282	P 72,493,452
Office improvement	14,284,102	10,150,043	4,134,059
Office furniture/equipt.	9,524,897	8,627,454	897,443
Transportation equipt.	12,556,348	4,538,994	8,017,354
EDP equipment	15,989,193	11,044,912	4,944,281
	<b>P 156,582,274</b>	<b>P 66,095,685</b>	<b>P 90,486,590</b>

## 7. Deferred Reinsurance Premiums and Reserve for Unexpired Risks

The movements in these accounts are as follows:

	Deferred Reinsurance Premiums	Reserve for Unexpired risk
Balance at beg. Of year-January 1, 2008	P 1,348,262,605	P 1,845,503,599
Increase (decrease) during the period	( 315,474,356)	( 289,238,809)
Balance at end of quarter-Mar. 30, 2008	<b>P 1,032,788,249</b>	<b>P 1,556,264,790</b>

Deferred Reinsurance Premiums pertain to the portion of reinsurance premiums ceded out that relate to the unexpired periods of the policies at balance sheet date.

Reserve for Unexpired Risks is the portion of reinsurance premiums assumed that relate to the unexpired periods of the policies at balance sheet date.

The difference between the increase in Deferred Reinsurance Premiums and Reserve for Unexpired Risks for the year is presented as Increase in Reserve for Unexpired Risks in the income statements.

## 8. Other Assets

The Other Assets account includes the following:

	March 2008	December 2007
Investment property	P 40,322,961	P 40,905,056
Deferred withholding VAT	39,125,289	39,308,468
Input VAT	25,831,091	29,638,591
Creditable expanded withholding tax	5,249,953	5,297,029
Prepayments	5,382,915	1,515,877
Deposit	580,007	690,392
Security fund	192,888	192,888
Others	5,254,638	5,075,072
	<b>P 121,939,742</b>	<b>P 122,623,373</b>

Investment properties consist of condominium units and improvements which are owned for investment purposes only.

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 Insurance Commission (IC). The fund was created under Section 367 of Presidential Decree No. 612, as amended under Presidential Decree No. 1640 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.

## 9. Accounts Payable and Accrued Expenses

This account includes the following:

	March 2008	December 2007
Defined benefit liability	P 33,122,629	P 34,507,695
Withholding taxes payable	2,647,675	3,496,719
Accrued expenses payable	943,393	3,557,009
Accounts payable and other liabilities	2,491,654	1,328,698
	<b>P 39,205,351</b>	<b>P 42,890,121</b>

The fair values of accounts payable and accrued expenses have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheets to be a reasonable approximation of their fair values.

**10. Investment and Other Income**

The details of this account follow:

	March 2008	March 2007
Interest	P 95,655,934	P 66,697,697
Trading gain	246,352	99,977,380
Dividend income	5,155,412	1,213,497
Gain(loss) on sale of stocks	( 22,543,794)	26,697,973
Foreign exchange (loss) gain	8,138,868	( 26,830,341)
Miscellaneous	( 202,455)	19,288,966
	<b>P 86,450,317</b>	<b>P 187,045,172</b>

**11. Underwriting Deductions****11.1 Share in claims and losses**

This account represents the aggregate amount of the Company's share in net losses and claims relative to its acceptances under treaty and facultative reinsurances.

**11.2 Commissions-net**

This account consists of the following:

	March 2008	March 2007
Commission expense	P 101,187,585	P 123,044,707
Reinsurance revenue	52,161,796	60,676,127
	<b>P 49,025,789</b>	<b>P 62,368,580</b>

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.

**12. General and Administrative Expenses**

The details of this account follow:

	March 2008	March 2007
Salaries and employee benefits	P 21,581,685	P 19,129,644
Retirement	1,485,746	292,936
Depreciation	2,690,165	1,807,867
Representation and entertainment	411,053	859,450
Professional fees	2,178,139	1,817,526
Transportation & traveling	473,364	672,507
Repairs and maintenance	115,694	991,047
Taxes, licenses and fees	1,020,241	686,857

### 13. Employee Benefits

#### *Short-term Benefits*

Expenses recognized for employee benefits are presented below:

	March 2008	March 2007
Salaries and wages	P 14,448,839	P 10,264,825
Allowances and bonus	4,722,175	4,569,844
Compensated absences	-	1,824,996
Separation benefits	1,680,914	1,774,252
Social security costs	425,711	377,126
Others	304,046	318,601
	<b>P 21,581,685</b>	<b>P 19,129,644</b>

### 14. Equity

#### *14.1 Capital Stock*

Capital Stock consists of:

Common shares-P1 par value

Issued:

Number of shares  
Amount

	March 2008	March 2007
Number of shares	<b>2,181,954,600</b>	<b>1,588,558,300</b>
Amount	<b>P 2,181,954,600</b>	<b>P 1,588,558,300</b>

#### *14.2 Treasury Shares*

Treasury shares pertain to the Company's shares of stock acquired from the following:

	March 2007	
	No. of shares	Amount
Universal Malayan Reinsurance Corp.	97,083,900	P 243,855,340
Solid Guaranty, Inc.	18,489,400	41,416,256
Pioneer Asia Insurance Corporation	9,195,400	20,597,696
CICI General Insurance Corporation	8,039,800	18,009,152
R&B Insurance Corporation	4,981,300	10,610,169
Western Guaranty Corporation	4,031,700	9,031,008
Reliance Surety & Insurance Company	2,823,100	6,323,744
Isauro J. Pagdanganan	2,098,000	4,699,520
Aviva General Insurance.	1,676,800	3,353,600
First Quezon City Insurance Co., Inc.	86,900	174,126
	<b>148,506,300</b>	<b>P 358,070,611</b>

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 P222,904,950 and P168,319,404 as of March 31, 2008 and 2007, respectively.

## 15. 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 carried out on an arm's length basis.

### 15.1 Reinsurance accounts with related parties

Reinsurance balances receivable from and payable to related parties are as follows:

	March 2008	December 2007
Due from ceding companies	P322,521,156	P286,602,592
Reinsurance recoverable on losses	48,794,185	44,021,458
Funds held by ceding companies	45,035,176	41,624,688
Due to retrocessionaires	51,367,584	33,711,667
Funds held for retrocessionaires	472,076	494,191

### 15.2 Bank accounts

The Company maintains savings and current accounts and time deposits with Bank of the Philippine Islands (BPI). The details of which follow:

	March 2008	December 2007
Time Deposits	P 46,058,000	P 44,801,350
Savings and current accounts	963,946	2,643,745
	P 47,021,946	P 47,445,095

### 15.3 Investment Management and custodianship

The Company has entered into agreements known as "Investment Management Agreement" and "Custodianship Agreement" with BPI for the management and custodianship of a portion of the Company's investments subject to terms and conditions in the said agreements. For the services rendered, the Company pays BPI service fees equivalent to 0.175% of the market value of the investments. Total Service fees paid as of 1st Quarter 2008 amounted to P 702,076

### 15.4 Retirement Fund Investment Management

The Company has entered into a "Retirement Fund Investment Management Agreement" with BPI for the management of the investments of the Company's retirement funds subject to the terms and conditions in the said agreement.

## 16. Earnings Per Share

The earnings per share amounts are as follows:

	March 2008	March 2007
Net income available to common shareholders	P 110,145,150	P 173,703,049
Divided by the average number of outstanding common shares	545,488,650	1,470,954,800
	P .20	P .12

## 17. 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:

<ul style="list-style-type: none"> <li>Explanatory comments about the seasonality or cyclical nature of interim operations</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>Issuances, repurchases, and repayments of debt and equity securities</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>Dividends paid (aggregate or per share) separately for ordinary shares and other shares</li> </ul>	<ul style="list-style-type: none"> <li>The Board of Directors approved the declaration of P0.20/share cash dividend payable to stockholders of record as of April 10, 2008 (record date). Payment of said cash dividend shall be on May 6, 2008.</li> </ul>

<ul style="list-style-type: none"><li>• Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period</li></ul>	<ul style="list-style-type: none"><li>• Nothing to report</li></ul>
<ul style="list-style-type: none"><li>• 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</li></ul>	<ul style="list-style-type: none"><li>• Nothing to report.</li></ul>
<ul style="list-style-type: none"><li>• Changes in contingent liabilities or contingent assets since the last annual balance sheet date</li></ul>	<ul style="list-style-type: none"><li>• Nothing to report.</li></ul>
<ul style="list-style-type: none"><li>• Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.</li></ul>	<ul style="list-style-type: none"><li>• Nothing to report.</li></ul>

**AGING OF REINSURANCE BALANCES RECEIVABLE**

As of March 31, 2008

(In million pesos)

	<u>Total</u>	<u>Below 360 days</u>	<u>Over 360 days</u>
Due from Ceding Companies	1,721	1,148	573
Reinsurance recoverable on paid losses	262	12	250
Reinsurance recoverable un unpaid losses	1,046	1,046	-
Funds Held by Ceding companies	90	90	-
	<u>3,119</u>	<u>2,296</u>	<u>823</u>
Allowance for impairment*	<u>(107)</u>		
	<u><u>3,012</u></u>		

\*The Company's policy on provisioning for receivables of more than one year is by the specific identification method whereby each account is subjected to an impairment test.