

COVER SHEET

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S.E.C. Registration Number

NATIONAL REINSURANCE
CORPORATION
OF THE PHILIPPINES

(Company's Full Name)

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

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

JOHN E. HUANG

Contact Person

759-58-01

Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

1 7 A
FORM TYPE

For the year ending December 31, 2010

0 6 3 0 11
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, 2010**
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** **1200**
Sen. Gil Puyat Avenue corner Tindalo Street **Postal Code**
Makati City, Philippines
Address of principal office
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	2,181,954,600	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 No

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

Yes 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.

TABLE OF CONTENTS

	<u>Page No.</u>
PART I – BUSINESS AND GENERAL INFORMATION	
Item 1. Business	4
Item 2. Properties	6
Item 3. Legal Proceedings	7
Item 4. Submission of Matters to a Vote of Security Holders	9
PART II – OPERATIONAL AND FINANCIAL INFORMATION	
Item 5. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters	10
Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 7. Financial Statements	25
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	25
PART III – CONTROL AND COMPENSATION INFORMATION	
Item 9. Directors and Executive Officers of the Issuer	26
Item 10. Executive Compensation	32
Item 11. Security Ownership of Certain Record and Beneficial Owners and Management	34
Item 12. Certain Relationships and Related Transactions	36
PART IV – CORPORATE GOVERNANCE	
Item 13. Corporate Governance	37
PART V – EXHIBITS AND SCHEDULES	
Item 14. Exhibits and Reports	43
SIGNATURES	44
EXHIBIT INDEX	45
AUDITED FINANCIAL STATEMENTS/SUPPLEMENTARY SCHEDULES	

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 (in terms of gross premiums written) and MRC had been ranked third. At present, 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 2010, casualty & others accounted for 50% of the Company's Gross Premiums Written ("GPW") and 34% of Net Premiums Written ("NPW"), fire accounted for 26% of GPW and 28% of NPW, life accounted for 11% of GPW and 21% of NPW and marine and aviation accounted for 13% of GPW and 17% 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 2008, 2009 and 2010 are 8%, 10% and 11%, 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 ₱30 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 ₱6.9 billion, of which approximately 85% is invested in fixed income securities and 10% 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 shareholders' 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 condition may be affected by delays in the payment of premiums by cedants.

On facultative acceptances, the Company generally provides its cedants a grace period of 120 days for the settlement of premiums. Within this 120-day premium payment warranty term, the company is obligated to pay legitimate claims arising from its acceptance of risk, even though it may not have yet received any premiums. As of December 31, 2010, premiums receivable from ceding companies amounted to P1,180.2 million.

To mitigate the risk of non-payment of premiums, the Company regularly reviews and evaluates the financial capacity and payment history of the companies from which it accepts business. Moreover, should the Company not receive premium payments within the prescribed premium payment warranty term, the Company automatically cancels its acceptance and any claims arising from said acceptance will be denied.

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

As of end 2010, the Company retroceded P2.7 billion or 63% of its gross premiums written to retrocessionaires. 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 retrocessionaires, 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 2010, reinsurance recoverable on losses amounted to P3.2 billion.

In choosing its retrocessionaires, the Company takes into consideration a retrocessionaires financial capacity, technical knowledge/expertise and industry reputation. The Company also considers the retrocessionaires 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, 2010 amounted to P154 million, broken down as follows:

(in Philippine Pesos)	Cost	Accumulated Depreciation	Net book value
Condominium units	104,227,733	40,060,788	64,166,945
Office Improvements	7,918,239	6,074,523	1,843,716
Office furniture and equipment	9,700,443	9,322,463	377,980
Transportation Equipment	10,599,930	6,344,233	4,255,697
EDP Equipment	109,282,250	25,519,523	83,762,727

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 UMRc 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 P87,000.

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 currently a party to the following litigation cases:

1. *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 the Company as well as other reinsurers (collectively, the "reinsurers"). 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 ("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 Company and the other reinsurers, because the liability of the reinsurers is contingent on the liability of GSIS in the main complaint. The Corporation filed its manifestation dated April 14, 2008 informing the court that it has no objection to GSIS' motion. GSIS further filed a Manifestation with Urgent Motion dated October 13, 2008 which moved for the deferment of third-party proceedings. On October 29, 2008, the Company filed a manifestation stating that it has no objection to GSIS's Manifestation and Urgent Motion dated October 13, 2008.

In view of the GSIS' pending motions, GSIS deferred its initial presentation of evidence in the third-party proceedings.

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

2. *NRCP vs. Stronghold Insurance Company*
Civil Case No. 10-1036
Regional Trial Court, Makati City, Branch 142

This is a complaint filed by NRCP for sum of money with damages and application for attachment with respect to its claims against Stronghold Insurance Company, Inc. ("Stronghold").

On its first claim, NRCP is the reinsurer of a bankers blanket bond under GSIS Policy No. BBB-95021 between the Land Bank of the Philippines ("LBP") and GSIS as insurer. NRCP reinsured its risk with Stronghold. Due to the fraudulent acts of one of its employees, LBP lost the amount of ₱88,618,001.97, which was deposited by the National Electrification Commission to its account in LBP. With the occurrence of the contingency insured against, LBP filed an insurance claim from GSIS. GSIS paid the amount of ₱49,000,000.00 to the LBP. GSIS then filed its claim with NRCP, which, in turn, filed its claim with Stronghold. NRCP has since paid GSIS's claim for ₱38,513,885.40. NRCP sent a demand letter dated May 27, 2010 to Stronghold for the payment of ₱38,513,885.40 to NRCP. However, despite demand, Stronghold failed to pay said amount to NRCP.

With regard the second claim, GSIS and Bangko Sentral ng Pilipinas ("BSP") entered into a fire insurance contract, where the latter insured it PICC Building with the former. GSIS, in turn, reinsured its risk with NRCP. NRCP then reinsured its risk with Stronghold, which likewise reinsured its risk with other entities. On February 22, 2001, BSP incurred a loss due to the fire which occurred at the western portion of the PICC Building. GSIS paid BSP the amount of ₱111,089,965.65 for the building and ₱16,236,687.73 for the contents thereof. NRCP then paid its share of GSIS claim amounting to ₱63,321,280.00 for the buildings and ₱9,254,912.01 for the contents on various dates. Thereafter, NRCP notified Stronghold of the total amount of its share in the loss, which amounts to ₱57,64,800.39 for the buildings and ₱8,413556.67 for the contents. Despite demands, Stronghold unjustly refused to pay its share of loss to NRCP, to the latter's damage and prejudice.

3. *NRCP vs. Stronghold Insurance Company, Inc.*
Insurance Commission, Manila
I.C. Adm. Case No. RD-422
Insurance Commission, Manila

This is a complaint filed by NRCP with the Insurance Commission against Stronghold for the revocation or cancellation of Stronghold's license to conduct insurance business, with respect NRCP's second claim as discussed in item No. 2.

Despite several meetings between the parties, they were not able to come up with a settlement. In compliance with the directive of the hearing officer during the hearing on October 11, 2010, the parties submitted their respective final positions on the reconciliation of their accounts for purposes of off-setting. In an Order dated November 12, 2010, the Commission directed the parties to submit their respective position papers within 30 days from receipt. NRCP filed its position paper on January 7, 2011.

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, 2010.

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 prices for each quarter of the last two years are as follows:

	2009	2009	2010	2010
	High	Low	High	Low
1st Quarter	1.34	1.22	1.62	1.44
2nd Quarter	1.90	1.24	1.98	1.48
3rd Quarter	2.12	1.58	2.42	1.74
4th Quarter	1.80	1.58	2.22	1.76

The price information as of the latest practicable trading date, March 31, 2011, was P1.59 per share.

(2) Holders

Approximate Number of Holders as of 31 December 2010

There were approximately 293 common shareholders of the Company as of December 31, 2010. The Top 20 shareholders as of December 31, 2010, 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)	1,485,980,400 95,383,600	68.81% 4.42%
2	Bank of the Philippine Islands	290,795,500	13.46%
3	FGU Insurance Corporation	36,126,000	1.67%
4	Malayan Insurance Company, Inc.	35,610,100	1.65%
5	Rosario, Paul Gerard B. Del	23,021,000	1.07%
6	Philippine Charter Insurance Corp.	15,305,900	.71%
7	First Nationwide Assurance Corp.	13,157,000	.61%
8	Philippines First Insurance Co., Inc.	11,075,200	.51%
9	Philippine American Life Insurance Co.	8,628,600	.40%
10	Pa, Ana Go &/or Go Ki	7,500,000	.35%
11	Empire Insurance Company	7,498,900	.35%
12	Industrial Insurance Co., Inc.	6,184,900	.29%
13	Allied Bankers Insurance Corporation	5,428,700	.25%
14	Phil. International Life Insurance Co., Inc.	5,110,900	.24%
15	New India Assurance Co., Ltd.	4,168,300	.19%
16	South Sea Surety & Insurance Co., Inc.	4,152,700	.19%
17	Equitable Insurance Corporation	4,045,000	.19%
18	Paramount Life & Gen. ins Corp	3,790,100	.18%
19	Federal Phoenix Assurance Company, Inc.	3,786,300	.18%
20	Phil. British Assurance Co., Inc.	3,590,400	.17%

(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 May 20, 2010, the Company declared cash dividends amounting to a total of P101,504,847.20. 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 Company had no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction.

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

Review of 2010 versus 2009

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written

Gross premiums written in 2010 increased by P741 million, or 20.9%, to P4,279.4 million from P3,538.4 million in 2009. The growth was largely due to increases in premiums for the Company's non-life treaty and non-life facultative businesses, which benefitted from a favorable environment for premium rates. The firmer rates reflected risk aversion on the part of ceding companies due to the natural catastrophes encountered in prior years, as well as general compliance with minimum tariffs established by the Insurance Commission. Gross premiums from Company's non-life treaty business increased by P232.7 million or 15.4% from P1,512.2 million in 2009 to P1,744.9 million in 2010. Gross premiums from the Company's non-life facultative business grew by P548.1 million or 36.7% from P1,495 million in 2009 to P2,043.1 million in 2010. These increases more than offset a drop in gross premiums from the Company's life business, which saw gross premiums decrease by P39.7 million or 7.5% from P531.2 million in 2009 to P491.4 million in 2010.

Net premiums retained

Consistent with the increase in gross premiums written, net premiums retained also increased by P245.4 million or 18.2% to P1,597.8 million in 2010 from P1,352.4 million in 2009. Retention ratio was flat at 38% in 2010 relative to 2009.

Premiums earned

Premiums earned in 2010, totaled P1,616.6 million, an increase of 9.9% over premiums earned in 2009 of P1,470.9 million. The rate of increase in premiums earned in 2010 was lower than the rate of increase in gross premiums written and net premiums retained because of a smaller decrease in the reserve for unearned reinsurance premiums. In 2010 the decrease in the unearned premium reserve was P18.8 million as against a decrease in unearned premium reserve of P118.5 million in 2009. The relatively large decline in 2009 resulted from the drop in the Company's premiums during that year, which resulted in the release of reserves for unearned premium under the 24th method of accounting for reinsurance premiums.

Share in claims and losses

Share in claims and losses for 2010 exceeded the previous year's figure by P806.3 million or 78.1% from P1,032.6 million in 2009 to P1,838.8 million in 2010. The increase was primarily associated with Typhoon *Ondoy* claims from 2009 which were advised to the Company in 2010. Also contributing to the higher claims cost were additional loss reserves established after the Company's review of claims which had previously been denied due to, among other things, delayed payment of premiums by ceding companies.

Commissions - net

Despite double-digit premium growth, net commissions increased by only P28.7 million or 7.1% from P407.0 million in 2009 to P435.7 million in 2010. This was the result of average commissions of 27.3% in 2010 as against 30.1% in 2009.

Investment income and other income

Investment income and other income grew by 5.3% to P491.2 million in 2010 from P466.7 million in 2009. While the continuing appreciation of the Philippine Peso against the U.S. Dollar contributed to some foreign currency translation losses, positive trends continued to prevail in the Company's main investment markets of Philippine equities and fixed income securities.

Interest income decreased by 1% to P378.4 million in 2010 from P382.4 million in 2009. However, trading gain on equities and fixed income securities amounted to P99.3 million in 2010, almost double the realized gains of P50.1 million in 2009. Currency translation loss of P21.1 million in 2010 (as against P24.3 million 2009) was offset by dividend income of P33.8 million (P20.0 million in 2009).

As of December 31, 2010, the Company's stockholders' equity included revaluation reserves amounting to P393.7 million compared to P18.4 million as of December 31, 2009. The increase of P375.2 million represents the year's fair value gains, net of taxes, on the Company's investment portfolio, which gains are included in the Company's statement of comprehensive income.

In 2010, the Company booked a P6.4 million impairment charge on certain legacy investments. This expense has been recorded as part of general and administrative expenses (GAE).

General and administrative expenses

General and administrative expenses (GAE) decreased by 26% to P240.6 million in 2010 from P325.1 million in 2009, largely due to lower allowance for impairment (doubtful accounts) provided in 2010. The lower provision offset increases in employee benefits cost and amortization costs of the Company's computerization program. Excluding allowance for impairment, GAE in 2010 amounted to P219 million compared to P196.8 million in 2009, or an increase of 11.3%.

Tax expense

The Company's tax expense increased marginally by 3.9% or P2.7 million from P69.9 million in 2009 to P72.6 million in 2010. Tax expense was composed largely of the final tax on the Company's interest income on its investments.

Net Profit (Loss)

As a result of the aforementioned factors, the Company sustained a net loss of P480 million in 2010 as compared to a net income of P103 million in 2009.

Financial condition

As of December 31, 2010, total resources of the Company stood at P12,553 million, P1,457 higher than total resources of P11,096 million as of December 31, 2009. Material changes in the Company's resources which contributed to the increase are described below.

Reinsurance balances receivable, net of allowance for impairment of P283.1 million, increased by P1,336 million or 46.5% to P4,210.4 million in 2010 from P2,874.4 million in 2009. This accounts for a substantial portion (more than 90%) of the increase in the Company's assets.

Reinsurance balances receivable include: (1) premiums due from ceding companies (increased from P912.7 million in 2009 to P1,180.2 million in 2010); (2) reinsurance recoverable on unpaid losses (increased from P1,760.2 million in 2009 to P2,725.7 million in 2010); (3) reinsurance recoverable on paid losses (increased from P349.6 million in 2009 to P454.5 million in 2010); and, (4) funds held by ceding companies (increased from P119.8 million in 2009 to P133.2 million in 2010). Reinsurance recoverable on losses, which is the largest component of this asset, represents amounts that the Company stands to recover from its retrocessionaires. The level as of December 31, 2010 reflects the high volume of claims and losses incurred by the Company in 2010.

Available-for-sale financial assets increased by P248.4 million or 14.1% to P6,297.1 million in 2010 from P6,048.7 million in 2009, reflecting mark-to-market gains as well as transfers from cash and cash equivalents to available-for-sale financial assets.

Loans and receivables grew by P107.2 million or 42.3% to P360.7 million in 2010 from P253.5 million in 2009 principally due to the Company's acquisition of new investment (term loans) during the year.

Property and equipment, net of accumulated depreciation increased by P24.4 million or 18.7% to P154.4 million in 2010 from P130 million in 2009, mainly due to capitalized cost of the Company's IT Project IRIS (Integrated Reinsurance System), which commenced 4th Qtr. 2009.

Deferred acquisition costs, which mainly consist of commissions, increased by P32.7 million or 19.8% to P198.4 million in 2010 from P165.7 million in 2009 in line with the increase in gross reinsurance premiums and net premiums retained.

Deferred reinsurance premiums decreased by P257.4 million or 33.4% as of December 31, 2010 due to recognition in 2010 of a portion of deferred reinsurance premiums as of December 31, 2009 as earned under the 24th method of revenue recognition..

Other assets increased by 21.6% to P204.4 million in 2010 from P168.2 million in 2009. Other assets primarily include accounts such as deferred input VAT (increased from P55 million in 2009 to P72.1 million in 2010), creditable withholding tax (increased from P40.7 million in 2009 to P58.3 million in 2010), investment property (decreased from P36.3 million in 2009 to P34.7 million in 2010), input VAT (decreased from P26.3 million in 2009 to P24.1 million in 2010) and deferred withholding VAT (increased from P4.8 million in 2009 to P9.1 million in 2010).

Total liabilities increased by P1,663 million or 33.7% to P6,605 million in 2010 from P4,941 million in 2009. The increase in total liabilities is explained below:

Reinsurance balances payable increased by 52.3% or by P1,874.8 million to P5,462.7 million in 2010 from P3,587.9 million in 2009. This account principally includes amounts due to retrocessionaires, which increased from P468.8 million in 2009 to P706.5 million in 2010; funds held for retrocessionaires which increased from P71 million in 2009 to P91.8 million in 2010; and claims payable, which increased from P3,048.1 million in 2009 to P4,664.4 million in 2010. Claims payable represent 85.4% of the total reinsurance balances payable and are being established to provide for future amounts to pay claims related to insured events that have occurred and have been reported but have not yet been settled. The high level of claims payable as of December 31, 2010 reflects the Company's poor underwriting results for the year and represents a substantial portion of the increase in the Company's total liabilities.

Accounts payable and accrued expenses increased by P31.9 million or 41.6% from P76.7 million in 2009 to P108.6 million in 2010 principally due to unreleased checks which were reverted back to cash with a corresponding liability account being lodged to this account amounting to P28.5 million as of December 31, 2010.

Reserve for unearned reinsurance premiums declined to P902.9 million in 2010 from last year's P1,179.1 million or by P276.2 million (23.4%) traced largely to reinsurance premiums no longer subject to 24th method of revenue recognition.

Deferred reinsurance commission increased by P32.9 million or 33.8% from P97.5 million in 2009 to P130.5 million in 2010 largely due to Increase in premiums and commissions ceded.

Total equity as of December 31, 2010 declined to P5,948.4 million, or 3.4% from P6,154.6 million as of December 31, 2009 principally due to the net loss sustained by the Company amounting to P480 million in 2010. This was partially offset by the positive movement of the company's revaluation reserve amounting to P375.2 million less dividend payment of P101.5 million in 2010.

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

Income Statement items - 2010 versus 2009

21% increase in reinsurance premiums

Principally due to increase in non-life facultative and treaty business.

23% increase in retroceded premiums

Due to increase in reinsurance premiums.

18% increase in net premiums retained.

Due to growth in non-life reinsurance premiums.

84% decrease in reserve for unearned reinsurance premiums.

Due to higher level of reinsurance premiums not subject to 24th method of revenue recognition.

58% increase in underwriting deductions

Due to late-reported losses relating to Typhoon Ondoy and additional loss reserves on previously denied claims.

2201% decrease in net underwriting income

Largely due to increased catastrophe losses.

5% increase in investment and other income

Attributable to higher trading gains on equities and fixed income securities.

26% decrease in general and administrative expenses

Principally due to lower provision for impairment.

566% decrease in net income (loss).

Largely due to negative underwriting results.

Balance Sheet items - 2010 versus 2009

11% decrease in cash and cash equivalents.

Mainly due to payment of P.047 cash dividend.

46% increase in reinsurance balances receivable

Due to increase in reinsurance recoverable on losses.

4% increase in available for sale financial assets.

Essentially due to additional investments and mark-to-market gains during the year.

42% increase in loans and receivables.

Primarily due to additional investments made in certain fixed rate corporate promissory notes.

19% increase in property and equipment, net

Mainly due to capitalized cost of computerization: Project IRIS (Integrated Reinsurance System)

20% increase in deferred acquisition cost.

Consistent with the increase in reinsurance premiums written.

33% decrease in deferred reinsurance premiums

Principally due to lower level of retroceded premiums subject to 24th method of revenue recognition.

22% increase in other assets
Due to increase in deferred input value added tax.

52% increase in reinsurance balances payable
Due to higher level of claims payable.

42% increase in accounts payable and accrued expenses
Principally due to reclassification of accounts (unreleased checks).

23% decrease in reserve for unearned reinsurance premiums
Essentially due to lower level of reinsurance premiums subject to 24th method of revenue recognition.

34% increase in deferred reinsurance commissions
Consistent with the increase in reinsurance premium retroceded.

3% decrease in stockholders' equity
Primarily due to net loss sustained by the Company in 2010.

Review of 2009 versus 2008

Results of operations

Reinsurance premiums – net of returns or Gross Premiums Written

Gross premiums written in 2009 decreased by P955.1 million, or 21.3%, to P3,538.4 million from P4,493.5 million in 2008. The decrease was due largely to the Company's stricter underwriting policies, which resulted in the cancellation of certain unprofitable treaties and facultative business, the losses from which negatively affected the Company's underwriting performance in previous years. Consequently, reinsurance premiums from the casualty line of business decreased from P2,254.8 million in 2008 to P1,652 million in 2009. Reinsurance premiums from the Company's marine business also decreased from P784 million in 2008 to P384.1 million in 2009. These declines were not offset by reinsurance premiums from the fire business, which grew from P944 million in 2008 to P971.2 million in 2009 or from the life business, which increased from P510.7 million in 2008 to P531.2 million in 2009.

Net premiums retained

The percentage decline in net premiums retained was lower than gross premiums because of the Company's higher retention ratio. Net premiums retained in 2009 decreased by P227.6 million, or 14.4%, to P1,352.4 million from P1,580 million in 2008. Retention ratio in 2009 was 38.2% in 2009 as against 35.16% in 2008, owing to the fact that a large portion of risk acceptances cancelled or not renewed in 2009 were risks in which the Company had a lower retention.

Premiums earned

Premiums earned in 2009 decreased by only P80.5 million, or 5.2%, to P1,471 million from P1,551.3 million in 2008. This was due to a decrease in the reserve for unearned premiums of P118 million in 2009 as against an increase in the reserve of P28.6 million in 2008. Unearned premium reserve represents the unearned portion of premium income recognized from policies in force as at report date. The drop in 2009 of the Company's gross premiums written and net premiums retained resulted in a decline in this reserve and therefore an addition to earned premiums.

Share in claims and losses

Despite the occurrence of a number of fire, marine and catastrophe-related (i.e., typhoon) losses in 2009, share in claims and losses for 2009 decreased by P204.3 million, or 16.5%, to P1,033

million from P1,237 million in 2008. The decrease was largely due to the denial of certain claims due to non-payment of the associated reinsurance premiums.

Commissions - net

The increase in net commissions of P19.8 million or 5.1% from P387.2 million in 2008 to P407 million in 2009 was the resultant effect of the P118.5 million decrease in reserve for unearned premiums. The decline in this reserve, which resulted in additional premiums deemed earned under the 24th method of premium accounting, also resulted in the recognition of the associated acquisition cost (i.e., commission) which had until then been deferred.

Investment income and other income

Investment income and other income rose by 4% to P466.7 million in 2009 from P449.2 million in 2008. During the year, positive trends prevailed in the Company's main investment markets of Philippine equities and bonds.

Interest Income increased by P2% or P7.4 million to P382 million in 2009 from P375 million in 2008 as the Company continued to invest in high-quality fixed-income government securities and corporate bonds. Other Income, comprised largely of dividend and trading income, experienced a turnaround in 2009 with a gain of P108 million compared to a loss of P41 million in 2008. This cushioned the impact of unrealized foreign exchange loss in 2009 amounting to P24.3 million.

General and administrative expenses

General and administrative expenses (GAE) increased by 53.6% to P325 million in 2009 from P211.7 million in 2008, primarily due to additional provisions for impairment (i.e., bad debts) of P128 million. Without the provision, GAE in 2009 would have decreased from the previous year.

Provision for income tax

The income tax provisions for 2009 and 2008 were flat at P70 million. These provisions relate primarily to final tax on the Company's interest income on bank deposits, government securities and corporate bonds.

Net Income

As a result of the aforementioned factors, the Company ended 2009 with a net income of P103 million, P9 million or 9% higher than 2008 net income of P94 million.

Financial condition

As of December 31, 2009, total resources of the Company stood at P11,096 million, P1,175 million lower than total resources of P12,272 million as of December 31, 2008. Excluding reinsurance accounts, assets were primarily comprised of cash and short-term investments, fixed income securities, and equity investments designed to match the cash flow requirements of reinsurance liabilities. Material changes in the Company's resources which contributed to the decrease are described below.

Reinsurance balances receivable, net of allowance for impairment of P268 million, decreased by P1,479 million or 34% to P2,874.4 million in 2009 from P4,353.4 million in 2008 mainly due to the decline in gross reinsurance premiums written. Reinsurance balances receivable include premiums due from ceding companies (decreased from P1,669 million in 2008 to P912.7 million in 2009), reinsurance recoverable on unpaid losses (decreased from P2,403 million in 2008 to P1,760 million in 2009) reinsurance recoverable on paid losses (increased from P309 million in 2008 to P350 million in 2009) and funds held by ceding companies (increased from P112 million in 2008 to P120 million in 2009.)

Available-for-sale financial assets increased by P764 million or 14.5% to P6,048.7 million in 2009 from P5,284.6 million in 2008, reflecting mark-to-market adjustments as well as transfers from cash and cash equivalents to available-for-sale financial assets.

Loans and receivables went up by P57.7 million or 29.5% to P253.5 million in 2009 from P195.7 million in 2008 principally due to the Company's investment in fixed rate corporate promissory notes due 2011 of EEI Corporation.

Property and equipment, net of accumulated depreciation increased by P43.5 million or 50% to P130 million in 2009 from P86.5 million in 2008, mainly due to acquisition of new computers and peripherals as replacements for existing equipment as well as for the computerization project of the Company which commenced in 3rd quarter 2009.

Deferred acquisition costs dropped by P35 million or 17.4% to P166 million in 2009 from P200.7 million in 2008, reflecting portions of deferred acquisition cost booked in 2008 that were charged to commission expense in 2009. The decrease is also related to the drop in premium volume for 2009 and the corresponding decrease in unearned premium reserve.

Deferred reinsurance premiums showed a decrease of 6.7% to P772 million in 2009 from P827.3 million in 2008 largely due to lower level of premiums in 2009 compared to 2008.

Deferred input value added tax decreased by P9.5 million or 14.7% to P55 million in 2009 from P64.5 million in 2008 mainly due to decline in commission expense subject to VAT.

Other assets increased by 3.5% to P113.2 million in 2009 from P109.4 million in 2008 primarily due to an increase in unutilized creditable expanded withholding.

Total liabilities decreased by P1,380.7 million or 21.8% to P4,941.2 million in 2009 from P6,322 million in 2008. The decrease in total liabilities is explained below:

Reinsurance balances payable decreased by 23.8% or by P1,117.8 million to P3,587.9 million in 2009 from P4,705.6 million in 2008 due largely to the overall decrease in reinsurance premiums in 2009. This account primarily includes amounts due to retrocessionaires, which declined from P1,105.6 million in 2008 to P468.8 million in 2009; funds held by retrocessionaires, which decreased from P83.8 million in 2008 to P71 million in 2009; and claims payable, which decreased from P3,516.2 million in 2008 to P3,048.1 million in 2009.

Accounts payable and accrued expenses decreased by P11 million or 24.3% from P45.5 million in 2008 to P34.4 million in 2009 principally due to the reversal of a pre-merger accrued expenses and retirement liabilities which were set up in 2006.

Reserve for unearned reinsurance premiums declined to P1,179.1 million in 2009 from last year's P1,353.1 million or by P174 million (12.9%) traced largely to decrease in gross reinsurance premiums written during the year on casualty and marine business.

Deferred reinsurance commission declined by P10.8 million or 10% from P108.3 million in 2008 to P97.5 million in 2009, reflecting the Company's lower level of commission income.

Deferred output value added tax decreased by P67.1 million or 61.3% to P42 million in 2009 from P109.4 million in 2008 due to lower commission income subject to VAT.

Total equity as of December 31, 2009 stood at P6,155 million, an increase of P204.9 million or 3.4% from P5,950 million in 2008. The increase was primarily due to net income of P103 million and P188 million positive movement in the Company's revaluation reserve less a dividend payment of P86 million in 2009.

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

Income Statement items - 2009 versus 2008

21% decrease in reinsurance premiums

Principally due to cancellation of non-profitable marine treaty and facultative business.

25% decrease in retroceded premiums

Due to decrease in reinsurance premiums.

14% decrease in net premiums retained.

Due to decrease in reinsurance premiums offset by increase in retention ratio.

514% decrease in reserve for unearned reinsurance premiums.

Due to higher level of current relative to deferred reinsurance premiums.

11% decrease in underwriting deductions

Due to lower level of compensable claims offset by higher commission expense.

143% increase in net underwriting income

Attributable to decline in underwriting deductions, i.e., lower claims expense.

54% increase in general and administrative expenses

Principally due to additional provision for impairment.

9% increase in net income.

Largely due to positive underwriting results and higher investment and other income.

Balance Sheet items - 2009 versus 2008

41% decrease in cash and cash equivalents.

Mainly due to conversion from cash to available-for-sale financial assets.

34% decrease in reinsurance balances receivable

Due to decrease in reinsurance recoverable on losses.

14% increase in available for sale financial assets.

Essentially due to additional investments and mark-to-market gains during the year.

29% increase in loans and receivables.

Principally due to additional investment made in EEI fixed rate corporate promissory notes.

50% increase in property and equipment, net

Mainly due to acquisition of additional computers and peripherals for replacement and for computerization project of the Company.

17% decrease in deferred acquisition cost.

Due to decline in gross premiums written.

7% decrease in deferred reinsurance premiums

Principally due to lower level of retroceded premiums.

15% decrease in deferred input value added tax

Largely due to lower commissions which are subject to input VAT.

3% increase in other assets

Due to increase in unutilized creditable expanded withholding tax.

24% decrease in reinsurance balances payable

Largely due to lower level of claims payable.

24% decrease in accounts payable and accrued expenses

Principally due to reversal of pre-merger accrued expenses and retirement liability.

13% decrease in reserve for unearned reinsurance premiums

Essentially due to lower level of reinsurance premiums assumed.

10% decrease in deferred reinsurance commissions

Due to lower commission income.

61% decrease in deferred output value-added tax

Due to lower commission income subject to VAT.

3% increase in stockholders' equity

Primarily due to net income plus higher revaluation reserve.

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.

Key Performance Indicators

	2010	2009	2008
Net Profit (Loss)	(P 480 million)	P 103 million	P 94 million
Earnings per share	(P 0.22)	P 0.05	P 0.04
Retention ratio	37%	38%	35%
Combined ratio	156%	124%	118%
Return on average equity	(7.9%)	1.7%	1.5%

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

Net Profit (Loss) (NP) – The Company sustained a net loss of P480 million in 2010 as compared to Net Profit of P103 million and P94 million in 2009 and 2008, respectively.

Earnings per share (EPS) - EPS is computed by dividing net profit by the weighted average number of shares issued and outstanding. The company's EPS was (P0.22), P0.05 and P0.04 for the years ended December 31, 2010, 2009 and 2008, 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 2010 was at 37%, which is flat from 38% in 2009 and slightly higher than 35% in 2008.

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 156% in 2010, 124% in 2009 and 118% in 2008.

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 (7.9%), 1.7% and 1.5% for 2010, 2009 and 2008 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 2010, 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:

	2010	2009	2008
Audit and audit-related fees	P1,592,828	P2,137,108	P 852,663
Other assurance and related services		73,614	-
Tax fees	-	-	-
Total	P1,592,828	P2,210,272	P 852,663

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 Company's Articles of Incorporation provide for an 11-seat Board of Directors. Following is the list of the incumbent members of the Board:

Name	Position	Age	Citizenship
Helen Yuchengco - Dee	Chairperson	66	Filipino
Robert G. Vergara	Vice Chairman	50	Filipino
Roberto B. Crisol	Director/President/Chief Executive Officer	58	Filipino
Alfonso L. Salcedo, Jr.	Director/Treasurer	55	Filipino
Yvonne S. Yuchengco	Director	56	Filipino
Gregorio T. Yu	Director	52	Filipino
Jose Teodoro K. Limcaoco	Director	48	Filipino
Consuelo D. Manansala	Director	57	Filipino
Romeo L. Bernardo	Independent Director	56	Filipino
Rizalino S. Navarro	Independent Director	72	Filipino
Primitivo C. Cal	Independent Director	66	Filipino

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	58	Filipino
Armando S. Malabanan	Executive Vice President and Chief Operating Officer	61	Filipino
John E. Huang	Senior Vice President and Chief Financial Officer	53	Filipino
Rodolfo M. Nayve	Senior Vice President, Head of Non-Life Division	57	Filipino
Noel A. Laman	Corporate Secretary	71	Filipino
Ma. Pilar M. Pilares-Gutierrez	Assistant Corporate Secretary	34	Filipino
Roberto S. de Leon II	Vice President-Non-Life (Facultative)	51	Filipino
Augusto C. Cipriano	Vice President-Life Division	57	Filipino
Edgar B. Villaseñor	Vice President – Corporate Services / Risk Management	57	Filipino
Amerfil V. Basco	Vice President for Reinsurance Accounting	50	Filipino
Regina S. Ramos	Vice President for Internal Audit	48	Filipino
Ma. Lourdes M. Santos	Vice President-Non-Life (Treaty)	54	Filipino
Vicente B. Villarama, Jr.	Vice President for General Accounting	53	Filipino

Marissa P. Aldeano	Vice President-Treasury and Investments	49	Filipino
Rene de Guzman	Vice President for Information Technology Services	48	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

Helen Yuchengco-Dee, Chairperson of the Board, Director of the Corporation since January 2010. Ms. Helen Y. Dee is the Chairperson of Rizal Commercial Banking Corporation. Ms. Dee is also the Chairperson and President of HyDee Management & Resource Corporation and House of Investments. She also holds Chairmanship positions in various companies, including Landev Corporation, Hi-Eisai Pharmaceutical Inc., Mapua Information Technology Center, Inc. and Manila Memorial Park. She is the Vice Chairperson of Pan Malayan Management & Investment Corporation. She likewise holds directorship positions in Philippine Long Distance Telephone Company, Petro Energy Resources Corp., Great Life Financial Assurance Corporation, Malayan Insurance Company, Inc. and MICO Equities, Inc. Ms. Dee is a Trustee of the Mapua Institute of Technology and the Yuchengco Center. She graduated from Assumption College with a Bachelor of Science degree in Commerce and completed her Masters in Business Administration at De La Salle University.

Robert G. Vergara, Vice Chairman of the Board, Director of the Corporation since 2010. Mr. Vergara is the current President and General Manager of the Government Service Insurance System (GSIS). Prior to his appointment to GSIS, Mr. Vergara was Managing Director and the Founding Partner of Cannizaro Limited (Hong Kong), a multi-strategy hedge fund manager organization investing in the Asian markets. From 2002 and 2006, Mr. Vergara was Managing Director of Lionhart Ltd. (Hong Kong), the precursor to Cannizaro, managing the Asian portfolios of the firm's stable of hedge funds, focusing on market neutral and long-short relative value strategies. He was Director of Dresdner Kleinwort Wasserstein Securities (Asia) Ltd. from June to August 2001 and Principal of Morgan Stanley Asia Ltd. from 1997 to 2001 where he set up and managed its profitable Asian proprietary trading activities. Immediately before that, Mr. Vergara worked at IFM Trading, a pioneering hedge fund based in the city of London that specialized in arbitrage and derivative trading strategies in global capital markets. He graduated from the Harvard Graduate School of Business Administration in Massachusetts, USA, in 1986, with emphasis of finance and corporate strategy. He earned his Bachelor of Science Degrees in Management Engineering and Mathematics, magna cum laude, from the Ateneo de Manila University in 1982.

Roberto B. Crisol, Director, President and Chief Executive Officer since January 2009. Mr. 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 the Head of the Corporate Banking Division of Bank of the Philippines Islands since July, 2010. He is also a Director of BPI/MS Insurance Corporation. He has held the following positions: President of BPI Family Savings Bank, Inc. (2004-2010); BPI Insurance Group, BPI Bancassurance, Inc., Ayala Life Assurance, Inc., Ayala Plans, Inc.; 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 honors with AB degree in Economics Honors Program from the Ateneo de Manila University in 1977. He also took the Advanced Management Program at the Harvard Business School in 2006.

Gregorio T. Yu, Director since July 2010. Mr. Yu is a trustee of GSIS. He is also concurrently Chairman of CATS Motors Inc., Vice Chairman of Sterling Bank of Asia, Director of Philequity Fund, Iremit Inc., Prople BPO, Yehey Corporation, e-Ripple Corporation, WSI Corporation, Nexus Technologies, Jupiter Systems Corporation. He is also a Trustee of Xavier School Inc. and Board Member of Ballet Philippines and The Manila Symphony Orchestra. He was formerly President and CEO of Belle Corporation, Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club and the Country Club at Tagaytay Highlands, Vice Chairman of APC Group and Philcom. He was also formerly a Director of International Exchange Bank and Vantage Equities Corporation. He was a Director for Corporate Finance of Chase Manhattan Asia in Hong Kong and a Vice President, Area Credit for The Chase Manhattan Bank Regional Office in Hong Kong. He received his MBA from the Wharton School of the University of Pennsylvania and his Bachelor Arts in Economics (Honors Program) Summa Cum Laude from De La Salle University.

Consuelo D. Manansala, Director since March 2010. Ms. Manansala is the Executive Vice President, Operations Sector of the GSIS. She has spent 23 years with the GSIS, occupying senior positions in the Controller Group and Operations Sector. Recently, she is appointed representative of the GSIS in the Philippine Health Insurance Corporation. She is also a Member of the Board of Governors of the Center for International Trade Expositions and Missions (CITEM) and a Director of GSIS Mutual Fund, Inc. She graduated with a BSBA Management degree from St. Theresa's College in 1975, a BSC Accounting degree from University of the East in 1985 and earned her MBA degree from De La Salle University in 1996. She is a Certified Public Accountant and has Career Service Professional Eligibility.

Jose Teodoro K. Limcaoco, Director since 2009. Mr. Limcaoco is the President of BPI Family Bank, the consumer banking subsidiary of the Bank of the Philippine Islands and BPI's Group head for the Insurance businesses. He is also a Director of BPI Philam Life Assurance Corporation, BPI/MS Insurance Corporation and Ayala Plans, Inc. Prior to his assignment at BPI Family, he was the President of BPI Capital Corporation. He is also a Managing Director at Ayala Corporation and has worked with Ayala since 1998. Mr. Limcaoco earned a Bachelor of Science degree in Mathematical Sciences (Honors Program) from Stanford University and an MBA degree, major in finance and investments from Wharton School of the University of Pennsylvania.

Yvonne S. Yuchengco, Director since June 2006. Ms. Yuchengco is the President and Director of Malayan Insurance Company, Inc. since 1995, and MICO Equities, Inc. since 1995. She is currently the Chairperson of RCBC Capital Corporation; Director of Rizal Commercial Banking Corporation; Treasurer and Director of Pan Malayan Management & Investment Corporation and Honda Cars Kalookan; Director of Grepalife Financial Inc.; Director of Pan Malayan Realty Corporation, Malayan Insurance (U.K), Malayan Insurance (H.K), Malayan International Insurance Corporation, GPL Asset Management; Manila Memorial Park, Inc.; Mapua Institute of Technology; La Funeraria Paz Sucat Inc. iPeople Inc.; Seafont Resources Corporation; Petro Energy Resources Corp.; Philippine Integrated Advertising Agency, Inc.; Malayan High School of Science Inc., Yuchengco Museum, Inc., House of Investment; Malayan College, Laguna and Luisita Industrial Park Corporation; President of PIA/Phil-Asia Assistance Foundation, Inc.; XYZ Assets Corporation Chairperson; AY Foundation member, Board of Trustees; Assistant

Treasurer of Enrique T. Yuchengco Inc; She graduated with an AB degree from Ateneo de Manila University in 1977 and took up further studies in UAP under SBEP program.

Romeo L. Bernardo, Independent Director since June 2006. Mr. Bernardo is Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a boutique financial advisory firm based in Manila, and GlobalSource economist in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund and a Director of several companies and organizations including Aboitiz Power, BPI, Globe Telecom, RFM Corporation, Philippine Investment Management, Inc. (PHINMA), Philippine Institute for Development Studies (PIDS), BPI-Philam Life Assurance Corporation and Institute for Development and Econometric Analysis. He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was an Advisor of the World Bank and the IMF (Washington D.C.), and served as Deputy Chief of the Philippine Delegation to the GATT (WTO), Geneva. He was formerly President of the Philippine Economics Society; Chairman of the Federation of ASEAN Economic Societies and a Faculty Member (Finance) of the University of the Philippines. Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (magna cum laude) and a Masters degree in Development Economics at Williams College (top of the class) from Williams College in Williamstown, Massachusetts.

Mr. Primitivo C. Cal, Independent Director since July, 2007. Dr. Cal is a licensed Civil Engineer, Environmental Planner and lawyer. He retired in 2009 as a full professor at the School of Urban and Regional Planning (SURP), University of the Philippines. During his tenure at SURP, he served as Dean of UP College Cebu, Dean of SURP and Director of the Transport Training Center/National Center for Transportation Studies. He has held 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, Scotland; and Research Associate in the Asian Institute of Technology, Thailand. He was seconded to the Department of Transportation and Communications as Undersecretary for Transportation from December 1993 to June 1998. At present, Dr. Cal is active in consulting work and as an Accredited Construction Arbitrator of the Construction Industry Arbitration Commission. He is into anti-corruption advocacy, being the co-chair of the Committee on Anti-Corruption of the Asian Civil Engineering Coordinating Council and member of the five-man Multi-Sectoral Group (MSG) of the Construction Sector Transparency Initiative (CoST) Philippines, representing the academe and the professional sector.

Mr. Rizalino S. Navarro, Independent Director since July, 2007. Mr. Navarro is Senior Adviser and Director of Rizal Commercial Banking Corporation. He was the Bank's Executive Vice Chairman and Chief Executive Officer from 2004 to 2007. Currently, he is Chairman (Non-Executive) of Clark Development Corp. and Member of the Subic-Clark Area Development Council. He is also Chairman of EEI Corporation, Seafront Resources Corporation, Petroenergy Corporation, Bankard, Inc., and a Director of Great Pacific Financial Assurance Corporation, Mapua Institute of Technology, House of Investments, Malayan Insurance, Phinma Corporation, Ionics Inc., Investment Capital Corporation of the Philippines, Nationwide Development Corporation, and Upline Food Corporation. He has held various positions in the government including that of Secretary of Trade and Industry and member of the Monetary Board. Mr. Navarro graduated from the University of the East with a Bachelor of Science degree in Business Administration. He received his Masters in Business Administration from Harvard Business School.

Noel A. Laman, Corporate Secretary since June 2007. He is a founder and a Senior Partner of Castillo Laman Tan Pantaleon & San Jose Law Offices. He serves as a Director and/or Corporate Secretary of GlaxoSmithKline Philippines Inc, Boehringer Ingelheim (Phils.) Inc., Merck Inc. and Eli Lilly (Phils.) Inc. He also serves as Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. He obtained his Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of the Philippines College of Law. He obtained a Master of Laws degree in 1963 from the University of Michigan Law School as a De Witt Fellow. His law practice

concentrates on corporation and business law. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, and the Philippine Bar Association. He acts as resource person of various foreign chambers of commerce. He is the firm representative to the State Capital Group, an international association of law firms.

Ma. Pilar M. Pilares-Gutierrez, Assistant Corporate Secretary since December, 2002. She is presently a Partner 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.

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 UMR in 2004 as its Chief Finance Officer. Prior to joining UMR, 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 UMR 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 for 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").

Roberto S. De Leon II, Vice President for Non-Life Facultative. 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.

Edgar B. Villasenor, Vice President for Corporate Services and Risk Management. Mr. Villasenor served in various capacities with URC and UMR 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.

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 and 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 UMR'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.

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

Ms. Helen Yuchengco-Dee and Ms. Yvonne S. Yuchengco, both directors of the Corporation, are sisters, and thus, are related to each other within the second degree of consanguinity.

(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	2009	18,808,800	3,059,800	823,468	22,692,068
All other officers and directors as a group unnamed		16,389,204	2,731,534	4,953,643	24,074,381
CEO and key executive officers named	2010	18,756,000	3,126,000	1,067,423	22,949,423
All other officers and directors as a group unnamed		15,065,600	2,510,933	4,922,642	22,499,175
CEO and key executive officers named	2011 (Estimates)	19,357,500	3,226,250	1,235,945	23,819,695
All other officers and directors as a group unnamed		12,911,220	2,151,870	4,921,355	19,984,445

Officers and directors named for 2010 include the following:

1. Roberto B. Crisol, President and CEO
2. Armando S. Malabanan, Executive Vice President and COO;
3. John E. Huang, Senior Vice President and CFO;
4. Rodolfo M. Nayve, Senior Vice President (Retired on March 15, 2011) and
5. Amerfil V. Basco, Vice President-Reinsurance Accounting

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, 2010, 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	273,717,100	12.67%

^{1,2}The PCD is not related to the Company. The 523,628,200 shares beneficially owned by GSIS form part of the 1,485,980,400 shares registered in the name of PCD Nominee Corporation (Filipino).

(2) Security Ownership of Management

The following table sets forth as of Dec. 31, 2010, 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	Helen Y. Dee	100 Beneficial	Filipino	0.000005%
Common	Robert G. Vergara	1,000 Beneficial	Filipino	0.00005%
Common	Gregorio T. Yu	1,000 Beneficial	Filipino	0.00005%
Common	Alfonso L. Salcedo	100 Beneficial	Filipino	0.000005%
Common	Roberto B. Crisol	1,000 Beneficial	Filipino	0.00005%

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	0.000005%
Common	Consuelo D. Manansala	1,000 Record	Filipino	0.00005%
Common	Jose Teodoro K. Limcaoco	100 Beneficial	Filipino	0.000005%
Common	Romeo L. Bernardo	100 Record	Filipino	0.000005%
Common	Primitivo C. Cal	100 Record	Filipino	0.000005%
Common	Rizalino S. Navarro	1,000 Record	Filipino	0.00005%
Common	TOTAL FOR DIRECTORS	31,600		0.001463%
Common	Armando Malabanan	600,000 Beneficial	Filipino	0.027782%
	Rodolfo Nayve	53,000 Beneficial	Filipino	0.002454%
Common	Amerfil V. Basco	31,800 Record	Filipino	0.001472%
Common	Edgar Villasenor	50,000 Beneficial	Filipino	0.002315%
Common	Vicente B. Villarama, Jr.	12,800 Beneficial	Filipino	0.000593%
Common	TOTAL FOR OTHER OFFICERS	747,600		0.034616%
Common	GRAND TOTAL	779,200		0.036079%

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, 2011 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 (in millions of Philippine Pesos) premiums written (inward) and ceded (outward), receivables and payables between the Corporation, its Principal Shareholders and companies represented by other members of the Board of Directors for 2008 and 2009:

SHAREHOLDER/ DIRECTOR CORPORATION	2009				2010				
	In Million PHP	Inward	Outward	Receivable	Payable	Inward	Outward	Receivable	Payable
GSIS		1,062.9	(16.70)	310.0	(55.1)	795.25	13.31	432.12	(50.47)
Ayala Life Assurance, Inc.		18.0	2.86	(6.7)	-	16.61	2.63	10.24	1.00
BPI/MS Insurance Corporation		140.6	.14	27.3	(3.1)	184.87	(.14)	13.68	.38
FGU Insurance Corporation		(1.0)	-	(.70)	.33	.84	.27	(.06)	.11
Total BPI Group		157.6	3.00	19.90	(2.77)	202.32	2.76	23.86	1.49
First Nationwide Assurance Corp.		-	-	-	-	-	-	-	-
Great Pacific Life Assurance Corp.		23.0	2.20	4.5	.54	4.05	-	4.73	(.60)
Malayan Insurance Company, Inc.		54.9	64.90	12.4	20.9	63.66	150.98	14.55	6.09
Malayan Zurich Insurance Company, Inc.		-	-	(.13)	-	-	-	-	-
Tokio Marine Malayan Insurance Corporation		15.1	(.1)	2.1	(.07)	10.2	.39	(.16)	(.21)
Total Malayan Group		93.0	67.00	18.87	21.37	77.91	151.37	19.12	5.28

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 depository 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

PhilNaRe is committed to the principles and practices of good corporate governance. The Company's Corporate Governance Manual was filed with the Insurance Commission and has been in effect since January 1, 2003. Subsequently, a Revised Manual on Corporate Governance was filed with the Insurance Commission and the Securities and Exchange Commission on April 13, 2010 in compliance with SEC Circular No. 6, series of 2009, as well as the Insurance Commission's Circular No. 31-2005 on corporate governance. The Company continues to review and strengthen its policies and procedures, giving due consideration to areas that, for the best interests of the Company and its stockholders, need further improvement.

Board Responsibility

PhilNaRe'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. The 11 Board members each elected by the stockholders during Annual Stockholders' Meeting hold office for one year until their successors are elected and qualified in accordance with the Company's amended by-laws.

Strategic Planning Process

The Board sets the strategic direction for the company and approves the annual financial and operating plan. It also approves the vision and mission statement and reviews the effectiveness of our strategic planning process on a regular basis.

Management held a two-day planning session with key officers on November 23 and 29, 2009 for 2010 plans and budget. Management provided updates to the Board on the execution of the corporate strategy, as well as any adjustments, at every regular board meeting. The Board must approve any transaction that will have a significant strategic impact on the company.

Independent Directors

Messrs. Rizalino S. Navarro, Romeo L. Bernardo and Dr. Primitivo C. Cal are currently the Company's Independent Directors. To be considered an independent director under IC Circular Letter No. 31-2005, one: (i) has not been an officer or employee of the company for at least three years immediately preceding his term or incumbency; (ii) is not related by consanguinity or affinity to an officer in a senior management position in the company; and (iii) does not provide services, and receives no income for other professional services to the company.

The independent directors are nominated and elected in accordance with the applicable rules and regulations of the Insurance Commission (IC) and Securities and Exchange Commission (SEC). Pursuant to such rules, the independent directors issue a certification confirming their independence within 30 days from their election.

Chairman and CEO

The Chairman of the Board is Ms. Helen Y. Dee; while the President and Chief Executive Officer (CEO) is Mr. Roberto B. Crisol. These positions being held by two separate individuals have their respective roles clearly defined to ensure independence, accountability, and responsibility in the discharge of their duties. The existing Board structure and practices provide a clear division of responsibilities at the top of the corporation – between the Board exercising oversight function and the Management discharging its executive responsibilities for the business.

Board Performance

The Board holds regular monthly meetings and special board meetings to deliberate on major issues affecting the Company. Ordinarily, the Board adopts a formal and sequential agenda for each regular meeting. The agenda include brief reports or updates by the Chairman and the Board Committees, reports on financial performance by the Chief Finance Officer, and operational performance by the President and Chief Operating Officer. The agenda also include items for the Board's deliberation and approval. The Corporate Secretary provides assistance and advisory services to the directors on their responsibilities and obligations.

Discussions during board meetings are open and independent views are given due consideration.

Summarized below are the number of meetings and the attendance record of the individual directors for the year 2010.

Name	Meeting Attendance
Bernardo, Romeo L.	13/14
Cal, Primitivo C.	13/14
Crisol, Roberto B.	14/14
Dee, Helen Y.	12/14
Garcia, Winston F. ¹	8/13
Juan, Noel M. ²	11/11
Limcaoco, Teodoro K.	8/14
Manansala, Consuelo D. ³	12/12
Navarro, Rizalino S.	9/14
Salcedo, Alfonso Jr. L.	11/14
Valera, Josefina L. ⁴	2/2
Vergara, Robert G. ⁵	2/3
Yu, Gregorio T. ⁶	1/1
Yuchengco, Yvonne S.	13/14

- ¹ Resigned as of December 2010
- ² Resigned as of October 2010
- ³ Elected on March 2010
- ⁴ Resigned as of March 2010
- ⁵ Elected on October 2010
- ⁶ Elected on December 2010

Board Committees

The Manual provides that as stipulated in Section 2 of Article V of the Company's By-Laws, the Board shall constitute committees in aid of good governance, namely the Nomination Committee, Compensation Committee, Risk Management Committee and Audit Committee.

Nomination and Compensation Committee

The Committee is composed of three directors, headed by Dr. Primitivo C. Cal, who is 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.

The Nomination and Compensation Committee held three (3) meetings in 2010 and the individual attendance record of each member is shown below:

Name	Meeting Attendance
Bernardo, Romeo L.	13/14
Cal, Primitivo C.	13/14
Crisol, Roberto B.	14/14
Dee, Helen Y.	12/14
Garcia, Winston F. ¹	8/13
Juan, Noel M. ²	11/11
Limcaoco, Teodoro K.	8/14
Manansala, Consuelo D. ³	12/12
Navarro, Rizalino S.	9/14
Salcedo, Alfonso Jr. L.	11/14
Valera, Josefina L. ⁴	2/2
Vergara, Robert G. ⁵	2/3
Yu, Gregorio T. ⁶	1/1
Yuchengco, Yvonne S.	13/14

Risk Management Committee

The Committee is composed of five directors, headed by Romeo L. Bernardo, who is an independent director. This was established to assist the Board in the development and oversight of the Company's risk management program. Its main task is to oversee that risk management is an integral part of the planning and operations of the Company in order to meet corporate goals and objectives. In 2009, the Company implemented an Enterprise Risk Management Process, which is an organization-wide approach to the identification, assessment, communication and management of enterprise risk, defined as issues which may prevent the Company from achieving its strategic objectives. This process has been fully integrated into the Company's

operations and is overseen by a Risk Management Council, comprised of members of senior management. The Risk Management Council is required to provide the Board with a comprehensive enterprise risk assessment at least annually and to establish plans to ensure that risks are being managed and monitored effectively.

The Risk Management Committee held one (1) meeting in 2010 and the individual attendance record of each member is shown below:

Name	Meeting Attendance
Bernardo, Romeo L. (Chairman)	100%
Cal, Primitivo C.	100%
Crisol, Roberto B.	100%
Dee, Helen Y.	100%
Limcaoco, Teodoro K.	100%
Juan, Noel M.	100%
Navarro, Rizalino S.	100%

Audit Committee

The Committee is composed of three independent directors, headed by Rizalino S. Navarro. It has its own Board-approved written Audit Committee Charter, which includes its purpose, functions and responsibilities. Its main task is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.

The Audit Committee requires the legal counsel to render an annual compliance certificate attesting to the Company's adherence to legal and other regulatory requirements.

The Audit Committee held eleven (11) meetings in 2010 and the individual attendance record of each member is shown below:

Name	Meeting Attendance
Navarro, Rizalino S. (Chairman)	100%
Bernardo, Romeo L.	81%
Cal, Primitivo C.	90%

The Audit Committee discussed, among other matters, the external auditor's report on their audit of the year-end financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS). The results are presented to the Board for approval, after which, the financial statements are filed with the SEC and released to the public. An evaluation and assessment conducted by the Audit Committee with respect to the independence of the external auditors and their performance for the year resulted to the Audit Committee's recommendation to the Board for their reappointment, subject to ratification by the stockholders during the annual stockholders' meeting.

Independent Public Accountants

Punongbayan and Araullo was reappointed as the principal accountant and independent auditor of the Company, through the approval of the shareholders in the annual stockholders' meeting.

The engagement partner assigned to the Company since 2008 is Mr. Leonardo D. Cuaresma, Jr. who has an extensive accounting and auditing experience. This appointment is in accordance with the SEC regulation that the audit partner principally handling the Company's account is rotated every five (5) years or sooner.

Representatives of Punongbayan & Araullo were expected to be present at the Annual Stockholders' Meeting to respond to questions. They also had the opportunity to make a statement if they so desired.

Internal Auditor

The Company has an independent internal audit function which provides independent advisory and consulting services to help evaluate and improve effectiveness and compliance with the Company's organizational and procedural controls which should be effective, appropriate and complied with. The internal audit function is governed by a separate Internal Audit Activity Charter.

The Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

The Audit Committee reviewed the Internal Audit's major accomplishments for the year, approved the internal audit plan and required resources, status report on compliance with policies and applicable laws and results of special projects or audits conducted.

Internal Control

The primary responsibility for the design, implementation and maintenance of internal controls rests on Management; while the Board and its Audit Committee oversee the actions of Management and monitor the effectiveness of the controls put in place.

Financial Reporting

The Company provides regular updates on its operating performance and other financial information through the SEC and the Philippines Stock Exchange (PSE). In addition to submitting periodic reportorial requirements, the Company discloses major and market-sensitive information that affects share price performance as necessary.

The Company's financial statements conform to Philippine Financial Reporting Standards and are submitted to the SEC before the prescribed deadline and are distributed to the shareholders prior to the Annual Stockholders Meeting.

Quarterly financial results reviewed by our external auditors are discussed with the Audit Committee for approval, after which, these are released and are duly disclosed to the SEC and PSE within the prescribed period.

Shareholder Rights

Shareholder Meeting

Stockholders are informed at least 15 business days before the scheduled date of the annual stockholders meeting. The notice to stockholders also sets the date, and place of validation of proxies. The notice to the 2010 Annual Stockholders Meeting was sent to the stockholders around June 1, 2010.

Voting Rights and Voting Procedures

Each share in the name of the shareholder entitles such shareholder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders Meeting. Shareholders have the right to elect, remove, and replace directors, as well as vote on certain corporate acts in accordance with the Corporation Code. Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders Meeting are set out in the Definitive Information Statement.

Right to Information

Shareholders are provided, through public communication media and the company's website, disclosures, announcements, and upon request, periodic reports filed with the SEC.

Dividends

The Company's Board of Directors is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. A stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds (2/3) 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 Board of Directors may determine and in accordance with law. *

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.

Shareholder and Investor Relations

The Company addresses the information requests of the investing community and keeps in touch with minority shareholders through timely disclosures to the PSE, Annual Stockholders Meeting, website, emails and telephone calls.

Stakeholder Relations

Employee Relations

Each employee is provided with the Employee's Manual of Policies and procedures which is designed to promote harmonious employer-employee relations. It provides for employee rights and defines his / her obligations. It also sets the Company's policies on employee-related matters and ensures uniformity and consistency in the interpretation and implementation of the Human Resources Policies and Programs.

All covered employees shall strictly comply with its provisions and that the commencement and / or continuance of their employment are premised on their acceptance and acknowledgement of the subject Manual.

Through inter-office memos, emails and meetings facilitated thru the Corporate Services Group, our employees are updated on the material developments within the organization.

Career advancement and developments are also provided by the Company through various training programs and seminars. The Company has also initiated activities centered on safety, health, and welfare of its employees.

Corporate Social Responsibility

Our community involvement is done on an ad-hoc basis. The Board has instructed Management to prepare a formal program of activities or undertake projects that will address our social responsibility as well as show our involvement in caring for the environment.

Code of Ethics

The Company adheres to a Code of Ethics that sets out the fundamental standards of conduct and values with the principles of good governance and business practices that will guide and define the actions and decisions of the directors, officers, and employees of the Company.

Compliance Monitoring

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 Chairman of the Board has appointed a Compliance Officer, Mr. Armando S. Malabanan, who is responsible on a continuing basis for monitoring compliance with the provisions of the Company's Manual of Corporate Governance.

The Company continues to improve corporate governance practice through continuous training of directors, officers and employees as well as through other initiatives.

Web Site

Additional information on the Company may be viewed at www.nrcp.com.ph

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 16, 2010 re: Election of Mr. Gregorio T. Yu as new director of the Corporation, effective immediately, to serve as such for the term of his predecessor, Atty. Winston F. Garcia, who has left the Company.
- January 21, 2011 re: Corporate Secretary's Sworn Certification on the Attendance in Board meetings of each director for the year 2010, pursuant to the Code of Corporate Governance which is enforced by the Securities and Exchange Commission.
- February 17, 2011 re: Rescheduling of the annual stockholders' meeting of NRCP from June 27, 2011 (4th Monday of June, under the by-laws) to June 30, 2011 (Thursday), at 3:00 p.m., at the Carlos P. Romulo Auditorium, RCBC Plaza, Makati City, with record date of May 20, 2011

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 13, 2011.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Issuer

By:


ROBERTO B. CRISOL
Principal Executive Officer (CEO)


JOHN E. HUANG
Principal Financial Officer (CFO)


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

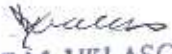

VICENTE B. VILLARAMA, JR.
Principal Accounting Officer


NOEL A. LAMAN
Corporate Secretary

APR 14 2011

SUBSCRIBED AND SWORN to before me this 13th day of April 2011 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	05975170	Feb. 03, 2011	Makati City
Armando S. Malabanan	00143018	Jan. 14, 2011	Makati City
John E. Huang	12158567	Jan. 15, 2011	Pasig City
Vicente B. Villarama	20726438	Jan. 29, 2011	Bulacan
Noel A. Laman	05973651	Jan. 25, 2011	Makati City


Atty. **LOPE M. VELASCO**
NOTARY PUBLIC
Until Dec. 31, 2011
Appt. No. M-117, Makati City
IBP # 809262 - Makati 01/04/11
PTR # 2643149 - Makati 01/04/11
TIN 212-965-989
S.C. Roll No. 28757
G/F Jaka Center 2111 Chino Roces Ave.,
Makati City

Doc. No.: 206 ;
Page No.: 43 ;
Book No.: 247 ;
Series of 2011.

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	2010 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.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

18th Floor, Philippine AXA Life Centre, Sen. Gil J. Puyat Avenue corner Tindalo Street, Makati City 1200, Philippines
Trunk lines: +632 759 5801 to 06 * Fax: +632 759 5886 * Website: 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 the preparation and fair presentation of the financial statements for the years ended December 31, 2010, 2009 and 2008 in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls 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.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors and appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the Board of Directors and stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following:


HELEN Y. DEE
Chairperson of the Board


ROBERTO B. CRISOL
President & Chief Executive Officer



JOHN E. HUANG
Chief Financial Officer

APR 11 2011

SUBSCRIBED AND SWORN TO before me this _____ day of _____ 2011 at the City of Makati. Affiants exhibited to me their Community Tax Certificate Nos.:

Name	Com. Tax Cert. No.	Date	Place of Issue
Helen Y. Dee	23315865	February 2, 2011	Manila
Roberto B. Crisol	05975170	February 3, 2011	Makati City
John E. Huang	12158567	January 15, 2011	Pasig City

Doc. No. 421
Page No. 25
Book No. LYV/11
Series of 0011


ARCHIBALD R. RELLOSA
NOTARY PUBLIC
Until Dec. 31, 2011
PTR No. 2670566, MAKATI CITY
IBP NO. 817034 PASIG CITY
ROLL NO. 4375

**Report of Independent
Certified Public Accountants
to Accompany Income Tax Return**

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

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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 financial statements of National Reinsurance Corporation of the Philippines for the year ended December 31, 2010, on which we have rendered the attached report dated March 17, 2011.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO



By: Leonardo D. Cuaresma, Jr.
Partner

CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 2641858, January 3, 2011, Makati City
Partner's SEC Accreditation No. 007-AR-2 (until Feb. 1, 2012)
BIR AN 08-002511-7-2008 (until Nov. 24, 2011)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 17, 2011

Supplemental Statement of Independent Auditors

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

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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, 2010, on which we have rendered the attached report dated March 17, 2011.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules (see table of contents) of the Company as of December 31, 2010 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 109-227-862
PTR No. 2641858, January 3, 2011, Makati City
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Report of Independent Auditors

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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

Report on the Financial Statements

We have audited the accompanying financial statements of National Reinsurance Corporation of the Philippines, which comprise the statements of financial position as at December 31, 2010 and 2009, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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.

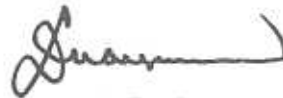
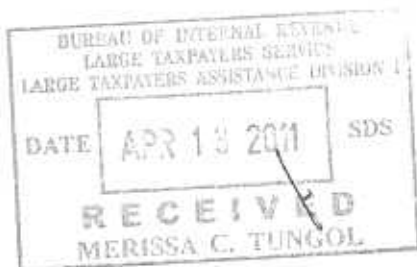
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Reinsurance Corporation of the Philippines as at December 31, 2010 and 2009, and of its financial performance and its cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2010 required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 26 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information 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

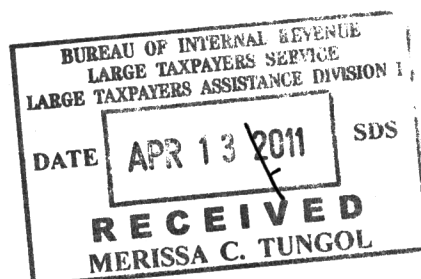
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PTR No. 2641858, January 3, 2011, Makati City
Partner's SEC Accreditation No. 007-AR-2 (until Feb. 1, 2012)
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 17, 2011

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2010	2009
<u>A S S E T S</u>			
CASH AND CASH EQUIVALENTS	5	P 613,287,054	P 683,659,159
REINSURANCE BALANCES RECEIVABLE - Net	6	4,210,444,502	2,874,413,754
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	6,297,135,567	6,048,736,164
LOANS AND RECEIVABLES	8	360,688,116	253,464,887
PROPERTY AND EQUIPMENT - Net	9	154,407,065	130,034,934
DEFERRED ACQUISITION COSTS	2	198,420,037	165,674,472
DEFERRED REINSURANCE PREMIUMS	10	514,257,825	771,688,546
OTHER ASSETS	11	204,444,166	168,190,642
TOTAL ASSETS		P 12,553,084,332	P 11,095,862,558
<u>LIABILITIES AND EQUITY</u>			
REINSURANCE BALANCES PAYABLE	6	P 5,462,712,883	P 3,587,881,996
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	12	108,631,841	76,741,137
RESERVE FOR UNEARNED REINSURANCE PREMIUMS	10	902,887,425	1,179,075,555
DEFERRED REINSURANCE COMMISSIONS	2	130,486,488	97,541,765
TOTAL LIABILITIES		6,604,718,637	4,941,240,453
EQUITY	18	5,948,365,695	6,154,622,105
TOTAL LIABILITIES AND EQUITY		P 12,553,084,332	P 11,095,862,558

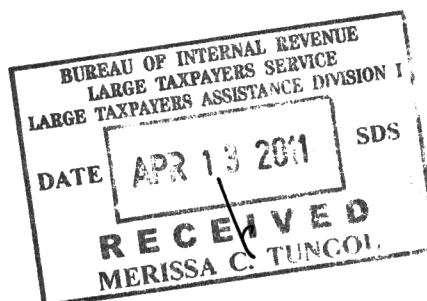
See Notes to Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	19	P 4,279,413,638	P 3,538,375,311	P 4,493,504,395
Retroceded premiums	19	<u>2,681,594,564</u>	<u>2,185,981,710</u>	<u>2,913,546,920</u>
Reinsurance premiums retained		1,597,819,074	1,352,393,601	1,579,957,475
Decrease (increase) in reserve for unearned reinsurance premiums	10	<u>18,757,409</u>	<u>118,471,598</u>	(<u>28,617,613</u>)
		<u>1,616,576,483</u>	<u>1,470,865,199</u>	<u>1,551,339,862</u>
UNDERWRITING DEDUCTIONS				
Share in claims and losses	14	1,838,825,037	1,032,572,094	1,236,916,617
Commissions - net	14	<u>435,697,462</u>	<u>406,973,774</u>	<u>387,202,440</u>
		<u>2,274,522,499</u>	<u>1,439,545,868</u>	<u>1,624,119,057</u>
NET UNDERWRITING INCOME (LOSS)		(657,946,016)	31,319,331	(72,779,195)
INVESTMENT AND OTHER INCOME - Net	13	<u>491,221,340</u>	<u>466,656,885</u>	<u>449,195,685</u>
PROFIT (LOSS) AFTER INVESTMENT AND OTHER INCOME		(166,724,676)	497,976,216	376,416,490
GENERAL AND ADMINISTRATIVE EXPENSES	15	<u>240,641,480</u>	<u>325,072,508</u>	<u>211,654,086</u>
PROFIT (LOSS) BEFORE TAX		(407,366,156)	172,903,708	164,762,404
TAX EXPENSE	17	<u>72,611,644</u>	<u>69,864,351</u>	<u>70,318,983</u>
NET PROFIT (LOSS)		(P 479,977,800)	P 103,039,357	P 94,443,421
Earnings(Losses) Per Share	22	(P 0.22)	P 0.05	P 0.04

See Notes to Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	<u>Note</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
NET PROFIT (LOSS)		(P 479,977,800)	P 103,039,357	P 94,443,421
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gains (losses) - net of taxes	7	<u>375,226,237</u>	<u>188,255,431</u>	<u>(345,325,081)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>(P 104,751,563)</u>	<u>P 291,294,788</u>	<u>(P 250,881,660)</u>

See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(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, 2010		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 40,081,811)	P 18,443,858	P 231,638,713	P 743,448,287	P 6,154,622,105
Cash dividends	18	-	-	-	-	-	-	(101,504,847)	(101,504,847)
Total comprehensive income (loss) for the year	7	-	-	-	-	375,226,237	-	(479,977,800)	(104,751,563)
Total equity as of December 31, 2010		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 40,081,811)	P 393,670,095	P 231,638,713	P 161,965,640	P 5,948,365,695
Balance as of January 1, 2009		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 40,081,811)	(P 169,811,573)	P 221,334,777	P 737,099,970	P 5,949,714,421
Cash dividends	18	-	-	-	-	-	-	(86,387,104)	(86,387,104)
Appropriated for contingencies		-	-	-	-	-	10,303,936	(10,303,936)	-
Total comprehensive income for the year		-	-	-	-	188,255,431	-	103,039,357	291,294,788
Total equity as of December 31, 2009		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 40,081,811)	P 18,443,858	P 231,638,713	P 743,448,287	P 6,154,622,105
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		-	-	-	(40,081,811)	-	-	-	(40,081,811)
Cash dividends		-	-	-	-	-	-	(436,390,920)	(436,390,920)
Appropriated for contingencies		-	-	-	-	-	9,444,342	(9,444,342)	-
Total comprehensive income (loss) for the year	7	-	-	-	-	(345,325,081)	-	94,443,421	(250,881,660)
Total equity as of December 31, 2008		2,181,954,600	P 2,181,954,600	P 3,019,218,458	(P 40,081,811)	(P 169,811,573)	P 221,334,777	P 737,099,970	P 5,949,714,421

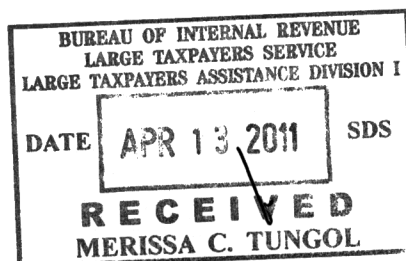
BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANCE DIVISION 1
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See Notes to Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 407,366,156)	P 172,903,708	P 164,762,404
Adjustments for:				
Interest income	13	(378,361,661)	(382,426,619)	(375,001,848)
Impairment losses	6, 7	21,607,076	128,325,407	32,795,155
Increase (decrease) in reserve for unearned reinsurance premiums	10	(18,757,409)	(118,471,598)	28,617,613
Dividend income	13	(33,790,441)	(29,972,727)	(27,078,150)
Unrealized foreign exchange loss (gain)		15,539,295	25,264,356	(71,027,129)
Depreciation and amortization	9, 11	20,057,975	10,765,008	11,136,989
Operating loss before working capital changes		(781,071,321)	(193,612,465)	(235,794,966)
Decrease (increase) in reinsurance balances receivable		(1,366,154,947)	1,330,812,182	(1,471,828,939)
Decrease (increase) in loans and receivables		(117,321,107)	66,534,371	4,355,111
Decrease (increase) in deferred acquisition costs		199,158	24,184,633	(8,773,478)
Decrease (increase) in other assets		(37,947,877)	3,119,365	27,947,637
Increase (decrease) in reinsurance balances payable		1,884,541,144	(1,219,616,664)	2,027,975,256
Increase (decrease) in accounts payable and accrued expenses		31,890,704	(78,101,287)	(44,374,145)
Cash generated from (used in) operations		(385,864,246)	(66,679,865)	299,506,476
Cash paid for income taxes		(72,611,644)	(69,499,923)	(73,065,054)
Net Cash From (Used in) Operating Activities		(458,475,890)	(136,179,788)	226,441,422
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
Available-for-sale financial assets	7	1,809,273,516	3,747,134,327	1,333,353,912
Property and equipment	9	1,250,605	-	355,500
Interest received		388,459,537	373,618,987	371,547,597
Dividends received		33,790,441	29,972,727	24,429,144
Acquisitions of:				
Available-for-sale financial assets	7	(1,698,465,088)	(4,327,663,119)	(1,675,082,737)
Property and equipment	9	(43,986,361)	(52,027,672)	(4,381,113)
Net Cash From (Used in) Investing Activities		490,322,650	(228,964,750)	50,222,303
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisitions/payments of:				
Dividends	18	(101,504,847)	(86,387,104)	(436,390,920)
Treasury shares	18	-	-	(40,081,811)
Net Cash Used in Financing Activities		(101,504,847)	(86,387,104)	(476,472,731)
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		(714,018)	(14,367,486)	2,454,642
NET DECREASE IN CASH AND CASH EQUIVALENTS		(70,372,105)	(465,899,128)	(197,354,364)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		683,659,159	1,149,558,287	1,346,912,651
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 613,287,054	P 683,659,159	P 1,149,558,287

See Notes to Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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 shares are listed in the Philippine Stock Exchange (PSE).

The Company's registered office, which is also its principal place of business, is located at 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, 2010 (including the comparatives for the years ended December 31, 2009 and 2008) were authorized for issue by the Company's Board of Directors (BOD) on March 17, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These 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 (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Company presents the statement of comprehensive income in two statements: a statement of income and a statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) *Effective in 2010 that are Relevant to the Company*

In 2010, the Company adopted the *2009 Annual Improvements to PFRS* adopted by FRSC. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Company but which did not have any material impact on its financial statements:

- (i) PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as cash flow from investing activities. Under its current policies, only recognized assets are classified by the Company as cash flow from investing activities.
- (ii) PAS 17 (Amendment), *Leases* (effective from January 1, 2010). The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17.
- (iii) PAS 18 (Amendment), *Revenue* (effective from January 1, 2010). The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Company is the principal in all of its business undertakings.

(b) *Effective in 2010 but not Relevant to the Company*

The following new PFRS and amendments, revisions and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Company's financial statements:

PAS 27 (Revised)	:	Consolidated and Separate Financial Statements
PFRS 3 (Revised 2008)	:	Business Combination
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 2 (Amendment)	:	Company Cash-settled Share-based Payment Transactions
PFRS for SMEs	:	PFRS for Small-Medium Entities
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	:	Distribution of Non-cash Assets to Owners
IFRIC 18	:	Transfers of Assets from Customers

(c) *Effective Subsequent to 2010*

There are new PFRS and revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. Management has initially determined the following pronouncements, which the Company will apply in accordance with its transitional provisions, to be relevant to its financial statements.

- (i) PAS 12 (Amendment), *Income Taxes* (effective from January 1, 2013). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property*, it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made.

As a practical solution to the problem, the amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Standards Interpretation Committee (SIC) - 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Since the amendment is related to the issuance of PFRS 9 in 2009, management is still evaluating the effect of this amendment to the Company's financial statements in conjunction with its adoption of PFRS 9 in 2013 (see PFRS 9).

- (ii) Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19, *Employee Benefits*, surplus for defined benefit plans that are subject to a minimum funding requirement. Management does not expect that its future adoption of the amendment will have a material effect on the Company's financial statements because it does not usually make substantial advance contributions to its retirement fund.
- (iii) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:
- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;
 - the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;
 - if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,
 - the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

Management has determined that the adoption of the interpretation will not have a material effect on the Company's financial statements as management does not anticipate to extinguish financial liabilities through equity swap in the subsequent periods.

- (iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). This amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Company believes that adoption of the amendment in 2012 will not have any significant effect on its financial statements as the amendment only affect disclosures and the Company usually provides adequate information on its financial statements in compliance with disclosure requirements.

- (v) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):
 - o Phase 1: Classification and Measurement
 - o Phase 2: Impairment Methodology
 - o Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being finalized.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Company expects it can comprehensively assess the impact of the revised standard.

- (vi) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to Philippine Financial Reporting Standards 2010* (the 2010 Improvements). Most of these amendments will become or became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. The 2010 Improvements amend certain provisions of PAS 1 (effective from July 1, 2010), clarify presentation of the reconciliation of each of the components of other comprehensive income, and clarify certain disclosure requirements for financial instruments. The Company's preliminary assessments indicate that the 2010 Annual Improvements will not have a material impact on its financial statements.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments 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 purchases 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 any directly attributable transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs related to it are recognized in the statement of income.

The categories of financial assets that are currently relevant to the Company are 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, if any. 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.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Reinsurance Balances Receivable and Loans and Receivables in the statement of financial position. 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.

(b) *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 available-for-sale financial assets are measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to the statement of income and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses relating to financial assets that are recognized in profit or loss are presented as part of Investment and Other Income in the statement of income, except for impairment losses which are presented as part of General and Administrative Expenses.

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 reporting period. 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 flows 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 statement of income when earned, regardless of how the related carrying amount of financial assets is measured.

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
Electronic data processing (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 the end of each reporting period.

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 statement of income 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 statement of income in the year of retirement or disposal.

2.6 Financial Liabilities

Financial liabilities include Reinsurance Balances Payable and Accounts Payable and Accrued Expenses (excluding deferred output value-added tax (VAT), defined benefit liability and withholding taxes payable).

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

Reinsurance Balances Payable and Accounts Payable and Accrued Expenses are recognized initially at their fair 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 statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.7 Provisions and Contingencies

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 end of the reporting period, including the risks and uncertainties associated with the present obligation. 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. When 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 the end of each reporting period 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. Similarly, possible 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. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.8 Revenue Recognition

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

- (a) *Reinsurance premiums* – 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 the end of the reporting period are accounted for as Reserve for Unearned Reinsurance Premiums and presented in the liability section of the statement of financial position. The net changes in the account Reserve for Unearned Reinsurance Premiums between the end of the reporting periods are recognized in the statement of income.
- (b) *Interest income* – This is recognized as the interest accrues taking into account the effective yield on the asset.
- (c) *Dividends* – Revenue is recognized when the Company’s right to receive the payment is established.

2.9 Claim Costs Recognition

Share in claims and losses relating to insurance contracts are accrued when insured events occur. The share in 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 in 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 statement of income in the period the recoveries are made while estimated recoveries are presented as part of Reinsurance Balances Receivable in the statement of financial position.

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 statement of financial position 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 statement of financial position 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 statement of income 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 in the statement of income 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 Foreign Currency Transactions

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 statement of income as part of profit or loss from operations.

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.

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

(a) Post-employment Benefits

Post-employment benefits are provided to employees through a defined benefit plan, as well as a defined contribution plan.

A defined benefit plan is a post-employment plan that defines an amount of post-employment 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 post-employment 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 post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually 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 post-employment 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 statement of income 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 statement of income, unless the changes to the post-employment 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 post-employment 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 statements of financial position.

(b) *Compensated Absences*

Short-term employee benefits are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. 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

Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

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 end of reporting period. They are calculated using 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 statement of income.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the 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 the end of each reporting period 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 end of the reporting period.

Most changes in the deferred tax assets or liabilities are recognized as a component of tax expense in statement of income. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

2.17 Related Party Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close member of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.18 Equity

Capital stock represents 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 of gains and losses due to the revaluation of available-for-sale financial assets.

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

2.19 Earnings (Losses) Per Share

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

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

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 the 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. Based on the recent evaluation of information and circumstances affecting the Company's available-for-sale financial assets, management concluded that its investment in equity securities for a certain company is impaired by P6,397,150 as of December 31, 2010 (nil as of December 31, 2009) (see Note 7). Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(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 and Finance Leases

The Company has entered into various lease agreements as either a lessor or a lessee. Critical judgment is 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. Failure to make the right judgement will result in either overstatement or understatement of assets and liabilities.

(d) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.7 and relevant disclosures are presented in Note 23.

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 end of the reporting period, 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 9 and 11, respectively. Based on management's assessment as at December 31, 2010, there is no change in estimated useful lives of property and equipment and investment property during the year. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

(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 receivable amounted to P15,209,926, P128,325,407 and P32,795,155 in 2010, 2009 and 2008, respectively. The allowance for impairment on reinsurance balances receivable amounted to P283,129,959 and P267,920,033 as of December 31, 2010 and 2009, respectively (see Note 6).

(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 or loss and other comprehensive income.

In 2010 and 2009, fair value gains (net of taxes) on available-for-sale financial assets amounted to P375,226,237 and P188,255,431, respectively; in 2008, fair value losses (net of taxes) amounted to P345,325,081 reported under other comprehensive income (see Note 7).

(d) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of non-financial assets is discussed 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.

No impairment losses were recognized on non-financial assets in 2010, 2009 and 2008.

(e) *Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. As of December 31, 2010 and 2009, no deferred tax assets were recognized by the Company since management believes that they will not be able to utilize the amount prior to its expiration (see Note 17).

(f) *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 16.2 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 net retirement benefit obligation amounted to P13,273,056 and P22,016,459 as of December 31, 2010 and 2009, respectively, while the fair value of plan assets as of those dates amounted to P63,156,618 and P56,468,323, respectively (see Note 16.2).

4. 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 and Budget, Risk Management 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.

4.1 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 per line of risk for the years ended are shown below.

	<u>Reinsurance Premiums</u>	<u>Retroceded Premiums</u>	<u>Retention</u>
December 31, 2010			
Casualty	P 2,134,742,451	P 1,586,590,665	P 548,151,786
Fire	1,096,036,855	647,741,964	448,294,891
Marine and aviation	557,194,786	293,290,280	263,904,506
Life	<u>491,439,546</u>	<u>153,971,655</u>	<u>337,467,891</u>
	<u>P 4,279,413,638</u>	<u>P 2,681,594,564</u>	<u>P 1,597,819,074</u>
December 31, 2009			
Casualty	P 1,651,954,464	P 1,211,491,631	P 440,462,833
Fire	971,167,470	578,473,322	392,694,148
Marine and aviation	384,081,749	168,934,964	215,146,785
Life	<u>531,171,628</u>	<u>227,081,793</u>	<u>304,089,835</u>
	<u>P 3,538,375,311</u>	<u>P 2,185,981,710</u>	<u>P 1,352,393,601</u>

	<u>Reinsurance Premiums</u>	<u>Retroceded Premiums</u>	<u>Retention</u>
December 31, 2008			
Casualty	P 2,254,804,278	P 1,823,281,187	P 431,523,091
Fire	944,039,580	593,294,587	350,744,993
Marine and aviation	784,010,071	262,731,015	521,279,056
Life	<u>510,650,466</u>	<u>234,240,131</u>	<u>276,410,335</u>
	<u>P 4,493,504,395</u>	<u>P 2,913,546,920</u>	<u>P 1,579,957,475</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 11% 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 implemented an Enterprise Risk Management Process, which is an organization-wide approach to the identification, assessment, communication and management of enterprise risk, defined as issues which may prevent the Company from achieving its strategic objectives. This process has been fully integrated into the Company's operations and is overseen by a Risk Management Council, comprised of members of senior management. At the same time, a Risk Management Committee has been established by the Company's BOD to assist the Board in the development and oversight of the Company's risk management program. The Risk Management Council is required to provide the Board with a comprehensive enterprise risk assessment at least annually and to establish plans to ensure that risks are being managed and monitored effectively. The Risk Management Committee's main task is to oversee that risk management is an integral part of the planning and operations of the Company in order to meet corporate goals and objectives.

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 per line of risk are shown below.

	<u>Outstanding Claims</u>	<u>Retrocessionaires' Share in Claims</u>	<u>Net</u>
December 31, 2010			
Fire	P 1,812,741,166	P 1,180,636,029	P 632,105,137
Marine and aviation	1,257,352,299	417,572,467	839,779,832
Casualty	1,561,882,859	1,121,225,029	440,657,830
Life	<u>32,405,329</u>	<u>6,247,616</u>	<u>26,157,713</u>
	<u>P 4,664,381,653</u>	<u>P 2,725,681,141</u>	<u>P 1,938,700,512</u>
December 31, 2009			
Fire	P 1,371,288,710	P 848,145,301	P 523,143,409
Marine and aviation	782,941,752	282,565,060	500,376,692
Casualty	837,043,779	615,604,278	221,439,501
Life	<u>56,823,130</u>	<u>13,914,915</u>	<u>42,908,215</u>
	<u>P 3,048,097,371</u>	<u>P 1,760,229,554</u>	<u>P 1,287,867,817</u>
December 31, 2008			
Marine and aviation	P 1,214,932,522	P 708,955,720	P 505,976,802
Casualty	1,142,332,966	946,099,332	196,233,634
Fire	1,112,747,503	735,371,100	377,376,403
Life	<u>46,223,606</u>	<u>12,873,227</u>	<u>33,350,379</u>
	<u>P 3,516,236,597</u>	<u>P 2,403,299,379</u>	<u>P 1,112,937,218</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 market.

4.2 Credit Risk

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

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	5	P 613,252,054	P 683,624,091
Reinsurance balances receivable - net	6	4,210,444,502	2,874,413,754
Available-for-sale financial assets	7	5,363,752,653	5,272,721,479
Loans and receivables	8	<u>360,688,116</u>	<u>253,464,887</u>
		<u>P 10,548,137,325</u>	<u>P 9,084,224,211</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 reporting period are of good credit quality.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. For the determination of credit risk, cash and cash equivalents do not include cash on hand amounting to P35,000 and P35,068 as of December 31, 2010 and 2009, respectively.

Reinsurance balances receivables amounting to P471,978,082 and P99,852,205 as of December 31, 2010 and 2009, respectively, are past due but not impaired.

4.3 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, 2010, 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	P4,479,424,564	P 983,288,319
Accounts payable and accrued expenses	<u>46,516,252</u>	<u>-</u>
	<u>P4,525,940,816</u>	<u>P 983,288,319</u>

This compares to the maturity of the Company's financial liabilities as of December 31, 2009 as follows:

	<u>Current</u>	<u>Non-current</u>
Reinsurance balances payable	P2,928,815,618	P 659,066,378
Accounts payable and accrued expenses	<u>9,198,755</u>	<u>-</u>
	<u>P2,938,014,373</u>	<u>P 659,066,378</u>

4.4 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 losses of P21,092,442 and P24,337,582 in 2010 and 2009, respectively, and net foreign exchange gains of P115,273,826 in 2008 (see Note 13).

Exposures to currency exchange rates arise from the Company's foreign currency reinsurance transactions, which are primarily denominated in United States dollars, Indonesian rupiah, Thailand baht, Malaysian ringgit, Euro, Singaporean dollars, North Korean won, Indian rupee, Japanese yen, South Korean won, Pakistan rupee, New Zealand dollars, Hongkong dollars, British pound and Australian dollar. 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>2010</u>		<u>2009</u>	
	<u>US Dollar</u>	<u>Other Currencies</u>	<u>US Dollar</u>	<u>Other Currencies</u>
Financial assets	P 823,041,545	P 132,144,838	P 1,327,682,834	P 154,883,306
Financial liabilities	(344,746,609)	(19,284,268)	(448,921,801)	(11,274,471)
Total net exposure	<u>P 478,294,936</u>	<u>P 112,860,570</u>	<u>P 878,761,033</u>	<u>P 143,608,835</u>

The following table illustrates the sensitivity of the Company's profit 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. If the Philippine peso had strengthened against the foreign currencies, the effect would be as follows:

	2010			2009		
	Reasonably Possible Change in Rate	Effect in Loss Before Tax	Effect in Equity	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity
PhP - US						
Dollars	21.14%	P 85,721,497	P 70,788,367	20.36%	(P 178,951,223)	(P 125,265,856)
PhP - Indonesian						
Rupiah	27.27%	21,189,848	14,832,893	33.86%	(15,038,404)	(10,526,883)
PhP - Thailand Baht	18.73%	3,046,984	2,132,889	17.33%	(3,271,786)	(2,290,250)
PhP - Malaysian						
Ringgit	18.36%	2,650,756	1,855,529	13.15%	(1,722,289)	(1,205,602)
PhP - Euro	30.76%	(2,072,566)	(1,450,796)	31.23%	(9,751,136)	(6,825,795)
PhP - Singaporean						
Dollars	17.70%	1,856,904	1,299,833	15.42%	(948,966)	(664,276)
PhP - North Korean						
Won	26.99%	(815,842)	(571,089)	47.83%	(8,623,630)	(6,036,541)
PhP - Indian Rupee	15.94%	323,546	226,482	23.40%	(529,838)	(370,887)
PhP - Japanese Yen	39.74%	(146,029)	(102,220)	44.67%	(34,688)	(24,282)
PhP - South Korean						
Won	26.99%	115,890	81,123	47.83%	(918,441)	(642,909)
PhP - Pakistan Rupee	21.10%	(56,885)	(39,820)	20.37%	(156,951)	(109,866)
PhP - New Zealand						
Dollars	35.57%	(43,823)	(30,676)	53.41%	64,237	44,966
PhP - Hongkong						
Dollars	21.75%	1,290	903	19.49%	(100,093)	(70,065)
PhP - British Pound	31.63%	(838)	(587)	39.22%	1,323	926
PhP - Australian Dollar	38.41%	103	72	39.81%	(59)	(41)
PhP - Canadian Dollar		-	-	33.40%	(12,601)	(8,821)
Total		<u>P 111,770,835</u>	<u>P 89,022,903</u>		<u>(P 219,994,545)</u>	<u>(P 153,996,182)</u>

If the Philippine peso had weakened against the foreign currencies, the effect would be the reverse of the above.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be a 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 Insurance Commission (IC) for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may require the immediate sale or disposal of investments deemed too risky.

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 listed in 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, 2010 and 2009 investments in listed equities amounted to 10% and 9%, 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 other comprehensive income (loss) as of December 31, 2010 and 2009 are summarized as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Observed Volatility Rates</u>	<u>Effect in Other Comprehensive Loss</u>	<u>Observed Volatility Rates</u>	<u>Effect in Other Comprehensive Income</u>
Government bonds	2.34%	(P 78,436,969)	3.01%	P 93,126,342
Equity securities listed in the Philippines:				
Common shares	16.51%	(113,205,085)	22.84%	118,654,696
Preferred shares	1.86%	(3,663,911)	1.82%	1,808,541
Corporate bonds	8.39%	(15,374,839)	0.01%	109,115
Mutual funds	9.96%	(7,895,232)	6.90%	5,702,525
		<u>(P 218,576,036)</u>		<u>P 219,401,219</u>

(c) *Interest Rate Risk*

The Company is exposed to interest rate risk because of its fixed income investments which amounted to approximately 85% of the Company's total investment portfolio as of December 31, 2010 and 2009. 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.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	<u>2010</u>	<u>2009</u>
Time deposits	P 582,571,993	P 619,827,323
Cash on hand and in banks	<u>30,715,061</u>	<u>63,831,836</u>
	<u>P 613,287,054</u>	<u>P 683,659,159</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 annual interest rates ranging from 1.25% to 4.25% in 2010 and 1.50% to 4.50% in 2009 while dollar time deposits earn annual interest rates ranging from 0.20% to 1.63% in 2010 and 0.05% to 1.50% in 2009. Cash in banks generally earn interest at rates based on daily bank deposit rates. The Cash and Cash Equivalents account includes foreign currency denominated cash of US\$3,824,365 (or P167,832,271) as of December 31, 2010 and US\$6,300,936 (or P292,086,185) as of December 31, 2009.

6. REINSURANCE BALANCES

The details of reinsurance balances are as follows:

	<u>2010</u>	<u>2009</u>
Reinsurance balances receivable:		
Reinsurance recoverable on unpaid losses	P 2,725,681,141	P 1,760,229,554
Due from ceding companies	1,180,189,544	912,656,154
Reinsurance recoverable on paid losses	454,499,264	349,601,459
Funds held by ceding companies	<u>133,204,512</u>	<u>119,846,620</u>
	4,493,574,461	3,142,333,787
Allowance for impairment	<u>(283,129,959)</u>	<u>(267,920,033)</u>
	<u>P 4,210,444,502</u>	<u>P 2,874,413,754</u>
Reinsurance balances payable:		
Claims payable	P 4,664,381,653	P 3,048,097,371
Due to retrocessionaires	706,510,346	468,815,645
Funds held for retrocessionaires	<u>91,820,884</u>	<u>70,968,980</u>
	<u>P 5,462,712,883</u>	<u>P 3,587,881,996</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 the beginning and end of 2010 and 2009 is shown below.

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Balance at beginning of year		P 267,920,033	P 139,594,626
Impairment losses during the year	15	<u>15,209,926</u>	<u>128,325,407</u>
Balance at end of year		<u>P 283,129,959</u>	<u>P 267,920,033</u>

The fair values of these short-term financial assets and liabilities are not individually determined as their carrying amounts are reasonable approximation of their fair values.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	<u>2010</u>	<u>2009</u>
Bonds	P 5,293,842,809	P 5,187,509,694
Equity securities - net	860,523,387	699,052,711
Investment in Asian Re shares	72,859,527	76,961,974
Various funds	<u>69,909,844</u>	<u>85,211,785</u>
	<u>P 6,297,135,567</u>	<u>P 6,048,736,164</u>

Bonds include investments in corporate bonds, long-term negotiable instruments and government securities. This also includes government securities amounting P190,000,000 and P159,000,000 in 2010 and 2009, respectively, which are on deposit with the IC as security for the benefit of policyholders and creditors of the Company in accordance with the provisions of the Insurance Code of the Philippines.

Bonds earn interest at annual rates ranging from 3.75% to 15.00% and 5.00% to 15.00% in 2010 and 2009, respectively. Interest income recognized are presented as part of Investment and Other Income in the statements of income (see Note 13).

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

	<u>2010</u>	<u>2009</u>
Due within one year	P 321,292	P 167,282,197
Due after one year through five years	2,954,923,197	2,855,765,781
Due after five years through ten years	2,216,792,651	2,126,627,642
Due after ten years	<u>121,805,669</u>	<u>37,834,074</u>
	<u>P 5,293,842,809</u>	<u>P 5,187,509,694</u>

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

	<u>2010</u>	<u>2009</u>
Cost:		
Quoted in the stock exchange	P 572,025,999	P 530,478,088
Not quoted in the stock exchange	<u>192,195,157</u>	<u>194,543,557</u>
	<u>764,221,156</u>	<u>725,021,645</u>
Fair value gains (losses):		
Quoted in the stock exchange	117,160,265	(8,420,047)
Not quoted in the stock exchange	<u>(20,858,034)</u>	<u>(17,548,887)</u>
	<u>96,302,231</u>	<u>(25,968,934)</u>
	<u>P 860,523,387</u>	<u>P 699,052,711</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 value and changes in the fair values are recognized under Other Comprehensive Income (Loss) in the statement of comprehensive income. The fair value of investment in Asian Re shares amounted to P72,859,527 and P76,961,974, as of December 31, 2010 and 2009, respectively.

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

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	P 6,048,736,164	P 5,284,585,889
Additions	1,698,465,088	4,327,663,119
Disposals/maturities	(1,809,273,516)	(3,747,134,327)
Fair value gains - net	375,226,237	188,255,431
Foreign currency gains losses	(9,621,256)	(4,633,948)
Impairment losses	<u>(6,397,150)</u>	<u>-</u>
Balance at end of year	<u>P 6,297,135,567</u>	<u>P 6,048,736,164</u>

Changes in fair value of available-for-sale financial assets, net of taxes, recognized as Fair Value Gains (Losses) account under Other Comprehensive Income (Loss) in the statements of comprehensive income amounted to P375,226,237 and P188,255,431 fair value gains in 2010 and 2009, respectively, and to P345,325,081 fair value loss in 2008.

The fair values of available-for-sale financial assets have been determined directly by reference to published prices in active market. For some investments where fair value is not reliably determinable either through reference of similar instruments or valuation techniques, these are carried at cost.

8. LOANS AND RECEIVABLES

This account includes the following:

	<u>2010</u>	<u>2009</u>
Current:		
Term loans	P 150,000,000	P -
Accrued interest receivable	92,526,029	102,623,905
Others	<u>30,593,197</u>	<u>11,508,018</u>
	<u>273,119,226</u>	<u>114,131,923</u>
Non-current:		
Term loans	80,000,000	130,000,000
Loans receivable	<u>7,568,890</u>	<u>9,332,964</u>
	<u>87,568,890</u>	<u>139,332,964</u>
	P 360,688,116	P 253,464,887

Loans and receivables are usually due within one to ten 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 mainly pertain to the Company's participation in syndicated loans of other companies. These loans are unsecured interest-bearing loans with a term of 2 to 5 years. The annual effective interest rate on these loans ranges from 5.75% to 7.40% in 2010, 6.38% to 7.40% in 2009 and 6.38% to 6.90% in 2008.

Loans receivable, includes housing and car loans, which have annual effective interest rates of 11% to 13%, 10% to 22%, and 7% to 13% both in 2010, 2009 and 2008, respectively.

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

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2010 and 2009 are shown below.

	Condominium Units	Office Improvements	Office Furnitures and Equipment	Transportation Equipment	EDP Equipment	Total
December 31, 2010						
Cost	P 104,227,734	P 7,918,239	P 9,700,444	P 10,599,931	P 109,282,250	P 241,728,598
Accumulated depreciation and amortization	(40,060,789)	(6,074,523)	(9,322,464)	(6,344,233)	(25,519,524)	(87,321,533)
Net carrying amount	<u>P 64,166,945</u>	<u>P 1,843,716</u>	<u>P 377,980</u>	<u>P 4,255,698</u>	<u>P 83,762,726</u>	<u>P 154,407,065</u>
December 31, 2009						
Cost	P 104,227,734	P 14,284,102	P 9,590,930	P 13,300,379	P 67,630,761	P 209,033,906
Accumulated depreciation and amortization	(37,032,968)	(12,003,316)	(9,081,416)	(7,417,098)	(13,464,174)	(78,998,972)
Net carrying amount	<u>P 67,194,766</u>	<u>P 2,280,786</u>	<u>P 509,514</u>	<u>P 5,883,281</u>	<u>P 54,166,587</u>	<u>P 130,034,934</u>
January 1, 2009						
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 and amortization	(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>

A reconciliation of the carrying amounts at the beginning and end of 2010 and 2009, of property and equipment is shown below.

	Condominium Units	Office Improvements	Office Furnitures and Equipment	Transportation Equipment	EDP Equipment	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 67,194,766	P 2,280,786	P 509,514	P 5,883,281	P 54,166,587	P 130,034,934
Additions	-	-	109,515	2,225,358	41,651,488	43,986,361
Disposal	-	-	-	(1,250,605)	-	(1,250,605)
Depreciation and amortization charges for the year	(3,027,821)	(437,070)	(241,049)	(2,602,336)	(12,055,349)	(18,363,625)
Balance at December 31, 2010, net of accumulated depreciation and amortization	<u>P 64,166,945</u>	<u>P 1,843,716</u>	<u>P 377,980</u>	<u>P 4,255,698</u>	<u>P 83,762,726</u>	<u>P 154,407,065</u>
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 70,222,587	P 3,274,590	P 702,021	P 8,230,764	P 4,116,755	P 86,546,717
Additions	-	-	66,033	482,143	51,479,497	52,027,672
Depreciation and amortization charges for the year	(3,027,821)	(993,804)	(258,540)	(2,829,626)	(1,429,665)	(8,539,455)
Balance at December 31, 2009, net of accumulated depreciation and amortization	<u>P 67,194,766</u>	<u>P 2,280,786</u>	<u>P 509,514</u>	<u>P 5,883,281</u>	<u>P 54,166,587</u>	<u>P 130,034,934</u>

10. DEFERRED REINSURANCE PREMIUMS AND RESERVE FOR UNEARNED REINSURANCE PREMIUMS

The movement of these accounts follows:

	<u>Deferred Reinsurance Premiums</u>		<u>Reserve for Unearned Reinsurance Premiums</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Balance at beginning of year	P 771,688,546	P 827,251,651	P 1,179,075,555	P 1,353,110,258
Decrease during the year	(<u>257,430,721</u>)	(<u>55,563,105</u>)	(<u>276,188,130</u>)	(<u>174,034,703</u>)
Balance at end of year	<u>P 514,257,825</u>	<u>P 771,688,546</u>	<u>P 902,887,425</u>	<u>P 1,179,075,555</u>

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

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

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

11. OTHER ASSETS

The Other Assets account includes the following:

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Deferred input VAT	26.2	P 72,128,569	P 54,956,162
Creditable withholding tax		58,147,770	40,668,400
Investment property - net		34,655,106	36,349,456
Input VAT	26.2	24,095,334	26,287,002
Deferred withholding VAT	26.2	9,113,038	4,783,959
Prepayments		2,847,332	2,023,359
Deposit		575,200	577,695
Security fund		192,888	192,888
Others		<u>2,688,929</u>	<u>2,351,721</u>
		<u>P 204,444,166</u>	<u>P 168,190,642</u>

Investment property consists mainly of building with improvements which are owned to earn rentals or for capital appreciation.

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

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Balance at beginning of year		P 36,349,456	P 38,575,009
Depreciation and amortization charge for the year	15	(1,694,350)	(2,225,553)
Balance at end of year		<u>P 34,655,106</u>	<u>P 36,349,456</u>

The estimated fair value and the related carrying value of the building with improvements included in investment property amounted to P37,080,000 both in 2010 and 2009. Rental income earned from investment property amounted to P1,639,653 in 2010, P1,704,151 in 2009 and P1,623,000 in 2008, and is recorded as part of Other income (loss) under Investment and Other Income account in the statements of income (see Note 13). Real estate taxes incurred on investment property amounted to P146,837 in 2010, 2009 and 2008.

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

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

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

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

Security fund represents amount deposited with the IC, as required by the Insurance Code, to be used for the payment of valid claims against insolvent insurance companies. The balance of the fund earns interest at rates determined by the IC annually.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Deferred output VAT	26.1	P 41,793,329	P 42,315,325
Accrued expenses		36,204,807	6,028,049
Defined benefit liability	16.2	13,273,056	22,016,459
Accounts payable and other liabilities		10,311,445	3,170,706
Withholding taxes payable		<u>7,049,204</u>	<u>3,210,598</u>
		<u>P 108,631,841</u>	<u>P 76,741,137</u>

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

13. INVESTMENT AND OTHER INCOME

The details of this account follow:

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Interest	5, 7	P 378,361,661	P 382,426,619	P 375,001,848
Gain (loss) on sale of stocks		88,938,727	17,076,148 (69,305,125)
Dividend income		33,790,441	29,972,727	27,078,150
Foreign exchange gains (losses)	4.4	(21,092,442)	(24,337,582)	115,273,826
Trading gain		10,389,776	33,028,642	2,121,968
Other income (charges)	11, 16, 19	833,177	<u>28,490,331</u>	(<u>974,982</u>)
		<u>P 491,221,340</u>	<u>P 466,656,885</u>	<u>P 449,195,685</u>

14. UNDERWRITING DEDUCTIONS

14.1 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.

14.2 Commissions – net

This account consists of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Commission expense	P 740,628,810	P 700,650,988	P 755,748,687
Reinsurance revenues	(<u>304,931,348</u>)	(<u>293,677,214</u>)	(<u>368,546,247</u>)
	<u>P 435,697,462</u>	<u>P 406,973,774</u>	<u>P 387,202,440</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.

15. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account follow:

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Salaries and employee benefits	16.1	P 129,999,226	P 123,769,484	P 120,973,281
Impairment losses	6, 7	21,607,076	128,325,407	32,795,155
Depreciation and amortization	9, 11	20,057,975	10,765,008	11,136,989
Professional fees		14,674,465	24,507,265	12,514,848
Repairs and maintenance		11,991,196	1,378,522	1,265,954
Taxes, licenses and fees	26.6	7,770,853	8,072,682	6,186,789
Transportation and traveling		5,375,887	3,957,312	3,667,552
Light and water		4,992,256	2,670,166	2,585,523
Representation and entertainment		4,275,446	4,369,158	4,529,918
Contract labor		4,162,207	3,963,964	2,047,780
Association and pool expense		2,950,579	2,932,945	3,048,624
Rental	23.1	2,689,750	1,653,628	953,418
Communication and postages		2,187,891	2,278,551	2,175,849
Printing and office supplies		1,893,060	1,628,058	1,366,681
Advertising and publicity		1,329,174	1,313,182	2,591,942
Insurance		1,069,919	1,048,442	1,000,891
Miscellaneous		3,614,520	2,438,734	2,812,892
		<u>P 240,641,480</u>	<u>P 325,072,508</u>	<u>P 211,654,086</u>

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits

Expenses recognized for employee benefits are presented below.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Salaries and wages	P 79,808,512	P 75,396,452	P 69,435,531
Retirement	18,572,302	21,161,197	9,049,330
Allowances and bonus	18,257,052	17,411,916	32,863,235
Compensated absences	6,139,945	2,888,230	3,780,157
Social security costs	1,766,296	1,791,675	1,743,830
Others	5,455,119	5,120,014	4,101,198
	<u>P 129,999,226</u>	<u>P 123,769,484</u>	<u>P 120,973,281</u>

16.2 Employee Retirement Benefit Obligation

The Company maintains a wholly-funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation (presented as part of Accounts Payable and Accrued Expenses – see Note 12) recognized in the statements of financial position are determined as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Present value of the obligation	P 167,377,632	P 137,244,682	P 129,757,565
Fair value of plan assets	(63,156,618)	(56,468,323)	(32,808,081)
Deficiency of plan assets	104,221,014	80,776,359	96,949,484
Unrecognized actuarial losses	(90,947,958)	(58,759,900)	(68,051,576)
Defined benefit liability	<u>P 13,273,056</u>	<u>P 22,016,459</u>	<u>P 28,897,908</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at beginning of year	P 137,244,682	P 129,757,565	P 62,132,830
Actuarial (gains) losses	44,765,577	(3,740,728)	65,909,823
Current service cost and interest cost	19,336,815	19,549,243	11,456,596
Benefits paid by the plan	(33,969,442)	(8,321,398)	(9,741,684)
Balance at end of year	<u>P 167,377,632</u>	<u>P 137,244,682</u>	<u>P 129,757,565</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at beginning of year	P 56,468,323	P 32,808,081	P 30,090,823
Contributions paid into the plan	27,315,705	28,042,646	14,659,117
Benefits paid by the plan	(33,969,442)	(8,321,398)	(9,741,684)
Actuarial gain (losses)	8,824,566	1,314,347	(4,607,441)
Expected return on plan assets	4,517,466	2,624,647	2,407,266
Balance at end of year	<u>P 63,156,618</u>	<u>P 56,468,323</u>	<u>P 32,808,081</u>

In 2009, contribution paid into the plan includes P19,794,747 representing funds transferred from common trust fund of Universal Malayan Reinsurance Corporation (merged with Company in 2006). The same amount is recognized as part of Other Income (Charges) under the Investment and Other Income account (see Note 13) in the 2009 statement of income.

The plan assets as of December 31, 2010 and 2009 consist of:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	P 5,651,395	P 3,392,517	P 10,960,386
Government securities	37,850,827	52,208,248	21,170,950
Loans and receivables	302,351	425,729	278,357
Equity securities	<u>19,352,045</u>	<u>441,829</u>	<u>398,388</u>
Balance at end of year	<u>P 63,156,618</u>	<u>P 56,468,323</u>	<u>P 32,808,081</u>

The amounts recognized as retirement expense are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current service costs	P 8,357,240	P 7,871,062	P 7,107,298
Interest costs	10,979,575	11,678,181	4,349,298
Expected return on plan assets (4,517,466) (2,624,647)(2,407,266)
Net actuarial loss recognized during the year	<u>3,752,953</u>	<u>4,236,601</u>	<u>-</u>
	<u>P 18,572,302</u>	<u>P 21,161,197</u>	<u>P 9,049,330</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Discount rates	5.5%	8%	9%
Expected rate of return on plan assets	8%	8%	8%
Expected rate of salary increase	6%	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.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Present value of the obligation	P167,377,632	P137,244,682	P129,757,565	P 62,132,830	P 51,174,809
Fair value of the plan assets	<u>63,156,618</u>	<u>56,468,323</u>	<u>32,808,081</u>	<u>30,090,823</u>	<u>19,836,800</u>
Deficit in the plan	<u>P 104,221,014</u>	<u>P 80,776,359</u>	<u>P 96,949,484</u>	<u>P 32,042,007</u>	<u>P 31,338,009</u>

17. TAXES

17.1 Current and Deferred Tax

The components of tax expense as reported in statements of income and other comprehensive income follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>Reported in statements of income</i>			
Current tax expense:			
Final tax at 20% and 7.5%	P 72,611,644	P 69,499,923	P 73,065,054
Minimum corporate income tax (MCIT)	<u>-</u>	<u>364,428</u>	<u>-</u>
	72,611,644	69,864,351	73,065,054
Deferred tax income:			
Deferred tax relating to origination and reversal of temporary differences	-	-	(12,827,858)
Deferred tax resulting from in reduction in tax rate	<u>-</u>	<u>-</u>	<u>10,081,787</u>
	<u>-</u>	<u>-</u>	<u>(2,746,071)</u>
	<u>P 72,611,644</u>	<u>P 69,864,351</u>	<u>P 70,318,983</u>
<i>Reported in statements of other comprehensive income</i>			
<i>[netted against related fair value gains (losses)]</i>			
Deferred tax relating to origination and reversal of temporary difference	P -	P -	P 3,570,766
Deferred tax resulting from reduction in tax rate	<u>-</u>	<u>-</u>	<u>(2,435,498)</u>
	<u>P -</u>	<u>P -</u>	<u>P 1,135,268</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax on pretax income (loss) at 30% in 2010 and 2009 and 35% in 2008	(P 122,209,846)	P 51,871,112	P 57,666,841
Adjustment for income subjected to lower tax rates	(68,154,437)	(42,956,335)	(55,935,271)
Tax effects of:			
Unrecognized deferred tax assets	270,828,789	90,394,884	42,491,935
Non-taxable income	(9,772,007)	(29,883,565)	(9,805,399)
Non-deductible expenses	1,919,145	438,255	25,819,090
Reduction in deferred tax rate	<u>-</u>	<u>-</u>	<u>10,081,787</u>
Tax expense reported in statements of income	<u>P 72,611,644</u>	<u>P 69,864,351</u>	<u>P 70,318,983</u>

The components of deferred tax expense (income) for the year ended December 31, 2008 as reported in statements of income and other comprehensive income follows:

<i>Reported in 2008 statement of income</i>	
Net operating loss carryover (NOLCO)	(P 59,665,559)
Unrealized foreign exchange loss	47,469,507
Excess of reserves for unearned reinsurance premiums per books over tax basis	14,924,581
Allowance for impairment	(6,277,873)
Past service cost	1,285,940
Deferred acquisition costs	(395,612)
Accrued leave benefits	(87,055)
	<u>(P 2,746,071)</u>
<i>Reported in 2008 statement of comprehensive income</i>	
Revaluation reserves on available-for-sale financial assets	<u>P 1,135,268</u>

In accordance with the applicable accounting standards, the Company has taken a conservative position by not recognizing the net deferred tax assets on the following temporary differences as of December 31, 2010 and 2009:

	2010		2009	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Deferred tax assets:				
NOLCO	P 1,541,722,303	P 462,516,691	P 451,469,054	P 135,440,716
Allowance for impairment	283,129,959	84,938,988	267,920,033	80,376,010
Unamortized past service cost	17,602,819	5,280,846	664,371	199,311
Retirement benefit obligation	13,273,056	3,981,917	22,016,459	6,604,938
Accrued leave benefits	3,421,065	1,026,319	3,472,176	1,041,653
MCIT	364,428	364,428	364,428	364,428
Unrealized foreign exchange loss	-	-	5,250,309	1,575,093
Deferred tax liabilities:				
Excess of reserves for unearned reinsurance premiums per books over tax basis	(399,904,804)	(119,971,441)	(198,021,728)	(59,406,518)
Revaluation reserves on available- for sale financial assets	(50,917,027)	(15,275,108)	(53,783,974)	(16,135,192)
Deferred acquisition costs	(44,942,794)	(13,482,838)	(45,141,952)	(13,542,586)
Unrealized foreign exchange gain	(3,910,251)	(1,173,075)	-	-
Net Unrecognized Deferred Tax Assets	<u>P 1,359,838,754</u>	<u>P 408,206,727</u>	<u>P 454,209,176</u>	<u>P 136,517,853</u>

The details of the unrecognized NOLCO is shown below.

Year	Amount	Valid Until
2010	P 1,090,253,249	2013
2009	110,944,075	2012
2008	<u>340,524,979</u>	2011
	<u>P 1,541,722,303</u>	

The Company is subject to MCIT which is computed at 2% of gross income, or regular corporate income tax (RCIT), whichever is higher. No RCIT and MCIT was recognized in 2010 due to the taxable loss position of the Company. In 2009, the Company recognized MCIT amounting to P364,428 as there is also no RCIT because of the taxable loss position of the Company. The 2009 MCIT can be applied against future RCIT until 2012.

17.2 Optional Standard Deduction

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction equivalent to 40% of gross income. Once the option is made, it shall be irrevocable for the taxable year for which the option was made. In 2010, 2009 and 2008, the Company opted to continue claiming itemized deductions.

18. EQUITY

18.1 Capital Stock

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

18.2 Treasury Shares

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.

18.3 Appropriation for Contingencies

On April 18, 1989, the Company's BOD approved the establishment of a special reserve which will serve as cushion to the paid-up capital in the event of extraordinarily high loss occurrences or severe catastrophic losses. The amount of P5,000,000 was initially appropriated from retained earnings for this purpose on April 30, 1989. Subsequently, at December 31 of each year where there is profit, 10% of such profit shall be set aside as additional reserve for contingencies. The reserve balance, which is shown as Appropriated under Retained Earnings account in the statements of changes in equity, should not exceed, at any time, the amount of paid-up capital. The balance of appropriation for contingencies amounted to P231,638,713 as of December 31, 2010 and 2009, and P221,334,777 as of December 31, 2008.

18.4 Declaration of Cash Dividends

The BOD approved the declaration of cash dividends of P0.047 per share (or a total of P101,504,847) on May 20, 2010, P0.04 per share (or a total of P86,387,104) on June 16, 2009 and P0.20 (or a total of P436,390,920) on March 25, 2008, payable to stockholders of record as of June 4, 2010, July 3, 2009 and April 10, 2008, respectively. The dividends were paid within their respective year of declaration and approval.

19. 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.

19.1 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>2010</u>	<u>2009</u>
Premiums	P 1,075,476,870	P1,313,818,543
Retrocessions	167,442,479	53,278,609
Commission income	24,900,998	13,525,245
Commission expenses	180,043,737	174,173,857
Losses incurred	439,040,794	316,063,490
Loss recoveries	7,199,638	45,737,776

As a result of the above transactions, reinsurance balances receivable from and payable to related parties are as follows (see Note 6):

	<u>2010</u>	<u>2009</u>
Due from ceding companies	P 383,122,276	P 304,657,139
Reinsurance recoverable on losses	42,822,100	40,967,517
Funds held by ceding companies	51,166,242	41,293,832
Due to retrocessionaires	(42,822,100)	(35,594,833)
Funds held for retrocessionaires	(895,144)	(894,399)

The balance of due from ceding companies pertaining to related parties is presented net of P67,870,910 and P79,710,908 allowance for impairment as of December 31, 2010 and 2009, respectively.

19.2 Bank Accounts

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

	<u>2010</u>	<u>2009</u>
Time deposits	P 84,000,000	P 23,500,000
Savings and current accounts	<u>2,838,884</u>	<u>2,332,565</u>
	<u>P 86,838,884</u>	<u>P 25,832,565</u>

19.3 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 their respective statement of financial position accounts as follows:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	P 359	P 22,611,956
Available-for-sale financial assets	1,509,452,819	1,201,491,263
Loans and receivables	<u>100,626,261</u>	<u>80,000,000</u>
	<u>P1,610,079,439</u>	<u>P1,304,103,219</u>

In consideration 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, 2010 and 2009 amounted to P2,880,375 and P2,451,664 respectively, and is charged against Other Income (Charges) under Investment and Other Income account (see Note 13) in the statements of income.

19.4 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.

19.5 Key Management Personnel Compensation

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Short-term benefits	P 49,351,635	P 46,766,449	P 61,642,735
Post-employment benefits	<u>3,063,600</u>	<u>2,615,573</u>	<u>2,238,886</u>
	<u>P 52,415,235</u>	<u>P 49,382,022</u>	<u>P 63,881,621</u>

20. 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 non-admitted assets, as defined in the Insurance Code of the Philippines, by the IC.

21. RECONCILIATION OF NET PROFIT (LOSS) UNDER PFRS TO STATUTORY NET INCOME

The reconciliation of net profit (loss) under PFRS and statutory net income (loss) follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
PFRS net profit (loss)	(P 479,977,800)	P 103,039,357	P 94,443,421
Difference in change in reserve for unearned reinsurance premiums – net	(201,883,076)	(70,851,172)	(60,808,883)
Deferred acquisition costs – net	199,158	24,184,634	(8,773,478)
Tax effect of reconciling items	<u>-</u>	<u>-</u>	<u>20,874,708</u>
Statutory net profit (loss)	(P 681,661,718)	P 56,372,819	P 45,735,768

22. EARNINGS (LOSSES) PER SHARE

The earnings (losses) per share amounts are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net profit (loss) available to common shareholders	(P 479,977,800)	P 103,039,357	P 94,443,421
Divided by the average number of outstanding common shares	<u>2,159,677,600</u>	<u>2,159,677,600</u>	<u>2,176,922,899</u>
	(P 0.22)	P 0.05	P 0.04

Diluted earnings (losses) per share is not determined since the Company does not have dilutive shares as of December 31, 2010, 2009 and 2008.

23. COMMITMENTS AND CONTINGENCIES

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

23.1 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 for a period of two years. The future minimum rentals payable under this non-cancellable operating lease as of December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Within one year	P 231,728	P 915,874
After one year but not more than five years	<u>-</u>	<u>231,728</u>
	<u>P 231,728</u>	<u>P 1,147,602</u>

Rental expense recognized amounted to P2,689,750, P1,653,628 and P953,418 in 2010, 2009 and 2008, respectively, and is presented in the statements of income as Rental account under General and Administrative Expenses (see Note 15).

23.2 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.

23.3 Others

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. Management believes that losses as of December 31, 2010, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statement.

24. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

24.1 Comparison of Carrying Amounts and Fair Values

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

	Notes	2010		2009	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 613,287,054	P 613,287,054	P 683,659,159	P 683,659,159
Reinsurance balances receivables	6	4,210,444,502	4,210,444,502	2,874,413,754	2,874,413,754
Loans and receivables	8	<u>360,688,116</u>	<u>360,688,116</u>	<u>253,464,887</u>	<u>253,464,887</u>
		<u>P5,184,419,672</u>	<u>P5,184,419,672</u>	<u>P3,811,537,800</u>	<u>P3,811,537,800</u>
Available-for-sale financial assets:					
Debt securities	7	P5,293,842,809	P5,293,842,809	P 5,187,509,694	P 5,187,509,694
Equity securities	7	860,523,387	860,523,387	699,052,711	699,052,711
Investment in Asian Re shares	7	72,859,527	72,859,527	76,961,974	76,961,974
Various funds	7	<u>69,909,844</u>	<u>69,909,844</u>	<u>85,211,785</u>	<u>85,211,785</u>
		<u>P6,297,135,567</u>	<u>P6,297,135,567</u>	<u>P6,048,736,164</u>	<u>P6,048,736,164</u>
Financial liabilities					
Reinsurance balances payable	6	P5,462,712,883	P5,462,712,883	P3,587,881,996	P3,587,881,996
Accounts payable and other accrued expenses	12	<u>46,516,252</u>	<u>46,516,252</u>	<u>9,198,755</u>	<u>9,198,755</u>
		<u>P5,509,229,135</u>	<u>P5,509,229,135</u>	<u>P3,597,080,751</u>	<u>P3,597,080,751</u>

24.2 Fair Value Hierarchy

The table below presents the hierarchy of fair value measurements used by the Company (amounts shown in thousands).

	Level 1	Level 2	Level 3	Total
December 31, 2010				
Available-for-sale financial assets	<u>P 6,224,276</u>	<u>P -</u>	<u>P 72,860</u>	<u>P 6,297,136</u>
December 31, 2009				
Available-for-sale financial assets	<u>P 5,971,774</u>	<u>P -</u>	<u>P 76,962</u>	<u>P 6,048,736</u>

The different levels have been defined as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25. 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 limitations 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, 2010</u>	<u>December 31, 2009</u>
Minimum statutory net worth	P 1,500,000,000	P 1,250,000,000
Minimum paid-up capital	750,000,000	625,000,000

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.

The Company has met the minimum capital requirements for both years.

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 profit 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 statement of comprehensive income
- 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

26. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) NO. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010, which requires certain information on taxes, duties and licenses paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclosure required under PFRS, is presented as follows:

26.1 Output VAT

In 2010, the Company declared output VAT amounting to P39,908,192, which is set off against input VAT (see Note 26.2), based on the following gross receipts:

	<u>Tax Base</u>	<u>Output VAT</u>
Commission earned on retrocession	P 330,928,616	P 39,711,434
Rental income	<u>1,639,653</u>	<u>196,758</u>
	<u>P 332,568,269</u>	<u>P 39,908,192</u>

Pursuant to RR 04-07 effective April 6, 2007, "Non-life insurance premiums are subject to VAT whereas non-life reinsurance premiums are not subject to VAT, the latter being already subject to VAT upon receipt of the insurance premiums. For taxable year 2010, the Company's VAT exempt receipts amounted to P722,073,784.

As of December 31, 2010, the Company also has Deferred Output VAT amounting to P41,793,329 pertaining to uncollected commission income from retrocessionaires (see Note 12).

26.2 Input VAT

The movements in input VAT in 2010 are summarized below.

Balance at beginning of year	P 26,287,002
Services lodged under other accounts	36,355,319
Goods other than for resale or manufacture	3,427,286
Capital goods subject to amortization	336,795
Capital goods not subject to amortization	241,842
Applied against output VAT	(39,908,192)
Input VAT on exempt sales	<u>(2,644,718)</u>
Balance at end of year	<u>P 24,095,334</u>

The balance of Input VAT as of December 31, 2010 is recorded under Other Assets account in the 2010 statement of financial position.

As of December 31, 2010, the Company has Deferred Input VAT amounting to P72,128,569 pertaining to VAT on unpaid commission to ceding companies, and Deferred Withholding VAT amounting to P9,113,038 representing VAT on unapplied input VAT on unpaid premiums on ceded out transactions (see Note 11).

26.3 Customs Duties and Tariff Fees

The Company does not have any customs duties or tariff fees for the year ended December 31, 2010 since it does not have any importation.

26.4 Excise Tax

The Company does not have excise tax for the year ended December 31, 2010 since it does not have any transactions which are subject to excise tax.

26.5 Documentary Stamp Tax

Reinsurance contracts are not subject to documentary stamp tax (DST). The Company is liable to DST when it issue original shares of stocks or transfer certificate of stock. The Company did not issue original shares of stocks nor transfer certificate of stocks for the year ended December 31, 2010.

26.6 Taxes, License, and Fees

The details of Taxes, Licenses and Fees account for the year ended December 31, 2010 presented under General and Administrative is broken down as follows (see Note 15):

Municipal license and permits	P	3,592,743
Filing fees		2,285,792
Real estate taxes		573,773
Fringe benefit tax		461,805
SEC registration fee		386,119
Vehicle registration fees		32,813
Residence tax		10,500
Miscellaneous		<u>427,308</u>
	P	<u>7,770,853</u>

26.7 Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2010 are shown below.

Compensation and benefits	P	26,235,359
Final		9,535,143
Creditable		<u>2,827,262</u>
	P	<u>38,597,764</u>

26.8 Deficiency Tax Assessments and Tax Cases

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside the BIR in any of the open years.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Index to Supplementary Schedules
December 31, 2010

Statement of Management's Responsibility for the Consolidated Financial Statements

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

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

Schedule	No. of Pages
A Marketable Securities - (Current Marketable Equity Securities and other Short-term Cash Investment)	N/A
B Amounts Receivable from Directors, Officers, Employees, Related Parties	2
C Non-current Marketable Equity Securities, Other Long-term Investments in stocks and Other Investments	3
D Indebtedness to Unconsolidated Subsidiaries and related parties	N/A
E Other assets	1
F Long-term debt	N/A
G Indebtedness to related parties (Long-term loans from related companies)	N/A
H Guarantees of securities of other Issuers	N/A
I Capital Stock	5

Supplementary Schedule to Financial Statements
(SEC Circular 11)

Reconciliation of Retained Earnings for Dividend Declaration	1
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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, 2010

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	
1 Aguilar, Normando Antonio S.	2,183.20	80,000.00	64,716.93	-	17,466.27	-	17,466.27
2 Albina, Ruby	4,312.60	20,000.00	5,889.35	-	18,423.25	-	18,423.25
3 Almirañez, Tricia S.	5,979.20	-	5,979.20	-	-	-	-
4 Aman, Ma. Socorro J.	6,798.80	20,000.00	9,169.84	-	17,628.96	-	17,628.96
5 Andrade, Mary Elinor	3,890.90	48,683.50	38,683.43	-	13,890.97	-	13,890.97
6 Bantad, Benedict C.	8,416.30	-	8,416.30	-	-	-	-
7 Bariring, Juluis	4,312.60	31,958.70	17,848.10	-	18,423.20	-	18,423.20
8 Barit, Josephine S.	4,312.60	-	4,312.60	-	-	-	-
9 Bautista, Jonathan B.	4,312.60	20,000.00	15,687.35	-	8,625.25	-	8,625.25
10 Bautista, Ronald	-	20,000.00	17,366.96	-	2,633.04	-	2,633.04
11 Bondame, Rey S.	3,467.20	10,000.00	9,999.10	-	3,468.10	-	3,468.10
12 Canlas, Arlene	1,750.90	18,683.50	19,552.19	-	882.21	-	882.21
13 Cantor, Levi	4,732.20	20,000.00	13,601.32	-	11,130.88	-	11,130.88
14 Castillo, Jocelyn	4,312.60	18,683.50	16,913.34	-	6,082.76	-	6,082.76
15 Centeno, Fatima	5,979.20	20,000.00	7,555.95	-	18,423.25	-	18,423.25
16 Cipriano, Augusto	-	80,000.00	3,145.65	-	76,854.35	-	76,854.35
17 Cirjuano, Jerome S	5,978.40	10,000.00	6,766.80	-	9,211.60	-	9,211.60
18 Collantes, Jereco L.	8,416.30	20,000.00	9,202.71	-	19,213.59	-	19,213.59
19 Corpuz, Jennifer	1,316.50	-	1,316.50	-	-	-	-
20 Dagohoy, Sheryl	9,606.80	-	9,606.80	-	-	-	-
21 De Asis, Jean	3,467.20	17,816.80	18,650.96	-	2,633.04	-	2,633.04
22 De Guzman, Mary Ann	-	20,000.00	10,535.67	-	9,464.33	-	9,464.33
23 De Leon II, Roberto	7,206.80	80,000.00	69,741.43	-	17,465.37	-	17,465.37
24 Evangelista, Melecio	8,415.40	14,850.40	16,331.32	-	6,934.48	-	6,934.48
25 Evangelista, Mylene A.	3,467.20	-	3,467.20	-	-	-	-
26 Fandialan, Jocelyn SP	4,312.60	35,000.00	18,388.61	-	20,923.99	-	20,923.99
27 Fernandez, Marjorie	7,611.10	17,386.70	13,867.82	-	11,129.98	-	11,129.98
28 Garado, Victoria	1,316.50	20,000.00	11,852.17	-	9,464.33	-	9,464.33
29 Getapal, Ana Teresa	1,316.50	-	1,316.50	-	-	-	-
30 Gongora, Charmie A.	3,467.20	18,683.50	18,788.85	-	3,361.85	-	3,361.85
31 Gregorio, Anika Faye	3,890.90	10,000.00	9,578.30	-	4,312.60	-	4,312.60
32 Hernandez, Natividad G.	5,149.60	-	5,149.60	-	-	-	-
33 Ignacio, Jose Alladin	7,206.00	16,532.70	15,956.73	-	7,781.97	-	7,781.97
34 Imperial, Leni D.	4,312.60	20,000.00	5,889.35	-	18,423.25	-	18,423.25
35 Josen, Wilflor	5,979.20	20,000.00	8,005.39	-	17,973.81	-	17,973.81
36 Lacuna, Melinda C.	3,041.30	20,000.00	4,618.05	-	18,423.25	-	18,423.25
37 Lampa, Kathy	1,750.90	14,556.80	14,335.17	-	1,972.53	-	1,972.53
38 Magalona, Natalie S.	6,799.60	20,000.00	12,386.03	-	14,413.57	-	14,413.57
39 Magalona, Wilmar M.	3,467.20	-	3,467.20	-	-	-	-
40 Magdaleno, Mary Jane L.	7,206.00	20,000.00	7,205.90	-	20,000.10	-	20,000.10
41 Magtalas, Ivy I.	8,416.30	12,388.00	19,044.49	-	1,759.81	-	1,759.81
42 Manzano, Bethzayda	1,316.50	20,000.00	14,381.12	-	6,935.38	-	6,935.38
43 Mayonado, Aileen	-	50,000.00	30,545.32	-	19,454.68	-	19,454.68
44 Mercene, Annaliza	1,716.90	-	1,716.90	-	-	-	-
45 Moscosa, R. Gaizel	-	20,000.00	786.41	-	19,213.59	-	19,213.59
46 Navarrete, Ma Doris	-	20,000.00	12,218.03	-	7,781.97	-	7,781.97
47 Nayve, Rodolfo Malano	-	80,000.00	48,872.33	-	31,127.67	-	31,127.67
48 Paculan, Angelene	6,799.60	20,000.00	8,376.35	-	18,423.25	-	18,423.25
49 Paller, Roxane	6,799.60	20,000.00	8,376.35	-	18,423.25	-	18,423.25
50 Pangilinan, Rowena S.	3,890.90	80,000.00	16,568.18	-	67,322.72	-	67,322.72
51 Pascual, Teofista R.	5,149.60	-	5,149.60	-	-	-	-
52 Ramos Warren	4,312.60	-	4,312.60	-	-	-	-
53 Reyes, Lylibeth	1,750.90	20,000.00	14,815.52	-	6,935.38	-	6,935.38
54 Sabiano Henry	6,799.60	-	6,799.60	-	-	-	-
55 Salesa, Mario	-	20,000.00	19,117.79	-	882.21	-	882.21
56 Sanoy, Vicente	8,814.50	41,584.60	48,194.08	-	2,205.02	-	2,205.02
57 Santiago, Chona C.	5,979.20	50,000.00	9,921.09	-	46,058.11	-	46,058.11
58 Santos, Ma. Lourdes M.	2,183.20	78,683.50	73,828.26	-	7,038.44	-	7,038.44
59 Silva, Eugenia G.	5,149.60	-	5,149.60	-	-	-	-
60 Sotto, Wilbert	5,149.60	20,000.00	15,685.27	-	9,464.33	-	9,464.33
61 Toledo, Warlito	3,890.90	20,000.00	7,060.21	-	16,830.69	-	16,830.69
62 Velasquez, Rolly M.	5,149.60	20,000.00	6,725.45	-	18,424.15	-	18,424.15
63 Villaneuva, Christopher C.	9,212.50	20,000.00	10,789.25	-	18,423.25	-	18,423.25
64 Villarama, Jr., Vicente B.	3,890.90	-	3,890.90	-	-	-	-
65 Yaba, Manuel N.	6,799.60	20,000.00	9,166.75	-	17,632.85	-	17,632.85
66 Yap, Michelle Ann A.	-	10,000.00	6,532.80	-	3,467.20	-	3,467.20
	282,634.80	1,445,492.20	963,286.92	-	764,840.08	-	764,840.08

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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B. Emergency/Calamity Loan

1 Albina, Ruby	26,000.00		17,789.46		8,210.54		8,210.54
2 Andrade, Mary Elinor	70,000.00		47,894.86		22,105.14		22,105.14
3 Banaag, Agnes	6,000.00		6,000.00		-		-
4 Bariring, Juluis	40,000.00		27,368.38		12,631.62		12,631.62
5 Bondame, Rey S.	30,000.00		20,526.22		9,473.78		9,473.78
6 Centeno, Fatima	20,000.00		13,684.32		6,315.68		6,315.68
7 De Asis, Jean	24,600.00		16,831.62		7,768.38		7,768.38
8 Fandialan, Jocelyn SP	50,000.00		34,210.54		15,789.46		15,789.46
9 Ganaban, Richard	6,000.00		5,750.00		250.00		250.00
10 Larraga, Benedict Jason	30,000.00		20,526.22		9,473.78		9,473.78
11 Pajarillo, Cris	6,000.00		5,000.00		1,000.00		1,000.00
12 Samson, Jose P.	70,000.00		47,894.86		22,105.14		22,105.14
13 Santiago, Chona C.	100,000.00		68,421.08		31,578.92		31,578.92
14 Servano, Taño	6,000.00		5,500.00		500.00		500.00
15 Velasquez, Rolly M.	45,000.00		30,789.46		14,210.54		14,210.54
	<u>529,600.00</u>	<u>-</u>	<u>368,187.02</u>	<u>-</u>	<u>161,412.98</u>	<u>-</u>	<u>161,412.98</u>

C. Car Facility Loan

1 Aguilar, Normando Antonio S.	173,758.07		91,616.92			82,141.15	82,141.15
2 Aldeano, Marissa P.	148,936.25		78,529.36			70,406.89	70,406.89
3 Baguiao, Arturo		360,000.00	4,897.79			355,102.21	355,102.21
4 Barit, Josephine	272,137.48	360,000.00	307,116.55			325,020.93	325,020.93
5 Basco, Amerfil V.	51,000.00		51,000.00			-	-
6 Cipriano, Augusto C.	179,850.32		75,959.06			103,891.26	103,891.26
7 Clemente, Eileen	-	360,000.00	360,000.00			-	-
8 De Guzman, Rene	314,723.92		64,745.24			249,978.68	249,978.68
9 De Leon, Roberto S.	139,459.43		79,317.29			60,142.14	60,142.14
10 Del Mundo, George U.	166,399.60		166,399.60			-	-
11 Dela Paz, Marilyn	282,997.60		67,383.07			215,614.53	215,614.53
12 Dizon, Ronaldo C.	173,758.07		173,758.07			-	-
13 Duran, Buenaventura P.	224,334.64		224,334.64			-	-
14 Engracia, Rosario V.	374,967.57		105,192.83			269,774.74	269,774.74
15 Fandialan, Jocelyn	261,705.22		65,668.63			196,036.59	196,036.59
16 Geronimo, Editha B.	209,188.53		118,976.21			90,212.32	90,212.32
17 Kabigting, Francisco B.	-	480,000.00	74,281.65			405,718.35	405,718.35
18 Lacson, Jeffrey	-	417,600.00	2,836.00			414,764.00	414,764.00
19 Lucos, Honarata S.	247,640.78		140,845.84			106,794.94	106,794.94
20 Magtalas, Ivy	288,373.69		66,936.09			221,437.60	221,437.60
21 Martinez, Ariel D.	22,803.63	419,400.00	54,661.48			387,542.15	387,542.15
22 Miras, Ma. Teresa M.	142,629.02		142,629.02			-	-
23 Pangilinan, Rowena S.	166,399.60		92,229.67			74,169.93	74,169.93
24 Ramos, Regina S.	60,000.00		60,000.00			-	-
25 Reyes, Angelita U.	148,936.25		78,529.36			70,406.89	70,406.89
26 Samson, Jose	272,137.48		68,286.01			203,851.47	203,851.47
27 Sanoy, Jr., Vicente R.	100,830.71		54,488.54			46,342.17	46,342.17
28 Santiago, Chona	-	360,000.00	4,897.79			355,102.21	355,102.21
29 Santos, Ma. Lourdes M.	68,670.02		68,670.02			-	-
30 Silva, Eugenia G.	216,895.01		216,895.01			-	-
31 Ventura, Rosario P.	-	538,800.00	538,800.00			-	-
32 Villarama, Jr., Vicente B.	139,459.60		79,317.27			60,142.33	60,142.33
33 Villasenor, Edgar B.	291,506.71		65,992.66			225,514.05	225,514.05
	<u>5,139,499.20</u>	<u>3,295,800.00</u>	<u>3,845,191.66</u>	<u>-</u>	<u>-</u>	<u>4,590,107.53</u>	<u>4,590,107.53</u>

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

1 Aguilar, Normando Antonio S.	4,655.01	8,912.79	8,010.12		5,557.68		5,557.68
2 Aldeano, Marissa P.	6,266.52	8,706.56	9,129.99		5,843.09		5,843.09
3 Baguiao, Arturo	-	13,377.82	-		13,377.82		13,377.82
4 Barit, Josephine	6,654.50	16,448.58	16,250.50		6,852.58		6,852.58
5 Basco, Amerfil V.	2,652.19	917.62	4,386.76		(816.95)		(816.95)
6 Cipriano, Augusto C.	703.29	7,238.44	7,410.80		530.93		530.93
7 Clement, Eileen	-	7,665.48	7,665.48		-		-
8 De Guzman, Rene	2,792.94	15,289.83	14,260.32		3,822.45		3,822.45
9 De Leon, Roberto S.	4,591.12	7,242.64	8,062.92		3,770.84		3,770.84
10 Del Mundo, George U.	9,186.23	-	9,186.23		-		-
11 Dela Paz, Marilyn	4,663.72	4,916.87	6,373.41		3,207.18		3,207.18
12 Dizon, Ronaldo	5,877.03	-	5,877.03		-		-
13 Duran, Buenaventura P.	4,445.69	-	4,445.69		-		-
14 Engracia Rosario	2,446.20	8,865.10	9,638.00		1,673.30		1,673.30
15 Fandialan Jocelyn	3,542.87	4,731.89	6,500.38		1,774.38		1,774.38
16 Geronimo, Editha B.	3,753.72	8,596.91	8,241.51		4,109.12		4,109.12
17 Kabigting, Francisco	-	13,099.07	12,007.38		1,091.69		1,091.69
18 Lacson, Jeffrey	-	14,575.84	607.33		13,968.51		13,968.51
19 Lucos, Honarata S.	2,287.06	12,823.06	9,803.84		5,306.28		5,306.28
20 Miras, Ma. Teresa M.	7,539.29	9,030.92	8,106.75		8,463.46		8,463.46
21 Magtalas, Ivy	4,767.65	5,398.31	5,967.04		4,198.92		4,198.92

Name of Employee	Bal. at beg. of period	Additions	Amounts collected	Amounts Written off	Current	Non-Current	Balance at end of period
22 Martinez, Ariel	-	12,963.46	5,929.22		7,034.24		7,034.24
23 Pangilinan, Rowena S.	3,349.46	7,018.12	7,032.68		3,334.90		3,334.90
24 Ramos, Regina S.	2,523.62	10,812.97	12,958.44		378.15		378.15
25 Reyes, Angelita U.	7,042.89	8,512.37	7,762.82		7,792.44		7,792.44
26 Samson Jose	5,241.16	9,980.23	9,399.72		5,821.67		5,821.67
27 Sanoy, Vicente	-	4,833.98	2,014.20		2,819.78		2,819.78
28 Santiago, Chona	-	9,275.67	772.98		8,502.69		8,502.69
29 Santos, Ma. Lourdes M.	4,390.23	2,343.90	6,436.56		297.57		297.57
30 Silva, Eugenia G.	4,582.38	7,255.76	4,271.76		7,566.38		7,566.38
31 Ventura, Rosario P.	3,425.30	18,110.72	17,008.74		4,527.28		4,527.28
32 Villarama, Jr., Vicente B.	4,569.95	7,656.36	7,152.60		5,073.71		5,073.71
33 Villasenor, Edgar	11,358.08	7,806.86	16,487.62		2,677.32		2,677.32
	123,308.10	274,408.13	259,158.82	-	138,557.41	-	138,557.41
E. Housing Loan							
1 Aldeano, Marissa P.	326,183.99		38,555.23			287,628.76	287,628.76
2 De Leon, Roberto II	1,267,873.65		86,301.21			1,181,572.44	1,181,572.44
3 Nayve, Rodolfo M.	576,059.65		126,810.66			449,248.99	449,248.99
4 Kabigting, Francisco B.	696,405.74		141,522.85			554,882.89	554,882.89
5 Villanueva, Christopher C.	325,603.71		19,572.42			306,031.29	306,031.29
	3,192,126.74	-	412,762.37	-	-	2,779,364.37	2,779,364.37
GRAND TOTAL	9,267,168.83	5,015,700.33	5,848,586.79	-	1,064,810.47	7,369,471.90	8,434,282.37

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES								
Schedule C - Non-current Marketable Securities, Other Long-term Investment in Stocks and Other Investments								
December 31, 2010								
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	Dividends received from investments not accounted for by the equity method
AVAILABLE FOR SALE								
STOCKS:	face value beg	fair value beg		peso stocks/additions		peso stocks (-)	face value end	fair value end
Aboitiz Equity Venture				7,420,000.00		-	200,000	7,420,000.00
Aboitiz Power	1,946,600	16,740,760.00		61,355,662.90		-	2,511,139	78,096,422.90
Alliance Global Group	793,184	3,291,713.60		24,047,736.40		-	2,187,156	27,339,450.00
Ayala Corporation	135,322	40,934,905.00		-		28,433,679.00	31,729	12,501,226.00
Ayala Land	3,964,045	44,595,506.25		-		16,000,058.51	1,737,269	28,595,447.74
Banco De Oro	514,874	20,080,086.00		9,054,201.00		-	498,022	29,134,287.00
Bank of the Phil. Islands	330,116	15,845,568.00		-		1,503,140.00	243,092	14,342,428.00
Cebu Air				7,705,303.20		-	67,948	7,705,303.20
DMCI Holdings				36,008,928.00		-	1,000,248	36,008,928.00
EIB Realty Developers	937,500	150,000.00		-		150,000.00		
Export and Industry Bank	7,094,000	1,844,440.00		-		1,844,440.00		
Filinvest Dev. Corp.	285,000	592,800.00		-		592,800.00		12,825.00
Filinvest Land				9,170,000.00		-	7,000,000	9,170,000.00
First Gen Corp				542,010.00		-	44,500	542,010.00
First Phil. Holding A	328,198	15,753,504.00		-		7,217,994.00	136,350	8,535,510.00
Globe Telecom	42,010	38,439,150.00		-		5,971,150.00	40,585	32,468,000.00
House of Investment	2,679,170	5,787,007.20		1,178,212.30		-	2,079,170	6,965,219.50
International Container	383,700	8,633,250.00		13,363,425.00		-	488,815	21,996,675.00
Ipeople Inc.	2,600,000	8,450,000.00		950,000.00		-	2,350,000	9,400,000.00
JG Summit				10,472,750.40		-	534,324	10,472,750.40
Jolibee Corp.				-		-		14,300.00
Manila Water Corp	1,727,100	27,201,825.00		-		19,146,225.00	420,000	8,055,600.00
Megaworld	3,918,720	5,799,705.60		9,562,488.24		-	6,194,433	15,362,193.84
Meralco A	-	-		2,280,000.00		-	10,000	2,280,000.00
Metro Pac inv. Corp				37,940,337.00		-	9,753,300	37,940,337.00
Metropolitan Bank & Trust Co	367,900	16,555,500.00		168,156.00		-	232,273	16,723,656.00
Pepsi Cola				7,224,000.00		-	2,800,000	7,224,000.00
Petron Corporation	200,000	1,060,000.00		-		1,060,000.00		
Phil. Long Distance Tel. Co.	45,620	119,524,400.00		-		17,423,142.00	39,977	102,101,258.00
Phil. National Bank				2,908,300.00		-	45,800	2,908,300.00
PNOC Energy Devt	5,374,375	25,259,562.50		-		305,570.28	4,251,106	24,953,992.22
Rizal Comm'l Banking Corp	50,000	862,500.00		-		862,500.00		627,525.00
Robinsons Land	1,681,268	21,856,484.01		2,922,987.89		-	1,520,213	24,779,471.90
San Miguel Corp A	45,766	3,134,971.00		-		3,134,971.00		90,054.30
Semirara Mining Corp.				8,648,750.00		-	46,750	8,648,750.00
SM Dev't. Corp				18,617,697.00		-	2,068,633	18,617,697.00
SM Investments	111,040	36,088,000.00		-		16,601,359.00	35,887	19,486,641.00
SM Prime Holdings	1,859,448	18,222,590.40		2,195,553.54		-	1,794,213	20,418,143.94
Universal Robina Corp.				17,463,117.00		-	499,660	17,463,117.00
Vista Land & Lifescapes	2,250,472	4,230,887.36		-		4,230,887.36		74,265.58
Ayala Corporation-Pref	50,000,000	50,000,000.00		-		-	50,000,000	50,000,000.00
Ayala Corporation Pref A	40,000	21,000,000.00		400,000.00		-	40,000	21,400,000.00
PLDT Preferred Shares	11,875	122,925.00		6,522.47		-	11,875	129,447.47
San Miguel Corp Pref	660,000	49,500,000.00		-		-	660,000	49,500,000.00
SMIC - Pref	50,000,000	50,000,000.00		-		-	50,000,000	50,000,000.00
Asian Reinsurance Corp	980	76,961,974.19		-		4,102,447.12	980	72,859,527.07
Alabang B	3	3,300,000.00		-		1,750,000.00	1	1,550,000.00
Batangas Venture	5,000,000	3,727,553.20		-		1,805,451.00	5,000,000	1,922,102.20
Benguet consolidated	18	61.92		-		-	18	61.92
Calatagan	1	30,000.00		-		-	1	30,000.00
Evercrest Golf Club A	1	50,000.00		-		-	1	50,000.00
Heritage Park-Garden	4	880,000.00		-		-	4	880,000.00
Makati Sports Club A	2	360,000.00		40,000.00		-	2	400,000.00
Makati Sports Club B	3	900,000.00		-		-	3	900,000.00
Orchard Golf Club C	1	250,000.00		30,000.00		-	1	280,000.00
Phil Hotel C	750	96,971.77		-		-	750	96,971.77
Phil. Nuclear Pool	300	30,000.00		-		-	300	30,000.00
Rancho Palos Verdes	2	1,000,000.00		-		-	2	1,000,000.00
Roxas Pref.- Others	18,930,500	8,876,511.45		-		1,293,986.76	18,930,500	7,582,524.69
Roxas Pref. Series C	11,390,796	5,341,144.43		-		878,108.81	11,142,396	4,463,035.62
Seneca Holdings	746,453.00	746,453.00		-		-	746,453.00	746,453.00
Shell Company	660	1,905,974.40		-		-	660	1,905,974.40
GRAND TOTAL FOR STOCKS		776,014,685.28		291,676,138.34		134,307,909.84	933,382,913.78	33,790,440.85
BONDS								
Fixed Rate Treasury Notes								
RT 3-7	50,000,000.00	49,236,915.98		2,090,699.43		-	50,000,000.00	51,327,615.40
FXTN-	1,392,150,126.00	1,392,095,182.06		56,271,812.74		-	1,392,150,126.00	1,448,366,994.80
RT 5-8	50,000,000.00	49,829,668.91		2,800,651.58		-	50,000,000.00	52,630,320.49
FXTN-	1,099,172,688.00	1,087,994,556.53		96,426,680.05		-	1,099,172,688.00	1,184,421,236.57
FXTN-7-48	75,000,000.00	74,237,281.03		6,579,494.82		-	75,000,000.00	80,816,775.85

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-7-48	75,000,000.00	74,237,281.03		6,579,494.82			75,000,000.00	80,816,775.85	
FXTN 1042	5,918,340.00	6,369,517.35		531,595.42			5,918,340.00	6,901,112.77	
FXTN 1042	69,000,000.00	74,260,129.92		6,197,697.95			69,000,000.00	80,457,827.87	
RTB 10-01				32,726,154.70			30,000,000.00	32,726,154.70	
FXTN2002	4,400,000.00	6,421,653.63		626,948.39			4,400,000.00	7,048,602.01	
	2,820,641,154.00	2,814,682,186.43		210,831,229.89	-	-	2,850,641,154.00	3,025,513,416.31	-
LAND BANK BONDS									
Various	-	-					-	-	
Various	-	-					-	-	
Various	-	-					-	-	
Various	980,859.89	954,205.12				954,205.12	-	-	
Various	464,280.57	443,885.79				220,322.56	232,140.24	223,563.23	
Various	638,300.65	615,118.80				240,929.33	384,868.34	374,189.47	
	2,083,441.11	2,013,209.71				1,415,457.01	617,008.58	597,752.70	
ROP BONDS									
ROP 2014	46,356,000.00	53,888,850.00				53,888,850.00	-	-	
SMIC 2014	27,813,600.00	27,813,600.00				67,308.75	26,331,000.00	27,746,291.25	
ROP 2015	46,356,000.00	56,264,595.00				56,264,595.00	-	-	
RCBC 2015				80,199,837.50			74,604,500.00	80,199,837.50	
TOTAL EURO BONDS	120,525,600.00	137,967,045.00		80,199,837.50	-	110,220,753.75	100,935,500.00	107,946,128.75	
(BPI Managed)									
FXTN 313C	10,000,000.00	10,011,909.19				10,011,909.19	-	-	
FXTN 560C	25,000,000.00	25,898,056.32				25,898,056.32	0.00	-	
MRTBOND	80,000,000.00	81,145,201.10		2,807,022.86			80,000,000.00	83,952,223.96	
FXTN 743R	93,625,855.00	100,471,157.04				53,582,246.32	43,625,855.00	46,888,910.72	
RT BOND C	50,000,000.00	53,228,021.18		1,776,146.31			50,000,000.00	55,004,167.49	
FXTN1037C	25,000,000.00	30,151,295.44		948,714.11			25,000,000.00	31,100,009.55	
FXTN-748cr	185,703,199.00	183,814,674.30		16,291,109.80			185,703,199.00	200,105,784.10	
FXTN1042C				29,151,386.91			25,000,000.00	29,151,386.91	
MFXTN1048C				57,022,118.30			50,000,000.00	57,022,118.30	
RT BOND MC				21,817,436.47			20,000,000.00	21,817,436.47	
FXTN2002C	5,000,000.00	7,297,333.67		712,441.35			5,000,000.00	8,009,775.01	
FXTN2002C				80,097,750.14			50,000,000.00	80,097,750.14	
FXTN2011C	10,000,000.00	12,782,030.80		1,303,320.26			10,000,000.00	14,085,351.06	
FXTN2012C	10,000,000.00	11,333,055.54		1,231,136.13			10,000,000.00	12,564,191.67	
AC-BOND	20,000,000.00	20,000,000.00					20,000,000.00	20,000,000.00	
JGS-PCCSA				78,972,085.25			68,235,000.00	78,972,085.25	
ALI-BONDS	10,000,000.00	10,000,000.00					10,000,000.00	10,000,000.00	
MWCBOND	20,000,000.00	20,000,000.00					20,000,000.00	20,000,000.00	
APC-BOND	12,000,000.00	12,000,000.00					12,000,000.00	12,000,000.00	
FLLI-BOND	10,000,000.00	10,000,000.00					10,000,000.00	10,000,000.00	
JGS-BOND	13,000,000.00	13,000,000.00					13,000,000.00	13,000,000.00	
EDC-BOND	13,000,000.00	13,000,000.00					13,000,000.00	13,000,000.00	
METRO-USN	4,500,000.00	4,500,000.00					4,500,000.00	4,500,000.00	
BDO-USN	10,000,000.00	10,000,000.00					10,000,000.00	10,000,000.00	
RCBC-USN	10,000,000.00	10,000,000.00					10,000,000.00	10,000,000.00	
	616,829,054.00	638,632,734.57		213,158,582.64		89,492,211.83	745,064,054.00	841,271,190.63	
Mandatory Reserves									
FXTN 313C	-	-					-	-	
FXTN 5-47	8,800,000.00	8,842,460.65				8,842,460.65	-	-	
FXTN 557	24,000,000.00	24,115,801.76				24,115,801.76	-	-	
FXTN 557	15,000,000.00	15,072,376.10				15,072,376.10	-	-	
FXTN-316	76,000,000.00	76,090,509.82				76,090,509.82	-	-	
FXTN 5-58	6,200,000.00	6,296,878.45				6,296,878.45	-	-	
NPC Zero*	9,000,000.00	7,953,427.82		619,852.06			9,000,000.00	8,573,279.88	
FXTN 1042	181,000,000.00	194,798,311.82		16,257,729.21			181,000,000.00	211,056,041.04	
FXTN-1042									
	320,000,000.00	333,169,766.42		16,877,581.27		130,418,026.78	190,000,000.00	219,629,320.91	
GOVERNMENT/CORPORATE BONDS									
Globe Bond	50,000,000.00	50,000,000.00					50,000,000.00	50,000,000.00	
FLI Bond	30,000,000.00	30,000,000.00					30,000,000.00	30,000,000.00	
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	20,000,000.00	
San Miguel Brewery	50,000,000.00	50,000,000.00					50,000,000.00	50,000,000.00	
SMIC Series A	18,000,000.00	18,000,000.00					18,000,000.00	18,000,000.00	
JG Summit Holdings	25,000,000.00	25,000,000.00					25,000,000.00	25,000,000.00	
JG Summit Holdings	25,000,000.00	25,000,000.00					25,000,000.00	25,000,000.00	
Meg Bond	50,000,000.00	50,000,000.00					50,000,000.00	50,000,000.00	
EDC Bond	50,000,000.00	50,000,000.00					50,000,000.00	50,000,000.00	
SMIC Series B	12,000,000.00	12,000,000.00					12,000,000.00	12,000,000.00	
SMIC Series B	10,000,000.00	10,000,000.00					10,000,000.00	10,000,000.00	
BDO - EPCI "Tier II"	65,000,000.00	65,000,000.00					65,000,000.00	65,000,000.00	
RCBC "Tier II"	100,000,000.00	100,000,000.00					100,000,000.00	100,000,000.00	
RCBC -LTNotes 2	20,000,000.00	20,000,000.00					20,000,000.00	20,000,000.00	
	825,000,000.00	825,000,000.00					825,000,000.00	825,000,000.00	

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
LONG-TERM NEGOTIABLE INSTRUMENT									
	200,000,000.00	200,000,000.00				-	200,000,000.00	200,000,000.00	
						-	30,000,000.00	30,000,000.00	
	200,000,000.00	200,000,000.00					230,000,000.00	230,000,000.00	
LONG-TERM TIME DEPOSIT-USD									
160283	46,356,000.00	46,356,000.00		-		46,356,000.00	-	-	
160282	47,978,460.00	47,978,460.00		-		47,978,460.00	-	-	
160331	23,178,000.00	23,178,000.00		-		23,178,000.00	-	-	
160157	24,012,408.00	24,012,408.00		-		24,012,408.00	-	-	
160414	24,800,460.00	24,800,460.00		-		24,800,460.00	-	-	
160472	23,363,424.00	23,363,424.00		-		23,363,424.00	-	-	
	46,356,000.00	46,356,000.00		-		2,471,000.00	43,885,000.00	43,885,000.00	
TOTAL LONG-TERM TD	236,044,752.00	236,044,752.00		-		192,159,752.00	43,885,000.00	43,885,000.00	
GRAND TOTAL FOR INVESTMENT									
IN BONDS	5,141,124,001.11	5,187,509,694.13	-	521,067,231.29	-	523,706,201.37	4,986,142,716.58	5,293,842,809.31	
PREMIUM FIXED INCOME FU	85,211,785.23	85,211,785.23				15,301,940.94	69,909,844.29	69,909,844.29	
TOTAL AVAILABLE FOR SALE PER AUDITED FINANCIAL STATEMENT 12.31.10							6,297,135,567.38	33,790,440.85	

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule E - Intangible Assets/Other Assets
December 31, 2010

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)	4,783,958	4,329,726			646	9,113,038
2 Investment properties	36,349,456				1,694,350	34,655,106
3 Input VAT	26,287,002	37,716,523			39,908,192	24,095,334
4 Creditable Expanded withholding Tax	40,668,400	17,479,370				58,147,770
5 Prepayments	2,023,359	2,847,331			2,023,359	2,847,332
6 Deposit	577,695	1,005			3,500	575,200
7 Security Fund	192,888					192,888
8 Deferred expanded withholding tax	2,351,721	9,080,618			8,743,409	2,688,929
9 Deferred Input Vat	54,956,162	58,358,952			41,186,545	72,128,569
	168,190,642	129,813,525	-	-	93,560,001	204,444,166

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

Schedule I - Capital Stock

December 31, 2010

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	ANSALDO, GODINEZ & CO INC.FAO: MARK V.	Common	254,000	NIL		254,000
2	ALEGAR CORPORATION	Common	32,600	NIL		32,600
3	ALLIED BANKERS INSURANCE CORP.	Common	5,428,700	NIL		5,428,700
4	ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900	NIL		1,578,900
5	ANSALDO GODINEZ & CO. INC.	Common	2,451,000	NIL		2,451,000
6	AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300	NIL		3,300
7	ARAVAL, INC	Common	77,100	NIL		77,100
8	ASIA UNITED INSURANCE, INC	Common	1,252,300	NIL		1,252,300
9	B.F. GENERAL INSURANCE CO., INC.	Common	36,900	NIL		36,900
10	BANCOM DEVELOPMENT CORP.	Common	8,300	NIL		8,300
11	BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500	NIL	290,795,500	-
12	BENEFICIAL LIFE INSURANCE COMPANY INC	Common	3,193,500	NIL		3,193,500
13	BF LIFE INSURANCE CORP.	Common	397,300	NIL		397,300
14	BPI/MS INSURANCE CORP.	Common	3,347,500	NIL	3,347,500	-
15	CCC INSURANCE CORPORATION	Common	1,897,900	NIL		1,897,900
16	CENTENNIAL GUARANTEE ASSURANCE COF	Common	265,200	NIL		265,200
17	CONSOLIDATED INSURANCE CO., INC.	Common	144,600	NIL		144,600
18	COOPERATIVE INSURANCE SYSTEM OF THE	Common	72,900	NIL		72,900
19	COUNTRY BANKERS INS. CORP.	Common	2,220,300	NIL		2,220,300
20	COUNTRY BANKERS LIFE INSURANCE CORP	Common	2,388,300	NIL		2,388,300
21	EASTERN ASSURANCE & SURETY CORPOR/	Common	1,872,400	NIL		1,872,400
22	EMPIRE INSURANCE COMPANY	Common	7,498,900	NIL		7,498,900
23	EQUITABLE INSURANCE CORPORATION	Common	4,045,000	NIL		4,045,000
24	FEDERAL PHOENIX ASSURANCE COMPANY	Common	3,786,300	NIL		3,786,300
25	FGU INSURANCE CORPORATION	Common	36,126,000	NIL	36,126,000	-
26	FIDELITY INSURANCE COMPANY INC.	Common	818,800	NIL		818,800
27	FIRST GUARANTEE LIFE ASSURANCE CO.	Common	474,700	NIL		474,700
28	FIRST INTEGRATED BONDING & INS. CO, INC	Common	249,300	NIL		249,300
29	FIRST NATIONWIDE ASSURANCE CORP.	Common	13,157,000	NIL	13,157,000	-
30	GENERAL INSURANCE & SURETY CORPORA	Common	313,300	NIL		313,300
31	GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700	NIL		544,700
32	HYDEE MANAGEMENT & RESOURCE CORPC	Common	264,000	NIL		264,000
33	INDUSTRIAL INSURANCE CO., INC.	Common	6,184,900	NIL		6,184,900
34	INSURANCE CO. OF NORTH AMERICA	Common	705,600	NIL		705,600
35	INSURANCE OF THE PHIL. ISLANDS CO., INC	Common	59,100	NIL		59,100
36	INVESTOR'S ASSURANCE CORP.	Common	99,000	NIL		99,000
37	LUZON INSURANCE & SURETY CO., INC.	Common	32,300	NIL		32,300
38	M.J. SORIANO TRADING, INC.	Common	1,000	NIL		1,000
39	MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800	NIL		271,800
40	MABASA & COMPANY, INC.	Common	36,500	NIL		36,500
41	MALAYAN INSURANCE CO., INC.	Common	35,610,100	NIL	35,610,100	-
42	MANILA INSURANCE COMPANY INC.	Common	1,148,400	NIL		1,148,400
43	MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400	NIL		3,168,400
44	MERCANTILE INSURANCE CO., INC.	Common	2,997,700	NIL		2,997,700
45	MERIDIAN ASSURANCE CORP.	Common	1,711,500	NIL		1,711,500
46	MONARCH INSURANCE CO., INC.	Common	1,674,000	NIL		1,674,000
47	NEW INDIA ASSURANCE CO., LTD.	Common	4,168,300	NIL		4,168,300
48	NORTHWEST INSURANCE & SURETY CO., IN	Common	2,864,200	NIL		2,864,200
49	ORIENTAL ASSURANCE CORPORATION	Common	3,560,800	NIL		3,560,800
50	PACIFIC UNION INSURANCE CO.	Common	1,351,600	NIL		1,351,600
51	PARAMOUNT LIFE & GENERAL INS. CORP.	Common	3,790,100	NIL		3,790,100
52	PCD NOMINEE CORP. (F)	Common	1,485,980,400	NIL	797,345,300	759,000 687,876,100
53	PCD NOMINEE CORP. (NF)	Common	95,383,600	NIL		95,383,600

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
54	PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300	NIL		2,435,300
55	PHIL. BRITISH ASSURANCE CO, INC.	Common	3,590,400	NIL		3,590,400
56	PHIL. INT'L LIFE INSURANCE CO., INC.	Common	5,110,900	NIL		5,110,900
57	PHIL. PHOENIX SURETY & INS. INC.	Common	134,900	NIL		134,900
58	PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900	NIL		1,771,900
59	PHILIPPINE AMERICAN LIFE INSURANCE CO.	Common	8,628,600	NIL		8,628,600
60	PHILIPPINE CHARTER INSURANCE CORP.	Common	15,305,900	NIL		15,305,900
61	PHILIPPINE GENERAL INSURANCE CORP.	Common	750,000	NIL		750,000
62	PHILIPPINE REMNANTS CO., INC.	Common	399,300	NIL		399,300
63	PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200	NIL		11,075,200
64	PLARIDEL SURETY & INSURANCE COMPANY	Common	162,500	NIL		162,500
65	PNB GENERAL INSURERS CO., INC.	Common	1,000	NIL		1,000
66	PREMIER INSURANCE & SURETY CORPORA	Common	2,456,100	NIL		2,456,100
67	REPUBLIC SURETY & INSURANCE COMPANY	Common	542,300	NIL		542,300
68	RITA LEGARDA., INC.	Common	13,700	NIL		13,700
69	RIVARA, INC.	Common	8,700	NIL		8,700
70	SM SAVINGS & LOAN ASSOCIATION	Common	70,000	NIL		70,000
71	SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700	NIL		4,152,700
72	STERLING INSURANCE CO., INC.	Common	2,453,900	NIL		2,453,900
73	STRONGHOLD INSURANCE CO., INC.	Common	2,817,600	NIL		2,817,600
74	SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700	NIL		305,700
75	SUSANA REALTY	Common	600	NIL		600
76	TABACALERA INSURANCE CO. INC.	Common	1,278,700	NIL		1,278,700
77	TIMES SURETY & INSURANCE CO., INC.	Common	7,500	NIL		7,500
78	TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100	NIL		696,100
79	UNION BANK OF THE PHILIS.	Common	5,000	NIL		5,000
80	UNION INSURANCE SOCIETY OF CANTON LT	Common	2,197,300	NIL		2,197,300
81	UNITED INSURANCE CO., INC	Common	2,006,600	NIL		2,006,600
82	UNITED LIFE ASSURANCE CORP.	Common	2,518,100	NIL		2,518,100
83	UTILITY ASSURANCE CORP.	Common	1,837,900	NIL		1,837,900
84	VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500	NIL		3,545,500
85	WORLDWIDE INSURANCE & SURETY COMP/	Common	100	NIL		100
86	ZENITH INSURANCE CORPORATION	Common	805,800	NIL		805,800
87	ABARENTOS, FLORENTINO A.	Common	135,000	NIL		135,000
88	ADELITA VERGEL DE DIOS	Common	171,500	NIL		171,500
89	AFRICA, ISABELO P.	Common	100	NIL		100
90	ALBERT AWAD	Common	96,500	NIL		96,500
91	ALICIA S. CRUZ	Common	6,400	NIL		6,400
92	ALMEDA, VALERIANO &/OR TITA JANE	Common	40,000	NIL		40,000
93	ALVENDIA, JOSE P.	Common	100	NIL		100
94	ALVIZ, JAIME	Common	4,000	NIL		4,000
95	AMALIO A. MALLARI	Common	136,000	NIL		136,000
96	AMERFIL V. BASCO	Common	11,800	NIL	11,800	-
97	ANDRES E. SIOCHI	Common	11,700	NIL		11,700
98	ANGELITA U. REYES	Common	2,800	NIL	2,800	-
99	ANTONIO P. MADRIGAL	Common	4,200	NIL		4,200
100	ANTONIO ROXAS CHUA	Common	1,089,500	NIL		1,089,500
101	ANTONIO S. ROXAS-CHUA JR.	Common	24,900	NIL		24,900
102	ARAGON, BIENVENIDO M.	Common	200	NIL		200
103	AYLLON, VICENTE R.	Common	100	NIL		100
104	BAQUIRAN, MARCELINO B.	Common	30,000	NIL		30,000
105	BAQUIRAN, ROBERTO A.	Common	6,000	NIL		6,000
106	BELTRAN, AURELIO M.	Common	100	NIL		100
107	BERNARDO, ROMEO L.	Common	100	NIL	100	-
108	BETTY RC YAO	Common	13,400	NIL		13,400
109	BONIFACIO, VIVENCIO JOSE MA. F.	Common	462,000	NIL		462,000
110	BUENAVENTURA P. DURAN	Common	146,000	NIL		146,000

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				Related parties	Directors, officers and employees	Others
111 BUENO, FRANCIS EDWIN I.	Common	100	NIL			100
112 CABANGON CHUA, ANTONIO L.	Common	100	NIL			100
113 CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPI	Common	1,896,000	NIL			1,896,000
114 CARREDO, RAMON M.	Common	200	NIL			200
115 CASTANEDA JR., CONSTANCIO T.	Common	100	NIL			100
116 CHAM, PERRY S.	Common	200,000	NIL			200,000
117 CHAVEZ, JOSEPH C.	Common	6,000	NIL			6,000
118 CHENG, GEMA O.	Common	100	NIL			100
119 CHUA, CARLOS T.	Common	10,000	NIL			10,000
120 CONCEPCION S. ARANETA	Common	700	NIL			700
121 CONRADO BENITEZ	Common	7,400	NIL			7,400
122 CONSUELO P. MADRIGAL	Common	1,200	NIL			1,200
123 CORPUS, SERGIO	Common	100	NIL			100
124 COTOCO, DOMINGO	Common	100	NIL			100
125 COTOCO, NAZARIO	Common	100	NIL			100
126 CRISOL, ROBERTO B.	Common	1,000	NIL		1,000	-
127 CRUZ JR., ROMAN A.	Common	100	NIL			100
128 CRUZ, EMILIO M. DELA	Common	1,000	NIL			1,000
129 CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I	Common	5,000	NIL			5,000
130 CUEVAS, FELIMON R.	Common	900	NIL			900
131 CUYEGKENG, ROSARIO W.	Common	100	NIL			100
132 DANILO J. CABERO	Common	7,200	NIL			7,200
133 DAVID C. COYUKIAT	Common	200	NIL			200
134 DAVID C. MERCADO	Common	27,300	NIL			27,300
135 DEE, HELEN Y.	Common	100	NIL		100	-
136 DESIDERIO JR., JOSE O.	Common	100	NIL			100
137 DESIDERIO, RODOLFO O.	Common	100	NIL			100
138 DOMINO, JUAN	Common	100	NIL			100
139 EDITHA B. GERONIMO	Common	15,000	NIL		15,000	-
140 EDUARDO ECHAUZ	Common	100	NIL			100
141 ENRIQUE M. REYES	Common	752,600	NIL			752,600
142 EUGENIA G. SILVA	Common	2,800	NIL			2,800
143 FERNANDEZ, JAIME C.	Common	100	NIL			100
144 FERNANDEZ, VICENTE T.	Common	100	NIL			100
145 FRANCISCO CORPUS	Common	100	NIL			100
146 FRANCISCO JOSE ELIZALDE YTURRALDE	Common	75,700	NIL			75,700
147 FRANCISCO M. BAYOT	Common	1,100	NIL			1,100
148 FRANCISCO, CLEOTILDE B.	Common	100	NIL			100
149 FRANCISCO, ROLANDO B.	Common	100	NIL			100
150 GABAT, MA. ANGELA C.	Common	2,000	NIL			2,000
151 GABAT, ROMAN O.	Common	2,000	NIL			2,000
152 GALLAGA, RAFAEL C.	Common	100	NIL			100
153 GALVEZ, ANTONIO R.	Common	6,000	NIL			6,000
154 GAPUZ, CO KIAN CHAY &/OR RITA	Common	2,000	NIL			2,000
155 GERARDO A.S. MADRIGAL	Common	1,600	NIL			1,600
156 GILI JR., GUILLERMO F.	Common	3,000	NIL			3,000
157 GO, GEORGE L.	Common	1,000	NIL			1,000
158 GO, IRENE CHAN	Common	185,000	NIL			185,000
159 HANS MENZI	Common	2,100	NIL			2,100
160 HARI, ABDON M.	Common	100	NIL			100
161 HONORATA S. LUCOS	Common	15,000	NIL		15,000	-
162 INDON, REYNALDO P.	Common	100	NIL			100
163 ISABELITA M. CABANGUNAY	Common	14,500	NIL			14,500
164 JACINTO JR., FERNANDO P.	Common	100	NIL			100
165 JACQUELINE M. HALILI CO	Common	293,800	NIL			293,800
166 JAYMERLI C. BAUTISTA	Common	298,100	NIL			298,100
167 JENNIFER C. MARTIN	Common	294,000	NIL			294,000

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				Related parties	Directors, officers and employees	Others
168 JOLI C. WU	Common	294,100	NIL			294,100
169 JOSE R. RODAS	Common	100	NIL			100
170 JUAN, FRISCO F. SAN	Common	100	NIL			100
171 JUNTREAL JR., FILEMON A.	Common	100	NIL			100
172 KO PIO, RODERICK C.	Common	100	NIL			100
173 KO PIO, RUFFY C.	Common	100	NIL			100
174 KO PIO, RUFINO H.	Common	100	NIL			100
175 KOH, ANTONIO M.	Common	100	NIL			100
176 LA'O, LUIS C.	Common	100	NIL			100
177 LEE, JOSE C.	Common	100	NIL			100
178 LEE, LEA B.	Common	250,000	NIL			250,000
179 LEON, BEATRIZ P. DE	Common	1,933	NIL			1,933
180 LEON, JAIME S. DE	Common	100	NIL			100
181 LICAROS JR., GREGORIO B.	Common	100	NIL			100
182 LICAROS, ABELARDO B.	Common	100	NIL			100
183 LILY VICTORIA G. GALO	Common	2,800	NIL			2,800
184 LIM, IAN VINCENT &/OR FLORA &/OR ERNES	Common	86,000	NIL			86,000
185 LIM, JAMES ORTEGA	Common	100	NIL			100
186 LIM, PEDRO C.	Common	3,000	NIL			3,000
187 LIM, ROQUE A.	Common	66,000	NIL			66,000
188 LIM, THOMAS Y.	Common	11,000	NIL			11,000
189 LIMCAOCO, JOSE TEODORO K.	Common	100	NIL		100	-
190 LO, JOSEPHINE NG	Common	71,000	NIL			71,000
191 LOCSIN, JULIAN J.	Common	100	NIL			100
192 LOURDES S. RODAS	Common	1,100	NIL			1,100
193 LUCINA OCAMPO LEGASPI	Common	3,800	NIL			3,800
194 LUCITA R.C. LIMPE	Common	13,400	NIL			13,400
195 LUZ NER CRUZ	Common	13,400	NIL			13,400
196 MA. LUISA MADRIGAL VASQUEZ	Common	400	NIL			400
197 MACARIA P. MADRIGAL	Common	2,300	NIL			2,300
198 MACROHON JR., IGNACIO	Common	100	NIL			100
199 MALLILLIN, MELECIO C.	Common	100	NIL			100
200 MALONG, ALEJANDRO V.	Common	100	NIL			100
201 MAMERTA ANDAYA	Common	2,100	NIL			2,100
202 MANANSALA, CONSUELO D.	Common	1,000	NIL		1,000	-
203 MANUEL A. TORRES JR.	Common	79,100	NIL			79,100
204 MANUEL B. ENRIQUEZ	Common	500	NIL			500
205 MANUEL DYTOC	Common	900	NIL			900
206 MANUEL U. CO	Common	100	NIL			100
207 MARIANO JR., JORGE T.	Common	100	NIL			100
208 MAURO PRIETO	Common	11,600	NIL			11,600
209 MENDIOLA, JORGE T.	Common	20,000	NIL			20,000
210 MERCADO JR., DANIEL M.	Common	100	NIL			100
211 MERCADO JR., DAVID P.	Common	100	NIL			100
212 MERCEDES U. GONZALES	Common	200	NIL			200
213 MORALES, RHODORA B.	Common	100	NIL			100
214 NANO, ENRICO V.	Common	100	NIL			100
215 NATIVIDAD CANTAJAL	Common	4,800	NIL			4,800
216 NELIA M. MALUBAY	Common	54,000	NIL			54,000
217 NORMANDO ANTONIO S. AGUILAR	Common	16,900	NIL		16,900	-
218 OLBES, ANTONIO O.	Common	100	NIL			100
219 OLIVA, DULCE MARIA S.	Common	20,000	NIL			20,000
220 ONGKINGCO, FLORENCIO N.	Common	100	NIL			100
221 PA, ANA GO &/OR GO KIM	Common	7,500,000	NIL			7,500,000
222 PACITA P. MADRIGAL	Common	1,200	NIL			1,200
223 PACITA RODRIGUEZ	Common	13,400	NIL			13,400
224 PADIERNOS, GAY G.	Common	100	NIL			100

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				Related parties	Directors, officers and employees	Others
225 PAZ VDA. DE RODAS	Common	6,200	NIL			6,200
226 PEDRO P. BENEDICTO JR.	Common	15,800	NIL			15,800
227 PETER T. ROXAS-CHUA	Common	13,400	NIL			13,400
228 PRIETO JR., BENITO R.	Common	1,933	NIL			1,933
229 PRIETO, ALEJANDRO R.	Common	1,933	NIL			1,933
230 PRIETO, MARTIN L.	Common	967	NIL			967
231 PRIETO, MAURO R.	Common	1,934	NIL			1,934
232 PRIETO, MERCEDES R.	Common	1,933	NIL			1,933
233 PUYAT, ALFONSO G.	Common	100	NIL			100
234 QUILOP, CARMEN J.	Common	5,000	NIL			5,000
235 RAFAEL C. GALLAGA	Common	13,500	NIL			13,500
236 RAMAJO, HONORIO J.	Common	100	NIL			100
237 REMO JR., JOSE H.	Common	100	NIL			100
238 REYES, CARLOS, R.	Common	12,000	NIL			12,000
239 REYES, OSCAR C.	Common	200	NIL			200
240 ROMAN, VICTOR B.	Common	100	NIL			100
241 ROMEO ECHAUZ	Common	400	NIL			400
242 ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000	NIL			3,000,000
243 ROSARIO M. LLORA	Common	7,100	NIL			7,100
244 ROSARIO RODAS	Common	900	NIL			900
245 ROSARIO, PAUL GERARD B. DEL	Common	23,021,000	NIL			23,021,000
246 SALCEDO JR., ALFONSO L.	Common	100	NIL		100	-
247 SALVADOR, BIENVENIDO C.	Common	100	NIL			100
248 SANTOS, BENILDA S.	Common	213,000	NIL			213,000
249 SAUCO, NORBERTO V.	Common	100	NIL			100
250 SENCIO, ADONIS PENALOSA	Common	1,000	NIL			1,000
251 SEVERINO T. ROXAS-CHUA	Common	13,400	NIL			13,400
252 SOLIVEN, STEPHEN G.	Common	10,000	NIL			10,000
253 SUDHAKAR, RANIPETA RANI	Common	100	NIL			100
254 SUNGA, PETER EDWIN J. SUNGA &/OR ROS/	Common	300,000	NIL			300,000
255 SUNGA, PROSPERO S. SUNGA &/OR CLARIT.	Common	375,000	NIL			375,000
256 SUSANA B. ORTIGAS	Common	1,100	NIL			1,100
257 SY, WILFREDO L.	Common	30,000	NIL			30,000
258 TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300	NIL			92,300
259 TAN, LOZANO A.	Common	100,000	NIL			100,000
260 TANCO, EUSEBIO H.	Common	100	NIL			100
261 TE, MACARIO U.	Common	3,000,000	NIL			3,000,000
262 TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000	NIL			29,000
263 TEODORO, MONICA P.	Common	967	NIL			967
264 TONGCO, ARACELI G. TONGCO &/OR FRANC	Common	12,000	NIL			12,000
265 TRINIDAD, ARMANDO C.	Common	100	NIL			100
266 TURNER, PHILIP &/OR ELNORA	Common	1,000	NIL			1,000
267 UNSON JR., ALEJANDRO F.	Common	100	NIL			100
268 UNSON JR., EDMUNDO L.	Common	100	NIL			100
269 UNSON, MA. ANICIA F.	Common	100	NIL			100
270 UY JR., CARLOS F.	Common	100	NIL			100
271 UY, FRANCISCO A.	Common	100,000	NIL			100,000
272 VALENCIA, JESUS SAN LUIS	Common	100	NIL			100
273 VALERA, JOSEFINA L.	Common	100	NIL		100	-
274 VERGARA, ROBERT G.	Common	1,000	NIL		1,000	-
275 VICENTE A.S. MADRIGAL	Common	1,600	NIL			1,600
276 VICENTE B. VILLARAMA JR.	Common	2,800	NIL		2,800	-
277 VICENTE M. BAYOT	Common	1,100	NIL			1,100
278 VICTORIANO G. BELIZARIO	Common	300	NIL			300
279 VILLAMAYOR, ANTONIO S.	Common	100	NIL			100
280 VILLANUEVA, NICERATA C.	Common	6,000	NIL			6,000
281 WINSTON F. GARCIA	Common	442,400	NIL			442,400

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282 WONGAIHAM, ANTHONY T.	Common	200	NIL			200
283 YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000	NIL			50,000
284 YAO, BONIFACIO N.	Common	100	NIL			100
285 YAO, WILSON A.	Common	30,000	NIL			30,000
286 YU, GREGORIO T.	Common	1,000	NIL		1,000	-
287 YU, JOHN PETER C. YU &/OR JUAN G.	Common	300,000	NIL			300,000
288 YU, JOHN PETER YU &/OR JUAN	Common	200,000	NIL			200,000
289 YU, JUAN G. YU &/OR JOHN PETER C.	Common	300,000	NIL			300,000
290 YUCHENGCO, YVONNE S.	Common	100	NIL		100	-
Total		2,159,677,600		1,176,381,400	827,900	982,468,300

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, 2010**

UNAPPROPRIATED RETAINED EARNINGS FOR DIVIDEND DECLARATION AT BEGINNING OF YEAR		P	743,448,287
Net Income Realized for the year			
Net income per audited financial statements			(479,977,800)
Add (Less) Changes in Retained Earnings for the year	*		
Dividend declarations during the period	P	(101,504,847)	
Appropriations of retained earnings during the period		<u>-</u>	<u>(101,504,847)</u>
UNAPPROPRIATED RETAINED EARNINGS FOR DIVIDEND DECLARATION AT END OF YEAR		P	<u><u>161,965,640</u></u>