

COVER SHEET

8 0 1 1 8

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 A

FORM TYPE

For the year ending December 31, 2008

0 6 2 2 09

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2008**
2. SEC Identification Number: **80118**
3. BIR Tax Identification No.: **000-480-869**
4. Exact name of issuer as specified in its charter:
National Reinsurance Corporation of the Philippines, doing business under the names and styles of Philippine National Reinsurance Company; PhilNaRe
5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)
Industry Classification Code:
7. **18th Floor, Philippine AXA Life Centre**
Sen. Gil Puyat Avenue corner Tindalo Street
Makati City, Philippines
Address of principal office
- 1200
Postal Code
8. **(632) 759-5801 to 06**
Issuer'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 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	2,181,954,600	Php2,181,954,600.00
TOTAL	2,181,945,600	Php2,181,954,600.00

11. Are any or all of these securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Common**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes ☒ [X]

No ☐ []

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

Yes ☒ [X]

No ☐ []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by
Non-Affiliates

Market Value per share
as of xx/xx/xx

Total Market Value

xxx

xxx

xxx

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **N/A**

Yes ☐ []

No ☐ []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

National Reinsurance Corporation of the Philippines (hereafter the "Company" or the "Corporation") was incorporated in 1978 pursuant to Presidential Decree No. 1270. The Company operates as a professional reinsurance corporation providing life and non-life reinsurance to the Philippines and to neighboring insurance markets. Since 2007, the Company has also been doing business under the names and styles of "Philippine National Reinsurance Company; PhilNaRe" in order to reinforce its image as the country's national reinsurer and its position as the only domestically-incorporated professional reinsurance company in the Philippines.

The primary mandate of PhilNaRe is to assist in the development of the Philippine insurance industry (a) by providing reinsurance capacity and support to Philippine insurance companies, (b) by serving as a medium for regional and international cooperation in insurance, and (c) by contributing towards higher retention of business within the country. The Company became a vehicle for the Philippine insurance industry's participation in the Asian Reinsurance Corporation ("Asian Re"), a multilateral reinsurance entity based in Bangkok, Thailand established to foster regional cooperation among insurance companies doing business in Asia.

Over a span of three decades, the Company developed into the largest domestic professional reinsurer in the Philippines. PhilNaRe became the country's sole domestic professional reinsurance company following its merger with Universal Malayan Reinsurance Corporation ("UMRe") on March 6, 2006. UMRe itself was the product of the 2004 merger between Universal Reinsurance Corporation ("URC") and Malayan Reinsurance Corporation ("MRC"). Prior to their 2004 merger, URC had been the country's second largest reinsurer and MRC had been ranked third. Presently, PhilNaRe has no subsidiaries.

The Company has not been a party to any bankruptcy, receivership or similar proceedings.

(2) Business of Issuer

Principal Products & Services

The Company writes both life and non-life reinsurance. Major business lines under the non-life segment include fire, marine & aviation, and casualty & others. Marine & aviation covers insurance on aircraft, marine vessels and marine cargo. The casualty & others line covers various business and personal insurance risks, the biggest of which are motor car and industrial all risk. Industrial all risk is a blanket policy that protects a business establishment from various perils such as fire, machinery breakdown and loss of property.

As of December 2008, casualty & others accounted for 50% of the Company's Gross Premiums Written ("GPW") and 27% of Net Premiums Written ("NPW"), fire accounted for 21% of GPW and 22% of NPW, marine & aviation accounted for 18% of GPW and 33% of NPW and life accounted for 11% of GPW and 18% of NPW.

The Company writes reinsurance largely for the domestic market. The portion of the Company's GPW accounted for by foreign insurance companies for the years 2006, 2007 and 2008 are 3%, 3% and 8%, respectively.

The Company offers reinsurance both on treaty and facultative arrangements or contracts. Typically, in treaty arrangements, reinsurance is offered to cover more than one policy or entire, precisely defined portfolios while facultative arrangements provide cover on a per policy basis.

Facultative reinsurance is individually written by the reinsurer. Each facultative reinsurance policy is negotiated separately, with the pricing and other terms established at the time the policy is underwritten. Under a facultative arrangement, the ceding company is under no obligation to reinsure any particular risk and the reinsurer to whom an offer is made is likewise under no obligation to accept any particular risk.

In a treaty, the ceding company purchases reinsurance to cover specified blocks of business it has underwritten. The ceding company and the reinsurer enter into a treaty contract which sets out the terms, conditions and limitations which govern the reinsurance arrangements. Both parties are automatically bound in advance with respect to any and all risks that fall within the scope of the contract such that the ceding company would be obliged to cede, and the reinsurer would be obliged to accept all business falling under the scope of the agreement. Reinsurance treaties specify the ceding company's binding limit, which is the maximum amount of risk that can be ceded automatically and that the reinsurer must accept. In contrast to facultative reinsurance, the reinsurer does not approve each individual risk under a treaty arrangement.

The Company competes with a number of large foreign reinsurers in its selected lines of business. These companies offer the lines of reinsurance that the Company also offers. The Company benefits to a certain extent from Presidential Decree No. 1270 ("PD 1270") which mandates all life and non-life insurance and reinsurance companies doing business in the Philippines to cede to the Company at least ten percent of their outward reinsurance placed with foreign reinsurers.

Risks

The occurrence of severe catastrophic events may have a material adverse effect on the financial results and conditions

The Company reinsures property, marine and casualty insurance with large aggregate exposures, corresponding to the possibility of loss due to natural and man-made disasters such as typhoons, floods, and earthquakes. The Company expects that the loss experience generally will include infrequent events of great severity. The risks associated with natural and man-made disasters are inherently unpredictable, and it is difficult to predict the timing of such events with statistical certainty or estimate the amount of loss any given occurrence will generate. However, such losses are considered manageable. The Company has procured an excess of loss protection to limit its risk exposure to ₱40 million per catastrophic event.

A significant amount of the Company's invested assets will be subject to changes in interest rates, exchange rates and market volatility.

A major portion of the Company's assets are invested in fixed income and equity securities. The Company has total investments of ₱6.4 billion, of which approximately 92% is invested in fixed income securities and 8% is invested in equities. The Company maintains a certain portion of its investments in securities denominated in U.S dollars.

The fair market value of these assets and the investment income from these assets will fluctuate depending on general economic and market conditions. Investments in fixed income securities may be adversely affected by fluctuations in interest rates. An increase in interest rates will decrease the value of the investments while a decrease in interest rates will increase the value of the investments. The investment results may also be adversely affected by changes in the business, financial condition or results of operations of the entities in which the Company invests. Since a substantial amount of the Company's invested assets are classified as securities available for sale, changes in the market value of these securities will be reflected in shareholder's equity.

The Company's Board of Directors has established investment guidelines which involve

diversifying the investment portfolio, limiting investments to instruments not exposed to significant risks, performing rigorous analysis of potential investments and establishing suitable benchmarks for targeted returns, among others. The Company currently invests only in instruments allowable under Section 200 of the Insurance Code and by related issuances of the Insurance Commissioner. The Board of Directors of the Company has established an Investment Committee to implement the Company's investment strategy in accordance with approved investment guidelines.

The Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses

As of end 2008, the Company retroceded ₱2.9 billion or 65% of its gross premiums written to retrocessionnaires. The Company retroceded part of the gross premiums in order to transfer the risk to the retrocessionaire. As certain loss events occur, the Company is obligated to pay the legal claims made by its customers. If the Company retroceded part of the premiums paid by its clients to retrocessionnaires, then the Company is entitled to recover commensurately the losses it paid to its clients from the latter. However, if the retrocessionaire is not able to pay the claims made by the Company, the latter will shoulder the losses it paid to its customers and this will impact negatively on the Company's financials. As of end 2008, reinsurance recoverable on paid losses amounted to ₱2.7 billion.

In choosing its retrocessionnaires, the Company takes into consideration a retrocessionaire's financial capacity, technical knowledge/expertise and industry reputation. The Company also considers the retrocessionaire's record of paying claims and adverse balances. The Company adheres to these guidelines to ensure that this risk is mitigated and/or avoided.

Item 2. Properties

The net property, plant and equipment of the Company as of December 31, 2008 amounted to ₱87 million, broken down as follows:

(in Philippine Pesos)	Cost	Accumulated Depreciation	Net book value
Condominium units	104,227,734	34,005,148	70,222,586
Office Improvements	14,284,102	11,009,512	3,274,590
Office furniture and equipment	9,524,897	8,822,876	702,021
Transportation Equipment	12,921,777	4,691,013	8,230,764
EDP Equipment	16,151,264	12,034,508	4,116,756

The Company's principal office is located at the 18th Floor, Philippine AXA Life Centre, Sen. Gil Puyat Avenue corner Tindalo Street, Makati City. The Company owns the office space containing approximately 993.13 square meters together with 7 parking slots.

The Company also maintains a Life and Corporate Services Center office at the 31st Floor, Ayala Life-FGU Center, 6811 Ayala Avenue, Makati City, containing approximately 824 square meters together with 8 parking slots. This property had been owned by UMR which, as earlier discussed, was merged into the Company on March 6, 2006. Pursuant to the merger, ownership of the Ayala Life-FGU office condominium was passed to the Company.

The Company also leases 143.4 square meters of office space located on the 19th Floor of Philippine AXA Life Centre for use of the Company's Accounting Department. The term of the lease is until March 31, 2011, with monthly lease payments of approximately P74,000.

The Company does not intend to acquire any major properties in the next twelve months.

There are no liens, mortgages or encumbrance over the aforementioned properties of the Company. There is likewise no limitation on the ownership or usage of the said properties, except a portion of the Ayala Life-FGU office space, which the Company currently leases to BPI/MS Insurance Corporation.

There is no litigation or claims of material importance known to the Company to be pending or threatened against the Company's properties.

Item 3. Legal Proceedings.

The Company is presently a party to the following litigation case:

Industrial Bank of Korea vs. DOMSAT

Civil Case No. 99-1853

Regional Trial Court, Makati City, Branch 135

This is a third-party complaint filed by the Government Service Insurance System (GSIS) against a group of reinsurers (collectively, the "reinsurers") including the Company. The third-party complaint stemmed from a complaint filed by the Industrial Bank of Korea, *et al.* against DOMSAT Holdings, Inc. ("DOMSAT") and GSIS to collect DOMSAT's debt in the amount of US\$11 million, plus interest, default interest, expenses as well as damages. The proceeds of the loan were used to finance DOMSAT's two-year lease and/or purchase of a Russian satellite. GSIS's liability is based on the surety bond it issued to guarantee the repayment by DOMSAT of its debt (the "surety bond"). GSIS filed a third-party complaint against the reinsurers pursuant to the terms of the bond reinsurance binder and the reinsurance treaty executed by them.

GSIS filed a Manifestation and Urgent Omnibus Motion dated March 25, 2008 (the "motion") which moved for the continuation of the main complaint between the lenders on the one hand, and DOMSAT as well as GSIS on the other (Industrial Bank of Korea, *et al.* vs. DOMSAT, *et al.*). GSIS further moved for the suspension of the proceedings in its third-party complaint against the reinsurers because the liability of the reinsurers is contingent on the liability of GSIS in the main complaint. The Company filed its manifestation dated April 14, 2008 informing the court that it has no objection to the motion of GSIS. GSIS further filed a Manifestation with Urgent Motion dated October 31, 2008 which moved for the deferment of third party proceedings. On October 29, 2008, the Company filed a manifestation stating no objection to GSIS's Manifestation and Urgent Motion dated October 13, 2008.

On December 22, 2008, the Company received an Order dated December 12, 2008, where the court suspended the proceedings against the Company and the third-party defendants until after the completion of the proceedings in the main complaint, since the third-party defendants' liability will be contingent on GSIS's liability in the main complaint. Thus, the third-party proceedings were deferred until the main complaint is concluded.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the stockholders during the fourth quarter of the fiscal year ending December 31, 2008.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

The common shares of the Company have been listed on the Philippine Stock Exchange since April 27, 2007. The high and low price for each quarter of the last two years are as follows:

	2007	2007	2008	2008
	High	Low	High	Low
1st Quarter	-	-	3.30	2.34
2nd Quarter	4.40	4.35	3.20	2.00
3rd Quarter	3.65	3.60	2.34	1.92
4th Quarter	3.35	3.20	1.96	1.20

The price information as of the latest practicable trading date, April 7, 2009, was P1.24 per share.

(2) Holders

Approximate Number of Holders as of 31 December 2008

There were approximately 224 common shareholders of the Company as of December 31, 2008. The Top 20 shareholders as of December 31, 2008, with their corresponding shares and percentage ownership of the Company, are as follows:

	Name of Record Owner	No. of Shares Held	Percentage
1	PCD Nominee Corporation (Filipino) (Non-Filipino)	1,415,748,400 93,567,600	65.55% 4.33%
2	Bank of the Philippine Islands	290,795,500	13.46%
3	FGU Insurance Corporation	36,126,000	1.67%
4	Ayala Life Assurance, Inc.	28,274,900	1.31%
5	Malayan Insurance Company, Inc.	23,088,100	1.07%
6	Rosario, Paul Gerard B. Del	23,021,000	1.07%
7	Seaboard-Eastern Insurance Company	18,068,500	.84%
8	Philippine Charter Insurance Corp.	15,305,900	.71%
9	First Nationwide Assurance Corp.	13,157,000	.61%
10	Malayan Zurich Insurance Co., Inc.	12,869,100	.60%
11	Tokio Marine Malayan Insurance Co. Inc.	12,522,000	.58%
12	Philippines First Insurance Co., Inc.	11,075,200	.51%
13	Philippine American Life Insurance Co.	8,628,600	.40%
14	Pa, Ana Go &/or Go Ki	7,500,000	.35%
15	Empire Insurance Company	7,498,900	.35%
16	Industrial Insurance Co., Inc.	6,184,900	.29%
17	Allied Bankers Insurance Corporation	5,428,700	.25%
18	Phil. International Life Insurance Co., Inc.	5,110,900	.24%
19	First Lepanto-Taisho Insurance Corporation	4,538,700	.21%
20	Fortune Life Insurance Company, Inc.	4,329,600	.20%

(3) Dividends

It is the Company's policy to declare dividends regularly with the pay-out determined by the Company's performance as well as by the availability of unappropriated retained earnings for distribution. On March 25, 2008, the Company declared cash dividends amounting to a total of P436,390,920. The payment of dividends by insurance companies is governed in the Philippines by Section 195 of the Insurance Code as well as by Section 43 of the Corporation Code, both of which establish the appropriate amount of retained earnings which may be paid out for dividend distribution. Beyond these inherent limitations, there are no known restrictions or impediments to the Company's ability to pay dividends on common equity or are there likely to be any in the future.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The following table sets out details of the shares sold by the Company from January 1, 2006 to December 31, 2008, which includes new issues, shares issued in exchange for property, services or other shares, and new shares resulting from the modification of outstanding shares.

Date	No. of Shares	Purchaser	Consideration	Exemption from registration
Sept. 15, 2006	5,885,583	Issued to shareholders of UMRe pursuant to merger	P251.18 per Share	The Merger was processed by the SEC's Corporate Registration and Monitoring Dept.
Jan. 15, 2007	1,471,219,325	Issued to shareholders after stock split	P1.00 per Share	Section 10.1(j) of the SRC

The Board of Directors of the Company and stockholders owning more than 2/3 of the Company's outstanding capital stock approved the Plan of Merger of the Company with Universal Malayan Reinsurance Corporation on October 4, 2005 and October 24, 2005, respectively. The Merger became effective upon approval by the Securities and Exchange Commission ("SEC") on March 6, 2006 (the "Effective Date"). Pursuant to the Plan of Merger, each common share of UMRe, issued and outstanding as of the Effective Date, shall be cancelled and converted into fully paid shares of the Company at a ratio of 1 share of the Company for every 6.80 common shares of UMRe. On September 15, 2006, the Company issued 5,885,583 common shares to shareholders of UMRe. The issuance of common shares pursuant to the Merger is an exempt transaction under Section 10.1(c) of the SRC because the Merger is considered an isolated transaction.

On December 22, 2006, the Company's stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock of the Company approved the resolution of the Board of Directors adopted on November 28, 2006, for the stock split or the decrease in the par value of the authorized capital stock from Thirty Million (30,000,000) shares with a par value of One Hundred Pesos (P100.00) per share to Three Billion (3,000,000,000) shares with a par value of One Peso (P1.00) per share. The SEC approved the stock split on January 15, 2007. This resulted in the pro rata distribution of 1,471,219,325 shares to the shareholders as of January 15, 2007. The stock split is an exempt transaction under Section 10.1(j) of the SRC because it is essentially an exchange of securities by the Company exclusively made with its existing stockholders and no commission was paid or given in connection with such stock split.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Review of 2008 versus 2007

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written

Gross premiums written in 2008 increased by P176.9 million, or 4.1%, to P4,493.5 million from P4,316.6 million in 2007. The growth in reinsurance premiums was largely due to acceptances in both marine treaty and facultative businesses, which increased by P109.5 million or 73.1% and P235.4 million or 81.3%, respectively. Reinsurance premiums from casualty lines and life business also grew by P212.7 million (10.4%) and P62.5 million (13.9%), respectively. Offsetting this growth was a decline in premiums from the fire business, which dropped by P443.1 million or 31.9% in 2008.

Net premiums retained

Despite relatively modest growth in gross premiums, net premiums in 2008 grew by 28.7% to P1,580.0 million from P1,227.4 million in 2007. Retention ratio thus increased from 28.4% in 2007 to 35.2% in 2008, reflecting the Company's efforts to retain more risk (and therefore more premiums) for its own account. The non-life business increased its retention ratio to 32.7% in 2008 from 25.2% in 2007 while the life business slightly decreased to 54.1% in 2008 from 56% in 2007.

Premiums earned

Premiums earned also increased by 32% to P1,551.3 million in 2008 from P1,175.3 in 2007, mainly due to the strong growth in premiums retained and a decrease in reserve for unexpired risk of P28.6 million arising from the use of the 24th method of recognizing reinsurance premiums.

Share in claims and losses

Share in claims and losses doubled in 2008 (P1,236.9 million in 2008 as against P609 million in 2007) due to higher incidence of fire and catastrophe-related (i.e., typhoon) marine losses. Claims incurred included large fire and marine losses including, among others, losses from Carlos Gothong Lines, Negros Navigation, Sulpicio Lines, Baclaran Terminal Plaza and Makati Supermarket. Loss ratio for 2008 was 79.7% as against 51.8% in 2007.

Commissions - net

Net commission increased by 120.9% to P387.2 million in 2008 as against P175.3 million in 2007. Commission ratio increased to 24.5% from 14.3% last year. The increase was attributable to the Company's higher overall retention, which resulted in lower commission income, and to higher commission expense on certain new life business.

Investment income and other income

Investment income and other income declined by 2.37% to P449.2 million in 2008 from P460.1 million in 2007. The decline was largely due to trading losses owing to the steep drop in the Philippine stock market. Higher interest rates also negatively affected the valuation of the Company's investment portfolio, which is concentrated largely in fixed income investments.

Interest Income increased by 10% to P375 million in 2008 from P341 million in 2007 due to a higher level of investible funds. In 2008, the Company's foreign exchange gain amounted to P115.3 million compared to a foreign exchange loss of P179.3 million in 2007. This cushioned the impact of a significant decline in trading income for 2008.

General and administrative expenses

General and administrative expenses increased by 45.9% to P211.7 million in 2008 from P145 million in 2007. This was mainly due to an increase in salaries and employee benefits of P33.8

million and a provision for impairment amounting to P32.8 million. The increase in personnel costs relate to the payment in 2008 of employee bonuses for 2007 performance. The provision for impairment reflects management's assessment as to the collectability of certain long-outstanding receivables. Without the impairment cost, the Company's overall expense ratio was flat at 11% for the years 2008 and 2007.

Provision for income tax

The income tax provision of P70.3 million for 2008 was 27.2% lower than the 2007 figure of P96.6 million due to the lower income before tax of P164.7 million in 2008 compared to P706 million in 2007.

Net Income

As a result of the aforementioned factors, net income in 2008 dropped by 84.5% to P94.4 million from P609.4 million in 2007.

Financial condition

Total resources increased by P753.9 million or 6.55% to P12,272 million in 2008 from P11,518 million in 2007. Material changes in the Company's resources which contributed to the increase are described below.

Reinsurance balances receivable increased by P1,444.6 million or 49.7% to P4,353.4 million in 2008 from P2,908.8 million in 2007 primarily due to an increase in reinsurance recoverable on losses. This represents the amount recoverable from the Company's retrocessionnaires as their share in the Company's claims and losses. The increase is consistent with the increase in the Company's losses in 2008 from its reinsurance operations.

Available-for-sale financial assets increased by P67 million or 1.3% to P5,284.6 million in 2008 from P5,217.5 million in 2007, reflecting additional investments in fixed income securities issued by the National Government.

Loans and receivables increased slightly by P1.7 million or .90% to P195.7 million in 2008 from P194 million in 2007 mainly due to an increase in accrued interest receivable.

Property and equipment, net of accumulated depreciation decreased by P4.8 million or 5.2% to P86.5 million in 2008 from P91.3 million in 2007, mainly due to recorded depreciation (P11.1 million) being higher than capital expenditure of P4.4 million in 2008.

Deferred acquisition costs declined by P6 million or 2.9% to P200.7 million in 2008 from P206.7 million in 2007, reflecting portions of deferred acquisition cost booked in 2007 that were charged to commission expense in 2008.

Deferred reinsurance premiums showed a decrease of 38.6% to P827.3 million in 2008 from P1,348.3 million in 2007. This account pertains to the portion of reinsurance premiums ceded out that relate to the unexpired periods of the policies as of December 31, 2008 and the decrease is consistent with the increase in the Company's retention, which resulted in lower level of outward cessions.

Deferred input value added tax decreased by P17.1 million or 21% to P64.5 million in 2008 from P81.6 million in 2007 largely because of the discontinuance of VAT on reinsurance premiums effective April 6, 2007 (BIR Revenue Regulation 4-2007).

Other assets decreased by 10.8% to P109.4 million in 2008 from P122.6 million in 2007. The decrease was mainly due to reclassification of accounts amounting to P26 million from deferred withholding VAT to deferred output value added tax.

Total liabilities increased by P1,481.3 million or 30.6% to P6,321.9 million in 2008 from P4,840.7 million in 2007. The increase in total liabilities is explained below:

Reinsurance balances payable increased by 76.2% or by P2,034.4 million to P4,705.6 million in 2008 from P2,671.2 million in 2007. The increase was largely due to additional provisions for claims in respect of the large losses that occurred during the year.

Accounts payable and accrued expenses increased by 6% or P2.6 million to P45.5 million in 2008 from P42.9 million in 2007. The increase was mainly due to increase in accruals of various expenses such as utilities, transportation, employee benefits and fringe benefit tax.

Reserve for unearned reinsurance premiums decreased by P492.4 million or 26.7% from P1,845.5 million in 2007 to P1,353.1 million in 2008. The decline represents the unearned portion of premium income recognized from policies in force as of December 31, 2007, which were deemed earned in 2008 under the 24th method.

Deferred reinsurance commission declined by P14.8 million or 12% from P123.1 million in 2007 to P108.3 million in 2007, reflecting the Company's lower level of commission income.

Deferred output value added continued to decline, decreasing by P46.9 million or 30% to P109.4 million in 2008 from P156.3 million in 2007 because of the non-VAT status of reinsurance premiums since April of 2007.

Deferred tax liabilities declined to zero in 2008 from P1.6 million in 2007 due to the Company's incurring a gross loss (for tax purposes) and utilization of net operating loss carryover (NOLCO) in 2008.

Total equity declined by P727.4 million mainly due to payment of P436 million in cash dividends, lower revaluation reserve due to the impact of mark-to-market adjustments in the Company's investment portfolio, and the reacquisition of 22,277,000 shares of stocks under the Company's stock repurchase program.

Material changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2008 versus 2007

4% increase in reinsurance premiums

Principally due to increase in volume of marine business both from treaty and facultative sources.

6% decrease in retroceded premiums

Due to increase in retention.

29% increase in net premiums retained

Due to higher retention rate, particularly for marine business.

45% decrease in reserve for unearned reinsurance premiums.

Primarily due to higher level of current relative to deferred reinsurance premiums.

107% increase in underwriting deductions

Due to higher volume of claims and losses during the year, particularly for marine and fire businesses.

119% decrease in net underwriting income

Due to increase in claims and losses for fire and marine business.

46% increase in general and administrative expenses
Principally due to increase in manpower related expenses and provision for impairment.

27% decrease in tax expense.
Principally due to lower taxable base arising from net underwriting loss.

85% decrease in net income.
Due to net underwriting loss and lower investment and other income.

Balance Sheet items - 2008 versus 2007

15% decrease in cash and cash equivalents
Mainly due to payment of cash dividends.

50% increase in reinsurance balances receivable
Largely due to increase in reinsurance recoverable on losses.

5% decrease in property and equipment, net
Due to lower capital expenditure during the year.

39% decrease in deferred reinsurance premiums
Principally due to lower level of retroceded premiums.

21% decrease in deferred input value added tax
Due to runoff on value added tax on reinsurance premiums.

11% decrease in other assets
Due to reclassification of accounts from deferred input to deferred output VAT.

76% increase in reinsurance balances payable
Largely due to increase in provision for claims pertaining to large losses.

6% increase in accounts payable and accrued expenses
Due to increase in accruals for various expenses (utilities, transportation, & manpower related expenses).

27% decrease in reserve for unearned reinsurance premiums
Due to lower level of deferred reinsurance premiums.

12% decrease in deferred reinsurance commissions
Due to lower commission income.

30% decrease in deferred output value-added tax
Due to payments of value added tax.

100% decrease in deferred income tax liabilities
Primarily due to utilization of NOLCO for 2008.

11% decrease in stockholders' equity
Primarily due payment of cash dividends and lower revaluation reserve.

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written

Reinsurance premiums (net of returns) in 2007 increased by P535.1 million, or 14.2%, to P4,316.6 million from P3,781.5 million in 2006. The increase in reinsurance premiums was mainly due to new facultative accounts as well as larger shares on treaties renewed during the year. Reinsurance premiums from fire rose by 18% to P1,387.2 million in 2007 from P1,175.3 million in 2006, while reinsurance premiums from casualty and other lines went up by 21.4% to P2,042.1 million in 2007 from P1,682.1 million in 2006. Reinsurance premiums from the life business increased by 16.6% to P448.2 million in 2007 from P384.4 million in 2006. These increases were offset by a decline in reinsurance premiums from marine and aviation lines, which went down by 18.6% to P439.2 million in 2007 from P539.7 million the previous year.

Net premiums retained

Net premiums retained in 2007 increased by P273.5 million or 28.7% to P1,227.4 million from P953.9 million in 2006. Overall retention ratio thus increased to 28% in 2007 compared to 25% in 2006. The life business increased its retention ratio to 56% in 2007 from 50% in 2006. The retention ratio of non-life business also went up to 25.2% in 2007 from 22.4% in 2006. Retention rate of marine and aviation lines rose to 55% in 2007 compared to 52% in 2006. Retention rate of the fire business went up to 25.5% in 2007 from 20.2% in 2006 and the casualty business from 18.7% in 2007 to 14.4% in 2006.

Premiums earned

Consistent with the growth in net premiums retained, premiums earned in 2007 increased by 26.6% to P1,175.3 million from P928 million in 2006. The increase in reserve for unexpired risk amounted to P52.1 million in 2007 compared to P25.9 million in 2006. This difference reflects both increased volume of business as well as timing of booking of reinsurance contracts.

Share in claims and losses

Share in claims and losses in 2007 increased by P54.5 million or 9.8% to P609 million from P554.6 million in 2006. However, loss ratio improved to 51.8% in 2007 from 59.8% in 2006. Non-life claims and losses increased 14.6% to P553.9 in 2007 while life claims and losses decreased 22.7% to P55.1 in 2007. The loss ratio on both fire and marine/aviation business went up to 47.3% and 96.5% in 2007 from 36.4% and 95% in 2006, respectively. Loss ratio of casualty and other lines dropped to 44.6% from 50.6% the previous year. Loss ratio of life business declined significantly to 21% from 45.9% because of better claims experience in 2007.

Commissions - net

Commission expense (net) in 2007 decreased by P11 million or 6% to P175.3 million from P186.4 million in 2006. Likewise, commission ratio declined to 14.30% in 2007 from 19.6% in 2006. The drop in commission expense was mainly due to adjustments made to commissions paid to certain cedants in prior years.

Investment income and other income

Investment income and other income in 2007 amounted to P460.1 million, up by P155.7 million or 51.1%, from P304.4 million in 2006. The increase was comprised of realized trading gains from equity and fixed income securities in the Company's investment portfolio (P253 million), dividend income (P17.2 million) and rental income (P1.2 million). The company also incurred a foreign currency translation loss of P179.3 million in 2007 compared to a loss P90.7 million in 2006.

General and administrative expenses

General and administrative expenses ("GAE") in 2007 dropped by P74.1 million or 33.82% to P145 million from P219.2 million in 2006, which included non-recurring expenses amounting to P100 million relating to the merger with UMRe. Non-recurring expenses in 2006 included the

following: provision for doubtful accounts (P58.0 million), alignment of retirement benefits (P36.0 million), professional fees (P3.0million), and documentary stamps (P3.0 million). Excluding the non-recurring expenses in 2006, expense ratio was flat at 12% in 2007.

Provision for income tax

Provision for income tax was up by P99 million consistent with the increase of income before tax.

Net Income

As a result of the above mentioned factors, net income for 2007 increased by P334.5 million, or 122%, to P609 million, compared to net income of P275 million for 2006.

Financial condition

Total resources increased by P2,401.4 million or 26.3% to P11,517.7 million in 2007 from P9,116.3 million in 2006. Material changes in the Company's resources which contributed to the increase are described below.

Reinsurance balances receivable decreased by P46.9 million or 1.6% to P2,908.8 million in 2007 from P2,955.7 million in 2006 due to collections made during the period. Due from ceding companies decreased from P2,072.9 million in 2006 to P1,630.8 million in 2007. However, funds held by ceding companies and reinsurance recoverable on losses increased to P87 million and P1,297.8 million in 2007 from P82.8 million and P906.8 million in 2006, respectively.

Deferred acquisition costs declined by P68.4 million or 24.9% to P206.7 million in 2007 from P275.1 million in 2006 due to lower commission expenses in 2007.

Investments increased by P1,772.1 million or 51.4% to P5,217.5 million in 2007 from P3,445.5 million in 2006. The increase resulted largely from the proceeds of the listing of the Company's shares on the PSE on April 27, 2007.

Loans and receivables increased by P39.1 million or 25.2% to P194 million in 2007 from P155 million in 2006 mainly due to increase in term loans (among the Company's investments) and accrued interest on available-for-sale ("AFS") investments.

Property and equipment-net increased by P1.3 million or 1.5% to P91.3 million in 2007 from P90 million in 2006 due to additional costs incurred in the renovation of an extension office intended for the Company's Accounting Department and new acquisition of various computers and peripherals.

Deferred reinsurance premium showed a decrease of 1.7% to P1,348.3 million in 2007 from P1,371.1 million in 2006 as portions of deferred reinsurance premiums at yearend 2006 were deemed earned under the 24th method of revenue recognition.

Deferred input value added tax decreased by P132.6 million or 61.9% to P81.6 million in 2007 from P214.2 million in 2006 largely because of the discontinuance of VAT on reinsurance premiums effective April 6, 2007 (BIR Revenue Regulation 4-2007).

Other assets went down by 9% or by P12.1 million to P122.6 million in 2007 from P134.8 million in 2006. The decrease was mainly due to disposal of a foreclosed property which was previously classified as other investment amounting to P12.1 million.

Total liabilities decreased by P444.7 million or 8% to P4,840.7 million in 2007 from P5,285.3 million in 2006. The decrease in total liabilities is explained below:

Reinsurance balances payable decreased by 6.73% or by P192.7 million to P2,671.1 million in 2007 from 2,863.9 million in 2006. The decrease was brought about by the settlement of

reinsurance premiums due to retrocessionaires (from P1,537.3 million in 2006 to P981.3 in 2007). However, funds held for retrocessionaires and claims payable increased from P55.7 million and P1,270.9 million in 2006 to P61.6 million and P1,628.3 million in 2007 respectively.

Reserve for unexpired risks increased by P29.2 million or 1.6% to ₱1,845.5 million from P1,816.3 million due to higher volume of business accepted for 2007 compared to previous year.

Deferred reinsurance commission decreased by P97.9 million or 44.3% from P221 million in 2006 to P123.1 million in 2007 due to the related decline in commission expense.

Deferred output value added tax decreased by P168.6 million or 51.9% to P156.3 million in 2007 from P324.9 million in 2006 because reinsurance premiums were no longer subject to VAT.

Accounts payable and accrued expenses decreased by 27.5% or P16.3 million to P42.9 million in 2007 from P59.2 million in 2006. The decrease was mainly due to payment of taxes and expenses.

Deferred Income tax liabilities of P1.6 million for 2007 pertains to increase in deferred tax on deferred acquisition cost, revaluation reserve on AFS investments and excess of reserve for unexpired risk per books over tax basis.

Total equity rose by P2.8 billion largely due to proceeds of the Company's initial public offering of 741,902,600 shares at a price of P3.80 per share on April 27, 2007. Capital stock net of treasury shares grew by 63.6% or P848 million and additional paid in capital expanded 137% from P1.3 billion to P3 billion. Revaluation reserve decreased by 53.6% due to realization of gains from some of the Company's fixed income and equity investments. Retained Earnings also increased by 54.1%, reflecting earning for 2007 net of a P0.07 per share cash dividend paid on August 6, 2007 amounting to P152.7 million.

Material changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2007 versus 2006

14% increase in reinsurance premiums

Principally due to increase in volume of business both from life and non-life business.

9% increase in retroceded premiums

Due to higher volume of business ceded during the year.

29% increase in net premiums retained

Due to higher retention rate for casualty, fire and life businesses.

101% increase in reserve for unexpired risk

Primarily due to increase in reinsurance premiums for casualty and fire businesses.

6% increase in underwriting deductions

Due to higher number of marine claims during the year.

109% increase in net underwriting income

Due to overall improvement in loss experience and lower commission expense.

73% increase in investment and other income

Principally due to higher interest income on investments and realized trading gains from equity and fixed income securities.

34% decrease in general and administrative expenses

Principally due to non-recurring expenses in 2006 (provision for doubtful accounts, retirement benefits, professional fees and documentary stamp tax) which did not occur in 2007.

122% increase in net income.

Due to higher underwriting income and increase in investment and other income.

Balance Sheet items - 2007 versus 2006

201.4% increase in cash and cash equivalents

Mainly due to proceeds of the Company's IPO on April 27, 2007.

24.9% decrease in deferred acquisition cost

Due to commissions booked in 2006 that were charged to commission expense in 2007.

51.4% increase in investments

Mainly due to proceeds of the Company's IPO which were invested in available-for-sale securities.

25.2% increase in loans and receivables

Due to increase in accrued investment income.

61.9% decrease in deferred input value added tax

Due to discontinuance of VAT on reinsurance premium which became effective April 6, 2007.

100% decrease in deferred tax assets

Due to prior years' minimum corporate income tax (MCIT) initially classified as deferred tax assets and subsequently claimed as deductions against taxable income and regular corporate income tax in 2007.

44.3% decrease in deferred reinsurance commissions

Due to commissions on retrocessions booked in 2006 that were charged to commission income in 2007.

51.9% decrease in deferred output value-added tax

Due to discontinuance of VAT on reinsurance premium which became effective April 6, 2007.

27.5% decrease in accounts payable and accrued expenses

Due to payment of taxes and other expenses.

100% increase in deferred income tax liabilities

Due to increase in deferred tax liabilities for the following: deferred acquisition cost, revaluation reserves on investments and excess of reserves for unexpired risk per books over tax basis.

74.3% increase in stockholders' equity

Largely due to issuance of 741,902,600 shares of stock on April 27, 2007 thru IPO.

Review of 2006 versus 2005

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written

Reinsurance premiums (net of returns) in 2006 increased by P1,191.7 million, or 46%, to P3,781.5 million from P2,589.8 million in 2005. The increase in reinsurance premiums was mainly due to increases in the fire and life businesses which more than doubled. Reinsurance premiums from fire rose by 111% to P1,175.3 million from P558 million in 2005, while reinsurance

premiums from casualty and other lines went up by 40% to ₱1,682 million from ₱1,202 million in 2005. Reinsurance premiums from the life business increased by 152% to ₱384 million from ₱153 million in 2005. These increases were partially offset by the decline in reinsurance premiums from marine and aviation which went down by 20% to ₱540 million from ₱677 million the previous year.

Net premiums retained

Net premiums retained in 2006 increased by ₱130 million or 16% to ₱954 million from ₱824 million in 2005. However, retention ratio dropped to 25% compared to 32% in 2005. The fire business experienced the highest drop in retention ratio, down to 20% from 36% in 2005. Retention ratio for casualty and others line also went down to 14% from 20% in 2005. The reason for the decline in retention ratios was the rapid growth in facultative business for which the average retention is lower compared to the treaty business.

Premiums Earned.

Premiums earned in 2006 increased by only 23% to ₱928 million from ₱756 million in 2005 mainly due to the decline in overall retention rate. Reserve for unexpired risk rose by ₱26 million in 2006 and by ₱68 million in 2005.

Share in claims and losses

Share in claims and losses in 2006 increased by ₱48 million or 9.6% to ₱555 million from ₱506 million in 2005. Claims and losses of the fire business registered a significant drop, down by 37% to ₱83.2 million from ₱132.0 million in 2005 due to overall improvement in loss experience. The loss ratio dropped to 59.8% from 67.0% in 2005. The loss ratio of the fire business went down to 36.4% compared to 63.4% in 2005. Marine and aviation business had the highest loss ratio of 95.0% due to a number of marine claims brought about by the typhoons which occurred in the country during the year.

Commissions - net

Commission expense (net) in 2006 increased by ₱12 million or 7% to ₱186 million from ₱175 million in 2005. Commission ratio declined to 19.60% in 2006 from 21.1% in 2005. The drop in commission expense was mainly due to lower commission expense on the non-life treaty business. The drop in commission expense was also attributable to the increase in commission income as the Company increased the amount of its retroceded business.

Investment income and other income

Investment income and other income in 2006 rose to ₱304 million, up by ₱195 million or by 179%, from ₱109 million in 2005. The increase in interest income by ₱100 million or by 66% to ₱253 million from ₱153 million in 2005 was due to an increase in investible funds and higher trading gains on fixed income securities. A higher capital base resulting from the rights offer made in May and June 2005 helped mitigate the impact of a declining interest rate scenario. Average yield in 2006 for fixed income instruments was approximately 9.2%. Weighing on investment income was the foreign currency loss of ₱91 million in 2006, 97% higher than the foreign exchange loss of ₱46 million recorded in 2005.

There was also a one-time booking of gain on acquisition of ₱51.3 million which added to other income. The gain was a result of the merger between UMRe and PhilNaRe.

General and Administrative Expenses

General and administrative expenses ("GAE") in 2006 increased to ₱219 million, up by 170%, from ₱81 million in 2005. The 2006 GAE included non-recurring expenses amounting to ₱100 million while the 2005 GAE included non-recurring expenses of ₱4.7 million. The breakdown of the non-recurring expenses in 2006 were: provision for doubtful accounts of ₱58.0 million, alignment of retirement benefits (₱36.0 million), professional fees (₱3.0 million), and documentary stamps (₱3.0 million). The non-recurring expenses in 2005 of ₱4.7 million were all merger related expenses (professional fees ₱2.8 million and documentary stamps ₱1.9 million).

Excluding the non-recurring expenses, total GAE would have increased to ₱119 million in 2006 from ₱76.3 million in 2005. The expense ratio in 2006 jumped to 23% compared to 10% the previous year. Excluding the non-recurring expenses, the expense ratio would have been at 12%.

Net Income

As a result of the above mentioned factors, net income for 2006 was up by ₱176 million, or 179%, to ₱275 million, compared to net income of ₱99 million for 2005.

Financial condition

Total resources increased by ₱4,658.2 million or 104.5% to ₱9,116.3 million from ₱4,458.1 million in 2005. Material changes in the Company's resources which contributed to the increase are described below.

Reinsurance balances receivable increased by ₱1,287.5 million or 77.2% to ₱2,955.7 million from ₱1,668.3 million in 2005. This was mainly because of increases in receivables from ceding companies due to the higher volume of business compared to the previous year. At year end 2006, the Company's total receivables from ceding companies amounted to ₱2,072.9 million.

Deferred acquisition costs went up by ₱141.8 million or 106.4% to ₱275.1 million from ₱133.3 million in 2005 due to higher volume of business compared to the previous year.

Investments increased by ₱1,651.6 million or 89.3% to ₱3,500.8 million from ₱1,849.2 million in 2005. The increase is largely accounted for by an increase in investments classified as available-for-sale securities which went up by ₱1,788.6 million or 108%. This was partly offset by a reduction of ₱188.3 million in held-to-maturity securities.

Loans and receivables increased by ₱111.7 million or 258.7% to ₱154.9 million from ₱43.2 million in 2005. The increase was due to change in the Company's investment mix.

Deferred reinsurance premium increased to ₱1,371.1 million from ₱543.5 million in 2005. The increase of ₱827.7 million or 152.3% is attributed to the higher volume of business accepted during the year.

Property and equipment – net increased by ₱40.8 million or 83% to ₱90 million from ₱49.2 million in 2005. This includes properties acquired thru the merger between NRCP and UMRc.

Deferred input value added tax went up to ₱214.2 million from ₱23.8 million in 2005. The increase was due to the imposition of value-added tax on reinsurance premiums which took effect in November 2005. The full year impact was felt in 2006 resulting in higher deferred input value added tax.

Other assets increased by ₱73.7 million or 1272.7% to ₱79.5 million from ₱5.8 million in 2005 due to an increase in deferred taxes on unpaid premiums.

Total liabilities increased by ₱2,957.9 million or 127% to ₱5,285.3 million from ₱2,327.5 million in 2005. This was mainly due to increase in deferred reinsurance commissions which went up to ₱221.0 million from ₱82.0 million the previous year and an increase of ₱288.2 million in deferred output value-added tax payable which went up to ₱324.9 million from ₱36.7 million in 2005. Increase in deferred reinsurance commissions was due to volume of business ceded while increase in deferred output value-added tax pertains to increase in deferred taxes on uncollected premiums.

Reinsurance balances payable increased by ₱1,531.2 million or 114.9% due to increases in claims payable to ceding companies and premiums payable to retrocessionaires.

Reserve for unexpired risks increased by P976.2 million or 116.2.0% to ₱1,816.3 million from P840.1 million due to the higher volume of business compared to the previous year.

Accounts payable and accrued expenses increased by P43.5 million or 276.8% to ₱59.2 million from P15.7 million largely due to increase in accruals of merger related expenses such as retirement and sick leave benefits.

Total equity stood at ₱3,831.0 million, an increase of 79.8% or P1,700.4 million from P2,130.6 million in 2005. The increase was due to net income of ₱274.9 million in 2006 and an increase of ₱201.5 million in revaluation reserves which went up due to unrealized gains from marking to market of securities at fair value. This was partly offset by the acquisition of treasury shares in the amount of ₱254.5 million representing PhilNaRe shares owned by UMRe.

Material Changes (increase/decrease of 5% or more) in the financial statements

Income Statement items - 2006 versus 2005

46% increase in reinsurance premiums

Principally due to increases in fire and life business which more than doubled.

60% increase in retroceded premiums

Due to higher volume of business ceded during the year.

16% increase in net premiums retained

Due to higher volume of business accepted during the year.

62% decrease in reserve for unexpired risk

Primarily due to decline in reinsurance premiums for marine and aviation.

9% increase in underwriting deductions.

Due to higher number of marine claims arising from typhoons which occurred during the year.

149% increase in net underwriting income

Due to overall improvement in loss experience.

179% increase in investment and other income

Principally due to higher interest income on investment including a onetime booking gain on acquisition as a result of the merger between UMRe and PhilNaRe.

170% increase in general and administrative expenses

Principally due to non-recurring expenses, specifically provision for doubtful accounts, retirement benefits, professional fees and documentary stamp tax.

179% increase in net income.

Due to higher underwriting income and increase in investment and other income.

Balance Sheet Items - 2006 versus 2005

215% increase in cash and cash equivalents

Mainly due to merger.

77% increase in reinsurance balances receivable-net

Largely due to increase in receivables from ceding companies arising out of the higher volume of business accepted during the year.

106% increase in deferred acquisition cost
Due to higher volume of business.

89% increase in investments
Due to increase in investments in available-for-sale securities and investment properties acquired thru merger.

259% increase in loans and receivables
Due to change in Company's investment mix.

83% increase in property and equipment, net
Due to merger with UMR.

152% increase in deferred reinsurance premiums
Due to higher volume of business.

801% increase in deferred input value added tax
Due to imposition of value added tax on reinsurance premiums which took effect in November 2005.

100% increase in deferred tax assets
Due to increase in provision for doubtful accounts.

1273% increase in other assets
Due to increase in deferred taxes on unpaid premiums.

115% increase in reinsurance balances payable
Due to increases in claims payable to ceding companies and premiums payable to retrocessionaires.

116% increase in reserve for unexpired risks
Due to higher volume of business.

169% increase in deferred reinsurance commissions
Due to higher volume of business ceded.

785% increase in deferred output value-added tax
Due to imposition of value added tax which became effective only in November 2005.

277% increase in accounts payable and accrued expenses
Due to increase in accruals of merger related expenses such as retirement benefits and sick leave benefits.

100% decrease in deferred income tax liabilities
Due to increase in deferred tax for provision for doubtful accounts.

80% increase in stockholders' equity
Due to net income derived from operations and increase in revaluation reserves.

Key Performance Indicators

	2008	2007	2006
Net Income	P 94 million	P 609 million	P275 million
Earnings per share	P .04	P .31	P .20
Retention ratio	35%	28%	25%
Combined ratio	118%	78%	92%
Return on average equity	1.5%	11.6%	9.2%

The company's key performance ratios for the last three years are described hereunder:

Net income (NI) - Net income for 2008 decreased by 84.5% to P94 million from P609 million in 2007. Net Income for 2007 was up by P334 million or 121% compared to net income of P275 million in 2006.

Earnings per share (EPS) - EPS is computed by dividing net income by weighted average number of shares issued and outstanding. The company's EPS was P0.04, P0.31 and P0.20 for the years ended December 31, 2008, 2007 and 2006, respectively.

Retention ratio - indicates the total amount of business risk retained by the company, computed by dividing reinsurance premiums retained by reinsurance premiums (Gross premiums written or GPW). Retention ratio for 2008 was at 35%, which is an increase from 28% in 2007 and 25% in 2006.

Combined ratio - a measure of performance used by the Company to measure profitability of its insurance operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means that it is paying out more in claims and expenses than it is receiving from premiums. Combined ratio is the sum of loss ratio, commission ratio and expense ratio. The combined ratio was at 118% in 2008, 78% in 2007 and 92% in 2006.

Return on average equity (ROE) - measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners, computed by dividing net income by average equity. ROE for the last three years was at 1.5%, 11.6% and 9.2% for 2008, 2007 and 2006 respectively.

Material Event/s and Uncertainties:

Other than the disclosures described in the preceding sections, the Company 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.

Item 7. Financial Statements

Please refer to the attached Audited Financial Statements for 2008, audited by the accounting firm of Punongbayan & Araullo, and signed by partner Mr. Leonardo D. Cuaresma, Jr.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Punongbayan & Araullo has served as the independent auditor of the Company's financial statements since 2003. The Company has not had any material disagreements on accounting or financial disclosure matters with Punongbayan & Araullo.

External Audit Fees

The following are the aggregate fees (in Philippine pesos) billed for each of the last three fiscal years for professional services rendered by Punongbayan & Araullo:

	2008	2007	2006
Audit and audit-related fees	852,663	526,096	448,517
Other assurance and related services	-	-	612,777
Tax fees	-	-	80,000
Total	852,663	526,096	1,141,294

The Audit Committee reviews the external auditor's engagement letter covering their scope of work and the reasonableness of the related professional fee. The Audit Committee recommends for approval of the Board the appointment of the external audit service provider for the subject audit year. The Board approves the appointment subject to ratification by the stockholders during the Company's annual stockholders meeting.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Directors, Including Independent Directors, and Executive Officers

The Corporation's Articles of Incorporation provide for an 11-seat Board of Directors. The following is the list of the members of the Board:

Name	Position	Age	Citizenship
Winston F. Garcia	Chairman	50	Filipino
Adelita A. Vergel De Dios	Vice Chairman	62	Filipino
Roberto B. Crisol	Director/President/Chief Executive Officer	57	Filipino
Alfonso L. Salcedo, Jr.	Director/Treasurer	53	Filipino
Yvonne S. Yuchengco	Director	55	Filipino
Noel M. Juan	Director	50	Filipino
Emilio S. De Quiros	Director	60	Filipino
Josefina L. Valera	Director	51	Filipino
Romeo L. Bernardo	Independent Director	54	Filipino
Rizalino S. Navarro	Independent Director	70	Filipino
Primitivo C. Cal	Independent Director	64	Filipino

The following is the list of the Corporation's key executive officers as of the date of this report:

Name	Position	Age	Citizenship
Roberto B. Crisol	President and Chief Executive Officer	57	Filipino
Armando S. Malabanan	Executive Vice President and Chief Operating Officer	59	Filipino
Raymundo T. Bautista	Senior Vice-President, Head of Life Division and Corporate Services Division	58	Filipino
John E. Huang	Senior Vice President, Chief Financial Officer	51	Filipino
Rodolfo M. Nayve	Senior Vice President, Head of Non-Life Division	56	Filipino
Noel A. Laman	Corporate Secretary	69	Filipino
Zenaida L. Salipsip	Assistant Corporate Secretary	67	Filipino
Ma. Pilar M. Pilares-Gutierrez	Assistant Corporate Secretary	32	Filipino
Buenaventura P. Duran	Vice President-Non-Life (Facultative)	53	Filipino
Augusto C. Cipriano	Vice President-Life Division	55	Filipino
Amerfil V. Basco	Vice President for Reinsurance Accounting	49	Filipino
Rene de Guzman	Vice President for Information Technology Services	46	Filipino

Regina S. Ramos	Vice President for Internal Audit	47	Filipino
Ma. Lourdes M. Santos	Vice President-Non-Life (Treaty)	53	Filipino
Vicente B. Villarama, Jr.	Vice President for General Accounting	51	Filipino
Marissa P. Aldeano	Vice President-Treasury and Investments	47	Filipino
Edgar B. Villasenor	Vice President-Corporate Services	56	Filipino
Roberto S. de Leon II	Vice President-Non-Life Marketing and Special Accounts Management	49	Filipino

Term of Office

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

Business experience of the Directors and Officers during the past five (5) years/ Other directorships held in reporting companies naming each company

Winston F. Garcia, Chairman of the Board, Director of the Corporation since June 2002.

Atty. Winton F. Garcia is President and General Manager of the Government Service Insurance System (GSIS), a position he has held since January 2001. He is also the Vice Chairman of the Board of Trustees of the GSIS; Chairman of GSIS Mutual Fund, Inc. since September 2002; Director of the Philippine Health Insurance Corporation since January 2001; Treasurer of the Philippine Social Security Association, Inc. since April 2006; Director of ASEAN Forum, Inc. since January 2001; Independent Director of San Miguel Corporation since February 2001; Director of Manila Electric Company, Inc. since February 2008; Director of the Philippine National Construction Corporation since February 2001. He is also a Member of the International Social Security Association, Federation of Afro-Asian Insurers and Reinsurers, and International Insurance Society, Inc. since January 2001. He graduated with an AB in Philosophy from the University of Santo Tomas Central Seminary in 1978 and Bachelor of Laws from the San Beda College of Law in 1982. He also holds an Associate in Arts degree from the Southwestern University, Cebu City.

Adelita A. Vergel De Dios, Vice-Chairman of the Board, Director of the Corporation since June 2002.

Ms. Adelita A. Vergel De Dios has also held the following positions for the past five years: Chairman of the Board of Malayan Insurance Co., Inc.; Member of the Board of Great Pacific Life Assurance Corporation. Past positions include directorships in Grepalife Fixed Income Fund; Grepalife Dollar Bond Fund; Pacific Plans, Inc.; President and Chief Operating Officer of Philippine Savings Bank; and Chairman of the Board of Philippine Charter Insurance Corporation. She served as the Insurance Commissioner from June 1987 to April 1995. She graduated with a Bachelor of Business Administration degree from the University of the East in 1964, and Bachelor of Laws from the University of the East in 1973.

Roberto B. Crisol, Director, President and Chief Executive Officer since January 2009.

Mr. Roberto B. Crisol served as Executive Vice President and COO of the Corporation from January 1, 2002 to January 31, 2007. Prior to this, he was the Deputy Regional Manager of MAPFRE RE Asian Regional Office in Manila from 1990. Mr. Crisol started his career in insurance in 1974 with the Insular Life-FGU Insurance Group as a management trainee. He subsequently joined Universal Reinsurance Corporation (URC) where he rose to the position of Vice President of the Non-Life Foreign Business & Retrocession Division. He earned his Bachelor of Arts degree major in Economics, *cum laude*, from the University of the Philippines. He has attended various

insurance, reinsurance and management courses locally as well as overseas in London, Paris and Stockholm.

Alfonso L. Salcedo, Jr., Director and Treasurer since June 2002. Mr. Salcedo is President of BPI Family Savings Bank as well as a Director of that bank since May 2004. He is also a Director of BPI/MS Insurance Corporation. He has served as President of Allstate Life Insurance (Phils.); Country Marketing Director of Citibank, N.A. (Manila); Marketing Manager of Nippon Vicks KK (Japan); and Richardson Vicks Philippines. He graduated with an AB degree in Economics from the Ateneo de Manila University in 1977. He also took the Advanced Management Program at the Harvard Business School in 2006.

Noel M. Juan, Director since July 2008. Mr. Noel M. Juan is Vice President of Underwriting and Claims of the GSIS, a position he has held since December 2007. He was formerly Vice President for Special Product Lines of PhilNaRe; Consultant for Bellwether Advisory, Inc.; Assistant Vice President (Head of Claims Division-All Lines) of Generali Pilipinas Insurance Co.; and Assistant Vice President (Assistant Head-Fire Underwriting Operations) of FGU Insurance Corporation. He is a licensed Mechanical Engineer and obtained his Bachelor of Science in Mechanical Engineering from the Mapua Institute of Technology.

Emilio S. De Quiros, Jr., Director since June 2006. He is currently a Director on the boards of ALFM Peso Bond Fund, ALFM Euro Bond Fund, ALFM Dollar Bond Fund and the Philippine Stock Index Fund. From April 2004 to December 2008, he was the President and Director of Ayala Life Assurance, Inc., and a Director of Ayala Plans, Inc., FGU Insurance Corporation, FEB Insurance Brokers, Inc., and BPI/MS Insurance Corporation. He was a member the Philippine Federation of Pre-Need Plan Companies and of the Philippine Life Insurance Association, serving as its President in 2007. He graduated with an AB degree in Economics from Ateneo de Naga in 1969 and an MA degree in Economics from the University of the Philippines in 1971.

Josefina L. Valera, Director since 2004. She is the Senior Vice President for the Housing and Insurance Group, GSIS. She has been with the GSIS for 31 years. As Senior Vice President for Housing and Insurance, she is in charge of non-life insurance operations, pre-need operations, and optional life insurance operations. Relative to housing, she manages the grant of housing loans to GSIS members and sale of retail acquired properties. She is a Certified Public Accountant with a Masters degree in Business Administration.

Yvonne S. Yuchengco, Director since June 2006. She is the President and Director of Malayan Insurance Company, Inc. since 1995, and MICO Equities, Inc. since 1995. She is currently the Chairman of the Board of RCBC Capital Corporation; Treasurer and Director of Pan Malayan Management & Investment Corporation and Honda Cars Kalookan; Senior Executive Vice President and Director of Great Pacific Life Assurance Corporation; Director of Pan Malayan Realty Corporation, Malayan Insurance (U.K.), Malayan Insurance (H.K.), Malayan International Insurance Corporation, Manila Memorial Park, Inc., La Funeraria Paz, Inc., Nippon Life Phils., Inc., Mapua Institute of Technology, La Funeraria Paz Sucat, Inc., iPeople, Inc., Seafront Resources Corporation, Malayan High School of Science, Inc., Yuchengco Museum, Inc., Bankers Assurance Corporation and Luisita Industrial Park Corporation; and Advisory Board Member of Rizal Commercial Banking Corporation. She graduated with an AB degree in Communication Arts from the Ateneo de Manila University in 1977.

Romeo L. Bernardo, Independent Director since June 2006. He is the President of Lazaro Bernardo Tiu & Associates, Inc.; Independent Director of Bank of the Philippine Islands and Ayala Life Assurance, Inc.; Chairman of the Board of ALFM Peso Bond Fund, Inc., ALFM Dollar Bond, Inc., and ALFM Euro Bond Fund, Inc.; Director of Globe Telecom, Inc., RFM Corporation, Philippine Investment Management, Inc., PSi Technologies, Inc., Philippine Institute for Development Studies, Ayala Plans, Inc., BPI Family Savings Bank, Inc., BPI Capital Corporation, BPI Direct Savings Bank, BPI Rental Corporation, and BPI Leasing Corporation; and Vice Chairman and Founding Fellow of the Foundation for Economic Freedom and Member of the

Board of Trustees of the UP School of Economics Alumni Association. He graduated with a BS degree in Business Economics from the University of the Philippines in 1974, and Masters in Development Economics from the Williams College, Massachusetts, U.S.A. in 1977.

Mr. Primitivo C. Cal, Independent Director since July, 2007. Mr. Primitivo Cal is a civil engineer and lawyer. He is a full professor at the School of Urban and Regional Planning (SURP), University of the Philippines. He recently completed his term as dean of SURP. He served as Undersecretary of the Department of Transportation and Communications from December 1993 to June 1998. He has held several scholarly positions in the past as Foreign Professor at the University of Tsukuba, Japan; Research assistant in the Department of Civil Engineering, University of Dundee in Scotland and in the Asian Institute of Technology in Bangkok, Thailand. He also served as a Board member of the Philippine National Railways from November 2001 to December 2004.

Mr. Rizalino S. Navarro, Independent Director since July, 2007. Mr. Rizalino S. Navarro is Senior Adviser and Director of Rizal Commercial Banking Corporation and Chairman of several companies including Clark Development Corporation, EEI Corporation, Bankard Corporation, Petroenergy Corporation, Seafront Resources Corporation, and Upline Food Corporation. He is also director of House of Investments, Great Pacific Life Assurance Corporation, Mapua Institute of Technology, Malayan Insurance Co., Bacnotan Consolidated Industries, Ionics and Nationwide Development Corporation.

Noel A. Laman, Corporate Secretary since June 2007. He is the Chairman of the Executive Committee and a Senior Partner of Castillo Laman Tan Pantaleon & San Jose Law Offices. He is the Corporate Secretary of DMCI Holdings, Inc. and DMCI Power Corporation. His other positions include: Chairman of the Board of Directors of Trans-Orient Overseas Contractors, Inc., Manpower Resources of Asia, Inc., and Sealanes Marine Services (each being a part of the DCL group of Companies); Regular Director and Corporate Secretary of GlaxoSmithKline Philippines Inc, Boehringer Ingelheim (Phils.), Inc., Solvay Pharma, Inc., Philippines, and Merck, Inc. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, the Philippine Bar Association, and as resource person of various foreign chambers of commerce.

Zenaida L. Salipsip, Assistant Corporate Secretary since June 2007. Ms. Zenaida L. Salipsip served as the Corporate Secretary of the Company from June 2002 to June 2007. She is a former Partner of Castillo Laman Tan Pantaleon San Jose Law Offices, and is currently a consultant for special projects with the same law firm. She holds the position of Corporate Secretary/Assistant Corporate Secretary in various other Philippine corporations. She graduated with a Bachelor of Science degree in Commerce, major in Economics, from the Far Eastern University in 1962 and a Bachelor of Laws from the Far Eastern University in 1967 as well as a Masters in National Security Administration from the National Defense College of the Philippines in 1984.

Ma. Pilar M. Pilares-Gutierrez, Assistant Corporate Secretary since December, 2002. She is presently a Senior Associate at Castillo Laman Tan Pantaleon San Jose Law Offices. She obtained her Bachelor of Science degree major in Legal Management from the Ateneo de Manila University in 1997 and her Bachelor of Laws Degree from the University of the Philippines, College of Law in 2001. She holds the position of Corporate Secretary/Assistant Corporate Secretary in various other Philippine corporations.

Raymundo T. Bautista, Jr., Senior Vice President, Head of Life and Corporate Services Division. He joined the Corporation in 1998 as Senior Manager, and has worked in various department including Life, Claims, Human Resources, Corporate Planning, Finance and Administration. Prior to joining the Company, he was a Vice President for Philippine Crop Insurance Corporation; Project Officer of the World Bank-funded Agricultural Loan Fund; and Vice Chairman of the Board of Pool of Livestock Insurers. He graduated with a degree in

Mathematics, Minor in Physics, from the Mapua Institute of Technology in 1971, and obtained a Masters degree in Business Administration from the Polytechnic University of the Philippines in 1980.

Armando S. Malabanan, Executive Vice President and Chief Operating Officer. He joined the Company on March 1, 2007. Prior to joining PhilNaRe, he was the General Manager and CEO of Asian Reinsurance Corporation and Chief Accountant of the Charter Insurance Company (now Philippine Charter Insurance Company). He earned his Masters in Management from Sasin GIBA-Chulalongkorn University, Bangkok, and his Bachelor of Science in Business Administration from the Mapua Institute of Technology in 1969. Mr. Malabanan is a Certified Public Accountant.

John E. Huang, Senior Vice President, Chief Financial Officer. He joined UMRe in 2004 as its Chief Finance Officer. Prior to joining UMRe, he held the positions of Chief Financial Officer of C&P Homes, Inc., Senior Vice President of Urban Bank, and Vice President of First National Bank of Boston. He graduated with a degree in AB Economics, *magna cum laude*, from the Ateneo de Manila University in 1978, and obtained his Masters degree in Business Administration from the Harvard Business School in 1982.

Rodolfo M. Nayve, Senior Vice President, Head of Non-Life Division. He joined URC in 1974 and was Vice President and Head of the Non-Life Division of UMRe before the merger with the Company. He graduated with a Bachelor of Science Degree in Business Administration from the Philippine School of Business Administration in 1974. He has also attended the Advanced Insurance Management Course at the Asian Institute of Management.

Augusto C. Cipriano, Vice President, Life Division. He joined URC in 1981 and became Vice President and Head of that company's Life Division in 1997. He completed a degree in AB Economics at the Ateneo de Manila University in 1973. He is also an instructor/lecturer at the Insurance Institute for Asia & the Pacific ("IIAP").

Buenaventura P. Duran, Vice President-Non-Life (Facultative). Prior to joining the Company Mr. Duran was the Reinsurance Manager of Philippine First Insurance from 1986 to 1996. He obtained his Bachelor of Science in Business Administration, major in Accounting from the University of the East in 1978.

Amerfil V. Basco, Vice President for Reinsurance Accounting. Ms. Basco has served in various capacities in the Corporation for over 17 years. She is a Certified Public Accountant and obtained her Bachelor of Science in Commerce, Major in Accounting from the Far Eastern University in 1982.

Regina S. Ramos, Vice President for Internal Audit. Prior to joining the Corporation in 2000, Ms. Ramos worked with Development Insurance and Surety Corporation and SGV & Co. She is a Certified Public Accountant as well as a Certified Internal Auditor. She obtained her Bachelor of Science in Commerce, major in Accounting from St. Paul College, Manila in 1982.

Ma. Lourdes M. Santos, Vice President-Non-Life (Treaty). Ms. Santos has been with the Corporation since 1994. She was previously employed with the Rizal Empire Insurance Co., and the Cologne Reinsurance Company (Manila Representative Office). She obtained her Bachelor of Commercial Science degree from Jose Rizal University in 1976.

Vicente B. Villarama, Jr., Vice President for General Accounting. Mr. Villarama has been with the Corporation since 1983. He was the Manager for the General Accounting Department since 2000. He is a Certified Public Accountant and obtained his Bachelor of Science in Commerce, major in Accounting from the Baliuag University in 1982.

Marissa P. Aldeano, Vice President for Treasury and Investments. Ms. Aldeano joined URC in 1982 and was head of UMRe's General Accounting Department prior to the merger with the Company. She is a Certified Public Accountant and obtained her Bachelor of Science in Commerce, major in Accounting from the University of Santo Tomas.

Edgar B. Villasenor, Vice President for Corporate Services. Mr. Villasenor served in various capacities with URC and UMRe and was head of the latter's MIS Department prior to the merger with the Company. He graduated with a Bachelor of Arts degree, Major in Political Science from Far Eastern University in 1973.

Roberto S. De Leon II, Vice President for Non-Life Marketing and Special Accounts Management, Mr. De Leon joined FGU Insurance Corporation as a Management Trainee in 1982 before joining URC in 1989 as Assistant Manager, handling marketing and underwriting for both treaty and facultative accounts. He graduated from the De La Salle University with a Bachelor of Science degree in Commerce, major in Marketing, in 1982.

Rene De Guzman, Vice President for Information Technology Services. Mr. De Guzman joined PhilNaRe in March 2009. Prior to joining the Company, he was a lecturer for the Masters in Management Program of the University of the Philippines Extension Program in Clark and Subic. He was Information Technology Manager at Janssen Pharmaceutica, a division of Johnson & Johnson Phils., Inc. from 1994 to 2008. He obtained his Master's Degree in Business Administration in 2007 and Master's Degree in Information Management in 2004, both from the Ateneo de Manila University. He graduated with a degree Bachelor of Science in Industrial Engineering from the University of the Philippines in 1984.

(2) Significant Employees

Although the Corporation has and will likely continue to rely significantly on the continued individual and collective contributions of its senior management team, the Corporation is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete with the Company upon termination.

(3) Family Relationships

None of the Corporation's directors or executive officers is related to each other up to the fourth civil degree either by consanguinity or affinity.

(4) Involvement in Certain Legal Proceedings

To the best of the Corporation's knowledge, there has been no occurrence during the past 5 years up to the present date of this report of any of the following events that are material to an evaluation of the ability and integrity of any director, any nominee for election as director, executive officer, or controlling person of the Corporation:

- Any bankruptcy petition filed by or against any business of which the person was a general partner or executive officer, either at the time of the bankruptcy or within 2 years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, traffic violations and other minor offenses;

- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

ANNUAL COMPENSATION IN PHP

Name	Year	Salary	Bonus	Other annual compensation	Total
CEO and key executive officers named	2007	14,437,672	3,987,479	873,321	19,298,472
All other officers and directors as a group unnamed		15,653,130	5,378,406	2,957,210	23,988,746
CEO and key executive officers named	2008	16,139,707	5,299,799	2,237,510	23,677,016
All other officers and directors as a group unnamed		18,076,174	14,196,318	5,693,227	37,965,719
CEO and key executive officers named	2009 (Estimates)	18,239,400	3,039,900	843,467	22,122,767
All other officers and directors as a group unnamed		16,476,188	2,746,031	5,568,349	24,790,568

Officers and directors named for 2008 include the following:

1. Wilfrido C. Bantayan, President and CEO (Retired 12/31/08)
2. Armando Malabanan, Executive Vice President and COO;
3. John E. Huang, Senior Vice President and CFO;
4. Rodolfo M. Nayve, Senior Vice President; and
5. Raymundo T. Bautista, Senior Vice President.

The Corporation's By-Laws (Article III, Section 8) provide that such per diem as the Board of Directors may approve shall be paid to each director for attendance at any meeting of the Board; provided however, that nothing herein contained shall be construed to preclude any director from receiving such bonuses, other than per diems, as provided elsewhere in the Corporation's Amended By-Laws, or from serving in any other capacity and receiving compensation therefrom, subject to approval thereof by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In this connection, Section 30 of the Corporation Code of the Philippines states that "in no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income after tax of the corporation during the preceding year."

Each director of the Corporation receives a per diem based on the following schedule for attendance in meetings of the Board of Directors/ Committees:

A. Board Meetings	
Chairman	₱ 50,000
Vice-Chairperson	45,000
Director/Treasurer	37,500
Independent Directors	20,000
Regular Directors	17,000

B. Committees' Meetings	
Independent Directors	₱ 6,000
Regular Directors	5,000

Aside from the above, no other resolution relating to director's remuneration has been adopted by the Board of Directors.

Among the executive officers of the Corporation, the President and Chief Executive Officer, Mr. Roberto B. Crisol, and the current Executive Vice President and Chief Operating Officer, Mr. Armando S. Malabanan have employment contracts. The contract with Mr. Crisol has a term of three years, which will expire on December 31, 2011. The contract with Mr. Malabanan has a term of five years, which will expire in February 2012.

As of date, none of the Corporation's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Corporation.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2008, the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Filipino	290,795,500	13.46%
Common	PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	Government Service Insurance System ² , New GSIS Headquarters, Financial Center, Pasay City	Filipino	523,628,200	24.25%
Common	MICO Equities Inc., Yuchengco Bldg., 484 Quintin Paredes Street Manila	MICO Equities Inc., Yuchengco Bldg., 484 Quintin Paredes Street Manila	Filipino	260,448,000	12.06%

^{1,2}The PCD is not related to the Company. The 523,628,200 shares beneficially owned by GSIS form part of the 1,415,748,400 shares registered in the name of PCD Nominee Corporation (Filipino).

(2) Security Ownership of Management

The following table sets forth as of Dec. 31, 2008, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Winston F. Garcia	442,300 Record	Filipino	0.020480%
Common	GSIS (assigned to Winston F. Garcia as nominee director)	100 Beneficial	Filipino	.000005%

Common	Adelita Vergel de Dios	171,500 Record	Filipino	0.007941%
Common	Alfonso Salcedo	1,316,000 Record	Filipino	0.060935%
Common	FGU Insurance Corporation (assigned to Alfonso L. Salcedo, Jr. as nominee director)	100 Beneficial	Filipino	.000005%
Common	Yvonne Yuchengco	26,000 Record	Filipino	0.001204%
Common	Malayan Insurance Company, Inc. (assigned to Yvonne S. Yuchengco as nominee director)	100 Beneficial	Filipino	.000005%
Common	Noel M. Juan	2000 Record	Filipino	.000093%
Common	Emilio S. De Quiros	282,749 Record	Filipino	.013092%
Common	Bank of Philippine Islands (assigned to Emilio S. de Quiros as nominee director)	100 Beneficial	Filipino	.000005%
Common	GSIS (assigned to Josefina L. Valera as nominee director)	100 Beneficial	Filipino	.000005%
Common	Romeo L. Bernardo	100 Record	Filipino	.000005%
Common	Primitivo C. Cal	100 Record	Filipino	.000005%
Common	Rizalino S. Navarro	710,000 Record	Filipino	.032875%
	TOTAL FOR DIRECTORS	2,951,249		.136652%
Common	Armando Malabanan	600,000 Record	Filipino	0.027782%
Common	Raymundo T. Bautista	106,500 Record	Filipino	0.004931%
Common	Rodolfo Nayve	53,000 Record	Filipino	0.002454%
Common	Buenaventura P. Duran	146,000 Record	Filipino	0.006760%
Common	Amerfil V. Basco	31,800 Record	Filipino	0.001472%
Common	Edgar Villasenor	50,000 Record	Filipino	0.002315%
Common	Vicente B. Villarama, Jr.	12,800 Record	Filipino	0.000593%
	TOTAL FOR OTHER OFFICERS	1,000,100		0.046308%
	GRAND TOTAL	3,951,349		.182960%

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.

Changes in Control

From January 1, 2009 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement which may result in a change in control of it.

Item 12. Certain Relationships and Related Transactions

The following table presents premiums written (inward) and ceded (outward) between the Corporation, its Principal Shareholders and companies represented by other members of the Board of Directors for 2007 and 2008:

SHAREHOLDER/ DIRECTOR CORPORATION	2007				2008			
In Million PHP	Inward	Outward	Receivable	Payable	Inward	Outward	Receivable	Payable
GSIS	1,689.3	13.50	277.5	(11.8)	1,296.5	(7.90)	539.4	(36.5)
Ayala Life Assurance, Inc.	.4	1.60	2.1	1.0	48.8	3.10	(3.8)	(.8)
BPI/MS Insurance Corporation	130.0		59.9	(7.4)	161.2.		48.0	(7.4)
FGU Insurance Corporation	-	-	.04	.30	-	-	.04	.30
Total BPI Group	130.4	1.60	62.04	(6.10)	210.0	3.10	44.24	(7.9)
First Nationwide Assurance Corp.	-	-	(1.60)	.10	-	-		-
Great Pacific Life Assurance Corp.	13.90	.30	3.8	(2.10)	14.10	.80	3.9	(.50)
Malayan Insurance Company, Inc.	38.40	149.50	14.30	5.40	228.90	71.80	33.4	9.0
Malayan Zurich Insurance Company, Inc.	-	-	(.10)	.03	-	-	(.12)	.03
MICO Equities Inc.	-	-	-	-	-	-	-	-
Pan Malayan Management & Investment Corporation	-	-	-	-	-	-	-	-
Tokio Marine Malayan Insurance Corporation	15.6	1.10	.70	.70	19.9	-	2.1	(.09)
Total Malayan Group	67.90	150.90	17.10	4.13	262.90	72.60	39.28	8.44
Sterling Insurance Company, Inc.	3.50	5.50	15.40	47.80	-	-	-	-

In addition, the Corporation has entered into the following agreements with the Bank of Philippine Islands:

1. *Custodianship Agreement:* On December 14, 2006, the Corporation entered into a Custodianship Agreement with BPI for purposes of opening and maintaining a custodianship account with BPI over securities pertaining to the Corporation. BPI acts as a depositary of such securities. For services rendered, BPI is entitled to the custodianship fees based on the net asset value of the fund. The Agreement shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

2. *Investment Management Agreement.* On December 14, 2006, the Corporation entered into an Investment Management Agreement with BPI for purposes of appointing BPI as Investment Manager and to invest and reinvest the funds deposited in an investment management account with BPI. As compensation for services, BPI shall be entitled to collect such reasonable compensation to be paid out of the fund. The Agreement shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

3. *Retirement Fund Investment Management Agreement.* On July 26, 1985, the Board of Trustees of the National Reinsurance Corporation Employees Retirement Plan entered into an Investment Management Agreement with BPI for purposes of appointing BPI as Investment Manager and to invest and reinvest the funds deposited in an investment management account with BPI. As compensation for services, BPI shall be entitled to collect such reasonable compensation to be paid out of the fund. The Agreement shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

There are no other parties, aside from the related parties discussed herein, with whom the Corporation has a relationship that enables the parties to negotiate terms of material transactions that may not be available to other more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company is committed to the principles and practices of good corporate governance. The Company's Corporate Governance Manual was filed with the Insurance Commission and the Securities and Exchange Commission and has been in effect since January 1, 2003. Furthermore, the Company's Amended By-Laws provides for Board committees directly involved in issues of good corporate governance.

The Audit Committee of the Board of Directors is composed of three independent directors and its responsibilities include, among other things, monitoring the system of internal controls and corporate compliance with laws, regulations and code of ethics.

The Nomination and Compensation Committee of the Board of Directors is composed of three directors at least one of whom must be an independent director. The Committee reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other position requiring appointment by the Board. Relative to compensation, the Committee provides a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors. It also provides oversight for over remuneration of senior management and other key personnel.

In order to measure or determine the level of compliance of the Board of Directors and management with the Company's Manual of Corporate Governance, the Company has appointed a Compliance Officer, who is responsible on a continuing basis for monitoring compliance with the provisions of the Company's Manual of Corporate Governance. The Compliance Officer likewise accomplishes Self Assessment Questionnaire-General Disclosure on Corporate Governance Practices for Insurance Companies, Professional Reinsurers and Intermediaries. The report, which is reviewed by the Board of Directors, is a requirement of the Insurance Commission ("IC") and is submitted to the IC on a semi-annual basis.

The Company continues to improve corporate governance practice through continuous training of directors, officers and employees. Furthermore, a Risk Management Committee has been established by the Board of Directors of PhilNaRe to assist the Board in the development and oversight of the company's risk management program.

The Risk Management Committee likewise assists the Board:

- to oversee that risk management is an integral part of the planning and operations of PhilNaRe in order to meet corporate goals and objectives
- to ensure that a proper risk assessment is carried out at least annually and that risks are being managed and monitored effectively
- to fulfill the corporate governance requirements and help ensure that corporate and shareholders' values are preserved and enhanced.
- to ensure that risk management is communicated across PhilNaRe and understood by all employees.

There has been no deviation from the Company's Manual of Corporate Governance. The Company's Board of directors and management recognize that a good corporate governance system is integral to the mandate bestowed upon them by the Company's stockholders.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

(a) Exhibits – See accompanying Index of Exhibits

(b) Reports on SEC Form 17-C

Items reported under SEC Form 17C during the last six months include the following:

- December 11, 2008 re: disclosure on the expiration of the contract of Mr. Wilfrido C. Bantayan, current President & CEO, and his resignation as Director of the Corporation effective December 31, 2008.
- December 11, 2008 re: additional disclosure that the Company's Board of Directors has approved the nomination and election of Mr. Roberto B. Crisol as Director and President & CEO of the Corporation effective January 1, 2009.
- December 17, 2008 re: response to SEC letter dated November 25, 2008 advising the Company of certain findings pertaining to its Audited Financial Statements for the year ending December 31, 2007 and requiring the Company to submit its explanation thereon.

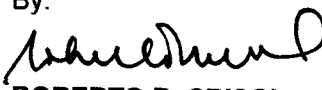
- January 22, 2009 re: disclosure on the attendance in Board meetings of each director for the year 2008, pursuant to Section 16, SEC Memorandum Circular No. 3, series of 2007.
- February 17, 2009 re: disclosure of the Company's Annual Stockholders' Meeting to be held on June 22, 2009.

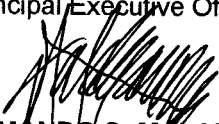
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 14, 2009.

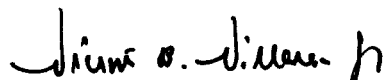
NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES Issuer

By:


ROBERTO B. CRISOL
Principal Executive Officer (CEO)


ARMANDO S. MALABANAN
Principal Operating Officer (EVP/COO)


JOHN E. HUANG
Principal Financial Officer (CFO)


VICENTE B. VILLARAMA, JR.
Principal Accounting Officer


PILAR M. PILARES-GUTIERREZ
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14th day of April 2009 affiant(s) exhibiting to me their Residence Certificates, as follows:

<u>NAMES</u>	<u>RES. CERT. NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Roberto B. Crisol	12340011	Jan. 07, 2009	Makati City
Armando S. Malabanan	19219282	Feb. 12, 2009	Makati City
John E. Huang	03006122	Jan. 08, 2009	Pasig City
Vicente B. Villarama	15123339	Mar. 16, 2009	San Jose Del Monte Bulacan
Pilar M. Pilares-Gutierrez	27202631	Jan. 29, 2009	Makati City


ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2009

Doc. No.: 488;
Page No.: 99;
Book No.: 143;
Series of 2009.

PTR O.R. No. 7208240 - Mla. 01/05/09
IBP O.R. No. 740913 - Mla. 12/24/08
TIN 212-965-989
Roll No. 28757

EXHIBIT TABLE

SECURITIES REGULATION CODE FORMS

	Description	17-A
3	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a.
5	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
8	Voting Trust Agreement	n.a.
10	2008 Financial Statements and Independent Auditors' Report (with notarized Statement of Management Responsibility and SEC Supplementary Schedules)	Attached
13	Letter re: Change in Certifying Accountant	n.a.
15	Letter re: Change in Accounting Principles	n.a.
16	Report Furnished to Security Holders	n.a.
18	Subsidiaries of the Registrant	n.a.
19	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
20	Consents of Experts and Independent Counsel	n.a.
21	(a) Power of Attorney (b) Power of Attorney—Foreign Registrant	n.a.
29	Additional Exhibits	n.a.

n. a. Not applicable or require no answer.

**PhilNaRe****NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**18TH FLOOR, PHILIPPINE AXA LIFE CENTRE, SEN. GIL PUYAT AVENUE CORNER TINDALO STREET, MAKATI CITY, PHILIPPINES
TELS (632) 759-5801 TO 06 * FAX (632) 759-5801 * WEBSITE: www.nrcp.com.ph * E MAIL : nrcp@nrcp.com.ph**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **National Reinsurance Corporation of the Philippines** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2008, 2007 and 2006. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

WINSTON F. GARCIA
Chairman of the Board

ROBERTO B. CRISOL
President & Chief Executive Officer

ALFONSO L. SALCEDO, JR.
Treasurer

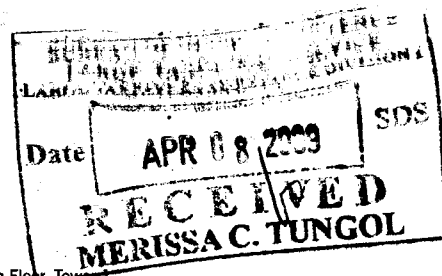
SUBSCRIBED AND SWORN TO before me this **APR 01 2009** day of **2009** at the City of Makati.
Affiants exhibited to me their Community Tax Certificate Nos.:

Name	Com. Tax Cert. No.	Date	Place of Issue
Winston F. Garcia	090-623-51	January 14, 2009	Cebu City
Roberto B. Crisol	123-400-11	January 07, 2009	Makati City
Alfonso L. Salcedo, Jr.	072-553-21	January 21, 2009	Muntinlupa City

Doc. No. 290
Page No. 58
Book No. XI
Series of 2009

ATTY. ARNEL D. NAIDAS
NOTARY PUBLIC
UNTIL DEC. 7, 2010
PTOR.C.R.NO. 1828315 MAKATI 2/5/09
IPB C.R. NO. 783789 ILDOCS NORTE 2/19/09
ROLL NO. 32979

Report of Independent Auditors



20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
18th Floor, Philippine AXA Life Center
Sen. Gil J. Puyat Avenue corner Tindalo Street
Makati City

We have audited the accompanying financial statements of National Reinsurance Corporation of the Philippines, which comprise the balance sheets as at December 31, 2008 and 2007, and the income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended December 31, 2008, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

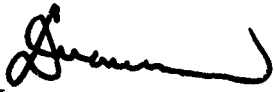
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Reinsurance Corporation of the Philippines as of December 31, 2008 and 2007, and of its financial performance and its cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO


By: **Leonardo D. Cuaresma, Jr.**
Partner

CPA Reg. No. 0058647

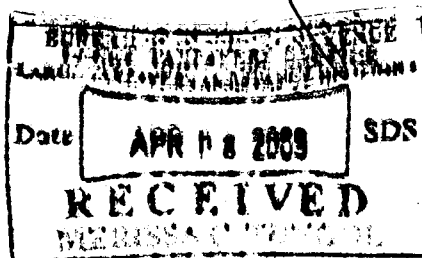
TIN No. 109-227-862

PTR No. 1566064, January 5, 2009, Makati City

SEC Accreditation No. 0007-AR-2

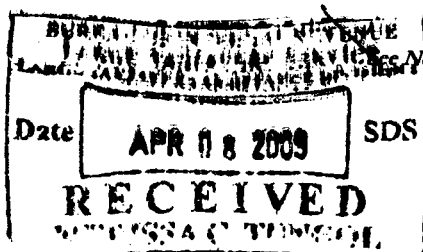
BIR AN 08-002511-7-2008 (Nov. 25, 2008 to 2011)

March 31, 2009



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<u>A S S E T S</u>			
CASH AND CASH EQUIVALENTS	4	P 1,149,558,287	P 1,346,912,651
REINSURANCE BALANCES RECEIVABLE - Net	5	4,353,404,620	2,908,836,020
AVAILABLE-FOR-SALE FINANCIAL ASSETS	6	5,284,585,889	5,217,539,378
LOANS AND RECEIVABLES	7	195,738,148	193,990,002
PROPERTY AND EQUIPMENT - Net	8	86,546,717	91,328,046
DEFERRED ACQUISITION COSTS		200,656,735	206,688,943
DEFERRED REINSURANCE PREMIUMS	9	827,251,651	1,348,262,605
DEFERRED INPUT VALUE-ADDED TAX		64,455,903	81,554,300
OTHER ASSETS	10	<u>109,444,086</u>	<u>122,623,373</u>
TOTAL ASSETS		<u>P 12,271,642,036</u>	<u>P 11,517,735,318</u>
<u>LIABILITIES AND EQUITY</u>			
REINSURANCE BALANCES PAYABLE	5	P 4,705,635,537	P 2,671,190,453
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	45,463,886	42,890,121
RESERVE FOR UNEARNED REINSURANCE PREMIUMS	9	1,353,110,258	1,845,503,599
DEFERRED REINSURANCE COMMISSIONS		108,339,395	123,145,081
DEFERRED OUTPUT VALUE-ADDED TAX		109,378,539	156,326,449
DEFERRED TAX LIABILITIES - Net	16	<u>-</u>	<u>1,610,803</u>
		6,321,927,615	4,840,666,506
EQUITY	17	<u>5,949,714,421</u>	<u>6,677,068,812</u>
TOTAL LIABILITIES AND EQUITY		<u>P 12,271,642,036</u>	<u>P 11,517,735,318</u>

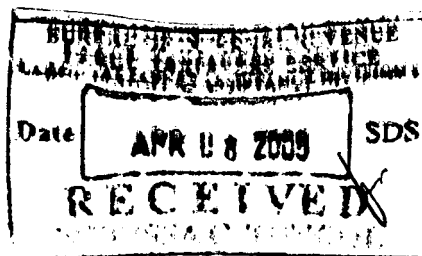


Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes	2008	2007	2006
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	18	P 4,493,504,395	P 4,316,582,453	P 3,781,503,835
Retroceded premiums	18	<u>2,913,546,920</u>	<u>3,089,227,573</u>	<u>2,827,628,316</u>
Reinsurance premiums retained		1,579,957,475	1,227,354,880	953,875,519
Increase in reserve for unearned reinsurance premiums	9	(<u>28,617,613</u>)	(<u>52,098,520</u>)	(<u>25,879,655</u>)
		<u>1,551,339,862</u>	<u>1,175,256,360</u>	<u>927,995,864</u>
UNDERWRITING DEDUCTIONS				
Share in claims and losses	13	1,236,916,617	609,018,943	554,566,237
Commissions - net		<u>387,202,440</u>	<u>175,325,371</u>	<u>186,440,638</u>
		<u>1,624,119,057</u>	<u>784,344,314</u>	<u>741,006,875</u>
NET UNDERWRITING INCOME (LOSS)		(<u>72,779,195</u>)	390,912,046	186,988,989
INVESTMENT AND OTHER INCOME - Net	12	<u>449,195,685</u>	<u>460,100,356</u>	<u>304,422,736</u>
INCOME AFTER INVESTMENT AND OTHER INCOME		376,416,490	851,012,402	491,411,725
GENERAL AND ADMINISTRATIVE EXPENSES	14	<u>211,654,086</u>	<u>145,042,933</u>	<u>219,158,763</u>
INCOME BEFORE TAX		164,762,404	705,969,469	272,252,962
TAX EXPENSE (INCOME)	16	<u>70,318,983</u>	<u>96,556,113</u>	(<u>2,678,418</u>)
NET INCOME		<u>P 94,443,421</u>	<u>P 609,413,356</u>	<u>P 274,931,380</u>
Earnings Per Share	21	<u>P 0.04</u>	<u>P 0.31</u>	<u>P 0.20</u>

See Notes to Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

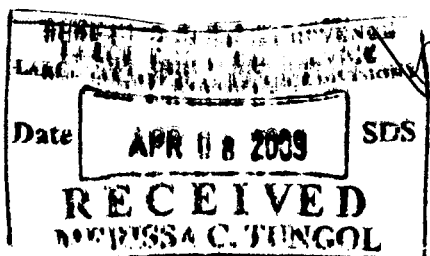
Notes	Capital Stock		Additional Paid-in Capital	Treasury Shares - At Cost	Revaluation Reserves	Retained Earnings		Total Equity
	No. of Shares	Amount				Appropriated	Unappropriated	
Balance as of January 1, 2006	10,000,000	P 1,000,000,000	P 385,154,102	(P 174,126)	P 176,890,913	P 123,455,961	P 445,318,371	P 2,130,645,221
Shares issued	1, 17	5,885,583	588,558,300	889,782,438	-	-	-	1,478,340,738
Shares reacquired	1, 17	-	-	(254,465,509)	-	-	-	(254,465,509)
Increase during the year	6, 17	-	-	-	201,554,055	-	-	201,554,055
Appropriated for contingencies	17	-	-	-	-	27,493,138	(27,493,138)	-
Net income		-	-	-	-	-	274,931,380	274,931,380
Total equity as of December 31, 2006	<u>15,885,583</u>	<u>P 1,588,558,300</u>	<u>P 1,274,936,540</u>	<u>(P 254,639,635)</u>	<u>P 378,444,968</u>	<u>P 150,949,099</u>	<u>P 692,756,613</u>	<u>P 3,831,005,885</u>
Balance as of January 1, 2007	15,885,583	P 1,588,558,300	P 1,274,936,540	(P 254,639,635)	P 378,444,968	P 150,949,099	P 692,756,613	P 3,831,005,885
Declaration of 1:100 stock split	17							
Cancelled shares	(15,885,583)	-	-	-	-	-	-	-
Reissued shares	15,885,583	-	-	-	-	-	-	-
Shares issued	1, 17	593,396,300	593,396,300	1,744,281,918	358,070,611	-	-	2,695,748,829
Shares reacquired	17	-	-	(103,430,976)	-	-	-	(103,430,976)
Decrease during the year	6, 17	-	-	-	(202,931,460)	-	-	(202,931,460)
Cash dividends	17	-	-	-	-	-	(152,736,822)	(152,736,822)
Appropriated for contingencies	17	-	-	-	-	60,941,336	(60,941,336)	-
Net income		-	-	-	-	-	609,413,356	609,413,356
Total equity as of December 31, 2007	<u>2,181,954,600</u>	<u>P 2,181,954,600</u>	<u>P 3,019,218,458</u>	<u>P -</u>	<u>P 175,513,508</u>	<u>P 211,890,435</u>	<u>P 1,088,491,811</u>	<u>P 6,677,068,812</u>
Balance as of January 1, 2008	2,181,954,600	P 2,181,954,600	P 3,019,218,458	P -	P 175,513,508	P 211,890,435	P 1,088,491,811	P 6,677,068,812
Shares reacquired	17	-	-	(40,081,811)	-	-	-	(40,081,811)
Decrease during the year	6, 17	-	-	-	(345,325,081)	-	-	(345,325,081)
Cash dividends	17	-	-	-	-	-	(436,390,920)	(436,390,920)
Appropriated for contingencies	17	-	-	-	-	9,444,342	(9,444,342)	-
Net income		-	-	-	-	-	94,443,421	94,443,421
Total equity as of December 31, 2008	<u>2,181,954,600</u>	<u>P 2,181,954,600</u>	<u>P 3,019,218,458</u>	<u>(P 40,081,811)</u>	<u>(P 169,811,573)</u>	<u>P 221,334,777</u>	<u>P 737,099,970</u>	<u>P 5,949,714,421</u>

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		P 164,762,404	P 705,969,469	P 272,252,962
Adjustments for:				
Interest income	12	(375,001,848)	(340,942,749)	(253,234,383)
Unrealized foreign currency loss (gain)	12	(71,027,129)	81,036,843	81,867,627
Impairment losses	5	32,795,155	-	-
Increase in reserve for unearned reinsurance premiums	9	28,617,613	52,098,520	25,879,655
Dividend income	12	(27,078,150)	(17,161,730)	(8,979,802)
Depreciation	8, 10	11,136,989	10,157,716	8,679,824
Gain on acquisition	12	-	-	(51,295,702)
Operating income (loss) before working capital changes		(235,794,966)	491,158,069	75,170,181
Decrease (increase) in reinsurance balances receivable		(1,471,828,939)	86,859,634	385,602,863
Decrease(increase) in loans and receivables		4,355,111	39,359,982	(5,682,704)
Decrease (increase) in deferred acquisition costs		(8,773,478)	(29,479,995)	20,174,827
Decrease (increase) in deferred input value-added tax		17,098,397	132,628,679	(190,417,087)
Decrease (increase) in other assets		10,849,240	(2,223,396)	(46,002,000)
Increase (decrease) in reinsurance balances payable		2,027,975,256	(148,456,533)	967,691,772
Increase (decrease) in accounts payable and accrued expenses		2,573,765	(16,291,673)	1,979,388
Increase (decrease) in deferred output value-added tax		(46,947,910)	(168,575,443)	283,146,942
Cash generated from operations		299,506,476	384,979,324	1,491,664,182
Cash paid for income taxes		(73,065,054)	(68,947,956)	(38,077,015)
Net Cash From Operating Activities		226,441,422	316,031,368	1,453,587,167
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
Available-for-sale financial assets		1,333,353,912	200,227,592	1,138,510,274
Property and equipment	8	355,500	306,648	-
Held-to-maturity investments		-	-	87,922,432
Interest received		371,547,597	250,580,727	233,920,424
Dividends received		24,429,144	17,161,730	8,979,802
Disposals (acquisitions) of:				
Available-for-sale financial assets		(1,675,082,737)	(2,279,359,092)	(2,795,994,441)
Property and equipment	8	(4,381,113)	(9,474,793)	(1,950,282)
Investment property	10	-	12,068,103	(454,367)
Net Cash From (Used in) Investing Activities		50,222,303	(1,808,489,085)	(1,329,066,158)
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisitions/payments of:				
Treasury shares	17	(40,081,811)	(103,430,976)	(10,610,169)
Dividends paid	17	(436,390,920)	(152,736,822)	-
Proceeds from issuance/reissuance of:				
Common shares		-	2,337,678,218	196,158,513
Treasury shares	17	-	358,070,611	-
Net Cash From (Used in) Financing Activities		(476,472,731)	2,439,581,031	185,548,344
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS				
		2,454,642	(47,045,007)	(5,215,554)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(197,354,364)	900,078,307	304,853,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,346,912,651	446,834,344	141,980,545
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,149,558,287	P 1,346,912,651	P 446,834,344

See Notes to Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

National Reinsurance Corporation of the Philippines (the Company) was incorporated in 1978 by virtue of Presidential Decree No. 1270, 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.

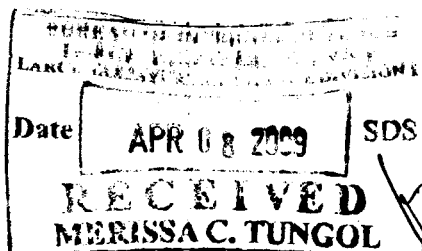
The Company's registered office, which is also its principal place of business, is located at 18th Floor, Philippine AXA Life Center, Sen. Gil J. Puyat Avenue corner Tindalo Street, Makati City.

The financial statements of the Company for the year ended December 31, 2008 (including the comparatives for the years ended December 31, 2007 and 2006) were authorized for issue by the Company's Board of Directors (BOD) on March 31, 2009.

1.2 Merger With Universal Malayan Reinsurance Corporation

On May 28, 2004, the Company entered into a Memorandum of Agreement with Universal Malayan Reinsurance Corporation (UMRC) for the merger of the two entities. Subsequently, on October 10, 2005, the Company executed a Plan of Merger (the Plan) together with UMRC, under which both parties agreed to a combination whereby the Company would be the surviving corporation. The stockholders and BOD of each of the Company and of UMRC approved the Plan on October 4, 2005 and October 24, 2005, respectively.

On March 6, 2006, the merger was approved by the Securities and Exchange Commission (SEC) and was eventually consummated by the Company and UMRC on that date.



To consummate the merger, the Company issued 5,885,583 shares of capital stock (with P100 par value) at an agreed exchange value of P251.18 per share amounting to P1,478,340,738 and incurred P4,041,020 for costs directly attributable to the merger, in order to acquire from UMRC the following (see Note 17):

Assets:

Cash and cash equivalents	P 196,158,513
Reinsurance balances receivable	216,597,266
Deferred acquisition costs	36,543,768
Available-for-sale financial assets	1,344,617,555
Held-to-maturity investments	46,906,447
Loans and receivables	86,713,887
Property and equipment	85,898,570
Deferred reinsurance premium	53,621,139
Investment properties	24,556,312
Other assets	<u>22,949,923</u>
	<u>P2,114,563,380</u>

Liabilities:

Losses and claims outstanding	P 449,780,223
Reinsurance balances payable	138,667,724
Reserve for unexpired risks	176,210,742
Deferred reinsurance commission	13,553,013
Deferred output value-added tax (VAT)	5,033,438
Accounts payable and accrued expenses	<u>41,496,120</u>
	<u>P 824,741,260</u>

The merger also resulted to the Company's acquisition of its own shares of stock valued at P243,855,340 (970,839 shares at P251.18 per share) from UMRC which the latter had previously purchased from the Company. These reacquired shares were shown as part of Treasury Shares account in the 2006 statement of changes in equity (see Note 17).

Further, the Company recognized gain on acquisition of net assets of UMRC, brought about by the merger transaction, amounting to P51,295,702, which is shown as part of Investment and Other Income account in the 2006 income statement (see Note 12).

1.3 Initial Public Offering

On February 20, 2007, the BOD authorized the issuance and sale of unsubscribed and unissued authorized capital stock equivalent to 489,493,700 shares of common stock and the reissuance of 148,506,300 shares of common stock which were then in the treasury of the Company. These shares of stock were actually issued through an initial public offering (IPO) after the Company's application for registration and listing was approved by the SEC and Philippine Stock Exchange (PSE). The underwriters were also given the option to purchase additional shares equivalent to 103,902,600 shares from the unissued capital stock at the offering price range of P3.36 to P4.62. The underwriters exercised the option to purchase all 103,902,600 shares at P3.80 per share. The IPO increased the balance of Additional Paid-in Capital by P1,744,281,918 after underwriting and other IPO-related expenses.

On March 20, 2007, the Company filed the Registration Statement and Listing Application with the SEC and the PSE, for the IPO of its common shares. The IPO was held on April 27, 2007 whereby the Company was able to raise net IPO proceeds of P2.8 billion for the 741,902,600 shares issued at P3.80 per share. The 741,902,600 issued shares consist of new shares totalling 593,396,300 shares and those previously held in treasury totalling 148,506,300 shares with a total cost of P358,070,611.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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 the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

(b) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.13).

2.2 Impact of New Amendments and Interpretations to Existing Standards

(a) Effective in 2008 that are Relevant to the Company

In 2008, the Company adopted for the first time the following new interpretation and amended standards which are mandatory in 2008.

Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 14	: Philippine Accounting Standard (PAS) 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
PAS 39 and PFRS 7 (Amendments)	: PAS 39, Financial Instruments: Recognition and Measurements and PFRS 7, Financial struments: Disclosures

Discussed below are the effects on the financial statements of the new accounting interpretation and amended standards.

- (i) Philippine Interpretation IFRIC 14, *PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective from January 1, 2008). This Philippine Interpretation provides guidance on assessing the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company's adoption of this interpretation does not have any impact on the Company's financial statements, as it has a retirement benefit obligation and is not subject to any minimum funding requirements.
- (ii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement* and PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective from July 1, 2008). The amendments permit an entity to:
 - reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of fair value through profit or loss category in particular circumstances; and
 - transfer from the available for sale category to the loans and receivable category those financial assets that would have met the definition of loans and receivables, provided that the entity has the intention and the ability to hold those financial assets for the foreseeable future.

The amendments are applicable in a partially retrospective manner up to July 1, 2008 provided that the reclassification was made on or before November 15, 2008, the cut-off date set by the FRSC. After the cut-off date, all reclassifications will only take effect prospectively. As the Company did not exercise the option to reclassify its financial assets; hence, it determined that the adoption of these amendments has no impact on the 2008 financial statements.

The first time application of these interpretation and amendments has not resulted in any prior period adjustments of balance sheet, net income or cash flows line items.

(b) *Effective in 2008 but not Relevant to the Company*

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Company's operations:

Philippine Interpretation		
IFRIC 11	:	Group and Treasury Share Transactions
Philippine Interpretation		
IFRIC 12	:	Service Concession Arrangements

(c) *Effective Subsequent to 2008*

There are new and amended standards that are effective for periods subsequent to 2008. The following new standards, effective for annual periods beginning on or after January 1, 2009, are relevant to the Company which the Company will apply in accordance with their transitional provisions.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
Various Standards	:	2008 Annual Improvements to PFRS

Below is a discussion of the possible impact of these accounting standards.

- (i) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Company will apply PAS 1 (Revised 2007) in its 2009 financial statements.

(ii) 2008 Annual Improvements to PFRS. The FRSC has adopted the Improvements to International Financial Reporting Standards 2008. These amendments become effective in the Philippines in annual periods beginning on or after January 1, 2009. The Company expects the amendments to the following standards to be relevant to the Company's accounting policies:

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39 are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied. Presently, the Company has no financial assets classified as held for trading under PAS 1, hence, this amendment will have no impact in the Company's 2009 financial statements.
- PAS 19 (Amendment), *Employee Benefits*. The amendment includes the following:
 - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.
 - Change in the definition of return of plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
 - Removal of the reference to recognition in relation to contingent liabilities in order to be consistent with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires contingent liabilities to be disclosed and not recognized.

The Company's management assessed that this amendment to PAS 19 will have no impact on its 2009 financial statements.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement*. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was changed. A financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Company initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.

- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. At such time, the entity would be able to measure the investment property at fair value.

Minor amendments are made to several other standards; however, those amendments are not expected to have a material impact on the Company's financial statements.

2.3 Financial Assets

Financial assets include cash and cash equivalents and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The categories of financial instruments that are relevant to the Company are more fully described below.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Loans and receivables presented in the balance sheet of the Company consist of Reinsurance Balances Receivable and Loans and Receivables.

(b) Held-to-maturity Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Company has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

(c) Available-for-sale Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the income statement. If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through the income statement. On the other hand, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through the income statement.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. All income and expense relating to financial assets recognized in profit or loss are presented in the income statement under Investment and Other Income.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.4 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Condominium units	40 years
Office improvements	10 years
Office furnitures and equipment	5 years
Transportation equipment	5 years
EDP equipment	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14). The residual values and estimated useful lives of property and equipment are reviewed and, adjusted if appropriate, at each balance sheet date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

2.5 Investment Property

Investment property (included as part of Other Assets), is measured initially at acquisition cost. Subsequently, investment property is stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on the straight-line basis over the estimated useful life of 30 years.

The cost of the investment property comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense when incurred.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the income statement in the year of retirement or disposal.

2.6 Financial Liabilities

Financial liabilities include reinsurance balances payable and accounts payable and accrued expenses.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement.

Reinsurance balances payable and accounts payable and accrued expenses are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Financial liabilities are derecognized from the balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.

2.7 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, where time value of money is material, long-term provisions are discounted to their present values using pretax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

2.8 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- (a) *Reinsurance premiums* – Revenue is recognized for revenue premiums from short duration insurance contracts over the period of the contracts using the 24th method except for revenues from marine cargo risks wherein the premiums written during the first ten months of the current year and the last two months of the preceding year are recognized as revenue in the current year. The “24th method” assumes that the average date of issue of all policies written during any one month is the middle of that month. Accordingly, 1/24th of the net premiums are considered earned in the month the reinsurance contracts are issued and 2/24th for every month thereafter (or 1/24th for every 15-day period after the issue month). The portion of the reinsurance premiums retained that relate to the unexpired periods of the policies at balance sheet dates are accounted for as Reserve for Unearned Reinsurance Premiums and presented in the liability section of the balance sheet. The net changes in the account Reserve for Unearned Reinsurance Premiums between balance sheet dates are recognized in the income statement.
- (b) *Interest* – Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).
- (c) *Dividends* – Revenue is recognized when the stockholders’ right to receive the payment is established.

2.9 Claim Costs Recognition

Share in liabilities for claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur.

The share in liabilities for claims (including those for incurred but not reported) are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverables. Recoveries on settled claims are recognized in the income statement in the period the recoveries are made while estimated recoveries are presented as part of Reinsurance Balances Receivable in the balance sheet.

2.10 Acquisition Costs

Costs that vary with and are primarily related to the acquisition of new and renewal reinsurance contracts such as commissions, certain underwriting costs and inspection fees, are deferred and charged to expense in proportion to reinsurance premium revenue recognized. Unamortized acquisition costs are shown in the balance sheet as Deferred Acquisition Costs.

2.11 Commissions on Retrocessions

Commissions on retrocessions are deferred and are subjected to the same amortization method as the related acquisition costs. Deferred portion are presented in the balance sheet as Deferred Reinsurance Commissions.

2.12 Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Company as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the income statement on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.13 Functional Currency and Foreign Currency Transactions

(a) Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency.

(b) Transactions and Balances

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.14 Impairment of Non-financial Assets

The Company's property and equipment and investment property are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal evaluation of discounted cash flow.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.15 Employee Benefits

Pension benefits are provided to employees through a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in the balance sheets.

Short-term employee benefits are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date. They are included in current pension and other employee obligations at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.16 Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred tax is provided, using the balance sheet liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

2.17 Equity

Capital stock is determined using the nominal value of shares that have been issued or reissued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of re-acquiring such shares.

Revaluation reserves comprise gains and losses due to the revaluation of certain available-for-sale financial assets.

Retained earnings include all current and prior period results as disclosed in the income statement.

2.18 Earnings Per Share

Earnings per share is determined by dividing net income by the weighted average number of shares issued, adjusted for stock dividends and stock split, less shares held in treasury during the period.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Impairment of Available-for-sale Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(b) *Distinction Between Investment Properties and Owner-occupied Properties*

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

Some properties comprise a portion that is held to earn rental and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

(c) Operating Leases

The Company has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Rental income and expense reported in 2008 amounted to P1,623,000 and P953,418, respectively, and P1,163,890 and P1,021,463, respectively, in 2007.

(d) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.7 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful Lives of Property and Equipment and Investment Property

The Company estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment and investment property are analyzed in Notes 8 and 10, respectively. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above. There is no change in estimated useful lives of property and equipment during the year.

(b) Allowance for Impairment of Reinsurance Balances Receivable, and Loans and Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

Impairment losses on reinsurance balances receivables amounted to P32,795,155 in 2008 and nil in 2007. The allowance for impairment on reinsurance balances receivable amounted to P139,594,626 and P106,799,471 in 2008 and 2007, respectively (see Note 5).

(c) *Valuation of Financial Assets Other than Loans and Receivables*

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Fair value losses on available-for-sale financial assets of P344,189,814 in 2008 and P200,730,657 in 2007 were reported in the equity section (see Note 6).

(d) *Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.14. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(e) *Retirement and Other Benefits*

The determination of the Company's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 15.2 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

The estimated retirement benefit obligation amounted to P28,897,908 and P34,507,695 as of December 31, 2008 and 2007, respectively, while the fair value of plan assets as of those dates amounted to P32,808,081 and P30,090,823, respectively (see Note 15.2).

4. CASH AND CASH EQUIVALENTS

This account consists of:

	<u>2008</u>	<u>2007</u>
Time deposits	P 998,613,936	P 1,283,627,639
Cash on hand and in banks	<u>150,944,351</u>	<u>63,285,012</u>
	<u>P 1,149,558,287</u>	<u>P 1,346,912,651</u>

Time deposits were made for varying periods of between one day and one month depending on the liquidity requirements of the Company. Peso time deposits earn interest with rates ranging from 3.5% to 7.5% while dollar time deposits earn interest rates with rates from 1.75% to 4.5%. Cash in banks generally earn interest at rates based on daily bank deposit rates. The Cash and Cash Equivalents account includes foreign currency denominated cash of US\$5,147,515 (P244,429,766) as of December 31, 2008 and US\$12,984,782 (P537,582,952) as of December 31, 2007.

5. REINSURANCE BALANCES

The details of reinsurance balances are as follows:

	<u>2008</u>	<u>2007</u>
Reinsurance balances receivable:		
Reinsurance recoverable on losses	P 2,712,140,393	P 1,297,757,239
Due from ceding companies	1,668,805,661	1,630,803,800
Funds held by ceding companies	<u>112,053,192</u>	<u>87,074,452</u>
	4,492,999,246	3,015,635,491
Allowance for impairment	(<u>139,594,626</u>)	(<u>106,799,471</u>)
	<u>P 4,353,404,620</u>	<u>P 2,908,836,020</u>
Reinsurance balances payable:		
Claims payable	P 3,516,236,597	P 1,628,313,780
Due to retrocessionaires	1,105,595,785	981,270,895
Funds held for retrocessionaires	<u>83,803,155</u>	<u>61,605,778</u>
	<u>P 4,705,635,537</u>	<u>P 2,671,190,453</u>

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 beginning and end of 2008 and 2007 is shown below:

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year		P 106,799,471	P 106,799,471
Impairment losses during the year	14	<u>32,795,155</u>	<u>-</u>
Balance at end of year		<u>P 139,594,626</u>	<u>P 106,799,471</u>

The fair values of these short-term financial assets and liabilities are not individually determined as the carrying amount is a reasonable approximation of fair value.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The amounts in the balance sheets comprise of the following financial assets:

	<u>2008</u>	<u>2007</u>
Bonds	P 4,720,548,819	P 4,479,540,250
Equity securities	424,397,280	581,920,970
Investment in Asian Re shares	84,355,004	69,410,454
Various funds	<u>55,284,786</u>	<u>86,667,704</u>
	<u>P 5,284,585,889</u>	<u>P 5,217,539,378</u>

Bonds include investments reclassified from held-to-maturity securities to available-for-sale financial assets in 2006, and government securities totaling P105,996,443 in 2008 and 2007 which are on deposit with the Insurance Commission (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.

Interest income recognized are presented as part of Investment and Other Income in the income statements (see Note 12).

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

	<u>2008</u>	<u>2007</u>
Due within one year	P 440,727,669	P 12,546,691
Due after one year through five years	3,280,497,907	2,749,539,063
Due after five years through ten years	762,610,423	1,676,234,081
Due after ten years	<u>236,712,820</u>	<u>41,220,415</u>
	<u>P 4,720,548,819</u>	<u>P 4,479,540,250</u>

Bonds earn interest at annual rates ranging from 5% to 15% in 2008 and 3.5% to 15% in 2007. Changes in fair values of these bonds amounted to P16,237,175 (net decrease), and P128,016,627 (net increase) in 2008 and 2007, respectively, and are shown as part of Revaluation Reserves account in the statements of changes in equity (see Note 17).

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

	<u>2008</u>	<u>2007</u>
Cost:		
Quoted in the stock exchange	P 454,979,337	P 534,609,290
Not quoted in the stock exchange	<u>135,608,314</u>	<u>39,391,629</u>
	<u>590,587,651</u>	<u>574,000,919</u>
Fair value gains (losses):		
Quoted in the stock exchange	(159,205,907)	10,119,080
Not quoted in the stock exchange	<u>(6,984,464)</u>	<u>(2,199,029)</u>
	<u>(166,190,371)</u>	<u>7,920,051</u>
	<u>P 424,397,280</u>	<u>P 581,920,970</u>

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 values and the changes in the fair values are recognized in equity.

The fair value of investments in Asian Re shares amounted to P84,355,004 and P69,410,454, as of December 31, 2008 and 2007, respectively. Changes in fair value recognized as part of Revaluation Reserves in the equity section of the balance sheets amounted to P42,428,753, net of deferred taxes amounting to P18,183,752 in 2008 and P31,661,470, net of deferred taxes amounting to P17,048,484 in 2007 (see Notes 16 and 17). The deferred tax was based on the tax rate of 30% and 35% in 2008 and 2007, respectively.

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

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	P 5,217,539,378	P 3,445,458,733
Additions	1,674,812,600	5,494,955,271
Disposals	(1,333,353,912)	(3,415,823,771)
Fair value losses	(344,189,814)	(200,730,657)
Foreign currency gains (losses)	<u>69,777,637</u>	<u>(106,320,198)</u>
Balance at end of year	<u>P 5,284,585,889</u>	<u>P 5,217,539,378</u>

The fair values of available-for-sale financial assets have been determined directly by reference to published prices in the active market.

7. LOANS AND RECEIVABLES

This account includes the following:

	<u>2008</u>	<u>2007</u>
Current:		
Accrued interest receivable	P 93,816,273	P 90,362,021
Others	<u>10,134,828</u>	<u>715,769</u>
	<u>103,951,101</u>	<u>91,077,790</u>
Non-current:		
Term loans	80,000,000	90,000,000
Loans receivable	<u>11,787,047</u>	<u>12,912,212</u>
	<u>91,787,047</u>	<u>102,912,212</u>
	<u>P 195,738,148</u>	<u>P 193,990,002</u>

Loans and receivables are usually due within one to twenty years. These financial assets are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regard to loans and receivables since most of the loans and receivables are secured by collaterals.

Term loans pertain to the Company's participation in syndicated loans of other Companies. These loans are unsecured interest-bearing loans with a term of 4 to 5 years. The effective interest rate on these loans ranges from 6.38% to 6.90% in 2008 and 6.38% to 9.95% in 2007.

Loans receivable includes mortgage, housing, and car loans which have annual effective interest rates of 11% to 13%, 10% to 22%, and 7% to 13%, respectively, in 2008 and 14% to 28%, 10% to 22%, and 7% to 13%, respectively, in 2007.

The fair value of these financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value since the interest rates are approximately the same as the market interest rate.

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2008 and 2007 are shown below:

	Condominium Units	Office Improvements	Office Furnitures and Equipment	Transportation Equipment	EDP Equipment	Total
December 31, 2008						
Cost	P 104,227,734	P 14,284,102	P 9,524,897	P 12,921,777	P 16,151,264	P 157,109,774
Accumulated depreciation	(34,005,147)	(11,009,512)	(8,822,876)	(4,691,013)	(12,034,509)	(70,563,057)
Net carrying amount	<u>P 70,222,587</u>	<u>P 3,274,590</u>	<u>P 702,021</u>	<u>P 8,230,764</u>	<u>P 4,116,755</u>	<u>P 86,546,717</u>
December 31, 2007						
Cost	P 104,227,734	P 14,284,102	P 9,524,897	P 12,720,170	P 14,978,758	P 155,735,661
Accumulated depreciation	(30,977,327)	(9,870,207)	(8,553,973)	(4,337,959)	(10,668,149)	(64,407,615)
Net carrying amount	<u>P 73,250,407</u>	<u>P 4,413,895</u>	<u>P 970,924</u>	<u>P 8,382,211</u>	<u>P 4,310,609</u>	<u>P 91,328,046</u>
January 1, 2007						
Cost	P 104,227,734	P 12,669,559	P 8,624,279	P 11,091,338	P 11,277,865	P 147,890,775
Accumulated depreciation	(27,949,507)	(8,832,797)	(8,337,549)	(3,353,411)	(9,429,941)	(57,903,205)
Net carrying amount	<u>P 76,278,227</u>	<u>P 3,836,762</u>	<u>P 286,730</u>	<u>P 7,737,927</u>	<u>P 1,847,924</u>	<u>P 89,987,570</u>

A reconciliation of the carrying amounts at the beginning and end of 2008 and 2007, of property and equipment is shown below:

	Condominium Units	Office Improvements	Office Furnitures and Equipment	Transportation Equipment	EDP Equipment	Total
Balance at January 1, 2008, net of accumulated depreciation	P 73,250,407	P 4,413,895	P 970,924	P 8,382,211	P 4,310,609	P 91,328,046
Additions	-	-	-	3,208,607	1,172,506	4,381,113
Disposals	-	-	-	(355,500)	-	(355,500)
Depreciation charge for the year	(3,027,820)	(1,139,305)	(268,903)	(3,004,554)	(1,366,360)	(8,806,942)
Balance at December 31, 2008, net of accumulated depreciation	<u>P 70,222,587</u>	<u>P 3,274,590</u>	<u>P 702,021</u>	<u>P 8,230,764</u>	<u>P 4,116,755</u>	<u>P 86,546,717</u>
Balance at January 1, 2007, net of accumulated depreciation	P 76,278,227	P 3,836,762	P 286,730	P 7,737,927	P 1,847,924	P 89,987,570
Additions	-	1,614,543	900,618	3,258,740	3,700,892	9,474,793
Disposals	-	-	-	(306,648)	-	(306,648)
Depreciation charge for the year	(3,027,820)	(1,037,410)	(216,424)	(2,307,808)	(1,238,207)	(7,827,662)
Balance at December 31, 2007, net of accumulated depreciation	<u>P 73,250,407</u>	<u>P 4,413,895</u>	<u>P 970,924</u>	<u>P 8,382,211</u>	<u>P 4,310,609</u>	<u>P 91,328,046</u>

9. DEFERRED REINSURANCE PREMIUMS AND RESERVE FOR UNEARNED REINSURANCE PREMIUMS

The movement of these accounts is as follows:

	<u>Deferred Reinsurance Premiums</u>		<u>Reserve for Unearned Reinsurance Premiums</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year	P 1,348,262,605	P1,371,157,013	P1,845,503,599	P 1,816,299,487
Increase (decrease) during the year	(521,010,954)	(22,894,408)	(492,393,341)	29,204,112
Balance at end of year	<u>P 827,251,651</u>	<u>P1,348,262,605</u>	<u>P 1,353,110,258</u>	<u>P1,845,503,599</u>

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

Reserve for Unearned Reinsurance Premiums 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 Unearned Reinsurance Premiums for the year is presented as Increase in Reserve for Unearned Reinsurance Premiums in the income statements.

10. OTHER ASSETS

The Other Assets account includes the following:

	<u>2008</u>	<u>2007</u>
Investment property	P 38,575,009	P 40,905,056
Input value-added tax (VAT)	31,352,419	29,638,591
Creditable expanded withholding tax	16,774,651	5,297,029
Deferred withholding VAT	13,382,875	39,308,468
Prepayments	3,196,500	1,515,877
Deposit	573,907	690,392
Security fund	192,888	192,888
Others	<u>5,395,837</u>	<u>5,075,072</u>
	<u>P 109,444,086</u>	<u>P 122,623,373</u>

Investment property consists of a piece of land and building and improvements which are owned for investment purposes only.

The changes to the carrying amounts of the investment property can be summarized as follows as of December 31:

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year		P 40,905,056	P 55,303,206
Depreciation charge for the year	14	(2,330,047)	(2,330,047)
Disposals		<u>-</u>	<u>(12,068,103)</u>
Balance at end of year		<u>P 38,575,009</u>	<u>P 40,905,056</u>

The estimated fair value of the building and improvements included in investment property is P39,690,000 while the related carrying value is P35,177,209. Rental income earned from investment property amounted to P 1,623,000 and P1,163,890 in 2008 and 2007, respectively, and is recorded as part of dividend and other income under Investment and Other Income account in the income statements (see Note 12).

There is no active market or recent market transaction for the investment in land. However, management believes that the carrying amount of this property is a reasonable approximation of its fair value.

Input VAT pertains to input valued-added taxes on commissions paid to ceding companies.

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

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

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.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Defined benefit liability	15.2	P 28,897,908	P 34,507,695
Accrued expenses		12,175,498	3,557,009
Accounts payable and other liabilities		2,523,962	1,328,698
Withholding taxes payable		<u>1,866,518</u>	<u>3,496,719</u>
		<u>P 45,463,886</u>	<u>P 42,890,121</u>

Management considers the carrying amounts of accounts payable and accrued expenses recognized in the balance sheets to be a reasonable approximation of fair value due to their short duration.

12. INVESTMENT AND OTHER INCOME

The details of this account follow:

	Notes	2008	2007	2006
Interest	6	P 375,001,848	P 340,942,749	P 253,234,383
Foreign exchange gain (loss)	23.4	115,273,826 (	179,320,898) (	90,676,616)
Trading gain		2,121,968	155,174,302	52,673,670
Gain (loss) on sale of stocks	(	69,305,125)	96,798,983	6,353,449
Gain on acquisition	1	-	-	51,295,702
Dividend and other income - net		<u>26,103,168</u>	<u>46,505,220</u>	<u>31,542,148</u>
		<u>P 449,195,685</u>	<u>P 460,100,356</u>	<u>P 304,422,736</u>

13. UNDERWRITING DEDUCTIONS

13.1 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.

13.2 Commissions - net

This account consists of the following:

	2008	2007	2006
Commission expense	P 755,748,687	P 410,837,745	P 574,122,238
Reinsurance revenues	(<u>368,546,247</u>)	(<u>235,512,374</u>)	(<u>387,681,600</u>)
	<u>P 387,202,440</u>	<u>P 175,325,371</u>	<u>P 186,440,638</u>

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.

14. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account follow:

	Notes	2008	2007	2006
Salaries and employee benefits	15	P 120,973,281	P 87,159,520	P 113,956,187
Impairment loss	5	32,795,155	-	57,514,733
Professional fees		12,514,848	10,317,532	5,278,745
Depreciation	8, 10	11,136,989	10,157,716	8,679,824
Taxes, licenses and fees		6,186,789	3,023,875	3,221,350
Representation and entertainment		4,529,918	5,937,631	5,902,040
Transportation and traveling		3,667,552	4,395,209	3,446,644
Association and pool expense		3,048,624	3,218,565	689,293
Advertising and publicity		2,591,942	1,899,738	210,224
Light and water		2,585,523	2,615,693	2,535,206
Communication and postages		2,175,849	2,417,226	1,709,917
Contract labor		2,047,780	2,717,304	985,466
Printing and office supplies		1,366,681	2,147,068	2,111,219
Repairs and maintenance		1,265,954	1,231,964	3,263,955
Insurance		1,000,891	778,035	957,337
Miscellaneous		<u>3,766,310</u>	<u>7,025,857</u>	<u>8,696,623</u>
		<u>P 211,654,086</u>	<u>P 145,042,933</u>	<u>P 219,158,763</u>

15. EMPLOYEE BENEFITS

15.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below (see Note 14):

	2008	2007	2006
Salaries and wages	P 69,435,531	P 55,788,137	P 45,201,343
Allowances and bonus	32,863,235	21,081,790	18,554,657
Retirement	9,049,330	4,124,115	35,601,366
Compensated absences	3,780,157	1,952,436	5,731,876
Social security costs	1,743,830	1,648,059	1,407,106
Separation benefits	-	-	1,593,946
Others	<u>4,101,198</u>	<u>2,564,983</u>	<u>5,865,893</u>
	<u>P 120,973,281</u>	<u>P 87,159,520</u>	<u>P 113,956,187</u>

15.2 Employee Retirement Benefit Obligation

The Company maintains a wholly-funded, tax-qualified, noncontributory 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 retirement benefit obligation (presented as part of Accounts Payable and Accrued Expenses – see Note 11) recognized in the balance sheets are determined as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Present value of the obligation	P 129,757,565	P 62,132,830	P 51,174,809
Fair value of plan assets	(<u>32,808,081</u>)	(<u>30,090,823</u>)	(<u>19,836,800</u>)
Deficiency of plan assets	96,949,484	32,042,007	31,338,009
Unrecognized actuarial gains (losses)	(<u>68,051,576</u>)	<u>2,465,688</u>	<u>2,465,688</u>
Defined benefit liability	<u>P 28,897,908</u>	<u>P 34,507,695</u>	<u>P 33,803,697</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance at beginning of year	P 62,132,830	P 51,174,809	P 24,158,148
Actuarial (gains) losses	65,909,823	-	(13,299,169)
Current service cost and interest cost	11,456,596	10,958,021	11,795,895
Benefits paid by the plan	(9,741,684)	-	(13,817,041)
Past service cost	-	-	19,768,521
Actuarial adjustment	-	-	16,276,913
Adjustment for curtailment	-	-	<u>6,291,542</u>
Balance at end of year	<u>P 129,757,565</u>	<u>P 62,132,830</u>	<u>P 51,174,809</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance at beginning of year	P 30,090,823	P 19,836,800	P 18,955,928
Contributions paid into the plan	14,659,117	1,611,044	1,635,607
Benefits paid by the plan	(9,741,684)	-	(13,817,041)
Actuarial gains (losses)	(4,607,441)	-	9,766,433
Expected return on plan assets	2,407,266	6,833,906	1,648,282
Actuarial adjustment	-	<u>1,809,073</u>	<u>1,647,591</u>
Balance at end of year	<u>P 32,808,081</u>	<u>P 30,090,823</u>	<u>P 19,836,800</u>

The plan assets as of December 31, 2008 consist of cash and cash equivalents amounting P10,960,386; government securities amounting P21,170,950; loans and receivables amounting P278,357 and; equity securities amounting P398,388.

Actual return on plan assets was nil in 2008.

The amounts of retirement expense recognized in the income statements are as follows:

	2008	2007	2006
Current service costs	P 7,107,298	P 5,150,951	P 5,173,501
Interest costs	4,349,298	5,807,070	6,622,394
Expected return on plan assets	(2,407,266)	(6,833,906)	(1,648,282)
Past service cost	-	-	19,768,521
Curtailment cost	-	-	6,291,542
Net actuarial gain recognized during the year	-	-	(606,310)
	<u>P 9,049,330</u>	<u>P 4,124,115</u>	<u>P 35,601,366</u>

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

	2008	2007	2006
Discount rates	9%	7%	11%
Expected rate of return on plan assets	8%	8%	8%
Expected rate of salary increase	8%	6%	8%

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 8% is 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.

	2008	2007	2006	2005	2004
Present value of the obligation	P 129,757,565	P 62,132,830	P 51,174,809	P 24,158,148	P 15,244,406
Fair value of the plan assets	<u>32,808,081</u>	<u>30,090,823</u>	<u>19,836,800</u>	<u>18,955,928</u>	<u>15,541,394</u>
Deficit (excess) in the plan	<u>P 96,949,484</u>	<u>P 32,042,007</u>	<u>P 31,338,009</u>	<u>P 5,202,220</u>	<u>(P 296,988)</u>

16. TAXES

The components of tax expense (income) as reported in income statements and statements of changes in equity:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<i>Reported in income statements</i>			
Current tax expense:			
Final tax at 20% and 7.5%	P 73,065,054	P 59,193,182	P 38,077,014
Regular corporate income tax (RCIT) at 35%	-	9,754,774	-
Minimum corporate income tax (MCIT) at 2%	-	-	3,325,133
	<u>73,065,054</u>	<u>68,947,956</u>	<u>41,402,147</u>
Deferred tax expense (income) -			
Deferred tax relating to origination and reversal of temporary differences	(12,827,858)	27,608,157	(44,080,565)
Deferred tax resulting from in reduction in tax rate	<u>10,081,787</u>	<u>-</u>	<u>-</u>
	<u>(2,746,071)</u>	<u>27,608,157</u>	<u>(44,080,565)</u>
	<u>P 70,318,983</u>	<u>P 96,556,113</u>	<u>(P 2,678,418)</u>
<i>Reported in statements of changes in equity</i>			
Deferred tax relating to origination and reversal of temporary difference	P 3,570,766	P 2,200,803	P 4,282,973
Deferred tax resulting from reduction in tax rate	<u>(2,435,498)</u>	<u>-</u>	<u>-</u>
	<u>P 1,135,268</u>	<u>P 2,200,803</u>	<u>P 4,282,973</u>

The reconciliation of the tax on pretax income computed at the applicable statutory rates to tax expense (income) attributable to continuing operations is as follows:

	2008	2007	2006
Tax on pretax income at 35%	P 57,666,841	P 247,089,314	P 95,288,537
Adjustment for income subjected to lower tax rates	73,065,054	59,193,182	38,077,014
Tax effects of:			
Interest income subjected to final tax	(129,000,325)	(116,555,265)	(86,383,109)
Non-taxable income	(9,805,399)	(93,771,726)	(41,279,761)
Unrecognized deferred tax assets	42,491,935		
Non-deductible expenses	25,819,090	1,233,784	1,231,609
Reduction in deferred tax rate	10,081,787	-	-
Separation pay	-	(633,176)	(11,393,461)
Derecognized deferred tax assets	-	-	1,780,753
Tax expense (income) reported in the income statements	<u>P 70,318,983</u>	<u>P 96,556,113</u>	<u>(P 2,678,418)</u>

The net deferred tax assets (liabilities) as of December 31 relates to the following:

	Balance Sheets		Statements of Income		Changes in Equity	
	2008	2007	2008	2007	2008	2007
Deferred tax assets:						
Allowance for impairment	P 31,202,588	P 24,924,715	(P 6,277,873)	P -	P -	P -
Net operating loss carryover (NOLCO)	59,665,559	-	(59,665,559)	131,284	-	-
Unrealized foreign exchange (gain) loss	(26,399,756)	21,069,751	47,469,507	(397,850)	-	-
Past service cost	11,627,720	12,913,660	1,285,940	(851,877)	-	-
Accrued leave benefits	851,818	764,763	(87,055)	198,482	-	-
MCIT	184,964	184,964	-	4,160,338	-	-
Deferred tax liabilities:						
Excess of reserves for unearned reinsurance premiums per books over tax basis	(38,151,166)	(23,226,585)	14,924,581	14,049,782	-	-
Deferred acquisition costs	(20,797,975)	(21,193,587)	(395,612)	10,317,998	-	-
Revaluation reserves on available-for-sale investments (see Note 17.4)	(18,183,752)	(17,048,484)	-	-	1,135,268	2,200,803
Deferred Tax Expense (Income)			(P 2,746,071)	P 27,608,157	P 1,135,268	P 2,200,803
Net Deferred Tax Assets (Liabilities)	<u>P -</u>	<u>(P 1,610,803)</u>				

The Company has NOLCO in 2008 amounting to P340,524,979 which can be used as deduction against taxable income until 2011. However, the Company recognized the corresponding deferred tax asset relating to this NOLCO only to the extent that it expects to have sufficient taxable profit that will be available against which the NOLCO can be utilized. Of the total deferred tax asset for this NOLCO amounting to P102,157,494 only P59,665,559 was recognized in 2008. The Company's NOLCO in 2006 of P375,098 was claimed as deduction against the 2007 taxable income.

The Company is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations. No MCIT was recognized in 2008 as the Company incurred a gross loss. No MCIT was recognized also in 2007 as the RCIT was higher than MCIT. In 2006, MCIT was recognized amounting to P3,325,133, of which P184,964 is still unutilized and can be claimed as deduction against RCIT up to 2009. The Company's MCIT incurred in previous years totaling P4,160,338 was claimed as deduction against the 2007 RCIT.

Effective July 2008, Republic Act No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2008, the Company opted to continue claiming itemized standard deductions.

17. EQUITY

17.1 Capital Stock

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

To consummate the merger in 2006, the Company issued 5,885,583 shares of capital stock in order to acquire the net assets of UMRC (see Note 1).

17.2 Stock Split

On January 15, 2007 the SEC approved the amended articles of incorporation of the Company which includes the reduction of the par value of the Company's shares of stock from P100 to P1 per share. The reduction of the par value effectively increased the number of shares that are issued as of the beginning of the year from 15,885,583 to 1,588,558,300.

17.3 Treasury Shares

In 2006, the Company reacquired the shares held by UMRC and the dissenting stockholders equivalent to 1,020,652 shares at a total cost of P254,465,509 (see Note 1).

In 2007, additional 46,354,200 shares were reacquired by the Company at a total cost of P103,430,976. Included on these shares are the reacquisitions of 446,774 shares from dissenting stockholders.

All treasury shares with a total cost of 358,070,611 were eventually reissued in 2007.

In August 2008, the BOD approved the implementation of the Company's Buy-Back Program in order to enhance overall shareholder value and show that it has a strong financial position. In October 2008, the Company reacquired 22,277,000 shares at a total cost of P40,081,811.

17.4 Revaluation Reserves

The reconciliation of Revaluation Reserves is as follows:

	<u>Available-for-sale Financial Assets</u>	<u>Related Deferred Tax</u>	<u>Total</u>
Balance as of January 1, 2008	P 192,561,992	(P 17,048,484)	P 175,513,508
Fair value losses	(276,560,729)	(3,570,766)	(280,131,495)
Fair value gains recognized to income	(67,629,084)	-	(67,629,084)
Effect of reduction in tax rate	<u>-</u>	<u>2,435,498</u>	<u>2,435,498</u>
Balance as of December 31, 2008	<u>(P 151,627,821)</u>	<u>(P 18,183,752)</u>	<u>(P 169,811,573)</u>
Balance as of January 1, 2007	P 393,292,649	(P 14,847,681)	P 378,444,968
Fair value losses	(130,894,851)	(2,200,803)	(133,095,654)
Fair value gains recognized to income	<u>(69,835,806)</u>	<u>-</u>	<u>(69,835,806)</u>
Balance as of December 31, 2007	<u>P 192,561,992</u>	<u>(P 17,048,484)</u>	<u>P 175,513,508</u>
Balance as of January 1, 2006	P 196,021,567	(P 19,130,654)	P 176,890,913
Fair value gains	255,163,225	4,282,973	259,446,198
Fair value gains recognized to income	<u>(57,892,143)</u>	<u>-</u>	<u>(57,892,143)</u>
Balance as of December 31, 2006	<u>P 393,292,649</u>	<u>(P 14,847,681)</u>	<u>P 378,444,968</u>

17.5 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 P221,334,777 and P211,890,435 as of December 31, 2008 and 2007, respectively.

17.6 Declaration of Cash Dividends

The BOD approved the declaration of cash dividends of P0.20 per share (or a total of P436,390,920) on March 25, 2008 and P0.07 per share (or a total of P152,736,822) on June 19, 2007, payable to stockholders of record as of April 10, 2008 and July 16, 2007, respectively. The dividends were paid within their respective year of declaration and approval.

18. 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.

18.1 Reinsurance Contracts with Related Parties

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

	<u>2008</u>	<u>2007</u>
Premiums	P 1,769,510,024	P1,891,455,734
Retrocessions	67,839,767	171,636,173
Commission income	16,649,404	49,791,886
Commission expenses	201,305,754	143,337,321
Losses incurred	118,141,064	184,300,125
Loss recoveries	11,949,042	71,662,426

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

	<u>2008</u>	<u>2007</u>
Due from ceding companies	P 554,211,494	P 286,602,592
Reinsurance recoverable on losses	33,196,941	44,021,458
Funds held by ceding companies	45,448,771	41,624,688
Due to retrocessionaires	(36,881,959)	33,711,667
Funds held for retrocessionaires	(112,727)	494,191

The balance of due from ceding companies pertaining to related parties is presented net of P41,204,725 and P10,788,045 allowance for impairment as of December 31, 2008 and 2007, respectively.

18.2 Bank Accounts

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

	<u>2008</u>	<u>2007</u>
Time deposits	P 205,056,480	P 44,801,350
Savings and current accounts	<u>3,451,311</u>	<u>2,643,745</u>
	<u>P 208,507,791</u>	<u>P 47,445,095</u>

18.3 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 certain investible funds of the Company subject to terms and conditions in the said agreements. These investments were presented in the following balance sheet accounts:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	P 9,005,099	P 1,784,436
Loans and receivables	80,000,000	90,000,000
Available-for-sale investments	<u>1,028,945,237</u>	<u>1,194,525,531</u>
	<u>P 1,117,950,336</u>	<u>P 1,286,309,967</u>

For the services rendered, the Company pays BPI service fees equivalent to a certain percentage of the market value of the investments. Total service fees paid for the years ended December 31, 2008 and 2007 amounted to P2,569,822 and P2,943,434, respectively and is charged against Investment and Other Income in the income statements.

18.4 Retirement Fund Investment Management

In 2006, the Company 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.

In 2007, the Company also entered into a Trust Agreement whereby it designated Rizal Commercial Banking Corporation, another related party, as additional trustee of its employee's retirement plan.

18.5 Key Management Personnel Compensation

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Short-term benefits	P 61,642,735	P 43,287,218	P 32,365,020
Post-employment benefits	<u>2,238,886</u>	<u>1,948,613</u>	<u>970,130</u>
	<u>P 63,881,621</u>	<u>P 45,235,831</u>	<u>P 33,335,150</u>

19. MARGIN OF SOLVENCY

Under the Insurance Code of the Philippines, a non-life insurance company doing business in the Philippines shall maintain at all times a margin of solvency equal to P500,000 or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The margin of solvency shall be the excess of the value of its admitted assets (as defined under the same code), exclusive of its paid-up capital, over the amount of its liabilities, unexpired risks and reinsurance reserves.

The final amount of the margin of solvency can be determined only after the accounts of the Company have been examined and classified as to admitted and nonadmitted assets, as defined in the Insurance Code of the Philippines, by the IC.

20. RECONCILIATION OF NET INCOME UNDER PFRS TO STATUTORY NET INCOME

The reconciliation of net income under PFRS and statutory net income follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
PFRS net income	P 94,443,421	P 609,413,356	P 274,931,380
Difference in change in reserve for unearned reinsurance premiums – net	(60,808,883)	(40,142,234)	(18,407,720)
Deferred acquisition costs – net	(8,773,478)	(29,479,995)	20,174,827
Tax effect of the adoption of PFRS accounting	<u>20,874,708</u>	<u>24,367,780</u>	<u>(618,487)</u>
Statutory net income	<u>P 45,735,768</u>	<u>P 564,158,907</u>	<u>P 276,080,000</u>

21. EARNINGS PER SHARE

The earnings per share amounts after adjustment for the reduction of the par value of the Company's shares of stock on January 15, 2007 (see Note 17.2) are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income available to common shareholders	P 94,443,421	P 609,413,356	P 274,931,380
Divided by the average number of outstanding common shares	<u>2,176,922,899</u>	<u>1,980,809,514</u>	<u>1,400,893,200</u>
	<u>P 0.04</u>	<u>P 0.31</u>	<u>P 0.20</u>

Diluted earnings per share is not determined since the Company does not have dilutive shares as of December 31, 2008, 2007 and 2006.

22. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

22.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under a non-cancellable operating lease covering one of its offices. This lease was initiated during 2007 and has a term of two years, with renewal options, and includes an annual escalation rate of 8% on the second year. The contract was renewed on February 24, 2009. The future minimum rentals payable under this non-cancellable operating lease as of December 31 are as follows:

	<u>2008</u>		<u>2007</u>
Within one year	P 882,771	P	866,423
After one year but not more than five years	<u>1,147,602</u>		<u>220,693</u>
	<u>P 2,030,373</u>	P	<u>1,087,116</u>

22.2 Legal Claims

The Company is a defendant in a third party claim filed by a government agency against the Company and other reinsurers. Management believes that the reserve set up relating to this case is adequate to cover any liability that may arise from the ultimate outcome of the case.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's main risk mitigation strategies generally include adoption of underwriting and investment policies and guidelines, annual budget provision and internal audit checks and assessments.

The Company's risk management, in close cooperation with the respective duly constituted Board Committees on Underwriting, Investment, Budget and Audit, focuses on implementing risk control measures addressing underwriting acceptances, claims control, securing short- to-medium term cash flows by minimizing exposure to financial markets while managing long-term financial investments to generate lasting returns.

The most significant financial risks to which the Company may be exposed to are described below.

23.1 Reinsurance Risk

As a professional reinsurer, the Company underwrites reinsurance business from life and non-life insurance companies and brokers, with the objective of realizing profits and being a dependable partner to its clients. To attain this objective, it is essential for the Company to have a balanced portfolio, wherein there is diversification of risks. For non-life business, each risk that is accepted or treaty arrangement entered into is carefully evaluated based on the Company's underwriting guidelines, such as maximum limits per type of risk, existing exposures, premium adequacy, financial condition of the client and the like.

The Company's retention on the larger risks that the Company accepts, or possible accumulation of the same in a given area, including losses that could arise from catastrophes such as earthquakes and typhoons, is protected by an excess of loss coverage to limit the Company's exposure up to a specified amount. Significant risk concentrations may result in potential losses not only in certain areas but also within a particular type of business such as property, motor car and casualty. The Company therefore always monitors and controls its exposures in various lines.

The Company's reinsurance and retroceded premiums for the year ended December 31, 2008 per line of risk are shown below.

<u>Line of Risk</u>		<u>Reinsurance Premiums</u>		<u>Retroceded Premiums</u>		<u>Retention</u>
Fire	P	944,039,580	P	593,294,587	P	350,744,993
Marine and aviation		784,010,071		262,731,015		521,279,056
Casualty		2,254,804,278		1,823,281,187		431,523,091
Life		<u>510,650,466</u>		<u>234,240,131</u>		<u>276,410,335</u>
	P	<u>4,493,504,395</u>	P	<u>2,913,546,920</u>	P	<u>1,579,957,475</u>

The Company's reinsurance and retroceded premiums for the year ended December 31, 2007 per line of risk are shown below.

<u>Line of Risk</u>		<u>Reinsurance Premiums</u>		<u>Retroceded Premiums</u>		<u>Retention</u>
Fire	P	1,387,159,988	P	1,034,189,507	P	352,970,481
Marine and aviation		439,163,859		197,208,733		241,955,126
Casualty		2,042,102,760		1,660,547,509		381,555,251
Life		<u>448,155,846</u>		<u>197,281,824</u>		<u>250,874,022</u>
	P	<u>4,316,582,453</u>	P	<u>3,089,227,573</u>	P	<u>1,227,354,880</u>

Retrocession or reinsuring what the Company had earlier accepted as reinsurance is resorted to enable the Company to write risk whose amounts are in excess of its retention, and to reduce the volatility of its results and protect its capital. In doing so, the Company also sets minimum requirements and standards in determining with whom it wishes to reinsure with, foremost of which is the rating of the particular security by international rating agencies such as Standard and Poor's and A.M. Best.

On the other hand, life business, which constitutes about 10% of gross premium written, follows a schedule of retention per life or group life as determined by the actuarial department. Any amount in excess of this is retroceded or reinsured with reputable foreign reinsurers whose ratings from the same rating agencies are above par and meet the Company's standards.

The Company has also initiated an Enterprise Risk Management Process which is an organization-wide approach to the identification, assessment, communication and management of risks. Reinsurance Activity Risks is one of the four different types of risks identified in this program. The management believes that the Enterprise Risk Management Process, once fully integrated into the Company's operations, would further enhance the confidence of investors and clients in the Company.

Also, the Company continues to practice prudent underwriting with the objective of attaining underwriting profits. In evaluating a claim, the Company follows set guidelines such as setting up of reserves upon its receipt of a preliminary loss advice, and requiring the cedant-claimant to submit other necessary documents such as the adjuster's report, affidavits and proof of loss, among others.

The Company's outstanding claims and the retrocessionaires' share in such claims as of December 31, 2008 are shown below:

<u>Line of Risk</u>		<u>Outstanding Claims</u>		<u>Retrocessionaires' Share in Claims</u>		<u>Net</u>
Fire	P	1,112,747,503	P	735,371,100	P	377,376,403
Marine and aviation		1,214,932,522		708,955,720		505,976,802
Casualty		1,142,332,966		946,099,332		196,233,634
Life		<u>46,223,606</u>		<u>12,873,227</u>		<u>33,350,379</u>
	P	<u>3,516,236,597</u>	P	<u>2,403,299,379</u>	P	<u>1,112,937,218</u>

The Company's outstanding claims and the retrocessionaires' share in such claims as of December 31, 2007 are shown below:

<u>Line of Risk</u>		<u>Outstanding Claims</u>		<u>Retrocessionaires' Share in Claims</u>		<u>Net</u>
Fire	P	396,152,818	P	269,838,565	P	126,314,253
Marine and aviation		438,462,914		136,536,567		301,926,347
Casualty		743,433,231		613,561,645		129,871,586
Life		<u>50,264,817</u>		<u>16,522,560</u>		<u>33,742,257</u>
	P	<u>1,628,313,780</u>	P	<u>1,036,459,337</u>	P	<u>591,854,443</u>

The Company ensures that all valid claims are settled promptly and judiciously, as part of its commitment to its clients.

Most of the risks reinsured by the Company are situated in the domestic market with only a small portion coming from overseas.

23.2 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheets (or in the detailed analysis provided in the notes to the financial statements), as summarized below:

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents		P 1,138,523,219	P 1,344,872,579
Reinsurance balances			
receivable - net	5	4,353,404,620	2,908,836,020
Available-for sale			
financial assets	6	5,284,585,889	5,217,539,378
Loans and receivables	7	<u>195,738,148</u>	<u>193,990,002</u>
		<u>P 10,972,251,876</u>	<u>P 9,665,237,979</u>

The Company continuously monitors defaults of ceding companies and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on ceding companies and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Company's management considers that all the above financial assets that are not impaired or past due for each balance sheet dates are of good credit quality.

Cash in banks and time deposits are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P250,000 for every depositor per banking institution. Other financial assets are not secured by any collateral or other credit enhancements.

Financial assets amounting to P686,668,863 and P527,031,353 as of December 31, 2008 and 2007, respectively, are past due but not impaired.

23.3 Liquidity Risk

The Company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities. Currently, the Company's excess cash is invested in available for sale financial assets.

As of December 31, 2008, the Company's obligations arising from reinsurance agreements and other financial liabilities have contractual maturities which are presented below:

	<u>Current</u>	<u>Non-current</u>
Reinsurance balances payable	P3,841,246,415	P 864,389,122
Accounts payable and accrued expenses	<u>16,565,978</u>	<u>28,897,908</u>
	<u>P3,857,812,393</u>	<u>P 893,287,030</u>

This compares to the maturity of the Company's financial liabilities as of December 31, 2007 as follows:

	<u>Current</u>	<u>Non-current</u>
Reinsurance balances payable	P2,439,453,963	P 231,736,490
Accounts payable and accrued expenses	<u>8,382,427</u>	<u>34,507,694</u>
	<u>P2,447,836,390</u>	<u>P 266,244,184</u>

23.4 Market Risk

The market risks to which the Company may be exposed are as follows:

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the dollar-denominated investments, receivables and payables. The Company recognized net foreign exchange gains of P115,273,826 in 2008 and net foreign exchange losses of P179,320,898 in 2007 and P90,676,616 in 2006 (see Note 12).

Exposures to currency exchange rates arise from the Company's foreign currency reinsurance transactions, which are primarily denominated in US dollars, Indonesian rupiah, South Korean won, Pakistan rupee, Japanese yen, Thailand baht, China yuan, Nepalese rupee, Euro, Indian rupee, Malaysian ringgit, Myanmar kyat, Singaporean dollars, Hongkong dollars, Sri Lankan rupee, British pound, Australian dollars and Swiss franc. The Company also holds US dollar-denominated cash and cash equivalents and investment in equity securities.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign-currency denominated financial assets and liabilities, translated into Philippine pesos at the closing rate are as follows:

	<u>2008</u>		<u>2007</u>	
	<u>U.S. Dollar</u>	<u>Other Currencies</u>	<u>U.S. Dollar</u>	<u>Other Currencies</u>
Financial assets	P 1,529,236,678	P 180,140,323	P 1,290,440,554	P 74,221,140
Financial liabilities	(<u>729,842,749</u>)	(<u>22,751,723</u>)	(<u>475,088,763</u>)	(<u>25,195,854</u>)
Total net exposure	<u>P 799,393,929</u>	<u>P 157,388,600</u>	<u>P 815,351,791</u>	<u>P 49,025,286</u>

The following table illustrates the sensitivity of the Company's income before tax with respect to changes on Philippine peso against foreign currencies exchange rates. The percentage changes in rates have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	2008			2007		
	Reasonably possible change in rate	Effect in income before tax	Effect in equity before tax	Reasonably possible change in rate	Effect in income before tax	Effect in equity before tax
PhP - United States						
Dollars	26.13%	(P 186,809,727)	(P 22,038,430)	20.72%	(P 106,184,731)	(P 31,386,566)
PhP - Japanese Yen	49.16%	(24,792,536)	-	39.96%	(77,389)	-
PhP - Indonesian						
Rupiah	46.19%	(15,590,914)	-	27.18%	(7,514,852)	-
PhP - Thailand Baht	51.58%	(13,785,763)	-	37.15%	(2,312,479)	-
PhP - South Korean						
Won	71.88%	(5,696,305)	-	16.55%	(132,137)	-
PhP - Euro	41.68%	(5,454,359)	-	22.36%	(615,090)	-
PhP - China Yuan	45.50 %	(2,278,914)	-	-	-	-
PhP - Malaysian						
Ringgit	23.39%	(1,562,330)	-	13.93%	(539,450)	-
PhP - Myanmar Kyat	28.13%	(1,485,741)	-	-	-	-
PhP - Singaporean						
Dollars	25.71%	(1,086,978)	-	17.95%	(1,033,785)	-
PhP - Pakistan Rupee	34.15 %	(701,509)	-	-	-	-
PhP - Indian Rupee	39.79 %	(665,062)	-	20.18%	(291,525)	-
PhP - Nepalese Rupee	33.98 %	(319,671)	-	-	-	-
PhP - Hongkong Dollars	26.10%	(124,564)	-	24.12%	(72,730)	-
PhP - Sri Linkan Rupee	29.03%	(18,364)	-	-	-	-
PhP - British pound	43.16%	(12,054)	-	26.32%	(8,613)	-
PhP - Australian dollar	54.91%	(111)	-	-	-	-
PhP - Swiss Franc	43.16%	(2)	-	33.18 %	(133)	-
Total		(P 260,384,904)	(P 22,038,430)		(P 118,782,914)	(P 31,386,566)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

(b) Market Price Risk

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 IC for any and all of their investments. It further requires companies to submit to the Commission a monthly report on all investments made during the previous month. The Commission reviews the investments and may require the immediate sale or disposal of investments deemed too risky.

In the area of equity investments, Section 200 of the Insurance Code further provides, among other things, that 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 risks 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 PSE. Furthermore, these listed companies must have profitable business operations and market capitalizations which are on a scale that would qualify them as blue chips.

The Investment Committee regularly reviews and approves a list of publicly traded stocks authorized for investments on the basis of the foregoing considerations. Furthermore, the Investment Committee seeks to avoid unwarranted concentration of funds in a single asset class by regularly monitoring and limiting the proportion of equity investments to the Company's total investment portfolio. As of December 31, 2008 and 2007 investments in listed equities amounted to 6% and 12%, respectively, of the Company's total investment portfolio.

The observed volatility rates of the fair values of the Company's investments held at fair value and their impact on the Company's net income and equity as of December 31, 2008 and 2007 are summarized as follows:

	2008		2007	
	Observed <u>Volatility Rates</u>	Effect in <u>Equity Before Tax</u>	Observed <u>Volatility Rates</u>	Effect in <u>Equity Before Tax</u>
Government bonds	7.17%	P 297,084,029	2.30%	P 69,929,758
Equity securities listed in the Philippines				
Common shares	35.15%	103,960,460	27.39%	120,500,879
Preferred shares	1.84%	1,839,185	9.91%	1,190,481
Long-term negotiable instruments	2.96%	5,925,810	0.65%	16,693,812
Mutual funds	16.50%	12,954,400	15.47%	8,094,997
Corporate bonds	0.89%	44,948	6.56%	15,100,344
Golf club shares	0.00%*	-	28.47%	555,209
		<u>P 421,808,832</u>		<u>P 232,065,480</u>

* No data on the market values of these club shares were available.

(c) Interest Rate Risk

The Company is exposed to interest rate risk because of its fixed income investments which amounted to approximately 92% and 84% of the Company's total investment portfolio as of December 31, 2008 and 2007, respectively. The Company attempts to limit interest rate risk by establishing limits on the duration and average maturity of its fixed income portfolio. As a general rule, the Company does not attempt to speculate (i.e., profit from short term changes or volatility in market conditions). Investments in fixed income securities are made primarily to ensure adequate cash flow from investments to meet cash requirements, both anticipated and unanticipated. Consequently, the investment portfolio is structured so that instruments mature concurrently with cash needs. Moreover, the investments in fixed income securities are limited to those with active secondary or resale markets to allow for transparent valuation and immediate liquidation in the event of market turmoil.

24. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the balance sheets are shown below:

		2008		2007	
Notes		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Cash and receivables:					
Cash and cash equivalents	4	P1,149,558,287	P1,149,558,287	P 1,346,912,651	P 1,346,912,651
Reinsurance balances receivables	5	4,353,404,620	4,353,404,620	2,908,836,020	2,908,836,020
Loans and receivables	7	<u>195,738,148</u>	<u>195,738,148</u>	<u>193,990,002</u>	<u>193,990,002</u>
		<u>P5,698,701,055</u>	<u>P5,698,701,055</u>	<u>P 4,449,738,673</u>	<u>P 4,449,738,673</u>
Available-for-sale financial assets:					
Debt securities	6	P4,720,548,819	P4,720,548,819	P 4,479,540,250	P 4,479,540,250
Equity securities	6	424,397,280	424,397,280	581,920,970	581,920,970
Investment in Asian Re shares	6	84,355,004	84,355,004	69,410,454	69,410,454
Various funds	6	<u>55,284,786</u>	<u>55,284,786</u>	<u>86,667,704</u>	<u>86,667,704</u>
		<u>P5,284,585,889</u>	<u>P5,284,585,889</u>	<u>P 5,217,539,378</u>	<u>P 5,217,539,378</u>
Financial Liabilities					
Financial liabilities at amortized cost:					
Reinsurance balances payable	5	P4,705,635,537	P4,705,635,537	P 2,671,190,453	P 2,671,190,453
Accounts payable and other accrued expenses	11	<u>45,463,886</u>	<u>45,463,886</u>	<u>42,890,121</u>	<u>42,890,121</u>
		<u>P4,751,099,423</u>	<u>P4,751,099,423</u>	<u>P 2,714,080,574</u>	<u>P 2,714,080,574</u>

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by complying with the capital requirements and limitation enforced by the IC and by aligning the Company's operational strategy to its corporate goals. The capital requirements and limitation are as follows:

25.1 Minimum Capitalization

Under the Department Order No. 27-06 (DO No. 27-06), any reinsurance company existing, operating, or otherwise doing business in the Philippines, must possess minimum capitalization in accordance with the following schedule of compliance:

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Minimum statutory net worth	P 1,250,000,000	P 1,000,000,000
Minimum paid-up capital	625,000,000	500,000,000

As defined by DO No. 27-06, statutory net worth represents the Company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings, and revaluation increments as may be approved by the Insurance Commissioner.

25.2 Risk-Based Capital Requirements

As per Insurance Memorandum Circular No. 7-2006, every non-life insurance company is annually required to maintain a minimum Risk-Based Capital (RBC) ratio of 100%. RBC ratio is computed by dividing the Company's net worth by an RBC requirement prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC.

25.3 Limitation on Dividend Declaration

The Company's BOD is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. However, a stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the BOD may determine and in accordance with law.

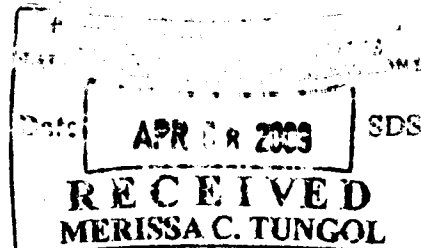
Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

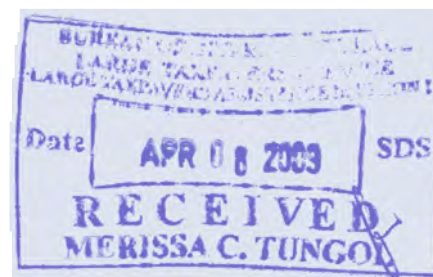
- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

The Company is required to report such dividend declaration or distribution to the IC within 30 days from the date of such declaration.

Moreover, the SEC, through its Memorandum Circular 11 dated December 5, 2008 has set guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution. This shall be based on the net income for the year based on the audited financial statements, adjusted for unrealized items which are considered not available for dividend declaration. These unrealized items consist of the following:

- share/equity in net income of the associate or joint venture
- unrealized foreign exchange gains, except those attributable to cash and cash equivalents
- unrealized actuarial gains arising from the exercise of the option of recognizing actuarial gains or losses directly to the income statement
- fair value adjustment arising only from marked-to-market valuation which are not yet realized
- the amount of deferred tax asset that reduced the amount of income tax expense
- adjustment due to deviation from PFRS/Generally Accepted Accounting Principles which results to gain
- other unrealized gains or adjustments to the retained earnings





**Report of Independent Auditors
to Accompany SEC Schedules
Filed Separately from the Basic
Financial Statements**

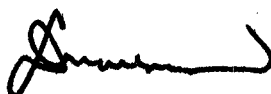
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**The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines**
18th Floor, Philippine AXA Life Center
Sen. Gil J. Puyat Avenue corner Tindalo Street
Makati City

We have audited the financial statements of National Reinsurance Corporation of the Philippines for the year ended December 31, 2008, on which we have rendered our report dated March 31, 2009. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) of the Company as of December 31, 2008 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: **Leonardo D. Cuaresma, Jr.**
Partner
CPA Reg. No. 0058647
TIN No. 109-227-862
PTR No. 1566064, January 5, 2009, Makati City
SEC Accreditation No. 0007-AR-2
BIR AN 08-002511-7-2008 (Nov. 25, 2008 to 2011)

March 31, 2009

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2008

Statement of Management's Responsibility for the Consolidated Financial Statements

Independent Auditors' Report on the SEC Supplementary Schedules
Filed Separately from the Basic Financial Statements

Supplementary Schedules to Financial Statements
(Form 17-A, Item 7)

		<u>Nos. of Pages</u>
A.	Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)	NA*
B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	2
C.	Noncurrent Marketable Equity Securities, Other Long-term Investments in Stocks and Other Investments	2
D.	Indebtedness to Unconsolidated Subsidiaries and Related Parties	NA
E.	Other Assets	1
F.	Long-term Debt	NA
G.	Indebtedness to Related Parties (Long-term Loans from Related Companies)	NA
H.	Guarantees of Securities of Other Issuers	NA
I.	Capital Stock	9

Supplementary Schedule to Financial Statements
(SEC Circular 11)

Reconciliation of Retained Earnings for Dividend Declaration

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders' (Other than Related Parties)
December 31, 2008

Name of Employee	Bal. at beg. of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts Written off	Current	Non-Current	

A. Emergency Loans

1 Aguilar, Normando Antonio S.	8,014.30		8,014.30	-	-	-	-
2 Alavera Rzalina	4,256.96		4,256.96	-	-	-	-
3 Albina, Ruby		9,000.00	5,118.82	-	3,881.18	-	3,881.18
4 Aldeano, Marissa P.	5,978.30		5,978.30	-	-	-	-
5 Almirante, Tricia S.	4,732.20	10,000.00	10,000.00	-	4,732.20	-	4,732.20
6 Aman, Ma. Socorro J.	6,403.50	10,000.00	10,000.00	-	6,403.50	-	6,403.50
7 Andrade, Mary Ellnor	3,890.90	10,000.00	10,000.00	-	3,890.90	-	3,890.90
8 Baguiao, Arturo	4,312.60		4,312.60	-	-	-	-
9 Bantad, Benedict C.	9,667.53	10,000.00	11,791.70	-	7,875.83	-	7,875.83
10 Barinag, Julius		10,000.00	6,109.10	-	3,890.90	-	3,890.90
11 Barit, Josephine S.	3,890.90	10,000.00	9,578.30	-	4,312.60	-	4,312.60
12 Bautista, Jonathan B.	6,773.60		6,773.60	-	-	-	-
13 Bautista Jr., Raymundo	3,890.90		3,890.90	-	-	-	-
14 Bondame, Rey S.	3,468.12	10,000.00	10,000.00	-	3,468.12	-	3,468.12
15 Cabero, Danilo J.	3,930.86		3,930.86	-	-	-	-
16 Cantor, Levi	4,732.20	10,000.00	10,000.00	-	4,732.20	-	4,732.20
17 Capuno, Bienvenido C.	7,599.10		7,599.10	-	-	-	-
18 Castillo, Jocelyn		10,000.00	5,687.40	-	4,312.60	-	4,312.60
19 Centeno, Fatima		10,000.00	4,021.70	-	5,978.30	-	5,978.30
20 Cirjuano, Jerome S	5,008.41	9,000.00	8,443.43	-	5,564.98	-	5,564.98
21 Collantes, Jereco L.	6,849.94	10,000.00	8,835.64	-	8,014.30	-	8,014.30
22 De Asis, Jean		9,000.00	5,879.68	-	3,120.32	-	3,120.32
23 De Guzman, Mary Ann		10,000.00	1,985.70	-	8,014.30	-	8,014.30
24 De los Santos, Abigail	5,978.30		5,978.30	-	-	-	-
25 Del Mundo, George	6,405.70	10,000.00	10,000.00	-	6,405.70	-	6,405.70
26 De Leon II, Roberto	8,014.30	10,000.00	9,598.00	-	8,416.30	-	8,416.30
27 Evangelista, Melecio		10,000.00	9,120.10	-	879.90	-	879.90
28 Evangelista, Mylene A.	3,043.30	10,000.00	9,967.30	-	3,076.00	-	3,076.00
29 Fandialan, Jocelyn SP	3,890.90	10,000.00	9,578.30	-	4,312.60	-	4,312.60
30 Garcia, Dahlia S.	9,213.70	10,000.00	9,999.10	-	9,214.60	-	9,214.60
31 Gongora, Charmie A.	3,467.20	10,000.00	10,000.00	-	3,467.20	-	3,467.20
32 Hernandez, Natividad G.	4,732.20	10,000.00	10,000.00	-	4,732.20	-	4,732.20
33 Ignacio, Jose Alladin		10,000.00	2,794.10	-	7,205.90	-	7,205.90
34 Imperial, Leni D.	3,890.90	10,000.00	10,000.00	-	3,890.90	-	3,890.90
35 Joson, Wilflor		10,000.00	4,435.00	-	5,565.00	-	5,565.00
36 Lacuna, Melinda C.	2,615.20	10,000.00	9,572.00	-	3,043.20	-	3,043.20
37 Lampa, Kathy	8,814.50		8,814.50	-	-	-	-
38 Larraga, Benedict Jason	3,467.20	10,000.00	5,856.10	-	7,611.10	-	7,611.10
39 Legaspi, Theresa Loma M.	4,312.60		4,312.60	-	-	-	-
40 Magalona, Natalie S.	5,127.90	10,000.00	9,177.50	-	5,950.40	-	5,950.40
41 Magalona, Wilmar M.	879.90	10,000.00	7,412.70	-	3,467.20	-	3,467.20
42 Magdaleno, Mary Jane L.	3,890.60	10,000.00	6,685.00	-	7,205.60	-	7,205.60
43 Magtalas, Ivy I.	8,415.40	10,000.00	9,999.10	-	8,416.30	-	8,416.30
44 Mercene, Annaliza		10,000.00	8,249.10	-	1,750.90	-	1,750.90
45 Navarette, Ma. Doris S.	4,732.20		4,732.20	-	-	-	-
46 Paculan, Angelene		10,000.00	3,201.30	-	6,798.70	-	6,798.70
47 Paler, Roxane		10,000.00	4,021.70	-	5,978.30	-	5,978.30
48 Pangilinan, Rowena S.	3,890.90	10,000.00	10,000.00	-	3,890.90	-	3,890.90
49 Panila, Mervina Khristine		9,000.00	9,000.00	-	-	-	-
50 Pascual, Teofista R.	8,014.30		8,014.30	-	-	-	-
51 Ramos Warren		9,000.00	5,118.82	-	3,881.18	-	3,881.18
52 Razon, Johanna Lyn		10,000.00	2,388.90	-	7,611.10	-	7,611.10
53 Reyes, Lylibeth		9,900.00	8,596.65	-	1,303.35	-	1,303.35
54 Sabiano Henry		10,000.00	3,201.30	-	6,798.70	-	6,798.70
55 Salesa, Mario		10,000.00	-	-	10,000.00	-	10,000.00
56 Samson, Jose P.		10,000.00	6,109.10	-	3,890.90	-	3,890.90
57 Sanoy, Vicente		10,000.00	6,532.80	-	3,467.20	-	3,467.20
58 Santiago, Chona C.	5,978.30	10,000.00	10,000.00	-	5,978.30	-	5,978.30
59 Santos, Ma. Lourdes M.	6,812.70		6,812.70	-	-	-	-
60 Silva, Eugenia G.	4,732.20	10,000.00	9,582.60	-	5,149.60	-	5,149.60
61 Toledo, Warlito	3,890.90	10,000.00	10,000.00	-	3,890.90	-	3,890.90
62 Velasquez, Rolly M.	3,041.30		3,041.30	-	-	-	-
63 Ventura, Rosario P.	4,732.20	10,000.00	5,917.70	-	8,814.50	-	8,814.50
64 Villaneuva, Christopher C.	5,978.30	10,000.00	6,766.70	-	9,211.60	-	9,211.60
65 Villarama, Jr., Vicente B.	3,417.10	10,000.00	9,576.30	-	3,840.80	-	3,840.80
66 Yaba, Manuel N.	6,405.03	10,000.00	9,999.53	-	6,405.50	-	6,405.50
	241,185.55	504,900.00	476,370.79	-	269,714.76	-	269,714.76

B. Multi-Purpose Loan

1 Sanoy, Vicente	18,664.10		18,664.10	-	-	-	-
2 Ventura, Rosario	30,388.61		30,388.61	-	-	-	-
	49,052.71	-	49,052.71	-	-	-	-

Name of Employee	Bal. at beg. of period	Additions	Amounts collected	Amounts Written off	Current	Non-Current	Balance at end of period
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C. Car Facility Loan

1 Aguilar, Normando Antonio S.	336,435.68		78,092.39			258,343.29	258,343.29
2 Aldeano, Marissa P.	288,373.69		66,936.09			221,437.60	221,437.60
3 Barit, Josephine		360,000.00	24,818.21			335,181.79	335,181.79
4 Basco, Amerfil V.	195,000.00		72,000.00			123,000.00	123,000.00
5 Cabero, Danilo J.	174,000.00		174,000.00			-	-
6 Cipriano, Augusto C.	312,599.93		62,621.25			249,978.68	249,978.68
7 De Leon, Roberto S.	280,295.96		67,607.71			212,688.25	212,688.25
8 Del Mundo, George U.	330,163.54		78,613.88			251,549.66	251,549.66
9 Dela Paz, Marilyn		360,000.00	14,791.71			345,208.29	345,208.29
10 Dizon, Ronaldo C.	336,435.68		78,092.39			258,343.29	258,343.29
11 Duran, Buenaventura P.	352,641.06		61,592.71			291,048.35	291,048.35
12 Engracia, Rosario V.	229,442.43	545,400.00	302,756.71			472,085.72	472,085.72
13 Geronimo, Editha B.	420,443.82		101,411.80			319,032.02	319,032.02
14 Fandialan, Jocelyn		346,200.00	23,866.92			322,333.08	322,333.08
15 Juan, Noel M.	-		-			-	-
16 Kabigting, Francisco B.	113,721.81		54,581.60			59,140.21	59,140.21
17 Legaspi, Teresa Loma M.	180,000.00		180,000.00			-	-
18 Lucos, Honarata S.	420,443.82	72,000.00	114,768.75			377,675.07	377,675.07
19 Magtalas, Ivy		360,000.00	9,828.29			350,171.71	350,171.71
20 Martinez, Ariel D.	177,621.23		97,417.18			80,204.05	80,204.05
21 Miras, Ma. Teresa M.	282,997.60		67,383.07			215,614.53	215,614.53
22 Nayve, Rodolfo M.	104,212.85		104,212.85			-	-
23 Pangilinan, Rowena S.	330,163.54		78,613.88			251,549.66	251,549.66
24 Ramos, Regina S.	204,000.00		72,000.00			132,000.00	132,000.00
25 Reyes, Angelita U.	288,373.69		66,936.09			221,437.60	221,437.60
26 Samson, Jose		360,000.00	24,818.21			335,181.79	335,181.79
27 Sanoy, Jr., Vicente R.	197,608.48		46,459.80			151,148.68	151,148.68
28 Santos, Ma. Lourdes M.	215,976.04		70,713.35			145,262.69	145,262.69
29 Silva, Eugenia G.	373,204.34		75,035.34			298,169.00	298,169.00
30 Urbano, Emerlinda A.	193,289.31		193,289.31			-	-
31 Ventura, Rosario P.	113,721.81		54,581.60			59,140.21	59,140.21
32 Villarama, Jr., Vicente B.	280,296.11		67,607.68			212,688.43	212,688.43
33 Villasenor, Edgar B.	35,803.13	357,294.71	40,664.13			352,433.71	352,433.71
	6,767,265.55	2,760,894.71	2,626,112.90	-	-	6,902,047.36	6,902,047.36

D. Receivables on Insurance coverage of Co. Car (Officers share)

1 Aguilar, Normando Antonio S.	8,760.40		120.62		8,639.78		8,639.78
2 Aldeano, Marissa P.	10,378.60		4,026.98		6,351.62		6,351.62
Barit, Josephine		8,058.43	-		8,058.43		8,058.43
3 Basco, Amerfil V.	3,709.24		212.84		3,496.40		3,496.40
4 Cabero, Danilo J.	4,890.99		4,890.99		-		-
5 Cipriano, Augusto C.	2,913.32		608.86		2,304.46		2,304.46
6 De Leon, Roberto S.	8,733.88		1,206.50		7,527.38		7,527.38
7 Del Mundo, George U.	12,909.87		1,701.69		11,208.18		11,208.18
Dela Paz, Marilyn		5,669.53	-		5,669.53		5,669.53
Dizon, Ronaldo		5,242.97	-		5,242.97		5,242.97
8 Duran, Buenaventura P.	8,994.12		1,979.54		7,014.58		7,014.58
Engracia Rosario		3,320.64	-		3,320.64		3,320.64
Fandialan Jocelyn		4,785.62	-		4,785.62		4,785.62
9 Geronimo, Editha B.	8,880.49		1,878.65		7,001.84		7,001.84
10 Juan, Noel M.	1,279.52		-		1,279.52		1,279.52
11 Legaspi, Teresa Loma M.	7,812.09		2,308.64		5,503.45		5,503.45
12 Lucos, Honarata S.	8,988.49		8,370.90		617.59		617.59
13 Miras, Ma. Teresa M.	10,439.85		1,323.54		9,116.31		9,116.31
Magtalas, Ivy		6,225.37	-		6,225.37		6,225.37
14 Pangilinan, Rowena S.	6,775.69		805.08		5,970.61		5,970.61
15 Ramos, Regina S.	6,567.62		3,754.66		2,812.96		2,812.96
16 Reyes, Angelita U.	8,356.01		645.71		7,710.30		7,710.30
Samson Jose		5,808.53	-		5,808.53		5,808.53
17 Santos, Ma. Lourdes M.	5,601.15		86.50		5,514.65		5,514.65
18 Silva, Eugenia G.	5,360.52		2,521.63		2,838.89		2,838.89
19 Ventura, Rosario P.	4,995.68		940.39		4,055.29		4,055.29
20 Villarama, Jr., Vicente B.	6,274.56		(208.43)		6,482.99		6,482.99
Villasenor, Edgar		12,696.74	-		12,696.74		12,696.74
	142,622.09	51,807.83	37,175.29	-	157,254.63	-	157,254.63

E. Housing Loan

1 Aldeano, Marissa P.	398,915.94		37,136.26			361,779.68	361,779.68
2 De Leon, Roberto II	1,415,071.52		67,515.91			1,347,555.61	1,347,555.61
3 Nayve, Rodolfo M.	805,330.07		112,193.84			693,136.23	693,136.23
4 Kabigting, Francisco B.	940,404.33		113,312.42			827,091.91	827,091.91
5 Villanueva, Christopher C.	358,608.53		14,933.13			343,675.40	343,675.40
	3,918,330.39	-	345,091.56	-	-	3,573,238.83	3,573,238.83

GRAND TOTAL	11,118,456.29	3,317,602.54	3,533,803.25	-	426,969.39	10,475,286.19	10,902,255.58
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule C - Non-current Marketable Securities, Other Long-term Investment in Stocks and Other Investments
December 31, 2006

Name of issuing entity and description of investment	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity earnings (losses) of investees for the period	Other	Distribution of earnings by investees	Other	Number of shares or principal amounts of bonds and notes	Amount in Pesos	Dividends received from investments not accounted for by the equity method
AVAILABLE FOR SALE									
STOCKS:									
Aboltz Equity Ventures	899,000	8,203,100.00				8,203,100.00			
Aboltz Power	342,000	1,812,800.00		5,441,220.00			1,808,900	7,253,820.00	61,560.00
Ayala Corporation	84,920	47,979,800.00				22,948,582.00	121,202	25,331,216.00	413,944.00
Ayala Corporation Pref A				19,900,000.00			40,000	19,900,000.00	217,066.67
Ayala Land B	2,816,855	40,140,183.75				16,470,711.75	3,898,355	23,569,472.00	165,381.30
Barco De Oro	396,574	24,113,727.00				20,540,751.00	148,874	3,572,976.00	220,756.40
Bank of the Phil. Islands	481,280	29,596,720.00				16,889,254.00	330,116	12,709,466.00	1,213,261.40
Berpses Holdings	954,000	4,388,400.00				4,388,400.00			
EIB Realty Developers	937,500	253,125.00				196,875.00	937,500	56,250.00	
Empire East Land	522,000	417,600.00				417,600.00			
Export and Industry Bank	7,094,000	2,695,720.00				1,831,620.00	7,094,000	1,064,100.00	
Filinvest Dev. Corp.	285,000	1,296,500.00				1,197,000.00	285,000	199,500.00	14,250.00
Filinvest Land	3,595,000	4,686,200.00				4,686,200.00			
First Gen Corp	62,800	5,509,700.00				3,690,495.50	119,298	1,819,294.50	
First Phil. Holding A	239,098	17,334,605.00				17,334,605.00			
Globe Telecom	9,780	15,354,600.00		2,680,200.00			23,730	18,034,600.00	1,722,625.00
Holcim Phils.	387,000	2,663,800.00				2,663,800.00			
House of Investment	2,679,170	5,368,340.00				2,666,711.50	2,679,170	2,491,628.10	
International Container	173,700	7,903,350.00				2,743,425.00	494,700	5,158,925.00	113,890.00
Ipeople Inc.	2,600,000	8,190,000.00				2,470,000.00	2,600,000	5,720,000.00	518,725.00
Jollibee Foods Corporation	82,250	4,277,000.00				4,277,000.00			148,133.00
Manila Water Corp				16,142,475.00			1,218,300	16,142,475.00	240,870.00
Megaworld	2,430,100	9,112,875.00				8,526,519.80	3,918,720	2,586,355.20	78,374.40
Meralco A	427,621	18,344,332.50				16,930,646.00	25,021	1,413,686.50	175,306.05
Meralco B	129,160	10,655,699.19				10,655,699.19			
Metropolitan Bank & Trust Co.	266,000	14,497,000.00				7,389,300.00	309,900	7,127,700.00	365,920.00
Paxys, Inc.	244,200	1,440,760.00				1,440,660.00	200	120.00	
Petron Corporation				1,020,000.00			200,000	1,020,000.00	72,400.00
Phil. Long Distance Tel. Co.	21,700	68,897,500.00		21,497,600.00			42,740	90,395,100.00	8,011,700.00
Philrex Mining	607,800	5,774,100.00		473,738.10			1,275,069	6,247,838.10	
Pilapino Tel Corp.	428,000	3,210,000.00				3,210,000.00			
PNOC Energy Devt	1,638,100	10,647,650.00				1,999,690.00	4,552,100	8,848,990.00	362,067.00
Rizal Comm Banking Corp.	234,600	5,635,200.00				5,145,200.00	50,000	490,000.00	24,000.00
Robinsons Land	349,300	5,793,450.00				4,377,739.63	282,798	1,385,710.37	116,178.00
San Miguel Corp A	45,766	2,700,194.00				846,671.00	45,766	1,853,523.00	64,072.40
San Miguel Corp B	189,880	21,962,810.00				21,962,810.00			58,373.00
Southeast Asian Cement	2,946,900	2,948,000.00				2,788,780.00	618,000	179,220.00	
SM Investments	43,770	14,881,803.40		6,437,876.80			111,040	21,319,680.00	582,920.00
SM Prime Holdings	1,039,448	10,654,342.00				811,732.00	1,312,348	9,842,610.00	377,147.52
Universal Robina Corp	311,000	4,354,000.00				4,354,000.00			
Ayala Corporation-Pref	50,000,000	50,919,508.33				919,508.33	50,000,000	50,000,000.00	4,716,764.16
Alabang B	3	3,600,000.00				600,000.00	3	3,000,000.00	
Asian Reinsurance Corp	954	69,410,454.07		14,944,549.50			980	84,355,003.66	1,184,891.32
Batangas Venture	5,000,000	4,251,580.25				524,027.05	5,000,000	3,727,553.20	
Berquest consolidated	18	61.92				-	18	61.92	
Calatagan	1	40,000.00				-	1	40,000.00	
Evercrest Golf Club A	1	60,000.00				-	1	60,000.00	
Heritage Park-Garden	4	880,000.00				-	4	880,000.00	
SMIC - Pref	50,000,000	51,512,430.58				1,512,430.58	50,000,000	50,000,000.00	5,267,430.58
Makati Sports Club A	2	400,000.00				(90,000.00)	2	460,000.00	
Makati Sports Club B	3	660,000.00				(90,000.00)	3	750,000.00	
Orchard Golf Club C	1	330,000.00				-	1	330,000.00	
Phil Hotel C	750	96,971.77				-	750	96,971.77	
Phil. Nuclear Pool	300	30,000.00				-	300	30,000.00	
PLDT Preferred Shares	11,875	136,962.50				(1,409.25)	11,875	137,971.75	5,600.00
Rancho Palos Verdes	2	1,000,000.00				-	2	1,000,000.00	
Roxas Pref. - Others	189,306	13,037,624.66				3,301,668.51	18,930,500	9,735,956.15	
Roxas Pref. Series C	147,435	10,153,995.89				4,293,115.58	11,395,840	5,860,880.31	
Seneca Holdings	746,453.00	746,453.00				-	746,453.00	746,453.00	578,500.69
Shell Company	660	1,905,974.40				-	660	1,905,974.40	87,120.00
GRAND TOTAL FOR INVESTMENT IN STOCKS		651,331,424.19		89,537,659.29		231,116,799.53		506,752,283.93	27,078,149.87
BONDS									
Fixed Rate Treasury Notes									
FXTN-313	10,000,000.00	10,168,929.92				10,168,929.92			
FXTN-313	100,000,000.00	102,482,807.81				2,184,341.10	100,000,000.00	100,278,466.71	
FXTN-313	100,000,000.00	102,482,807.81				2,184,341.10	100,000,000.00	100,278,466.71	
FXTN-557	15,000,000.00	16,335,326.16				682,475.00	15,000,000.00	15,652,851.10	
FXTN-557	24,000,000.00	26,136,521.85				1,091,960.00	24,000,000.00	25,044,561.76	
FXTN-316	100,000,000.00	99,487,873.90				147,896.98	100,000,000.00	99,338,976.91	
FXTN-3-16	300,000,000.00	298,463,621.70				443,690.98	300,000,000.00	298,019,930.72	
FXTN-3-16				44,702,989.61			45,000,000.00	44,702,989.61	
FXTN-5-62	11,600,000.00	12,300,417.85				317,804.71	11,600,000.00	11,982,613.14	
FXTN-565	680,651,804.00	675,324,773.27				8,181,620.19	680,651,804.00	667,143,153.08	
FXTN-565	22,000,000.00	21,827,819.93				264,446.00	22,000,000.00	21,563,373.93	
FXTN-730	300,000,000.00	350,646,722.83				15,525,222.83	300,000,000.00	335,121,500.00	
FXTN-743	16,900,000.00	16,498,153.84				596,988.63	16,900,000.00	17,095,142.47	
FXTN-743	100,000,000.00	109,456,531.57				3,532,477.07	100,000,000.00	105,924,054.50	
FXTN-743	43,000,000.00	47,066,308.58				1,518,965.14	43,000,000.00	45,547,343.44	
FXTN-743	38,000,000.00	41,593,482.00				1,342,341.29	38,000,000.00	40,251,140.71	

Name of issuing entity and description of investment	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity earnings (losses) of investees for the period	Other	Distribution of earnings by investees	Other	Number of shares or principal amounts of bonds and notes	Amount in Pesos	Dividends received from investments not accounted for by the equity method
FXTN-743				105,924,054.50			100,000,000.00	105,924,054.50	
FXTN-7-45	300,000,000.00	311,141,518.62				7,894,270.24	300,000,000.00	303,257,248.38	
FXTN 1042	380,918,340.00	438,570,737.28				430,111,331.68	5,918,340.00	6,450,405.40	
	250,000,000.00	286,525,149.51				13,860,895.03	250,000,000.00	272,855,454.48	
	100,000,000.00	114,767,153.32				5,426,947.90	100,000,000.00	109,340,205.42	
FXTN2002	4,400,000.00	6,947,481.07				602,404.52	4,400,000.00	8,345,076.55	
	2,896,470,144.00	3,088,184,138.80		150,627,044.11	-	505,878,150.83	2,656,470,144.00	2,732,933,032.26	-
LAND BANK BONDS									
Various	815,913.77	595,482.45				595,482.45	-		
Various	962,820.11	1,035,576.89				845,947.05	214,694.88	180,829.84	
Various	1,275,738.39	1,153,208.50				1,153,208.50	-		
Various	2,034,577.49	1,906,403.18				1,024,569.23	1,017,288.74	881,833.95	
Various	1,246,625.96	1,164,360.27				628,002.38	624,312.96	536,300.89	
Various	2,942,579.73	2,762,499.78				1,065,035.64	1,961,719.81	1,607,464.14	
Various	928,561.23	872,680.76				284,803.23	896,420.90	587,877.53	
Various	1,145,105.79	1,082,958.05				325,723.78	991,733.22	757,234.27	
	11,353,982.47	10,573,203.88				5,952,883.28	5,406,170.29	4,620,340.62	
ROP BONDS									
ROP 09	20,700,500.00	21,497,473.28				(2,541,807.99)	23,742,500.00	24,039,281.25	
ROP 10	8,280,200.00	9,051,914.64				(987,420.36)	9,497,000.00	10,019,335.00	
JGS 13	41,401,000.00	42,055,135.80				(2,105,514.20)	47,485,000.00	44,161,050.00	
ROP 13	8,280,200.00	9,449,394.24				(569,970.78)	9,497,000.00	10,019,335.00	
ROP 13				100,193,350.00			94,970,000.00	100,193,350.00	
ROP 14				24,454,775.00			23,742,500.00	24,454,775.00	
ROP 15				100,668,200.00			94,970,000.00	100,668,200.00	
ROP 19				94,959,480.00			56,982,000.00	64,969,480.00	
ROP32				67,666,125.00			71,227,500.00	67,666,125.00	
ROP32				67,666,125.00			71,227,500.00	67,666,125.00	
TOTAL EURO BONDS	78,661,900.00	82,653,887.94		425,608,055.00	-	(5,183,113.31)	503,341,000.00	513,847,058.25	
TOTAL BONDS	2,940,466,026.47	3,180,811,230.62		576,235,099.11	-	505,649,900.60	3,185,217,314.29	3,251,400,429.13	
FXTN-(BPI Managed)									
FXTN 313C	207,814,531.00	218,370,077.58				14,891,698.83	197,814,531.00	203,478,378.63	
FXTN 580C	25,000,000.00	28,271,775.00				1,190,325.00	25,000,000.00	27,078,450.00	
MRTBOND	120,000,000.00	126,937,580.00				3,694,800.00	120,000,000.00	123,242,880.00	
AC-BOND	20,000,000.00	20,121,333.33				3,033.33	20,000,000.00	20,118,300.00	
FXTN 743R	93,825,855.00	106,071,768.77				4,262,972.43	93,825,855.00	101,808,796.34	
RT-BOND				54,591,350.00			50,000,000.00	54,591,350.00	
ALI-BONDS				10,091,388.99			10,000,000.00	10,091,388.99	
MWCBOND				20,253,000.00			20,000,000.00	20,253,000.00	
FXTN1035C	30,000,000.00	40,237,380.00				2,294,370.00	30,000,000.00	37,943,010.00	
FXTN1037C	25,000,000.00	33,188,775.00				1,912,025.00	25,000,000.00	31,276,750.00	
METRO-USN	4,500,000.00	4,550,400.00					4,500,000.00	4,550,400.00	
BDO-USN	10,000,000.00	10,062,222.22					10,000,000.00	10,062,222.22	
FXTN2002C	5,000,000.00	8,165,508.33				720,050.00	5,000,000.00	7,445,458.33	
FXTN2011C	10,000,000.00	13,774,535.56				1,810,420.00	10,000,000.00	11,955,115.56	
FXTN2012C	10,000,000.00	12,332,890.00				1,657,450.00	10,000,000.00	10,675,440.00	
	560,940,388.00	622,084,345.77		84,935,738.89		32,449,144.89	630,940,388.00	674,570,938.97	
FXTN 313C	5,996,443.00	6,144,123.87				130,982.77	5,996,443.00	6,013,141.10	
FXTN 5-47	8,800,000.00	9,583,391.35				400,385.37	8,800,000.00	9,183,005.98	
FXTN-316	76,000,000.00	75,810,784.16				112,401.71	76,000,000.00	75,498,382.45	
FXTN 5-58	6,200,000.00	6,798,743.55				284,633.12	6,200,000.00	6,514,110.43	
NPC Zero*	9,000,000.00	7,120,260.21				(216,379.44)	9,000,000.00	7,336,639.65	
	105,996,443.00	105,257,303.14				712,023.53	105,996,443.00	104,545,279.81	
GOVERNMENT/CORPORATE BONDS									
Globe Bond	5,000,000.00	5,264,453.93				232,283.58	5,000,000.00	5,032,170.35	
AC Bonds	100,000,000.00	100,000,000.00					100,000,000.00	100,000,000.00	
AC Bonds	200,000,000.00	200,000,000.00					200,000,000.00	200,000,000.00	
MWCBond				20,000,000.00			20,000,000.00	20,000,000.00	
BDO - EPCI "Ter II"	65,000,000.00	65,000,000.00					65,000,000.00	65,000,000.00	
				100,000,000.00			100,000,000.00	100,000,000.00	
	370,000,000.00	370,264,453.93		120,000,000.00		232,283.58	490,000,000.00	490,032,170.35	
LONG-TERM NEGOTIABLE INSTRUMENT	200,000,000.00	201,122,916.67				1,122,916.67	200,000,000.00	200,000,000.00	
GRAND TOTAL FOR INVESTMENT IN BONDS	4,223,422,855.47	4,479,540,250.13	-	781,170,838.00	-	540,182,269.07	4,592,154,143.29	4,720,548,819.06	
PREMIUM FIXED INCOME FUND	88,667,703.49	88,667,703.49				31,382,917.82	55,284,785.67	55,284,785.67	
TOTAL AVAILABLE FOR SALE PER AUDITED FINANCIAL STATEMENT 12.31.08							5,284,585,888.66	27,078,149.87	

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule E - Intangible Assets/Other Assets
December 31, 2008

Description	Beginning Balance	Additions at cost	Deduction			Ending Balance
			Charged to cost & exp.	Charged to other accts.	Other charges add'l.(deductions)	
1 Deferred Withholding VAT (GSIS)	39,308,468	80,616			26,006,209	13,382,875
2 Investment properties	40,905,056				2,330,047	38,575,009
3 Input VAT	29,638,591	40,751,967			39,038,139	31,352,419
4 Creditable Expanded withholding Tax	5,297,029					5,297,029
5 Prepayments	1,515,877	13,158,245				14,674,122
6 Deposit	690,392				116,485	573,907
7 Security Fund	192,888					192,888
8 Deferred expanded withholding tax	5,075,072	3,829,101			3,508,336	5,395,837
	-					-
	122,623,373	57,819,929	-	-	70,999,216	109,444,086

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule I - Capital Stock

December 31, 2008

	Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
					Related parties	Directors, officers and employees	Others
1	Alegar Corporation	Common	32,600	NIL			32,600
2	Alliedbankers Insurance Corporation	Common	5,428,700	NIL			5,428,700
	Bonifacio N. Yao	Common	100	NIL			100
3	Alpha Insurance & Surety Company, Inc.	Common	1,578,900	NIL			1,578,900
	Fernando P. Jacinto, Jr.	Common	100	NIL			100
4	A. P. Madrigal Steamship Co., Inc.	Common	3,300	NIL			3,300
5	Araval, Inc.	Common	77,100	NIL			77,100
6	Asia United Insurance, Inc.	Common	1,252,300	NIL			1,252,300
7	Ayala Life Assurance, Inc.	Common	28,274,900	NIL	28,274,900		
8	Bancom Development Corporation	Common	8,300	NIL			8,300
9	Bank of the Philippine Islands	Common	290,795,500	NIL	290,795,500		
	Romeo L. Bernardo	Common	100	NIL	100		
	Emilio S. de Quiros, Jr.	Common	100	NIL	100		
10	Beneficial Life Insurance Company, Inc. (Beneficial-PNB Life Insurance Co., Inc.)	Common	3,193,500	NIL			3,193,500
	Ignacio A. Macrohon, Jr.	Common	100	NIL			100
11	B. F. General Insurance Company, Inc.	Common	36,900	NIL			36,900
12	B. F. Life Insurance Corporation	Common	397,300	NIL			397,300
13	BPI/MS Insurance Corporation	Common	3,347,500	NIL	3,347,500		
14	Cathay Insurance Company, Inc.	Common	1,786,900	NIL			1,786,900
15	CCC Insurance Corporation	Common	1,897,900	NIL			1,897,900
	Melecio C. Mallillin	Common	100	NIL			100
16	Centennial Guarantee Assce. Corp.	Common	265,200	NIL			265,200
17	Consolidated Insurance Company, Inc.	Common	144,600	NIL			144,600
	Rolando B. Francisco	Common	100	NIL			100
18	Cooperative Insurance System of the Phils. Inc.	Common	72,900	NIL			72,900
19	Country Bankers Insurance Corporation	Common	2,220,300	NIL			2,220,300
	Jose O. Desiderio, Jr.	Common	100	NIL			100
20	Country Bankers Life Insurance Corporation	Common	2,388,300	NIL			2,388,300
	Rodolfo O. Desiderio	Common	100	NIL			100
21	Eastern Assce. & Surety Corporation	Common	1,872,400	NIL			1,872,400
	Jorge T. Mariano, Jr.	Common	100	NIL			100
	Norberto V. Sauco	Common	100	NIL			100
	Frisco F. San Juan	Common	100	NIL			100

	Name of Stockholders	Title of issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
					Related parties	Directors, officers and employees	Others
22	Empire Insurance Company	Common	7,498,900	NIL			7,498,900
	Sergio Corpus	Common	100	NIL			100
23	Equitable Insurance Corporation	Common	4,045,000	NIL			4,045,000
24	Federal Phoenix Assurance Company, Inc.	Common	3,786,300	NIL			3,786,300
	Carlos F. Uy, Jr.	Common	100	NIL			100
25	FGU Insurance Corporation	Common	36,126,000	NIL	36,126,000		
	Alfonso L. Salcedo, Jr.	Common	100	NIL	100		
26	Fidelity Insurance Company, Inc.	Common	818,800	NIL			818,800
	Bienvenido M. Aragon	Common	100	NIL			100
27	First Guarantee Life Assurance Company	Common	474,700	NIL			474,700
28	First Integrated Bonding & Ins. Co, Inc.	Common	249,300	NIL			249,300
29	First Lepanto-Taisho Insurance Corporation (FLT Prime Insurance Corporation)	Common Common	4,538,700	NIL NIL			4,538,700
30	First Nationwide Assurance Corp., The	Common	13,157,000	NIL	13,157,000		
31	Fortune Life Insurance Co., Inc.	Common	4,329,600	NIL			4,329,600
	Antonio L. Cabangon Chua	Common	100	NIL			100
	Armando C. Trinidad	Common	100	NIL			100
32	General Insurance & Surety Corporation	Common	313,300	NIL			313,300
	Francis Edwin I. Bueno	Common	100	NIL			100
	Abdon M. Hari	Common	100	NIL			100
	Jose H. Remo, Jr.	Common	100	NIL			100
33	Great Domestic Insurance Co. of the Phils., Inc.	Common	544,700	NIL			544,700
34	Hyde Management & Resource Corporation	Common	264,000	NIL			264,000
35	Industrial Insurance Company, Inc.	Common	6,184,900	NIL			6,184,900
	Felimon R. Cuevas	Common	900	NIL			900
36	Insular Life Assurance Company, Ltd., The	Common	3,498,100	NIL			3,498,100
	Vicente R. Ayllon	Common	100	NIL			100
	Enrico V. Nano	Common	100	NIL			100
37	Insurance Company of North America	Common	705,600	NIL			705,600
38	Insurance of the Phil. Islands Company, Inc.	Common	59,100	NIL			59,100
	Cleotilde B. Francisco	Common	100	NIL			100
39	Investors Assurance Corporation	Common	99,000	NIL			99,000
	Aurelio M. Beltran	Common	100	NIL			100
40	Luzon Insurance & Surety Company, Inc.	Common	32,300	NIL			32,300
41	MAA General Assurance Phils., Inc.	Common	271,800	NIL			271,800
42	Mabasa & Company, Inc.	Common	36,500	NIL			36,500
43	Malayan Insurance Company, Inc	Common	23,088,100	NIL	23,088,100		
	Yvonne S. Yuchengco	Common	100	NIL	100		

	Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
					Related parties	Directors, officers and employees	Others
44	Malayan Zurich Insurance Company, Inc.	Common	12,869,100	NIL	12,869,100		
	Helen Y. Dee	Common	100	NIL	100		
45	Manila Bankers Life Insurance Corp.	Common	2,849,200	NIL			2,849,200
	Alfonso G. Puyat	Common	100	NIL			100
46	Manila Insurance Company, Inc., The	Common	1,148,400	NIL			1,148,400
	Vicente T. Fernandez	Common	100	NIL			100
47	Manila Surety & Fidelity Company, Inc.	Common	3,168,400	NIL			3,168,400
48	Mercantile Insurance Company, Inc., The	Common	2,997,700	NIL			2,997,700
	Jaime S. De Leon	Common	100	NIL			100
	Honorio J. Ramajo	Common	100	NIL			100
	Ma. Anicia L. Unson	Common	100	NIL			100
	Alejandro F. Unson, Jr.	Common	100	NIL			100
	Antonio S. Villamayor	Common	100	NIL			100
49	Meridian Assurance Corporation	Common	1,711,500	NIL			1,711,500
	Antonio O. Olbes	Common	100	NIL			100
50	Monarch Insurance Company, Inc.	Common	1,674,000	NIL			1,674,000
	Filemon A. Juntereal, Jr.	Common	100	NIL			100
51	Mount Peak Securities Inc.	Common	84,000	NIL			84,000
52	New India Assurance Company, Ltd., The	Common	4,168,300	NIL			4,168,300
	Balla Swamy	Common	100	NIL			100
53	Northwest Insurance and Surety Company, Inc.	Common	2,819,500	NIL			2,819,500
54	Oriental Assurance Corporation	Common	3,560,800	NIL			3,560,800
	Nazario Cotoco	Common	100	NIL			100
	Domingo Cotoco	Common	100	NIL			100
55	Pacific Union Insurance Company	Common	1,351,600	NIL			1,351,600
	Gay G. Padiemos	Common	100	NIL			100
56	Paramount Life & General Insurance Corp.	Common	940,900	NIL			940,900
57	PCD Nominee Corp. (F)	Common	1,438,025,400	NIL			1,438,025,400
58	PCD Nominee Corp. (NF)	Common	93,567,600	NIL			93,567,600
59	People's Trans-East Asia Insurance Corp.	Common	2,435,300	NIL			2,435,300
	(People's General Insurance Corp.)						
	Edmundo L. Unson, Jr.	Common	100	NIL			100
60	Phil. American Life Insurance, Co.	Common	8,628,600	NIL			8,628,600
	(Phil. American Life & General Insurance, Co.)						
61	Phil. British Assurance Co. Inc.	Common	3,590,400	NIL			3,590,400
62	Philippine Charter Insurance Corporation	Common	15,305,900	NIL			15,305,900
	Bienvenido M. Aragon	Common	100	NIL			100
63	Philippine Phoenix Surety & Insurance, Inc.	Common	134,900	NIL			134,900
	Jose P. Alvendia	Common	100	NIL			100

Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
64. Phil. Prudential Life Insurance Company, Inc.	Common	1,771,900	NIL			1,771,900
Daniel M. Mercado, Jr.	Common	100	NIL			100
65. Philippine Remnants Company, Inc.	Common	399,300	NIL			399,300
66. Philippines First Insurance Company, Inc.	Common	11,075,200	NIL			11,075,200
Eusebio H. Tanco	Common	100	NIL			100
67. Philippines Int'l. Life Insurance Company, Inc.	Common	5,110,900	NIL			5,110,900
Jose C. Lee	Common	100	NIL			100
68. Plaridel Surety & Insurance Company, Inc.	Common	162,500	NIL			162,500
Rhodora B. Morales	Common	100	NIL			100
69. PNB General Insurers Company, Inc.	Common	4,116,400	NIL			4,116,400
Julian J. Locsin	Common	100	NIL			100
Jose B. Zuniga	Common	1,000	NIL			1,000
70. Premier Insurance & Surety Corporation	Common	2,456,100	NIL			2,456,100
Ramon M. Carredo	Common	200	NIL			200
71. Republic Surety & Insurance Company, Inc.	Common	542,300	NIL			542,300
Antonio M. Koh	Common	100	NIL			100
72. Rita Legarda, Inc.	Common	13,700	NIL			13,700
73. Rivara, Inc.	Common	8,700	NIL			8,700
74. Seaboard-Eastern Insurance Company, Inc.	Common	18,068,500	NIL			18,068,500
75. SM Savings & Loan Association	Common	70,000	NIL			70,000
76. South Sea Surety & Insurance Company, Inc.	Common	4,152,700	NIL			4,152,700
77. Sterling Insurance Co., Inc.	Common	2,453,900	NIL	2,453,900		
Reynaldo P. Indon	Common	100	NIL	100		
Abelardo B. Licaros	Common	100	NIL	100		
Gregorio B. Licaros, Jr.	Common	100	NIL	100		
Juan Domino	Common	100	NIL	100		
Rafael C. Gallaga	Common	100	NIL	100		
78. Stronghold Insurance Company, Inc.	Common	2,817,600	NIL			2,817,600
David C. Mercado	Common	300	NIL			300
79. Sun Life Assurance Company of Canada	Common	305,700	NIL			305,700
80. Susana Realty	Common	600	NIL			600
81. Tabacalera Insurance Company, Inc.	Common	1,278,700	NIL			1,278,700
(TICO Insurance Company, Inc.)	Common		NIL			
82. Times Surety and Insurance Company, Inc.	Common	7,500	NIL			7,500
Oscar C. Reyes	Common	100	NIL			100
83. Tokio Marine Malayan Insurance Co., Inc.	Common	12,522,000	NIL	12,522,000		
84. Travellers Insurance & Surety Corporation	Common	1,325,000	NIL			1,325,000
Alejandro V. Malong	Common	100	NIL			100

		No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Name of Stockholders	Title of Issue					
85. Union Bank of the Philippines	Common	5,000	NIL			5,000
86. Union Insurance Society of Canton Ltd.	Common	2,197,300	NIL			2,197,300
87. United Insurance Company, Inc.	Common	2,006,600	NIL			2,006,600
88. United Life Assurance Corporation	Common	2,518,100	NIL			2,518,100
89. Utility Assurance Corporation	Common	1,837,900	NIL			1,837,900
David P. Mercado, Jr.	Common	100	NIL			100
90. Visayan Surety and Insurance Corporation	Common	3,545,500	NIL			3,545,500
Anthony T. Wongaiham	Common	200	NIL			200
91. Worldwide Insurance and Surety Company	Common	100	NIL			100
92. Zenith Insurance Corporation	Common	805,800	NIL			805,800
Oscar C. Reyes	Common	100	NIL			100
93. Florentino A. Abarentos	Common	135,000	NIL			135,000
94. Mamerta Andaya	Common	2,100	NIL			2,100
95. Isabelo P. Africa	Common	100	NIL			100
96. Normando Antonio S. Aguilar	Common	16,900	NIL		16,900	
97. Fidel M. Alfonso	Common	145,900	NIL			145,900
98. Jaime Alviz	Common	4,000	NIL			4,000
99. Concepcion S. Araneta	Common	700	NIL			700
100. Albert Awad	Common	96,500	NIL			96,500
101. Marcelino B. Baquiran	Common	30,000	NIL			30,000
102. Roberto A. Baquiran	Common	6,000	NIL			6,000
103. Amerfil V. Basco	Common	11,800	NIL		11,800	
104. Jaymerli C. Bautista	Common	298,100	NIL			298,100
105. Francisco M. Bayot	Common	1,100	NIL			1,100
106. Vicente M. Bayot	Common	1,100	NIL			1,100
107. Victoriano G. Belizario	Common	300	NIL			300
108. Pedro P. Benedicto, Jr.	Common	15,800	NIL			15,800
109. Conrado Benitez	Common	7,400	NIL			7,400
110. Isabelita M. Cabangunay	Common	14,500	NIL			14,500
111. Danilo J. Cabero	Common	7,200	NIL			7,200
112. Natividad Cantajal	Common	4,800	NIL			4,800

Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
113	Constancio T. Castaneda, Jr.	Common	100	NIL		100
114	Gema Cheng O.	Common	100	NIL		100
115	Rose Marie Chua &/or Mae Anne Frances	Common	21,000	NIL		
116	Antonio Roxas Chua	Common	1,089,500	NIL		1,089,500
117	Joseph C. Chavez	Common	6,000	NIL		
118	Jacqueline M. Halili Co	Common	293,800	NIL		293,800
119	Manuel U. Co	Common	41,700	NIL		
120	Francisco Corpus	Common	100	NIL		100
121	David C. Coyukiat	Common	200	NIL		200
122	Alicia S. Cruz	Common	6,400	NIL		6,400
123	Luz Ner Cruz	Common	13,400	NIL		13,400
124	Napoleon D. Cruz Sr. Cruz Sr. &/or Luisa I. &/or	Common	5,000	NIL		
125	Roman A. Cruz, Jr.	Common	100	NIL		100
126	Thelmo Cunanan Y.	Common	15,000	NIL		
127	Rosario W. Cuyegkeng	Common	100	NIL		100
128	Adelita Vergel de Dios	Common	171,500	NIL	171,500	
129	Emilio M. Dela Cruz	Common	1,000	NIL		1,000
130	Rosita Gaw Di &/or Grace	Common	15,000	NIL		
131	Ferdinand T. Diaz	Common	88,000	NIL		
132	Buenaventura P. Duran	Common	146,000	NIL	146,000	
133	Manuel Dytoc	Common	900	NIL		900
134	Eduardo Echauz	Common	100	NIL		100
135	Romeo Echauz	Common	400	NIL		400
136	Manuel B. Enriquez	Common	500	NIL		500
137	Jaime C. Fernandez	Common	100	NIL		100
138	Ma. Angela Gabat C.	Common	2,000	NIL		2,000
139	Roman Gabat	Common	1,000	NIL		
140	Rafael C. Gallaga	Common	13,500	NIL	13,500	
141	Lily Victoria G. Galo	Common	2,800	NIL		2,800

Name of Stockholders	Title of issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
142 Antonio Galvez R.	Common	6,000	NIL			6,000
143 Co Kian Chay Gapuz &/or Rita	Common	2,000	NIL			2,000
144 Guillermo F. Gili Jr.	Common	3,000	NIL			3,000
145 Bernadette Sy Go	Common	90,000	NIL			90,000
146 George L. Go	Common	1,000	NIL			1,000
147 Winston F. Garcia	Common	442,400	NIL		442,400	
148 Editha B. Geronimo	Common	15,000	NIL		15,000	
149 Mercedes U. Gonzales	Common	200	NIL			200
150 Chow Harting	Common	80,000	NIL			80,000
151 Roderick Ko Pio C.	Common	100	NIL			100
152 Ruffy Ko Pio C.	Common	100	NIL			100
153 Rufino Ko Pio H.	Common	100	NIL			100
154 Melinda Lacuna C.	Common	100,000	NIL		100,000	
155 Luis C. La' O	Common	100	NIL			100
156 Lucina Ocampo Legaspi	Common	3,800	NIL			3,800
157 Ian Vincent Lim &/or Flora &/or Ernesto	Common	86,000	NIL			86,000
158 Pedro Lim C.	Common	3,000	NIL			3,000
159 Roque A. Lim	Common	66,000	NIL			66,000
160 Lucita R. C. Limpe	Common	13,400	NIL			13,400
161 Rosario M. Llorca	Common	7,100	NIL			7,100
162 Honorata S. Lucos	Common	15,000	NIL		15,000	
163 Antonio P. Madrigal	Common	4,200	NIL			4,200
164 Consuelo P. Madrigal	Common	1,200	NIL			1,200
165 Gerardo A. S. Madrigal	Common	1,600	NIL			1,600
166 Macaria P. Madrigal	Common	2,300	NIL			2,300
167 Pacita P. Madrigal	Common	1,200	NIL			1,200
168 Vicente A. S. Madrigal	Common	1,600	NIL			1,600
169 Amalio A. Mallari	Common	136,000	NIL			136,000
170 Nelia M. Malubay	Common	54,000	NIL			54,000
171 Jennifer C. Martin	Common	294,000	NIL			294,000

		No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Name of Stockholders	Title of Issue					
172 Gilbert R. Martires &/or Neilanda L. Martires	Common	1,000,000	NIL			1,000,000
173 Jorge Mendiola	Common	20,000	NIL			20,000
174 Hans Menzi	Common	2,100	NIL			2,100
175 David C. Mercado	Common	27,000	NIL			27,000
176 Enrico V. Nano	Common	8,000	NIL			8,000
177 James Ortega Lim	Common	100	NIL			100
178 Susana B. Ortigas	Common	1,100	NIL			1,100
179 Dulce Maria S. Oliva	Common	20,000	NIL			20,000
180 Florencio N. Ongkingco	Common	100	NIL			100
181 Ana Go Pa &/or Go Ki	Common	7,500,000	NIL			7,500,000
182 Antonia Roces Vda. De Prieto	Common	11,600	NIL			11,600
183 Mauro Prieto	Common	11,600	NIL			11,600
184 Carmen J. Quilop	Common	5,000	NIL			5,000
185 Angelita U. Reyes	Common	2,800	NIL		2,800	
186 Carlos R. Reyes	Common	12,000	NIL			12,000
187 Enrique M. Reyes	Common	752,600	NIL			752,600
188 Jose R. Rodas	Common	100	NIL			100
189 Lourdes S. Rodas	Common	1,100	NIL			1,100
190 Paz Vda. De Rodas	Common	6,200	NIL			6,200
191 Rosario Rodas	Common	900	NIL			900
192 Pacita Rodriguez	Common	13,400	NIL			13,400
193 Victor B. Roman	Common	100	NIL			100
194 Ferdinand Martin G. Romualdez	Common	3,000,000	NIL			3,000,000
195 Paul Gerard B. Del Rosario	Common	23,021,000	NIL			23,021,000
196 Peter Chua Roxas	Common	13,400	NIL			13,400
197 Tan Kim Chiong de Chua Roxas	Common	92,300	NIL			92,300
198 Antonio Chua Roxas, Jr.	Common	24,900	NIL			24,900
199 Severino T. Chua Roxas	Common	13,400	NIL			13,400
200 Bienvenido C. Salvador	Common	100	NIL			100

		No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Name of Stockholders	Title of Issue					
201 Benilda S. Santos	Common	213,000	NIL			213,000
202 Adonis Penalosa Sencio	Common	1,000	NIL			1,000
203 Andres E. Siochi	Common	11,700	NIL			11,700
204 Eugenia G. Silva	Common	2,800	NIL		2,800	
205 Stephen G. Soliven	Common	10,000	NIL			10,000
206 Ranipeta Rani Sudhakar	Common	100	NIL			100
207 Lozano A. Tan	Common	100,000	NIL			100,000
208 Rodrigo U Tan &/or Remedios Tan	Common	170,000	NIL			170,000
209 Macario U. Te	Common	3,000,000	NIL			3,000,000
210 Stephen T Teo	Common	29,000	NIL			29,000
211 Araceli G. Tongco &/or Francisco	Common	12,000	NIL			12,000
212 Manuel A. Torres, Jr.	Common	79,100	NIL			79,100
213 Philip Turner &/or Elinora	Common	1,000	NIL			1,000
214 Rogelio Uy &/or Melanie	Common	45,000	NIL			45,000
215 Jesus San Luis Valencia	Common	100	NIL			100
216 Josefina L. Valera	Common	100	NIL		100	
217 Ma. Luisa Madrigal Vasquez	Common	400	NIL			400
218 Vicente B. Villarama, Jr.	Common	2,800	NIL		2,800	
219 Joli C. Wu	Common	294,100	NIL			294,100
220 Betty R. C. Yao	Common	13,400	NIL			13,400
221 Chia Yu Yao &/or Selena Sy Yao &/or Shereen	Common	125,000	NIL			125,000
222 Wilson A. Yao	Common	30,000	NIL			30,000
223 Francisco Jose Elizalde Yturralde	Common	75,700	NIL			75,700
224 John Peter Yu &/or Juan	Common	200,000	NIL			200,000
Total		2,181,954,600		422,635,000	940,600	1,758,379,000

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
18th Floor, Philippine AXA Life Center
Sen. Gil J. Puyat Avenue corner Tindalo Street, Makati City

Reconciliation of Retained Earnings for Dividend Declaration
December 31, 2008

UNAPPROPRIATED RETAINED EARNINGS
FOR DIVIDEND DECLARATION
AT BEGINNING OF YEAR

P 1,088,491,811

Net Income Realized for the Year

Net income per audited financial statements

94,443,421

Less unrealized income, net of tax:

Unrealized foreign exchange gain - net

(except those attributable to cash and cash equivalents)

(68,572,487)

Add unrealized loss, net of tax:

Recognized deferred tax assets

(2,746,071)

23,124,863

Add (Less) Changes in Retained Earnings for the Year

Dividend declarations during the period

(436,390,920)

Appropriations of retained earnings during the period

(9,444,342)

Treasury shares

(40,081,811)

(485,917,073)

UNAPPROPRIATED RETAINED EARNINGS

FOR DIVIDEND DECLARATION AT END OF YEAR

P 625,699,601

