

Initial Public Offering
National Reinsurance Corp. of the Philippines
Price: P3.36 to P4.62/share
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Shares in Offering	638 m
Primary common shares	638 m par value of P1.00/share (includes 148.5063m treasury shares)
Greenshoe option	103.9026 m shares
Shares applied for listing	
Issued & outstanding- pre-listing	1,440.052 m common shares
Primary offering	638.000 m common shares
Greenshoe option	103.9026m common shares
Shares outstanding – post- offering	Up to 2,181.9546 m common shares Including over-allotment option shares
Offer price range	P3.36 to P4.62/share
Offer proceeds -gross	P2,143.68 m to P 2,947.56m
Use of proceeds	Increase capitalization to allow the company to accept and retain premiums, and invest in marketable fixed -income securities and listed equity securities, increased networth will allow the company to obtain acceptable rating as a reinsurer needed in its entry into the Asian reinsurance market.
Minimum subscription	1000 offer shares, multiples of 1,000 thereafter
Timetable of offering:	
Book –building	April 10 to April 11, 2007
Price -setting	April 12, 2007
Domestic Roadshow	April 10, 2007
Offering period	April 16- 20, 2007
Tentative listing date	April 27, 2007

Investment Highlights:

- The company draws lead position by virtue of mandate from Presidential Decree 1270 which mandates all non-life and reinsurance doing business in the Philippines to cede to PhilNaReat least 10% of their outward reinsurance placed with unauthorized foreign reinsurers and all life insurance companies to cede to the company at least 10% of all new insurance placed which would otherwise be outward foreign reinsurance as well as of the renewals of such new reinsurance placements.
- The company is positioned to achieve sustained business growth and profitability in the country and in the region on the basis of : 1) strong support of shareholders 2) developed market relationships 3) good service reputation and technical expertise 4) plans to pursue its Capital Enhancement Program 5) intensify internationalization efforts helped along by its capital enhancement program 6) focus on business development and sales management 7) further enhance process design, efficiencies and controls in major areas of operations 8) institute formal risk management system 9) continue to be the driver of industry reforms.
- The company compares well with its closest comparative listed companies with a price to book value (P/BV) range of 1.31x (on a price of P3.36) to 1.8x (on a price of P4.62). Other listed companies are trading at a P/BV of 1.9x (SLF) and 2.6x (MFC).
- The increased capitalization will impact positively on the company's bottomline as it expects to generate a net income of P627m in 2007 from its 2006 income of P316m.

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- **Initial Public Offering**

National Reinsurance Corp. of the Philippines

Price: P3.36 to P4.62/share

COMPANY BACKGROUND

The company was incorporated as the National Reinsurance Corp. of the Philippine in 1978 as prescribed under Presidential Decree 1270. The company provides domestic professional reinsurance to provide life and non-life reinsurance to the Philippines and neighboring insurance markets. It later changed its name to National Reinsurance Corp. of the Philippines (or PhilNaRe) to enhance its image as the country's national reinsurer. Its primary mandate is to assist in the development of the Philippine insurance industry by providing reinsurance capacity and support to Philippine insurance companies by serving as a market vehicle in the regional and international cooperation or arrangement in insurance. By this it contributes to the retention of business within the country. It became a vehicle for the Philippine insurance industry's participation in the Asian Reinsurance Corp. (AsianRe), a multi-government initiated reinsurance entity based in Bangkok, Thailand. AsianRe was established to foster cooperation among insurance companies doing business in Asia.

PD 1270 of 1977 mandates all non-life and reinsurance doing business in the Philippines to cede to the PhilNaRe at least 10% of their outward reinsurance placed with unauthorized foreign reinsurers and all life insurance companies to cede to the company at least 10% of all new insurance placed which would otherwise be outward foreign reinsurance as well as of the renewals of such new reinsurance placements, with the compulsory cession accorded the best terms and conditions afforded by the company's existing treaties. Compliance to this law is monitored by the Insurance Commission.

Reinsurance is the assumption by the reinsurer of all or part of a risk originally undertaken by another insurer, called the ceding or primary company. The principal functions of reinsurance are to provide insurers with the capacity that enables them to write coverages involving larger amounts than could otherwise be written (like loan syndications), share the financial burden of reserves attending the growth of premium income, and reduce an insurer's net liability to an amount considered appropriate in relation to its financial resources (DC Gardner Grp plc).

In 2003 the company conducted a self assessment which showed that while it has grown significantly through the years, it has lagged behind its regional counterparts in terms of retention ratio and paid up capital. Furthermore, increasing incidents of terrorist attacks and natural calamities such as tsunamis, earthquakes and hurricanes lead to higher losses and diminution of reinsurance capacity. Large reinsurance companies were expected to focus resources on their primary markets and offer less capacity to smaller markets such as the Philippines. Given this scenario, the company decided to increase its capacity or the amount of business it can write and retain. It embarked on a Capital enhancement Program (CEP) to increase its capital base from about P1bn as of end 2003 to at least P5bn. The company's CEP is broken down into 4 phases : 1) a stock rights issue, 2) a merger with UMRE, 3) an initial public offering of shares, and 4) private placement with an institutional ro strategic investors.

From a corporation with a paid up capital of P10m and a gross premium written of P20m in 1979m PhilNaRe grew into a professional reinsurance company in the country following its merger with Universal Malaysian Reinsurance Corp. (UMRE) on March 6, 2006.

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As of end Dec. 31, 2006, the company generated P3,781m in GPW, P953m in NPW and net income of P274m. On a pro-forma basis (including UMRe's performance for the first two months of the year prior to the effectivity of the Merger), GPW amounted to P3,879m, NPW of P1,011m and a net income amounting to P316m. Total assets amounted to P9116m which total shareholders' equity was at P3,831m.

The company writes the following major business lines: fire, marine and aviation, casualty and others and life. As of Dec. 2006, casualty and others accounted for 44% of GPW and 25% of NPW, fire accounted for 31% of GPW and NPW, marine and aviation accounted for 14% of BPW and 28% of NPW and life accounted for 11% of GPW and 22% of NPW.

The company is owned by 198 shareholders all of whom own at least 100 shares. The shareholders are mostly life and non-life insurance companies. Its principal shareholders include GSIS, the BPI group and the Malayan Group.

Principals:

Winston F. Garcia -Chairman of the Board, Adelita A. Vergel De Dios –Vice Chairman, Wilfrido C. Bantayan –Dir./Pres.&CEO, Alfonso L. Salcedo Jr.-Dir./Treasurer, and Directors: Yvonne S.Yuchengco, Manuel U. Co., Rafael C. Gallaga, Emilio S. De Quiros Jr., Josefina L. Valera, Romeo L. Bernardo, Joli Co Wu

Risks related to the offer:

- **Risks relating to the company:** dependence on a few customers; possible conflict of interest, occurrence of severe catastrophe; invested assets of the company may be subject to changes in interest rates, exchange rates and market volatility; actual insured losses may be greater than the loss reserves; the company competes with a number of large companies in the reinsurance industry for underwriting revenues.
- **Risks relating to the Philippines :** political instability, slowdown in the Philippine economy
- **Risks relating to the company's commons shares:** the company's shares are subject to foreign ownership limitations set the Philippine constitution and in its articles of incorporation; the market price and liquidity of the security may fluctuate; developments in other emerging market countries may adversely affect the Philippine economy and therefore, market price of the common shares.

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