



WHAT'S YOUR WHY?

PHILAM LIFE ANNUAL REPORT 2018



HELPING PEOPLE LIVE
HEALTHIER, LONGER, BETTER LIVES

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Philam Life makes a positive difference in the lives of Filipinos by helping them live healthier, longer, and better lives.

We are our customers' reliable partner in securing their future for their loved ones, giving them the best options that will help them achieve their life goals. The strength and stability of our business makes it possible for us to fulfill our commitments to our customers, while access to global insight and expertise through our parent company, AIA, enables us to create relevant solutions that address our customers' needs.



HELPING PEOPLE LIVE HEALTHIER, LONGER, BETTER LIVES

AIA AT-A-GLANCE



A century of history in the region



Large geographic footprint with 100% ownership in 16 out of 18 markets



Ranked **MDRT's #1** multinational worldwide¹



Our Vision is to be the world's **pre-eminent** life insurance provider



Our Purpose is to play a **leadership role** in driving economic and social development across the region



The world's **largest²** life insurer



US\$230 billion in assets



More than **33 million** individual policies



More than **16 million** group scheme members



EV equity of **US\$56.2 billion**



Paid over **13 million** benefits during 2018



Total sum assured of **US\$1.58 trillion**

Notes:

1. AIA had a total of 10,196 agents and agency leaders registered as Million Dollar Round Table (MDRT) members on 1 July 2018
2. Source: Bloomberg, 25 March 2019
3. AIA has a representative office in Myanmar
4. All the figures are as of 31 December 2018, unless otherwise stated

18 MARKETS

CHINA 1919	MACAU 1982
HONG KONG 1931	INDONESIA 1984
SINGAPORE 1931	KOREA 1987
THAILAND 1938	TAIWAN 1990
PHILIPPINES 1947	VIETNAM 2000
MALAYSIA 1948	INDIA 2001
BRUNEI 1957	SRI LANKA 2012
AUSTRALIA 1972	MYANMAR ³ 2013
NEW ZEALAND 1981	CAMBODIA 2015

More than
33 Million
Individual
Policies

- Our Vision is to be the world's pre-eminent life insurer
- Our Purpose is to play a leadership role in driving economic and social development across the region

Over
16 Million
Group Scheme
Members

- The primary focus of AIA's Corporate Social Responsibility (CSR) programme is Healthy Living – helping people across the region to lead Healthier, Longer, Better Lives

ABOUT PHILAM LIFE

The Philippine American Life and General Insurance (Philam Life) Company is the country's premier and most trusted life insurer for over seven decades now. We focus our knowledge and experience on the Philippines and, as part of the AIA Group, are strengthened by their presence in the Asia-Pacific region.

Our vision is to be the undisputed leader in life insurance and wealth management, driven by our mission of helping Filipinos achieve financial security and prosperity with a Philam Life policy in every household.

We promise to make a positive difference by empowering Filipinos to live healthier, longer, and better lives by putting their needs at the center of everything we do.

PHP1.39 billion
in capital for its
life insurance
license

Excess capital
5x the amount
set by the
Insurance
Commission

PHP500 million
in capital for its
non-life insurance
license

Over 5,000
group policies
issued

Almost 9,000
agents
nationwide

Over 700,000
individual policies

Over 3,000,000
insured group
members



OUR STRENGTH

For over seven decades now, Philam Life has been keeping its promises to its customers and its shareholders.

We have been rewarded many times, through recognition from the Philippine government, from the business community here and abroad, from our peers in the industry, and through the continued trust of our policyholders.

As part of the AIA Group, we share a network of trust that has been painstakingly built across several countries over many decades. We remain strong and steadfast in our commitment, so that those who rely on us can enjoy better lives.

The Aon Global Best Employers Program awarded the Philam Group with a Special Recognition for Commitment to Engagement in 2018.

The Philam Group was recognized as one of the Philippines' Best Companies to Work For in Asia 2018 as presented by HR Asia.

Philam Life was conferred the 2017 Excellence in Education Award by LOMA for exemplary performance in training insurance professionals. Philam Life led among 1,200 LOMA-member companies by being on its 15th-year win.

Philam Life has received 11 Platinum and three Gold Trusted Brand awards from 2004 to 2018 from Reader's Digest Asia, based on consumer surveys measuring trustworthiness, credibility, quality, value, understanding customer needs, innovation and social responsibility.

Philam Asset Management Inc. was awarded the Fastest Growing Asset Management Company in the Philippines by Global Banking and Finance Review, as well as the Top Investment House (Asian Currency) by Asset Magazine in 2017.

In 2013, Philam Life was recognized as the top performing company in the AIA Group by winning two prestigious awards – the AIA Premier League Cup and the AIA Champions' League Cup – for achieving the highest sales growth over target for the year.

In 2008, Philam Life was recognized by the Philippine government, through the Overseas Workers Welfare Administration, for its outstanding programs for Overseas Filipino Workers.

Philam Life received the Presidential Citation from the Philippine government for its contribution to nation-building (1994).

Philam Life was given the prestigious Asian Management Award for two consecutive years (1991 to 1992) for strong performance in General and Financial Management.



Dear Shareholders,

It is with great pride that I report that in 2018, Philam Life successfully delivered steady growth, innovating products and processes to bring about a solid performance based on its adherence to a clear vision and sound strategy.

We attained strong VONB growth in 2018, thanks to collaborative efforts across the organization. Significant among these was the 30% increase in the number of active in-branch insurance specialists of our bancassurance joint venture with Bank of the Philippine Islands. Aggressive promotions of our new protection products and nimble customer engagement campaigns also helped treble our VONB from Vitality-integrated products.

We finished the year with a net income of PHP9.8 billion, higher than the previous year's PHP6.0 billion. Our assets now stand at PHP249.6 billion.

In the agency channel, we remained committed to attracting the best to join our teams, and were rewarded with a double-digit increase in the number of active agents.

Each step forward is always in line with the basics: keeping the customer at the center of our business while leveraging on technology in order to make their journey with us easier and more engaging.

We continued to develop innovative products and programs, focusing on wellness and protection as the key elements of our strategy. This is embodied in our game-changing Philam Vitality program, and our pioneering Active Joint Critical Protect, a first-in-the-market product that provides life

and critical illness protection for two, which were the key differentiators from our competitors.

Even as we remained fully committed to our policyholders, we also continued to be a strong partner of the Philippines in nation-building by investing PHP3 billion in infrastructure and green energy projects. We participated in the bond issuance of NLEX Corporation, the proceeds of which will go to easing traffic congestion in Metro Manila by building badly needed roads. We also financed alternative, renewable energy projects via the International Finance Corporation's Mabuhay Bonds and the Sindicatum Renewable Energy Company Pte Ltd.'s USD bond.

The Philam Foundation continued to reach out and address gaps in wellness and financial literacy through projects that serve a large segment of our population. Our ALPHA cancer registry project ended the year with 20 hospitals in its roster; SAVES is already on its second year, with almost 14,000 students, teachers and parents who have been educated on financial literacy; and Philam Paaralan has so far built schools in 50% of the provinces across the Philippines.

All this is possible because we continuously strive to maintain excellence in the workplace excellence and engage our employees, rallying them with our Make It Possible battlecry. These efforts did not go unnoticed. This year, the Philam Group was recognized by the Aon Global Best Employers Program. We were also named by HR Asia as one of the Philippines's Best Companies to Work for in Asia.

As I turn over the reins of this great company to the capable hands of my successor, I am confident that it will be a smooth transition – satisfied in knowing that the accomplishments of the last three years will now pave the way for even greater things.

I am excited at how much more the company can do in the future, as it continues to put customers at the center of its business, while remaining steadfast in bringing to life its brand promise of helping people live healthier, longer, and better lives. I am brimming with gratitude to the Philam Life family, for making my own 35-year journey with Philam Life a fulfilling experience, and for making so many things possible. Thank you.

ARIEL CANTOS
Outgoing Chief Executive Officer
June 24, 2016 to February 28, 2019



Dear Shareholders,

I come to this post grateful to AIA and Philam Life for the trust and opportunity. As we move into 2019, you can expect that the company will remain true to its customer-centric thrust, and will live up to its promise of helping Filipinos live healthier, longer and better lives.

We are indebted to Aibee Cantos for his leadership and dedication. It is through his hard work and loyalty to the company that we now enjoy significant progress, and are much closer to our five-year goal.

Our objectives remain the same, and we will stay focused on delivering our commitments. We will strive to exceed even our own expectations and achieve our targets together as one team.

I am excited for the future, fully confident that because of the sound strategy and strong foundations that have already been laid down, we will soon find ourselves as a major player in AIA and become the undisputed leader in the Philippine life insurance industry.

KELVIN ANG
Incoming Chief Executive Officer
March 1, 2019 to present



Philam Life Executive Committee as of March 2019



FINANCIAL HIGHLIGHTS

Revenue

Net Premiums reached a record high of PHP22.4 billion with 12% growth over last year.

VUL business still continues to soar high at PHP15.2 billion. RPVUL renewal premiums at PHP9.1 billion achieved 25% growth over last year from high persistency.

Investments

Total Invested Assets stood at PHP237.3 billion and Investment Income net of Investment Expenses amounted to PHP12.6 billion, up by 5% from last year.

Policy Benefits

Net insurance benefits totalled PHP17.6 billion, 7% up from last year's PHP16.4 billion.

Shareholders' Equity

Equity balance remained strong at PHP80.6 billion, higher than last year's PHP78.6 billion.

Net Income

Net income of PHP9.8 billion was higher than last year's PHP6.0 billion, due to the higher production this year amounting to PHP2.5 billion and FX gains of PHP1.4 billion.



AGENCY DISTRIBUTION

The Agency Distribution Channel is focused on reaching out to more individuals to help more Filipinos live healthier, longer, and better lives. This focus on servicing clients manifests in the programs and initiatives being run in the channel.

Recruiting full-time advisors is one of the initiatives being done by the channel to expand client reach. The programs designed to recruit a dynamic set of full-time advisors, Shift to Entrepreneurship Programme (STEP) and Career Agency Development Programme (CADP), gained traction in 2018, which contributed to the growth of the total number of new financial advisors of the company. These specialized recruitment programs were opened up to more provinces in 2018, helping the company further expand its network.

Leader development is another opportunity identified by the channel to further improve its expansion. A new program designed to equip the agency leaders in leadership and management was rolled out to establish the key behaviors that a leader needs to succeed in the business. As additional support to leaders in managing their teams, various digital tools designed to help monitor and review the productivity and activity of their financial advisors were given.



Philam Life was awarded the Best Quality Recruiter during the 2018 AIA President Club besting 13 other AIA countries.



The Premier Icon Awardees toured Amsterdam in April as part of their incentive trip.



AIA treated the elite group of performers of the agency distribution channel to a once-in-a-lifetime experience in Lisbon, Portugal in July.

Aside from the guidance that the agency leaders provide, programs to help develop the skills and capabilities of the channel's financial advisors are also provided by the company. Segmented initiatives, incentives, and programs depending on the financial advisor's capability and productivity were rolled out for a more customized approach in enhancing their skills, knowledge and mindset in the different segments. Financial advisors with high activity and productivity are groomed to become Million Dollar Round Table (MDRT) members. The channel is espousing a mentoring culture supported to help grow its number of MDRTs in the long run.

The agency distribution channel continues its journey towards digitalization by rolling out enhancements to its interactive Point-of-Sale (iPos). Most recently, it launched the new payment gateway, reducing the transaction process and allowing the financial advisor to present a financial solution, close the deal, collect the premium, and have the policy issued in just one sitting.

The Agency Distribution Channel continues to evaluate and improve its current operations to provide better service to Philam Life's customers. Every program or initiative launched for agency leaders and financial advisors is anchored on one goal – to reach out to more potential customers to ensure that they are protected against risks so they can live out their dreams and the dreams that they have for their families.



Corporate Solutions Regional Elite Planner Raquel Nestle Co (middle) with AIA Group Corporate Solutions and Philam Life Executives during the 2018 CS Legacy Awards.

CORPORATE SOLUTIONS

In 2018, Corporate Solutions (CS) began to reap the success of its digitalization journey as its group and credit life customer base achieved double-digit growth, at the same time improving the processes within its distribution channels. With the help of the various innovations and operational efficiencies implemented the previous year, the team achieved over PHP1.5 billion in total premiums, with more than 5,400 policies in force and ending the year with almost 2.9 million group insured members.

With a straight through process in closing new business accounts in place through the CS Interactive Point-of-Sale (iPoS), efforts were focused on enhancing the competencies and technical skills of its distribution partners in selling employee benefits and credit life insurance through focused training sessions.

A streamlined distribution system was also implemented, where a sales executive was designated to sell purely employee benefits, and another solely for credit life per channel. This helped build a stronger presence in various untapped areas across the country.

Members of Elite Planners Club, the exclusive membership program for CS producing advisors in alignment with AIA



Corporate Solutions Producing Advisor and Gold Elite Planner Mary Grace Dela Merced (middle) with AIA and Philam Life Executives during the 2018 Ng Keng Hooi Cup.

Group CS, were recognized for contributing more than half to the agency sales team's total annualized new premium (ANP) for the year.

Through its strong and still growing partnership with one of the largest institutional distributors in the country, CS also now owns the third largest market share in the microinsurance business with over 1.4 million in member base.



MARKETING

This year, Philam Life fully embraced its commitment to wellness with the transition from The Real Life Company to the new AIA Group-wide brand promise of helping people live healthier, longer and better lives. Healthier because people are able to live better and experience more. Longer because living healthy means having an active and meaningful life that can be spent with loved ones. And better because it's not enough to just be alive. It's about enjoying what you worked hard for and living life to the fullest.

Alongside the new brand promise and as a follow-through to the 2017 Live Better campaign, Philam Life took the campaign deeper by asking "What's Your Why to Live Better?" By being reminded of the reason for starting the journey to wellness, sustaining a healthy lifestyle becomes more compelling.

On the product side, Philam Life brought the brand promise to life through innovative solutions that address the needs of customers. Given the huge insurance protection gap of the Philippines estimated at PHP1.5 trillion, addressing the protection needs of Filipinos became the focus, leading to the launch of Active Joint Critical Protect, the first life insurance plan in the country that covers two insured under one policy contract.

The plan focuses on the customer's need for protection against critical illness and can be owned at an affordable premium. It is the perfect plan for the Philippine market with its young workforce, strong family-centered culture, and aversion to health-related risk.

To address the long-term savings need of Filipinos, Philam Life launched Income Assure 7, which provides Filipinos with idle funds an opportunity to earn a guaranteed annual income for seven years and enjoy a return of 100% of his premium once the policy matures. On top of the savings feature, the plan also provides life insurance coverage to the insured.

Alongside the wellness-oriented brand promise of Philam Life is the renewed enterprise-wide focus on customer centricity, which was launched in 2018. To cultivate a customer-centric culture, in-depth trainings led by Philam Life's Management Committee were conducted to ensure that employees are equipped with the right mindset and attitude.

On top of better service delivery to customers, initiatives to engage new customers were launched through an improved onboarding process and streamlined communications. Customers are also informed of e-Plan, Philam Life's customer portal, that gives them online access to empower them to transact on their own anytime, anywhere.

2018 also marked Philam Life's re-launch of its preferred program for high value customers. The program is the company's way of rewarding the trust of its customers with exclusive perks and wellness benefits, allowing them to experience the brand's promise of helping people live healthier, longer and better lives.

PHILAM VITALITY

Philam Vitality continues to be at the forefront of Philam Life's brand promise of helping Filipinos live healthier, longer and better lives. The first-of-its-kind science-backed wellness program in the Philippines that rewards people for making healthy choices, Philam Vitality leverages on its unique value proposition to propel the company in providing highly differentiated product offerings that sets it apart from industry competitors.

In 2018, Philam Vitality saw an outstanding growth in its membership base by more than 200% which underscores the growing wellness culture among Filipinos. Philam Vitality introduced a new set of weekly active rewards for its Vitality Active app-based program, enriching its core benefits to sustain member engagement. By simply hitting their weekly fitness targets, members get to choose from a suite of free instant rewards: from Globe mobile phone credits, Grabcar eGift, or SM Cinema tickets; to a large coffee or tea drink from one of the most preferred coffee chains in the country, The Coffee Bean & Tea Leaf.

The program's hotel partner benefit was expanded to include five new Seda Hotel branches in Palawan, Cebu, Bacolod, Iloilo and Quezon City. This in addition to its already rich array of rewards which include exclusive discounts from partners in medical screening, health and fitness devices, and gym, travel and entertainment. A new gym partner, UFC Gym, was tapped, offering a Philam Vitality exclusive rate of 70% off to further compel members to get active and stay in shape.

To build a culture of health and wellness within the enterprise and make employees ambassadors of Philam Vitality, the Human Resources Department, in collaboration with the Philam Vitality Team, launched the "Race to Gold" campaign in mid-2018. The campaign's objective was to motivate employees to reach Philam Vitality Gold Status by participating in different monthly challenges. By the end of the campaign in December, employee engagement increased from 23% to 58%, with a total of seven employees in Platinum Status and 97 in Gold Status. Philam Vitality launched various tactical campaigns to drive engagement and productivity of its distribution channels, including a social media promotion encouraging members to post a photo of their Vitality engagement activity for a chance to win in the weekly raffles and the Summer Triple Treat promo. Moreover, a select group of financial advisors from the agency force was tapped to serve as program ambassadors. Dubbed as the Philam Vitality Power Squad, they were specifically handpicked for embodying the Philam Vitality values to drive awareness and engagement among their clients and peers.

In July, the Philam Vitality Summit was held to further build relationship and encourage support for the program, gathering agency leaders and stakeholders to update them on the latest Philam Vitality initiatives. The event also served as a springboard to launch Active Joint Critical Protect, the first joint-life product in the Philippines that combines the benefits of protection and wellness in a single product and provides coverage for two persons.

Partnership Distribution recognizes the strength of Vitality's proposition, and fully committed to push the sales of Vitality Integrated Products, achieving 82% and 64% growth in seller penetration and annual net premium (ANP), respectively. The growth in sales also pushed program engagement, led by Distribution's primary ambassadors – its employees – who closed the year at a launch high of 65%. This enthusiasm haloed to BPI, primarily the bank partners, whose Vitality referrer ratio soared to 68% while slowly increasing momentum in their personal Vitality journey at 34%.

In its bid to own the wellness space, Philam Vitality continues to make its presence felt in major fitness events. In February, it sponsored the Bike Out leg of the Alveo Ironman Davao, generating more than 900 activations. In November, Philam Vitality supported the well-attended The Music Run (TMR) event held at the Filinvest City Events Ground through its reward partners, Garmin, as official event timer, and Toby's Sports, for the raffle prizes.

Philam Life continues to invest in institutionalizing Philam Vitality in its key systems and processes to ensure that it maintains a competitive and sustainable operating platform. It aims to build a robust operating environment that is well-equipped to support further innovation, improve customer-centricity and drive efficiency across its service delivery value chains.

Some of these technological initiatives include incorporating additional contactability validation in its distribution channels' primary point-of-sale (iPOS) to improve the membership enrolment and account creation process. The Distribution Portal was likewise enhanced to display comprehensive Philam Vitality member and policy information to provide financial advisors and business sales executives with quick, up-to-date access to their clients' Vitality dashboard. Moreover, the local Vitality Operations team worked hand-in-hand with its regional counterpart in expanding its core system and resource capacity to further improve and streamline its membership enrolment, application login and device points allocation processes.

With these key successes in 2018, Philam Vitality is at the best vantage point to build an engaging and sustainable wellness culture in the years to come.

INSURANCE OPERATIONS

Customer centricity has been the core of the strategy for Operations in 2018. In line with this, Philam Life streamlined its claims process and launched one-day processing of claims in its branches and on its digital platforms. This allowed customers to file their claims and receive their benefits via Credit to Account/ Pick Up Anywhere (CTA/PUA) facility. Through this process, the automatic crediting of benefits to the customer's bank account is facilitated, allowing them to claim their benefits in any BPI branch nationwide.

Operations has also launched better ways to communicate to the customers and distribution force, by increasing contactability and using mobile and digital platforms to provide updates. This enhanced the communication lines between Operations and the distribution force, which promoted better collaboration across functions.

Another notable accomplishment for the year is the continued success of the Customer Service Center (CSC) Lead Referral System to increase the Customer Service Officer interaction with existing customers – particularly walk-in customers via lead referrals. This resulted in PHP230 million in annualized premiums and increased productivity by agency.

Philam Life has re-established the 10,000 collection touchpoints for the convenience of customers and advisors. Third party collections such as Touchpay, bank networks, Bayad Centers, malls, and pawnshops are all available payment facilities 24/7, contributing to the over-arching goal of the company to deliver the best experience to customers.

Moving forward to 2019, Philam Life will continue to strive to find more ways to deliver delightful and seamless customer experience across all touchpoints.

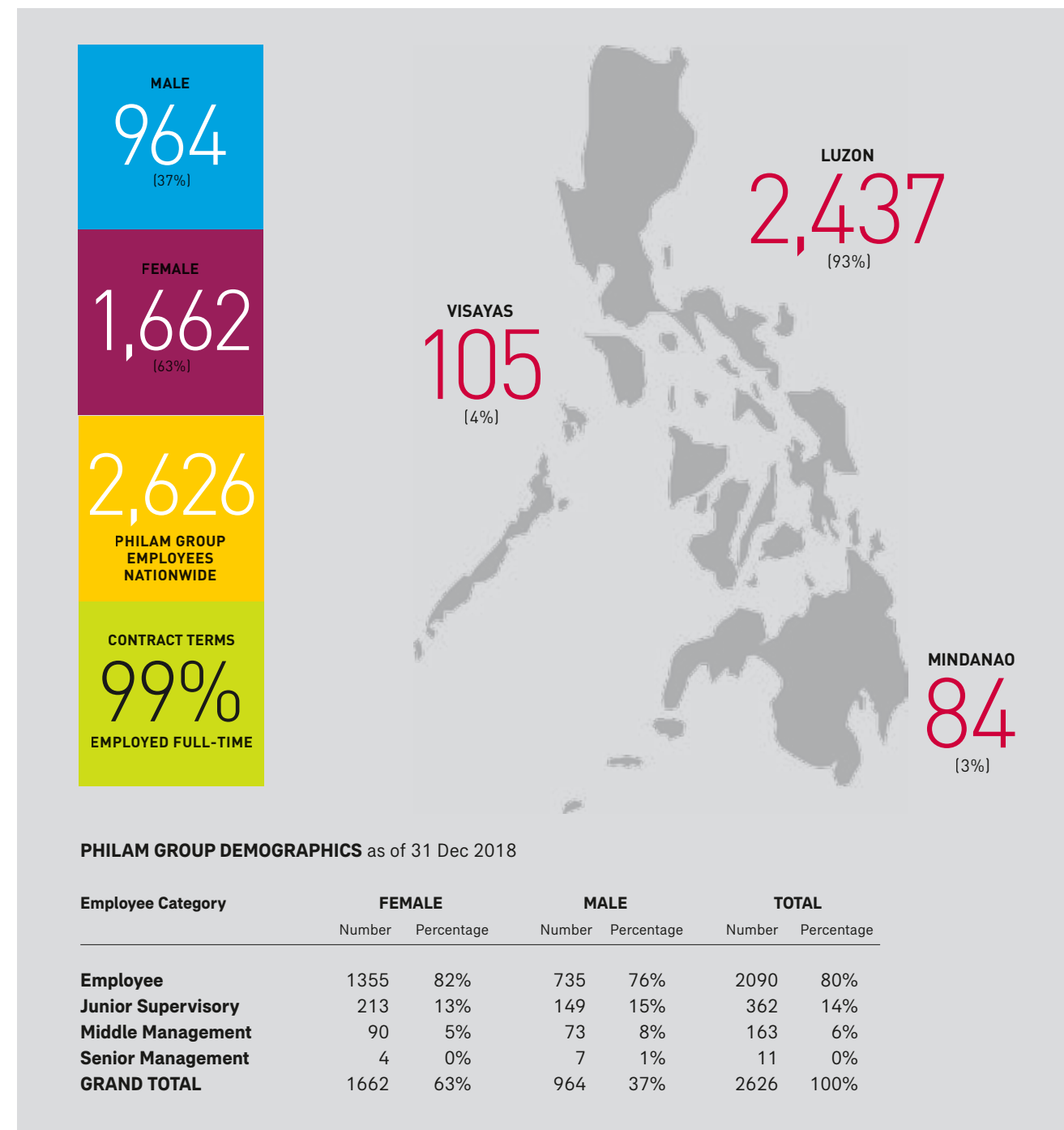
INFORMATION TECHNOLOGY

Information technology continues to gain significant progress in advancing the digital capabilities of Philam Life. In collaboration with various business units, several value-added projects were successfully delivered, resulting in a more efficient and robust technology landscape.

On technology infrastructure, a major milestone was accomplished in 2018 with the modernization of the data center. This project aligned the company with global standards and set the foundation to move to a cloud-based infrastructure. Moreover, a more stable platform ensures reliability and uninterrupted service to customers.

With the introduction of iCare/iServe mobile digital tools, and an online claims submission facility, providing after-sales services is no longer confined to the traditional channels such as branches and call centers. This gives more options and greater convenience to customers. The implementation of these technological improvements further supports the objective of becoming a customer-centric organization.

Transformative technologies in the pipeline such as Cloud, AI (Artificial Intelligence), Robotic Process Automation and Data Lakes, will position Philam Life as the leader in digital innovation in the Philippine life insurance industry.



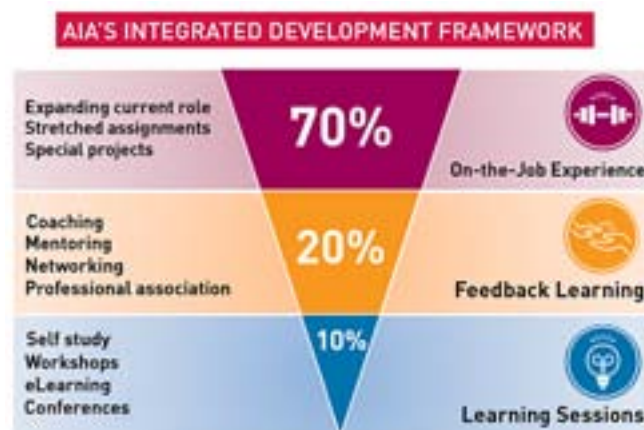
OUR PEOPLE

“I grew professionally and personally during my time in Philam Life”

Philam Life's culture is shaped by leaders who embrace the three essentials of leadership: Clarity, Courage, and Humanity. Leaders should possess clarity of vision, have purpose and business direction, demonstrate courage in their actions, and consider the human element in everything they do because insurance is a people business.

When these elements are brought to life every day, Philam Life employees experience a high-performing culture that cares and respects its people.

Philam Life subscribes to a comprehensive and holistic development in the belief that each employee can make a difference. The organization's holistic development opportunities ensure a proportionate way for employees to make the best out of their learning journey.



70% On-the-job Experience

The best learning opportunities come from providing employees on-the-job experience such as experiential learning, new project exposure, and job rotation and mobility to broaden their perspective and support their career aspirations.

20% Feedback Learning

Peer learning is an effective way for employees to learn from others. Coaching is a critical aspect of a manager's development of their teams. In addition, conferences, company events, networking opportunities, and regular team meetings can be venues where they can share their thoughts and suggestions, creating a natural setting for peer learning. The opportunity to learn from other company leaders is also available through the Mentoring Program.

10% Learning Sessions

Workshops, eLearning courses, certifications, and training programs can help bridge the gap in the team members' skills and capabilities.

Philam Life has an array of Core Programs that aim to address the needs of different segments of the employee workforce, targeted for Individual Contributors, People Managers and Senior Leaders in the organization. Below are the programs implemented by the organization to support the different developmental needs of its employees:

New Employee Orientation Program

A two-day program for all new joiners to understand the organization's Vision, Mission, and Strategic Priorities, including other employee essentials that are unique to working in Philam Life and how these contribute to the brand's promise.

Your Role in Safeguarding AIA's Interest

An eLearning course that increases the employee's awareness of critical regulatory issues and conduct that are key to

preserving the brand image, reputation, and transparency of the organization.

Manager Base Camp

A one-day program designed to equip people managers with core knowledge and practical tools to carry out team performance, developing and engaging teams, and safeguarding AIA's interest.

The Best of Me Program

A one-day program that helps individual contributors understand themselves and others, and why empowerment is important across all levels in the Philam Group and AIA.

The AIA Manager Program

A three-part series that equip and empower people managers to bring out the best in their teams, to build a culture that not only values performance, but also respects and cares for employees.

People Manager Accelerator Program (PMAP)

A structured and modular program designed to build on existing programs to provide people managers with a comprehensive development journey. This focuses on four core skills that are essential for all people managers in AIA.

Performance Development Dialogue Series

A three-part session that provides clarity on employee expectations and the progress made to help them become aware of how they contribute to the organization's shared success.

The AIA Manager as Coach Program

A flagship senior development program that refines the senior leaders' leadership style and empowerment of teams through coaching, and developing effective working relationships.

Enterprise Leadership Program

An executive development program that is designed to help the senior leadership team embrace the AIA Operating Principles and Leadership Essentials, as well as achieve the Propel ambitions.

Philam Life regularly updates its employees about various learning and development opportunities through varied internal communications channels. The organization values its people and is committed to help them develop their skills and capabilities to succeed in their role in the company, and achieve personal and professional growth.

Promoting Health and Well-Being

The Philam Group has its own program that allows people to take charge of their health by helping them lead a healthier lifestyle, in fulfilment of its brand promise of helping people live healthier, longer and better lives.

Philam Vitality is the cornerstone of all the health and wellness programs within the organization. Employees are encouraged to lead

2018 EMPLOYEE TRAINING/PROGRAMS

INDIVIDUAL CONTRIBUTORS

Programs	No. of Employees	Hours	Total Hours
New Employee Orientation Program	139	17.0	2,363.0
The Best of Me Programme	1,159	8.5	9,851.5
I Make It Possible	1,745	8.5	14,832.5
External Trainings	73	17.0	1,241.0
Life Office Management Association	231	8.5	1,963.5
			30,251.5

MIDDLE MANAGERS

Programs	No. of Employees	Hours	Total Hours
New Employee Orientation Program	7	17.0	119.0
The AIA Manager I Programme	107	8.5	909.5
The AIA Manager II Programme	263	8.5	2,235.5
People Manager Accelerator Programme	152	8.5	1,292.0
People Manager Conference	83	8.5	705.5
			5,261.5

SENIOR LEADERS

Programs	No. of Employees	Hours	Total Hours
Crucial Conversations	26	4.0	104.0
Influencer	28	4.0	112.0
MANCOM Pit Stop	60	24.0	1,440.0
			1,656.0

a healthier lifestyle so they can live better and get more out of life. Wellness initiatives are implemented to encourage and motivate employees in their journey towards total wellness in a fun and collaborative way.

Wellness-related benefits and activities such as the annual physical exam, flu vaccination, blood donation drive, Larong Philam, PLIA tournaments, Get Active! Activities (Zumba, Yoga etc.) are made available to employees. In 2018, the "Race to Gold" program was launched to encourage employees to work together as a team and participate in a friendly competition to reach Gold status in Philam Vitality. All activities are anchored on further promoting health and wellness, productivity, engagement, and a culture of collaboration within the organization.

Rewarding Performance

Philam Life provides a dynamic work environment that encourages employees to bring their best to work each day. In return, the company offers a Total Reward program including growth opportunities and a comprehensive package of pay and benefits which aims to give employees the choice and flexibility to meet their individual needs.

Philam Life's Reward Philosophy is built on the principles of providing an equitable, motivating and market-competitive total remuneration package that fosters a strong performance-oriented culture. Its strong pay-for-performance culture is

aligned with the Company's operating philosophy of doing the right thing, in the right way, with the right people. It aims to ensure that individual rewards and incentives relate directly to the individual's performance, the function in which they work, and the overall performance of the business.

The Employee Share Purchase Plan (ESPP) is an important element of the Total Reward program which offers a convenient and attractive means for employees to further benefit from the Company's future success through its one-for-two share matching. The subscription from employees has been steadily increasing, demonstrating their commitment to the long-term success of the company.

The Company also has long-term incentive programs that provide executives certain rewards depending on the performance of the company. The Long Term Incentive (LTI) Plan is a discretionary scheme provided by AIA to motivate and reward executives who have not only made a significant contribution to AIA's and Philam Life's performance and success, but who also have the potential to contribute more in the future. It operates through the grant of Restricted Share Units (RSU) and Share Option (SO) Schemes. This means that their contributions to AIA's sustained and profitable performance mean that there is also the potential for the awards to be financially rewarding for them.

OUR MANAGEMENT TEAM

as of 1 Mar 2019



KELVIN ANG
Chief Executive Officer



GIGI PIO DE RODA
Chief Operations Officer



ERIC NICDAO
Chief Agency Officer



LEO TAN
Chief Marketing Officer



SURENDRA MENON
Chief Executive Officer, BPI-Philam



ARLEEN MAY GUEVARA
Chief Investment Officer



JOSEPH DE DIOS
Chief Risk Officer



CARLA DOMINGO
Chief Legal Officer and
Corporate Secretary



GARY OGILVIE
Chief Financial Officer



ANNA VILLAMOR
Chief Human Resource Officer



FERDINAND BERBA
Director of Strategic Initiatives



BPI-PHILAM LIFE ASSURANCE CORPORATION

BPI-Philam Life Assurance Corporation (BPLAC) persists in its mission to empower Filipinos to achieve financial security and prosperity. The joint venture between Philam Life and the Bank of the Philippine Islands continues to be the largest bancassurance operation in the Philippines, once again attaining the “Best Life Insurance Company in the Philippines” award by the international publication *World Finance Magazine*.

BPLAC now provides accessible and affordable life insurance for Filipinos through over 1,000 local BPI branches. Its salesforce is continuously growing, along with the expansion of the branch network. It ended 2018 with 1,306 bancassurance sales executives nationwide.

On the product side, BPLAC launched Smart Health Shield, the very first in BPI-Philam’s product line to provide protection for the whole family, specifically against mosquito-borne and other minor illnesses prevalent in the Philippines. Smart Health Shield is a yearly renewable health and accident insurance product that provides fixed coverage upon diagnosis of five mosquito-borne illnesses (dengue, Zika, chikungunya, Japanese encephalitis, and malaria) and three other minor illnesses (cholera, typhoid fever and leptospirosis).

BPLAC celebrated Bancassurance Month in October, bringing client engagement activities to the bank branches. Digital marketing was also a key component of the celebration, focusing on educating Filipinos about the benefits of life insurance and how they can get their own policy. The success of these activities brought in over 35,000 new leads.



PHILAM ASSET MANAGEMENT, INC. (PAMI)

Philam Asset Management, Inc. (PAMI) proved to be one of the largest asset and wealth managers in the Philippine mutual fund industry. With more than PHP62 billion assets under management as of December 2018, PAMI rightfully moved up in its industry ranking, beating out another formidable player.

Supporting the company’s commitment to helping Filipinos live better through financial wellness, PAMI boasts of award-winning funds such as the Philam Managed Income Fund, Inc (PMIF), Philam Dollar Bond Fund (PDBF), PAMI Asia Balanced Fund, Inc, and Philam Fund, Inc., which were awarded for their performance by the Philippine Investment Funds Association (PIFA).

Alongside the company’s promise to be a valuable partner in creating personalized solutions for customers, PAMI created several campaigns to empower its sales force. This

includes Wellness Activities and Monthly Gamification which awarded top sales contributors through different games and themes every month. The Training and Licensing Caravan was implemented nationwide to push for Certified Investment Solicitor (CISol) licensure. Through this caravan, CISols were equipped with operational procedures that helped them seamlessly close sales.

In 2018, PAMI held the first-ever Agency Awards Night where the exclusive club, the PAMI Premier League, was introduced. The PAMI Premier League is an exclusive group of licensed and active CISols who successfully met their target sales with a minimum of PHP50 million.

In 2018, PAMI maintained its leadership in the Philippine asset management industry, managing nine funds from different asset classes to address different client risk appetites.



Grade 5 students after the Philam SAVES program together with the volunteer financial advisors and Philam Foundation.

PHILAM FOUNDATION

Philam Foundation, Inc. continues to fulfil Philam Life’s commitment to support nation-building through its “Healthy, Wealthy and Wise” programs, represented by the Alliance for the Philippines’ Health and Advocacy (ALPHA), Philam Savings Awareness and Values Education Sessions (Philam SAVES) and Philam Paaralan, respectively.

Philam Paaralan, the first flagship program of Philam Foundation in partnership with the Department of Education, aims to make education more accessible to Filipino school children by building fully furnished schools in calamity-stricken, un-served and under-served areas around the country. In 2018, 34 classrooms were built, ending the year with 171 classrooms built all over the Philippines through the institutional annual donation of the Philam Group and in partnership with other organizations such as LBC Foundation, AY Foundation, ABS-CBN Lingkod Kampamilya Foundation, Team Energy Foundation, and the Rotary Club of San Juan. Institutions such as the Embassy of Japan in the Philippines and the Office of the Vice President of the Philippines’ Angat-Buhay Program are also partners of the program, which now has presence in 50% of the provinces in the Philippines.

Philam SAVES, the Foundation’s program geared towards addressing the financial literacy problem in the country, has been gaining ground since its launch in 2017. In 2018, 43



Turnover of one-storey two-classroom building in partnership with ABS-CBN Lingkod Kapamilya Foundation, Inc. in Candau-Ay, Dumaguete City.

Philam SAVES sessions were conducted, educating 13,454 students, parents and teachers, and engaging 631 volunteers, with 1,801 volunteer hours rendered.

For its efforts in financial literacy, Philam SAVES was recognized by the Asia Responsible Entrepreneurship Awards under the Social Empowerment Category, besting hundreds of entries across Asia. The awards body is a regional recognition program to honor enterprises in the field of corporate responsibility.

A year after its launch, the Foundation’s ALPHA Program has achieved much in furthering its cause to address the health challenges faced by Filipinos through data-driven



The first ALPHA General Assembly was held on February 23-24, 2018 at Novotel Cubao. The assembly was attended by more than 50 doctor champions, registrars and IT personnel from 17 partner hospitals across the country.



(Left to Right) Alexandra Tracy, President of Hoi Ping Ventures-Hongkong, Max Ventura, President of Philam Foundation, Gjay Malapo, Program Office of Philam Foundation, and Lt. Gen. Sudhir Sharma, Former Quarter Master General of the Indian Army and Advisor to Enterprise Asia.

and evidence-based health advocacies and projects. For its initial salvo, the program’s partnership with Cancer Registry Philippines (CARE) established the first hospital-based cancer registry program in the country, with the goal of gathering data on cancer in the Philippines. The first General Assembly with partner hospitals was held in February, with 20 hospitals nationwide participating in the installation of the cancer registry.

In December, ALPHA held the first Lung Cancer Biomarker Summit Meeting, which was attended by the top five pharmaceutical companies that manufacture lung cancer medicines. Through the meeting, a centralized testing center for lung cancer biomarker was established in Metro Manila



Memorandum of Agreement signing in partnership with LBC Foundation and in coordination with the Office of the Vice President of the Philippines-Angat Buhay Program. From left to right: USEC. Philip Dy, LBC Foundation Executive Director Nena Wutrich, Philippine Vice President Leni Robredo, Philam Foundation President Max Ventura, and Philam Foundation Program Officer Regina Monsayac. Photo Courtesy of the OVP Communications Team.

to make the testing process more effective and efficient for patients.

Within the Philam Life organization, the Foundation has also made its mark through the Philam Centralized Aid for Employees in Need (Philam CAN) and Philam Solidarity and Welfare Fund (Philam SoWel Fund) programs, aimed to provide assistance to employees and financial advisors. In 2018, 52 employees were beneficiaries of the Philam CAN program, with PHP555,000 released to provide financial assistance. For the Philam SoWel Fund, PHP750,000 was disbursed to provide financial assistance to 81 agency financial advisors and their staff.

CORPORATE GOVERNANCE

Philam Life confirms its full compliance with the Code of Corporate Governance. Its commitment to the highest standards of corporate governance is rooted in the belief that a culture of integrity and transparency is essential to the consistent achievement of its goals. Creating a sustainable culture, where trust and accountability are as vital as skill and wisdom, steers the Board towards achieving long-term value for shareholders and customers, and strengthens confidence in the institution.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board of Directors exercises all the powers of the corporation, and all business conducted and all properties of the corporation are controlled and held by them. It is completely independent from management and major stockholders. It is accountable to the shareholders and as such, will ensure the highest standard of governance in running the Company's business and setting strategic directions. The detailed roles and responsibilities are set forth in the By Laws and the Manual of Corporate Governance.

In 2018, the Board of Directors, through its Board Risk, and Audit and Related Party Transaction (RPT) Committees, conducted a regular review of the Company's material controls (including operational, financial and compliance controls) and risk management systems. The Board Risk Committee, the Audit and RPT Committee and the Board of Directors have declared their satisfaction and confidence on the Company's internal controls and risk management systems.

BOARD INDEPENDENCE & DIVERSITY

Each of the independent directors meets the guidelines set in the Manual of Corporate Governance. None of the independent directors has any business or significant financial interest in the Company or any of its subsidiaries. They, therefore, continue to be considered independent.

Philam Life adopts the AIA Policy on Diversity, and believes in the power of diverse, talented people to create value and deliver on their customer and shareholder expectations. Fundamental to all the Company's inclusion efforts is zero-tolerance for discrimination or harassment in any form, across all aspects of diversity, including gender, race, nationality and sexual orientation.

BOARD PROCESS

The Board meetings are held on a quarterly basis unless a special meeting is necessary to discuss urgent matters. Minutes of meetings of the Board and all Committees are kept by the Corporate Secretary, and are open for inspection by the Board and Stockholders upon request. Board materials are sent to the members at least five (5) business days in advance of the scheduled board meetings.

BOARD OF DIRECTORS	
Chairman of the Board	Jacky Chan
Executive Director	Kelvin Ang, CEO
Non-Executive Director	Ariel Cantos Clive Anderson
Independent Directors	Francis Estrada Antonino Aquino Joaquin Quintos IV Doris Magsaysay Ho
Corporate Secretary	Carla Domingo

In addition to the regular meetings, the directors also engage in informal meetings on a quarterly basis to further discuss issues and strategies. Non-executive directors also find time to meet separately to discuss the business affairs of the Company. Independent Directors likewise regularly meet with management, the internal auditors, and the external auditors, separately, to ensure proper check and balance is achieved by the Company.

BOARD AND SENIOR MANAGEMENT SUCCESSION AND SELECTION PROCESS

The Board ensures that plans are in place for orderly succession to the Board and senior management to maintain a balance of appropriate skills and experiences within the Company. The Company's Corporate Governance Manual prescribes a formal, rigorous and transparent procedures for the selection and appointment of directors of the Board and senior management. Appointments to Philam Life Board of Directors or Senior Management are made on merits and subject to objective criteria as set forth in the Manual. Careful deliberation and consideration is done to ensure that nominees are qualified to sit in the Board or in Senior Management. The Company, through its major shareholder, considers the knowledge, competencies, skills, and experience that the nominee-director or executives, seriously taking into account the Company's business objectives and strategies. The Company ensures that its Board membership and Senior Management consist of persons with sufficiently diverse and independent backgrounds and possesses a record of integrity and good repute. Part of the selection process of the Company is the use of independent/third party professional search firms to identify and source qualified directors and senior executives.

ELECTION OF DIRECTORS

The Board uses a transparent procedure for the election of directors. The Governance, Nomination and Compensation Committee looks into the qualifications of directors and thereafter the Board deliberates on the recommendation of

the Committee. At the stockholders meeting, the shareholders are duly informed by the Corporate Secretary of the qualified nominees and of the voting method and vote counting system. Each stockholder with voting privilege will be entitled to cumulate his vote in the manner provided by law. After the election process, the Corporate Secretary will count the votes and thereafter declare the duly elected members of the Board.

ORIENTATION PROGRAMME AND TRAINING

For newly elected directors, the Corporate Secretary schedules and provides a comprehensive orientation to explain the organizational profile, charters, by laws, policies and procedures of the Company. In compliance with the Circular issued by the Insurance Commission, Philam Life ensures that all its directors have attended a training and orientation course on Corporate Governance conducted by duly accredited training providers of the Commissions.

The Board members are also encouraged to attend further training and inform the Corporation on such trainings

attended. Philam Life provides necessary resources in developing and updating its director's knowledge and capabilities. The Company encourages the directors to attend continuous professional education programs such as Professional Directors' Program of the Institute of Corporate Directors. In fact, Mr. Francis G. Estrada, one of the independent directors of the Company, is the Chairman of the Board of ICD, and he has attended various round-table discussions, trainings and seminars undertaken by said institution.

On 23-27 January 2018, Messrs. Chan, Estrada, Aquino, and Quintos IV attended the AIA Board of Directors Program held at AIA Leadership Centre at Bangkok Thailand. On 10-12 October 2018, Mr. Chan and Ms. Magsaysay-Ho also attended the same Program. On 14 December 2018, Ms. Magsaysay-Ho also attended a Corporate Governance Seminar conducted by the Center for Global Best Practices.

PERFORMANCE EVALUATION

The Board has established its own performance evaluation, the criteria of which are based on the Insurance Commission's Circular on Corporate Governance. Every April of each year, the Board, as well as the Committees, conducts annual self-assessment of its performance, the results of which are submitted to the Governance, Nomination and Compensation Committee and to the Board of Directors.

AUDIT AND RPT COMMITTEE	
Antonino Aquino (Independent Director)	Chairman
Joaquin Quintos IV (Independent Director)	
Francis Estrada (Independent Director)	
Jacky Chan* (Non-Executive Director)	

*effective 04 February 2019

EXECUTIVE COMMITTEE	
Jacky Chan (Non-Executive Director)	Chairman
Kelvin Ang* (Executive Director)	Vice-Chairman
Antonino Aquino (Independent Director)	

*effective 01 March 2019

INVESTMENT COMMITTEE	
Francis Estrada (Independent Director)	Chairman
Kelvin Ang* (Executive Director)	
Antonino Aquino (Independent Director)	

*effective 01 March 2019

GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE	
Jacky Chan (Non-Executive Director)	Chairman
Kelvin Ang* (Executive Director)	
Doris Magsaysay Ho (Independent Director)	

*effective 01 March 2019

BOARD RISK COMMITTEE	
Francis Estrada (Independent Director)	Chairman
Doris Magsaysay Ho (Independent Director)	
Antonino Aquino (Independent Director)	
Clive Anderson* (Non-Executive Director)	
Kelvin Ang** (Executive Director)	

*effective 04 February 2019 **effective 01 March 2019

2018 MEETINGS OF THE BOARD OF DIRECTORS

MEMBER	BOARD	AUDIT & RPT COMMITTEE	GOVERNANCE, NOMINATION & COMPENSATION COMMITTEE
	22 January 2018 11 April 2018 24 April 2018 (Outgoing) 24 April 2018 (Organizational) 20 July 2018 16 October 2018 22 November 2018 17 December 2018	22 January 2018 24 April 2018 20 July 2018 16 October 2018	02 April 2018 01 October 2018 14 December 2018
	NUMBER OF MEETINGS HELD ATTENDED FOR THE YEAR 2018		
	8 MEETINGS (100%)	4 MEETINGS (100%)	3 MEETINGS (100%)
Clive Anderson*	-	-	-
Kelvin Ang**	-	-	-
Antonino Aquino	8 meetings	4 meetings	-
Jacky Chan	8 meetings	-	3 meetings
Ariel Cantos	8 meetings	-	3 meetings
Francis Estrada	8 meetings	4 meetings	-
Doris Magsaysay Ho	8 meetings	-	3 meetings
Paul Lloyd***	8 meetings	-	-
Joaquin Quintos IV	8 meetings	4 meetings	-

* elected effective 04 February 2019 ** elected effective 01 March 2019 *** resigned effective 04 March 2019

In the Annual Board Performance Evaluation Survey, the Board members are required to rate the performance of the Chairman, the CEO, the Board, the Board Committees based on the standards and criteria provided therein. Among the criteria set include, but are not limited to, the following: the appropriateness of the Board's composition; the directors' skills, expertise, and their participation and contribution in the Board and Committee discussions; the working relationship among the Board, the Chairman, and the senior management; the overall performance of the Chairman, the CEO, the independent directors, the Board and the various Board Committees. In the Survey, the Board members are required to give the subject either an 'excellent'; 'consistently good'; 'adequate'; or 'needs major improvement' rating. The directors are also required to provide other ideas and suggestions on how they could further improve the performance of the Board. After accomplishing the survey, the directors will submit the same to the Corporate Secretary, who will then consolidate and evaluate the answers and submit the results to the Governance, Nomination and Compensation Committee for its approval. The results will then be reported to the Board for its notation.

For 2018, the Annual Board Performance Evaluation Survey was participated by the members of the Board, where they registered an overall rating of "excellent". This clearly exemplifies the effectiveness and competence of the Board of Directors. It also shows that the Board understands the objectives of the Company, as well as the major role it plays in the Company, to its shareholders and stakeholders.

BOARD MEETINGS IN 2018

To exercise its discretionary powers and management oversight of the Company, the Board of Directors sees to it that it meets on a regular basis as required by the law and Company By-Laws. In all meetings, as provided by the Company By-Laws, the presence of four (4) out of seven (7) directors is necessary to constitute a quorum, and the affirmative votes of the majority of the directors present are required to decide a matter, except when the law or the By-Laws require a higher number.

Before the start of the financial year, the Corporate Secretary advises the members of the Board of the schedules of their meetings, which may change subject to their availability and

other reasonable circumstances. Board meetings are regularly set on a quarterly basis, while special meetings are called by the Chief Executive Officer, or as provided in the Company-By-Laws.

Five (5) days prior to the scheduled meetings, the Corporate Secretary sends to the members of the Board their respective meeting packs, which would contain, among others, the Board and Committee meeting minutes, the management report and financial highlights, and other items that need action and approval of the Board.

For 2018, the Board of Directors had a total of eight (8) meetings, where the Board posted an overall attendance rate of 100%.

FEE STRUCTURE AND REMUNERATION OF DIRECTORS

The Independent Directors, who compose majority of the Board of Directors of Philam Life, play significant roles in order to achieve the Company's business objectives today and in the future. As independent directors, they effectively participate and provide objective, independent judgment in the business affairs of the Company, and at the same time ensure that proper checks and balances are in place.

Considering the above, and in view of the stricter corporate and regulatory environment in the country, the Company believes that the independent directors should be adequately compensated for the knowledge, skills, and expertise they share and impart to the Board; for the time and efforts they provide to the Company; and for potential risks and liability they may be exposed of as its members. The fee structure of the independent directors are based on various factors, such as but not limited to director's qualification and experience, skills, and expertise; financial services sector benchmark; market condition; and regulatory environment.

As reviewed and approved by the shareholders of the Company on an annual basis, the independent directors receive fixed directors' fees per Board and Committee meeting attended, and annual bonus. For 2018, the total annual gross directors' fees of the independent directors of the Company amounted to Philippine Pesos Five Million Nine Hundred Four Thousand (PhP9,904,000.00), broken down as follows: 1) Mr. Francis G. Estrada – (P1,494,000.00); 2) Mr. Antonino Aquino (P1,530,000.00); 3) Mr. Joaquin Quintos, IV (P1,386,000.00); and 4) Ms. Doris Magsaysay-Ho (P1,494,000.00). The executive and non-executive directors do not receive any remuneration for their directorship in Philam Life.

REMUNERATION POLICY FOR EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

At Philam Life, we provide total rewards package to the Executive Director and Chief Executive Officer that consist of guaranteed and variable components that rewards performance and value created for the Company. Our CEO's reward components support our rewards framework: 1) Guaranteed compensation which includes base salary, allowances and contractual bonus that is reviewed annually to reflect market, individual performance and value created for the company; 2) Short Term Incentive to reward achievement of business and individual performance metrics enabling the individual to share in the immediate success of the company; 3) Discretionary Long Term Incentive (in the form of Restricted Share Units and/or Share Options) to motivate and reward the individual who have contributed.

DIVIDEND POLICY

Philam Life shall declare and pay cash dividends, the amount of which shall be determined through consideration of the following factors: a) local statutory requirements relating to solvency and liquidity; b) ongoing sustainability of corresponding insurance fund taking into consideration likely future changes in regulatory requirements; and c) likely future strategic initiatives.

The Company declared cash dividend of Thirty Seven Pesos and Twenty One Centavos (P37.21) per share, or a total amount of Seven Billion Four Hundred Twenty Five Million Six Hundred Fifty Two Thousand Five Hundred Sixty Seven Pesos and Ninety One Centavos (P7,425,652,567.91) Philippine Currency payable to all shareholders of the Company in proportion to their holdings as of 01 March 2019.

CONTRACT MANAGEMENT

In October 2018, the Company has adopted its Guidelines on Contract Management, which aims to support the Philam Group in developing a sound, consistent and effective approach to manage its diverse range of contracts. It deliberately focuses on the activities associated with the operational phase of the contract from negotiations period up to after the contract has been awarded and is up and running. To facilitate proper implementation, the Guidelines were cascaded to our records coordinators and contract managers.

BOARD OF DIRECTORS' PROFILES



JACKY CHAN (55)
AIA Regional Chief Executive
Non-Executive Director
Chairman of the Board

Mr. Jacky Chan (Aged 55), is the Regional Chief Executive responsible for the Group's businesses operating in Hong Kong and Macau, Singapore and Brunei, Indonesia, Philippines and Cambodia as well as the Group Agency Distribution. He is a director of various companies within the Group, including AIA Co. and AIA International. Mr. Chan has extensive life insurance industry experience having worked at AIA for the past 31 years. Prior to becoming a Regional Chief Executive, Mr. Chan was Chief Executive Officer of AIA Hong Kong and Macau since 2009. Previously, he held several senior positions including the Country Head of AIA China, responsible for overall business performance and results in China; Executive Vice President - Distribution & Marketing of Nan Shan Life Insurance - Taiwan; Senior Vice President & Head of Life Profit Centre of AIA - Asia (ex-Japan & Korea).

Mr. Chan holds a Bachelor of Science Degree from the University of Hong Kong. He is a Fellow of Society of Actuaries (FSA), a member of American Academy of Actuaries (MAAA) and a Fellow of Canadian Institute of Actuaries (CIA).

Mr. Jacky Chan attended the following trainings in 2018: Board of Directors Program, January 24-26, 2018 and Oct 12, 2018 at AIA Leadership Training Centre at Bangkok; and, Executive Breakthrough Program, June 30 – July 5, 2018 by Egon Zehnder.



ARIEL CANTOS (57)
Non-Executive Director
Chief Executive Officer
Jun 24, 2016 – Feb 28, 2019

Aibee Cantos is currently the Senior Advisor to the CEO of Philam Life, a member of the Board of Directors of Philam Life, and sits as Chairman of the Board of Philam Foundation.

Prior to his appointment, he was the CEO of Philam Life where he focused on building a strong team and operating platform to deliver sustainable business growth. In 2017, he was also the President of the Philippine Life Insurance Association (PLIA) and Chairman of the ASEAN Insurance Council.

Before he became the CEO of Philam Life, he held the role of CEO of BPI-Philam, the bancassurance joint venture of Philam Life and the Bank of the Philippine Islands, and the leading bancassurance operation in the Philippines. Prior to spearheading the growth of BPI-Philam in 2013, he held the

position of Senior Vice President and Chief Agency Officer at Philam Life. He had an enriching and successful career in Philam Life's Agency Distribution Channel, where he served for close to 30 years. He held various positions within the channel such as Profit Center Head of Accident & Health Products, Director of Manila Agencies, and Director of Provincial Agencies.

Mr. Cantos graduated with a degree in Economics, Honors Program, from Ateneo de Manila University.



KELVIN ANG (53)
Executive Director
Chief Executive Officer
March 1, 2019 – present

Mr. Kelvin Ang, Philam Life's Chief Executive Officer is a home-grown talent with over 20 years of service in AIA. He has served in various Leadership and Agency Distribution roles across the AIA Group Office and the local Business Units – including Hong Kong, Malaysia, Indonesia, Vietnam and China. In his role as Chief Agency Officer of China and General Manager of Shanghai, he played a key role in the success of AIA China's agency transformation. Mr. Ang also led the successful AIA-ING agency integration in Malaysia in 2015-2018. After his successful stint in AIA Malaysia, he was appointed as Regional Chief Agency Officer, with AIA Hong Kong, China and Vietnam in his portfolio, with the mission to future proof the business through digitalization and new market expansion.

Mr. Ang earned his Bachelor's degree at the Royal Melbourne Institute of Technology in Australia and his Master's degree in Business Administration from Bath University in United Kingdom. He is also a corporate member of the Philippine Life Insurance Association Inc. (PLIA).



CLIVE ANDERSON (54)
Non-Executive Director

Clive Anderson is an Independent Director of Philam Life. He is the Group Senior Regional Counsel for AIA Group, providing leadership and oversight to the organization's legal and business functions in support of operations in the Philippines, Indonesia, Cambodia, Hong Kong, and Singapore.

Prior to joining AIA, he provided leadership and guidance to Manulife Financial initially as Vice President and Chief Compliance Officer at Manulife Financial Canada, before taking charge as Vice President and Head of Legal and Compliance of Manulife Financial for ASEAN.

Mr Anderson graduated with a Bachelor of Laws degree at Osgoode Hall, York University and attained his Bachelor of Arts in French with minors in Spanish and Political Science from Acadia University.



FRANCIS ESTRADA (68)
Independent Director

Francis G. Estrada serves or has served as independent director and Board Committee Chair in a number of leading publicly listed companies like: Ayala Land, Inc.; Philam Life; Energy Development Corporation; RCBC; RCBC Savings Bank; Engineering Equipment Inc., etc.

He serves or has served on the Boards of a number of private companies in both the profit and not-for-profit areas.

He also serves (or has served) as Board Chair of the Institute of Corporate Directors, De La Salle University, Philippine Military Academy, the Development Bank of the Philippines Advisory Council, the Armed Forces of the Philippines Multisectoral Governance Council and the De La Salle (Philippines) Investment Committee.

He has served as Trustee, Governor or board member of the: Asian Institute of Management, De La Salle University, Xavier Labor Relations Institute (India), Shanghai Jiao-tung University School of Management (PRC), Clean Air Asia, Institute for Solidarity in Asia, Armed Forces of the Philippines Multi-Sectoral Governance Council, the Philippine Board of Investments Multi-Sectoral Governance Council and the Sociedad de Beneficiencia, among others.

He has served as President/CEO of: the Asian Institute of Management, William E. Simon and Sons (Asia) LDC from 1992 to 1997 – an investment partnership he co-founded with former US Treasury Secretary, William E. Simon.

He was President and Chief Operating Officer of Asian Oceanic Holdings Limited from 1983 to 1991 – an investment banking partnership he co-founded with former Amercian Express Bank Chairman/CEO, Richard M. Bliss.

He was Senior Vice President, ASEAN Regional Coordinator for Indonesia of Bancom Group Incorporated from 1974 to 1982. He concurrently served as Managing Director and Chief Operating Officer of P.T. First Indonesian Financing and Investment Corporation (“Ficorinvest”), a joint-venture merchant banking partnership between Bank Indonesia (the Indonesian central bank) and the Bancom Group of the Philippines from 1975-1980.

Following his return to the Philippines in 1997, Mr. Estrada was Chairman and was General Partner of Equity Managers Asia, Inc., an investment firm which he co-founded. He has established a number of Asia-related financial institutions and commercial enterprises within and outside the Asian region and advised on numerous capital-raising, turn-around and crossborder financial transactions.

He has served as board director with over 40 public and private enterprises in the Australasia region and the US.

Mr. Estrada graduated “With Distinction” from AIM with a Master in Business Management in 1973 and completed the Advanced Management Program at the Harvard Business School in 1989. He obtained his Bachelor of Science in Business Administration and Bachelor of Arts degrees from De La Salle University in 1971 where he was awarded the institution’s Leadership Award.



ANTONINO AQUINO (70)
Independent Director

Antonino T. Aquino, Filipino, 70, has served as Director of ALI since April 2009. He is also a Director of Manila Water Company, Inc. (MWC), another publicly listed company, since 1998. He was the President of ALI from April 2009 to April 2014, MWC from April 1999 to April 2009, and Ayala Property Management Corporation from 1989 to 1999. Currently, he is a Board member of Nuevocentro, Inc., Anvaya Beach & Nature Club and Mano Amiga Academy, Inc. He is also a private sector representative in the Multi Sectoral Advisory Board of the Philippine Army and the Multi Sector Governance Council of the Armed Forces of the Philippines and the Department of National Defense. He was named “Co-Management Man of the Year 2009” by the Management Association of the Philippines for his leadership role in a very successful

waterworks privatization and public-private sector partnership. In 2015, Mr. Aquino was elected as Director of The Philippine American Life and General Insurance Company (Philam). He earned a degree in BS Management and completed academic requirements for Masters in Business from the Ateneo de Manila University in 1968 and 1975, respectively.

Mr. Aquino attended the seminars on Right of Privacy and Obligation of Transparency and Challenges and Drivers of Talent Development: A Board Perspective held on 11 August 2017 and 10 May 2017, respectively.



DORIS MAGSAYSAY HO (66)
Independent Director

Doris Magsaysay Ho is the President and CEO of A. Magsaysay, Inc. which has a network of offices strategically mapped in the Philippines, Asia, North America and Europe, with interests in shipping, hospitality and tourism, transport and logistics, healthcare, oil and gas and specialized engineering and trade. Ms. Magsaysay-Ho also serves as Chair, Director, Trustee or Member of various organizations such as Lorenzo Shipping Corp., Fairmont Shipping Ltd., Makati Business Club, Philippine Interisland Shipping Association, Steamship Mutual Underwriting Association, The National Corn Competitiveness Group, Asia Society Philippine Foundation, Inc., Asia Society (New York), Metropolitan Museum Manila, The Hague Process on Refugees and Migration, First Philippine Conservation Inc., World President’s Organization and IPO Philippines Advisory Council.

In November 2015, the Office of the President of the Philippines conferred upon her the Order of Gawad Mabini with the rank of Commander.

Ms. Magsaysay-Ho is the recipient of several awards such as Asia CEO’s Global Filipino Executive of the Year in 2012, Lloyd’s Asia’s Lifetime Achievement Award in 2011, The Outstanding Manila Award in 2005 and Ernst & Young’s Social Responsible Entrepreneur Award in 2004. In 2018, she was awarded the Seatrade Asia Personality of the Year Award and the MVP Grand Bossing Award.

Ms. Magsaysay-Ho attended the seminar on Corporate Governance conducted by SGV on 08 December 2017 and also on 14 December 2018 conducted by the Center for Global Best Practices.



JOAQUIN QUINTOS IV (59)
Independent Director

Jajo is currently a senior executive at First Philippine Holdings, a publicly listed Philippine conglomerate engaged in energy, property, construction, manufacturing, healthcare, and education businesses. He joined FPH in 2015 and is currently a board director in various operating subsidiaries of the group. He leads the business development efforts of FPH. In his operational role, Jajo runs the group's newly established education business, First Industrial Science and Technology School, as its President. Jajo also runs the group's recently acquired healthcare business, Asian Eye Institute, where he serves as the Chairman of the Executive Committee. In addition, Jajo also drives the digital technology initiatives of the group and serves as President of Infopro Business Solutions, FPH's in-house shared services unit. He is a shareholder of Prople, a privately held software and business process services company, where he previously served as CEO from 2009 to 2015. Jajo was also the former President of IBM Philippines. He held various management positions

during a successful 27 year career at IBM from 1982 to 2009, including assignments at IBM's headquarters in Singapore and New York. Jajo currently holds various board positions in leading companies and non profit organizations in the Philippines. He previously served the boards of De La Salle University Manila, STI Education Services, and iPeople, the holding company of Mapua Institute of Technology. He also serves as an advisor to many technology start up companies in the Philippines and abroad. He is a graduate of the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, cum laude. He participated and completed the New York Marathon in 2007.

BOARD SUPPORT



CARLA DOMINGO
Corporate Secretary

Atty. Carla Domingo is currently the Chief Legal Officer & Corporate Secretary of The Philippine American Life and General (Philam Life) Insurance Company. She also serves as the Corporate Secretary of BPI-Philam Life Assurance (BPLAC) Corporation (formerly Ayala Life).

She was the Deputy Company Secretary of AIA Group Limited from February 9, 2014 to February 6, 2015. She was also Corporate Secretary of various Philam companies from 2008 to January 2014, to wit: Philam Equitable Life Assurance Company; Philam Properties Group of Companies; Philam Asset Management Inc.; Philam Call Center Services, Inc.; the Tower Club, Inc. and Philam Foundation, Inc.

Atty. Domingo is a member of the Integrated Bar of the Philippines, and a Fellow of the Institute of Corporate Directors. Atty. Domingo is a graduate of the University of the East, with a Bachelor of Arts degree major in Political Science, where she graduated Magna Cum Laude. She took her Bachelor of Laws degree in San Beda, College of Law.

THE AIA CODE OF CONDUCT

Honesty and integrity are the cornerstones of the AIA business. AIA serves millions of customers across the most dynamic growth region in the world – and is known and admired for its unwavering commitment to these values.

This reputation and the trust it inspires is critical to the success of the organization. Dedication and commitment to high standards have helped build the organization in the past. It can only maintain that reputation into the future when employees strive hard to do what is right, and by being prepared to take their personal responsibilities in observing the highest standards of integrity and conduct at all times.

The AIA Code of Conduct sets out AIA's and its member companies' commitment to the Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right people... and the results will come." This establishes the unique culture of AIA across all 18 markets within the Asia Pacific region that includes Philam Life.

The AIA Code of Conduct sets out the ethical guidelines for conducting business which is the same code observed by Philam Life. This is the guiding principle in managing the company's compliance, ethics, and risk issues.

The standards set forth in the Code also applies to the company's business partners including agents, contractors, subcontractors, suppliers, distribution partners, and those who act on behalf of AIA and Philam Life. Thus, the Company, its directors, senior management and employees are mandated and required to comply with the policies. The Compliance Department is tasked to implement and monitor compliance to these policies.

Philam Life believes in harnessing the competitive spirit of its diverse, talented people to create value and deliver customer and shareholder expectations. However, competitive advantages are sought only through legal and ethical business practices. The company's good corporate citizenship is founded on its promotion of compliance with local laws and regulatory requirements applicable to the business.

It is the Company's policy that all new hires must undergo the New Employees Orientation Program (NEOP), where Company and all other relevant compliance policies, including the AIA Code of Conduct, are discussed. All new employees are thereafter required to certify that they have read and understood the AIA Code of Conduct, to ensure compliance with its provisions. The orientation program is offered on a monthly basis and is conducted either by the HR Training Department or Compliance. The Compliance Department is tasked to implement and monitor compliance to these policies.

ANNUAL CERTIFICATION PROGRAM

The Company conducts and requires a Code of Conduct - Annual Certification Program. To ensure that all Philam Life employees are aware of the provisions of the Code, an Annual Certification Program is conducted where all employees confirm their knowledge and understanding of the rules and guidelines written in the Code. The Program also requires all employees to certify, on an annual basis, their compliance to the Code of Conduct.

SUPPLIER SELECTION

Philam Life has a policy on supplier/contractor selection that is extensively covered by its Supplier Manual. Philam Life discloses the Supplier Manual together with other relevant information and key notes for suppliers in its Supplier Information Portal found in the "Doing Business with Philam Life" section of the Philam Life website. Philam Life also complies with the AIA Code of Conduct, which provides that the Company select suppliers and vendors on the basis of performance and merit in accordance with a fair and transparent process. Appropriate due diligence is performed regarding potential agents, consultants, and independent contractors prior to engaging their services. Like AIA, Philam Life seeks supplier partnerships with diverse businesses and values suppliers that share the Company's dedication and commitment to diversity and social responsibility.

SOURCING POLICY

The company adheres to a Sourcing Policy, which includes sourcing and expense policies, implemented through its procurement system, Ariba. A regular supplier summit is also held as a form of sourcing engagement to remind accredited suppliers on proper rules of engagement with Philam Life, including the governance in the selection process, AIA Code of Ethics, and AIA Code for suppliers.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

Pursuant to Section 18 of Republic Act (RA) No. 9160, also known as the "Anti-Money Laundering Act of 2001", as amended by RA No. 9194, RA No. 10167, RA No. 10168 and RA No. 10365, all covered institutions which include insurance companies supervised or regulated by the Insurance Commission are mandated to formulate their respective money laundering prevention program in accordance with the said law.

Any attempt by anyone to use the Company or its affiliates for money laundering purposes will be obstructed. The Anti-Money Laundering (AML) Program, together with the Company's Guidelines, establishes the governing principles and business standards to protect the business operations from becoming an unwitting tool of money launderers. The

company's management, officers, and staff must remain vigilant in the fight against money laundering and financing of terrorism, and will collectively oppose any effort to violate or flaunt the "Anti-Money Laundering Act of 2001", as well as its implementing rules and regulations.

To promote an effective AML compliance program, the following actions were taken:

Institutionalized the Compliance and Regulatory Committee to ensure effective implementation of the company's AML Program. The Committee is chaired by the Chief Legal Officer. Members include the Chief Risk Officer, the Head of Compliance, and representatives from Operations and Finance as members.

Adopted a Risk-Based-Approach, and strictly implements Enhanced Due Diligence for defined High Risk Customers.

Required regular e-Learning for employees and AML lectures for agents.

Adopted the Actimize system with three modules: Watch List Filtering or screening against politically exposed persons (PEPs) and sanctioned persons; Customer Due Diligence that provides risk scoring for all clients; and Suspicious Activity Monitoring that provide red flag/alerts for dubious transactions, particularly, cash transactions.

DATA PRIVACY

Customers expect the careful handling and safeguarding of all business and personal information that they share in the conduct of business. Philam Life will never compromise a customer's trust by disclosing private information other than to those with a legitimate business need to know.

Employees who handle customer information are responsible for knowing and complying with applicable information privacy and information security laws. In all cases, appropriate physical, administrative and technical safeguards for personal information and business data is maintained.

Philam Life complies with RA10173, Data Privacy Act of 2012, enacted in September 2017. The Executive Committee is on top of the overall data governance and security of Philam Group.

MARKET CONDUCT GUIDELINES

Philam Life envisions itself as having one of the highest sales standards in the life insurance industry in the Philip- pines. All sales personnel are expected to conduct their business with the highest level of professionalism and personal integrity. Anything less will not be tolerated.

The Market Conduct Guidelines is used as a guide by all sales personnel in the conduct of their business and aid in the determination of what would be deemed proper conduct and behavior. It is applied equally and consistently to the conduct of life insurance business practices and all financial products. Any breach of the Market Conduct Guidelines may result in the imposition of a penalty upon the offender in question. Compliance with these guidelines does not ensure a continued contractual relationship with Philam Life. Philam Life reserves the right at all times to terminate the employment contract of any sales personnel in accordance with the terms of the contract entered in by Philam Life and that of the sales personnel.

A Market Conduct Committee was also created with the main purpose of overseeing the implementation of the rules of the Market Conduct Guidelines, Company policies or other guidelines, and to provide assistance to the Board of Directors and Company's management to ensure that the company operates according to the highest ethical business standards and in accordance with the applicable laws and regulations.

ANTI-FRAUD POLICY

Philam Life adopts a zero-tolerance approach to fraud and expects all employees, agents, and third parties to act with honesty and integrity. The policy is intended to reinforce management procedures designed to aid in the prevention, detection, and investigation of fraud, thereby safeguarding the Company's assets and providing protection from the legal and reputational consequences of fraudulent activity. All suspected cases of fraud are investigated and disciplinary procedures enforced, including prosecution and termination, submission to Insurance Commission Negative List and/or prosecution.

Aside from existing Anti-Fraud Policy and Guidelines, the Company submitted an Anti-Fraud Plan to the Insurance Commission last November 2017 as mandated by IC Circular Letter No. 2016-50. This is a requirement of the Insurance Commission to ensure that all Companies are prepared and ready to combat insurance fraud for its own protection and for the welfare of its stakeholders and the insuring public.

ANTI-CORRUPTION AND BRIBERY

The Anti-Corruption and Bribery Policy is applied alongside the AIA Code of Conduct, providing guidance on giving and accepting gifts and entertainment. The Policy specifies the roles, responsibilities and procedural controls for transactions involving government officials. All relevant laws countering bribery and corruption must be upheld. If local laws and regulations require higher compliance standards vis-à-vis the guidelines of the AIA Code of Conduct, the higher standard will be applied.

The Anti-Corruption and Bribery Policy prohibits all employees, agents, or independent contractors from providing bribes or other benefits to another person to obtain or retain business or unfair advantage in any business interaction involving AIA and Philam Life, its customers, and employees.

The company is not allowed to use improper means to influence business judgment. All employees and officers are required to report to the Compliance Officer any gift/entertainment provided to Government/ Government officials.

INSIDER TRADING AND PRICE-SENSITIVE INFORMATION

The AIA Group takes its obligations as a listed entity seriously and is committed to ensuring the highest standards of market conduct and fair dealing. The Hong Kong Securities and Futures Ordinance (SFO) prohibits market misconduct, including insider trading. Breaches of market misconduct laws are serious offenses that attract heavy civil and criminal penalties.

As a member of the AIA Group, Philam Life adopts the same policy and follows the same guidelines. The Prevention of Insider Trading and Market Misconduct Policy aims to build a robust system to prevent market misconduct including insider trading. It sets out standards and controls to ensure compliance with the regulatory requirements. Lastly, the policy also prevents employees and directors from engaging in speculative trading in AIA Group Securities. The policy applies to all employees and directors of AIA Group Limited and each of its subsidiaries ("AIA Group"), including Philam Life.

This policy defines the duty of each employee to safeguard material information from improper use. Under the policy, it is illegal to trade securities while in possession of a material, non-public information, and pass a material, non-public information to anyone who may trade securities based on it or give others recommendations to buy or sell securities.

In connection with this, dealings in AIA securities by certain employees, officers, directors, and their related interests, require pre-approval from the Group Company Secretary. Other securities that AIA may have received or may expect to receive material, non-public information, or are otherwise subject to restrictions in trading, are placed on watch lists or restricted lists and trading activities in securities included in these lists are restricted and/ or actively monitored.

INVESTMENT CODE OF ETHICS

AIA believes that individual investment activities by its officers and employees should not be prohibited or discouraged.

Nonetheless, the nature of AIA's fiduciary obligations necessitates some restrictions on the investment activities of certain employees, officers, directors, and their related interests, who may be deemed Investment Access Persons.

In managing assets for AIA entities, Investment Access Persons have a fiduciary responsibility to treat stakeholders fairly.

This duty requires a course of conduct, consistent with other statutory obligations, that seeks to be prudent and in AIA's and its stakeholders' best interests.

The AIA Investment Code of Ethics is intended to address three fundamental principles that must guide the personal investment activities of Investment Access Persons in light of their fiduciary duties:

Place the interests of AIA and its Stakeholders first. As fiduciaries, Investment Access Persons must avoid serving personal interests ahead of the interests of AIA or those of its stakeholders.

Avoid taking inappropriate advantage of one's position as an Investment Access Person.

Conduct personal investing activities in such a way as to avoid even the appearance of a conflict of interest with investment activities undertaken for the AIA Portfolios.

As a member of the AIA Group, Philam Life adopts the same policy and follows the same guidelines. Generally, all Investment Access Persons are required to obtain pre-clearance prior to purchasing or selling a security. In addition, Investment Access Persons must provide and certify on a regular basis their accounts and beneficial holdings as well as all transactions in securities in which they had beneficial ownership and/or control. Certain outside business activities of Investment Access Persons also need prior approvals.

FAIR DEALING POLICY AND CREDITOR'S RIGHTS

Philam Life adheres to its Fair Dealing Policy, which ensures that businesses with the customers, service providers, suppliers and competitors are conducted in a fair manner. Following AIA's model, Philam Life seeks competitive advantages only through legal and ethical business practices. Every employee must conduct business in a fair manner with customers, service providers, suppliers and competitors. Disparaging competitors or their products and services is discouraged. Improperly taking advantage of anyone through

manipulation, concealment, abuse of privileged information, intentional misrepresentation of facts or any other unfair practice is not and will not be tolerated at Philam Life, much more in the AIA Group. It is also the policy of Philam Life to uphold creditor's rights by honoring its contractual obligations with all its creditors and counterparties, in accordance with the provisions of their contracts and the law. In the conduct of its business dealings with third parties, Philam Life undertakes to honor all its commitments, stipulations, and conditions set forth in their binding agreements.

THE WHISTLEBLOW PROGRAM

Philam Life does business with integrity and adheres to the highest ethical standards. Any employee (or anyone else) may raise concerns of misconduct or wrongdoing within AIA and Philam Life that can allow investigation to fix any problems. This Policy guides all employees on how to raise ethical concerns and managers on how they should respond when this happens.

The Whistleblow Program applies to all employees within the AIA Group. 'Whistleblower' refers to someone (an AIA employee, business partner, agent, consultant, vendor, customer or other party) who informs AIA or Philam Life of suspected illegal or improper ways of doing business involving violation of laws, regulations, policies, and other unethical actions that might negatively impact AIA's and Philam Life's reputation.

Employees who are aware of possible wrongdoing within AIA and Philam Life have a responsibility to disclose information to management. Reports are taken seriously and investigated confidentially. Employees or other individuals will not suffer retaliation for reporting suspected wrongdoing in good faith.

An AIA Ethics line was developed to support the program. It is an independently managed website and hotline (telephone) service, receiving reports in local language, 24 hours a day, seven days a week. AIA and Philam Life can communicate with anonymous whistleblowers using this website through a secure platform.

The following misconduct including unethical or unlawful acts can be reported through this AIA Ethics line.

Fraud, misappropriation, theft, bribery or corruption, giving or receiving inappropriate gifts or kickbacks;

Harassment, bullying or assault, discrimination, conflicts of interest, or abuse of authority;

Fake or falsification of signatures, customer accounts, information or business performance reports;

Creating inappropriate funds or cash floats (slush funds) with travel agents, fake vendor bids etc.;

Signs of retaliation against a whistleblower or suspected whistleblower including subtle acts such as exclusion from meetings or events which may impact long-term career or advancement; and

Anyone trying to interfere with the confidentiality of a whistleblower report, identifying or giving away the identity of a whistleblower, or encouraging or tolerating such actions.

Any employee (or anyone else) may also raise concerns of misconduct or wrongdoing within AIA and Philam Life through multiple means provided in the AIA Code of Conduct. The report may also be made by using the AIA Ethics Hotline (PLDT) 1010-5511-00 + 800-245-4179 or 105-11 + 800-245-4179.

ENTERPRISE RISK MANAGEMENT - ENHANCING VALUE BY ENSURING STABILITY

Effective risk management maximizes the value of the business to shareholders and reassures policyholders on the strength and stability of the business. For regulators, sound risk management is vital to the stability of the financial system, and for investors, it is a means of protecting and enhancing the long-term value of their investment.

Philam Life follows a Risk Management Framework (RMF) which identifies, quantifies, and mitigates risk within the company. An effective RMF is the key to avoiding significant financial and reputational damages that arise from inadequate or ineffective control of the risks in the business.

At the heart of the RMF is a system for risk governance that oversees various aspects. The RMF is built around the Risk Working Committee (RWC), which oversees and reviews both financial and operational risks, and ensures that appropriate risk policies are in place.

The RWC is responsible for the establishment of priorities and coordination across the Financial Risk management activities, exposure monitoring, and development of guidelines for financial risk reporting and Key Risk Indicators (KRIs). It coordinates and oversees status of action plans in addressing risk deficiencies, and monitors risks that may impact Philam Life's financial position.

The Philam Group Risk Management Committee, made up of senior management of Philam Life and its affiliates, adopts a strategic view of enterprise-wide risk management. It sets a high-level risk principle and culture, and balances risks pertinent to the Philam Group.

The Philam Life Board Risk Committee (BRC) is responsible for oversight of the company's risk management activities. It determines the Risk Appetite, the Risk Management Statement, and the Risk Management Framework of Philam Life, and advises and assists the Board of Directors in the review and recommendation of these matters. In 2016, the Board Risk Committee met four times and validated that risk management processes are in place to ensure that the amount of risk taken is consistent with the company's Risk Appetite.

MANAGING FINANCIAL RISKS

Philam Life believes that sound risk management is hinged on effective quantification of risks. To this end, risk metrics are used to identify exposure to financial risks.

Exposure to financial risk is managed within tolerances agreed by the RWC. As an internal control procedure, risk metrics, risk tolerances, and limits were set to monitor risk exposure and to ensure that the company is operating within the established Risk Appetite. Financial risk is also managed by periodically running specific scenario-modelling exercises.

Financial risk is subdivided into credit risk, market risk, and liquidity risk.

The primary source of credit risk is the investment portfolio, but such risk could also arise through reinsurance, procurement, and treasury activities. Credit risk management starts with the assignment of internal ratings to all counterparties.

BRC approves a matrix of risk tolerances that ensures that credit risk in the investment portfolio is contained within the Risk Appetite. These limits cover individual counterparty, segmental concentration, and cross-border exposures. The Investments Team has discretion to shape the portfolio within these credit limits, seeking further approvals through the risk governance framework. If certain investments are technically within credit limits but there exists a specific concern, these are brought to the attention of the RWC or the Investments Committee, as appropriate, for possible inclusion in the Investment Risk Watch List.

Market risk is the risk of financial loss from adverse movements in the value of assets owing to market factors, including changes in interest and foreign exchange rates, as well as movements in the spread of credit instruments to corresponding bonds, Credit Spread Risk and in equity and property prices.

The BRC approves policies and metrics used in evaluating market risk exposures. The different Market Risks are managed thusly:

• Interest Rate Risk: by ensuring appropriate insurance design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance liabilities. Interest Rate risk arises from any difference between the duration of the company's liabilities and assets, in particular in relation to the reinvestment of maturing assets to meet commitments, predominantly in insurance liabilities. This exposure can be heightened in products with inherent options or guarantees.

• Credit Spread Risk: by focusing on the overall quality and diversification of investment portfolios and avoiding excessive volatility in their mark-to-market value. Credit Spread Risk arises from changes in the market value of nongovernment securities as a result of a change in perception as to their likelihood of repayment.

• Equity Price Risk: by managing concentrations and volatility in the company's equity exposures, which are included in the aggregate exposure reports on individual counterparties to ensure that concentrations are avoided. Equity Price Risk arises from changes in the market value of equity securities and equity funds. Investment in equity assets on a long-term basis is expected to provide diversification benefits and improve returns.

• Foreign Exchange Rate Risk: by matching assets and liabilities by currency. Foreign Exchange Rate Risks arise from the translation of dollar-denominated assets and liabilities to local currency for financial reporting purposes.

Liquidity Risk occurs in two ways: Financial Liquidity Risk and Investment Liquidity Risk. Financial Liquidity Risk is managed by determining limits to the company's activities to ensure that sufficient cash is available to meet payment options to counterparties when due. Investment Liquidity Risk is managed through continuous assessment of the relative liquidity of the company's assets and managing the size of individual holdings through limits.

HANDLING OPERATIONAL RISK

Operational Risk is managed by first breaking these down into 13 defined risk areas or Key Operational Risks (KORs): Business Interruption risk, Distribution risk, Finance and Actuarial Process risk, Fraud and Financial Crimes risk, Information Security risk, Information Technology risk, Investment Process risk, Legal and Regulatory risk, Operations Process risk, People risk, Products Management risk, Project risk, and Third Party risk. Each KOR is measured using KRIs, with a first line owner for respective KORs. The RWC reviews these risks regularly, including emerging risks.

Every year, the Risk and Control Assessment process identifies and assesses the impact of Operational Risks. Here, management considers possible or actual risk events, ascribes the likelihood of occurrence and potential severity, and then agrees on mitigation strategies to reduce these risks. These strategies are then monitored, with the exercise being repeated, and the results stored in an operational risk database.

AUDIT & RPT COMMITTEE

The Audit & RPT Committee is an independent committee formed by the Board of Directors to assist the Board in the performance of its duties and responsibilities, specifically in ensuring that governance, internal controls, and risk management systems of the organization are in place.

In 2018, the Audit & RPT Committee members were Antonino Aquino as the Chairman, and Joaquin Quintos IV and Francis Estrada as the members, all of whom are independent directors. Each Audit & RPT Committee member met the necessary requirements of the Securities and Exchange Commission, the Revised Code of Corporate Governance, and other applicable laws and regulations in the Philippines. See Section IX for the profile of the Audit Committee members.

The Audit & RPT Committee has adopted a formal terms of reference (Terms of Reference for the Audit and Related Party Transactions Committee) to detail its responsibility for oversight of the organization's corporate governance process. The Committee, while exercising its oversight role, relies on the expertise of Management and works with the Internal and External Auditors to ensure the integrity of the financial statements and the continuous review of the organization's governance process, risk management and internal controls.

The Audit & RPT Committee, in accordance with its responsibilities outlined in the Terms of Reference for the Audit and Related Party Transactions Committee, developed an annual calendar and meeting agenda for 2018. From 1 January to 31 December 2018, the Audit & RPT Committee met four times. In these meetings, the Audit & RPT Committee met with Senior Management, Group Internal Audit, the Compliance Office and the organization's External Auditors, Isla Lipana & Co./ PricewaterhouseCoopers. In 2018, the Audit & RPT Committee also met individually with Group Internal Audit (GIA) and the External Auditors without management being present. Among the agenda items discussed were the approval of the Annual Audit plan, Group Internal Audit updates, results of Compliance reviews, and updates from the External Auditors. Group Internal Audit Updates include the results of completed audit projects, the status of the audit plan, and tracking of open issues.

GROUP INTERNAL AUDIT

GIA's mission is to provide independent and objective assessment and reporting of the overall effectiveness of risk management, internal controls, and governance processes across the Group, and appropriately challenge executive management to improve the effectiveness of these processes. GIA adopts a risk-based audit plan which considers the significant risks affecting the strategies and key objectives of the company. These risks include financial, operational, compliance and industry's emerging risks, among others. In finalizing the audit plan, input and expectations from key stakeholders are considered prior to the final Audit Committee approval. The Philam GIA is directly overseen and supported by the AIA Group Internal Audit, and functionally reports to the Audit Committee, while administratively reporting to the Chief Executive Officer.

The Head of GIA, on behalf of the Group Internal Audit function, is responsible for reporting the result of internal audit work to the Audit Committee on a regular basis. In overseeing the internal audit function, the Audit Committee is actively involved in approving the internal audit plan including any subsequent changes, assessing the result of audit projects and monitoring the resolution of key issues noted. The Audit Committee is aware of the process by which assessment of the effectiveness of internal controls, risk management, financial reporting, and information technology security are conducted.

Ms. Shiela S. Alarcio is currently the Head of Internal Audit of the Company.

ENGAGEMENT WITH THE EXTERNAL AUDITORS

The Audit Committee, on behalf of the Board of Directors, is responsible for the appointment, re-appointment, or removal of the External Auditors. For 2018, the Audit Committee has approved the re-appointment of Isla Lipana & Co./ PricewaterhouseCoopers as the External Auditor. The Audit Committee has reviewed and approved accordingly the scope and coverage of the Statutory Audit for 2018. Although Management has the primary responsibility for the financial statements and the reporting process, the Audit Committee, having the oversight role, has noted and reviewed the audited financial statements for the calendar year 2018. The Audit Committee concurred and accepted the conclusion of the External Auditors on the financial statements, and was satisfied that the financial statements were in compliance with Philippine Financial Reporting Standards as assessed by the External Auditors.

For 2018, the audit fees of Isla Lipana & Co. amounted to Six Million Nine Hundred Fifty-One Thousand Five Hundred Eleven Philippine Pesos (PhP6,951,511.00), exclusive of out-of-pocket expenses and value added tax (VAT). There were no audit fees paid to Isla Lipana & Co. for 2018.

RELATED PARTY TRANSACTIONS POLICY

Philam life recognizes that related party transactions are generally allowed, but they should be done fairly and on an arm's length basis to ensure that the interest of the Company, its shareholders, policyholders, clients, creditors, and other stakeholders are adequately protected. In this regard, the Board of Directors has approved the Related Party Transactions (RPT) Policy of the Company, which sets forth the necessary control system to ensure the effective management of related party transactions.

Under the Policy, any transaction that could pose conflict of interest, or any material or special risks, credit or counterparty risks, or potential abuse to Philam Life, shall be considered related party transactions. Related party shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party which subsequently becomes a related party.

The Policy requires that all RPTs should be on normal commercial terms, at arm's length, and fair and reasonable in the interest of Philam Life. A transaction may be deemed to be at arm's length if no preferential treatment is given to a related party and the terms and conditions are not more favourable than similar transactions with non-related parties. The Company has put in place an effective price discovery system (i.e. transfer pricing study) and due diligence process to determine the fair price for RPTs.

Under the Policy, if a particular transaction is considered to involve related parties, the same shall be endorsed to the Regulatory and Compliance Committee for appropriate action. The Committee should, to the extent applicable, take into account the following considerations: a) reputational risk issues, if any; b) possible improper conflict of interest taking into account the size of the transaction and the significant influence of any director, officer, stockholder, related interest or close family members in the outcome of the transaction; c) the availability of other sources of comparable products or services; d) material facts and proposed aggregate value of the transaction; and, e) any other relevant information (e.g. price discovery mechanism, etc.) to allow determination if the terms are comparable to those given to unrelated parties or reasonable under the circumstances.

If said RPT falls below the materiality threshold prescribed by the Policy, the Regulatory and Compliance Committee shall have the authority to approve the same, subject to the Audit and RPT Committee's confirmation. Otherwise, the former shall endorse the transaction to the latter for its consideration and approval.

As provided in the Terms of Reference of the Philam Life Audit and RPT Committee, the latter shall have, among others, the following responsibilities: 1) assist the Board in carrying out

its responsibilities pertaining to related party transactions, particularly in ensuring that all transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations; 2) evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured; 3) evaluate all material RPTs to ensure that these are not undertaken on more favourable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Company are misappropriated or misapplied; and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions; 4) ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interests. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties; 5) ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process; and 6) oversee implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

All RPTs that are considered material, including write-off of material exposures and renewal of material changes in the terms and conditions of the RPTs, based on the Company's Internal RPT Policy, shall be endorsed by the Audit and RPT Committee to the Board of Directors for approval and to the stockholders of the Company for confirmation, during the annual stockholders' meeting.

The Board of Directors shall be the final approving authority of all material RPTs. Any member of the relevant Committees or the Board who has an interest in a transaction must abstain from deliberation and approval of such transaction.

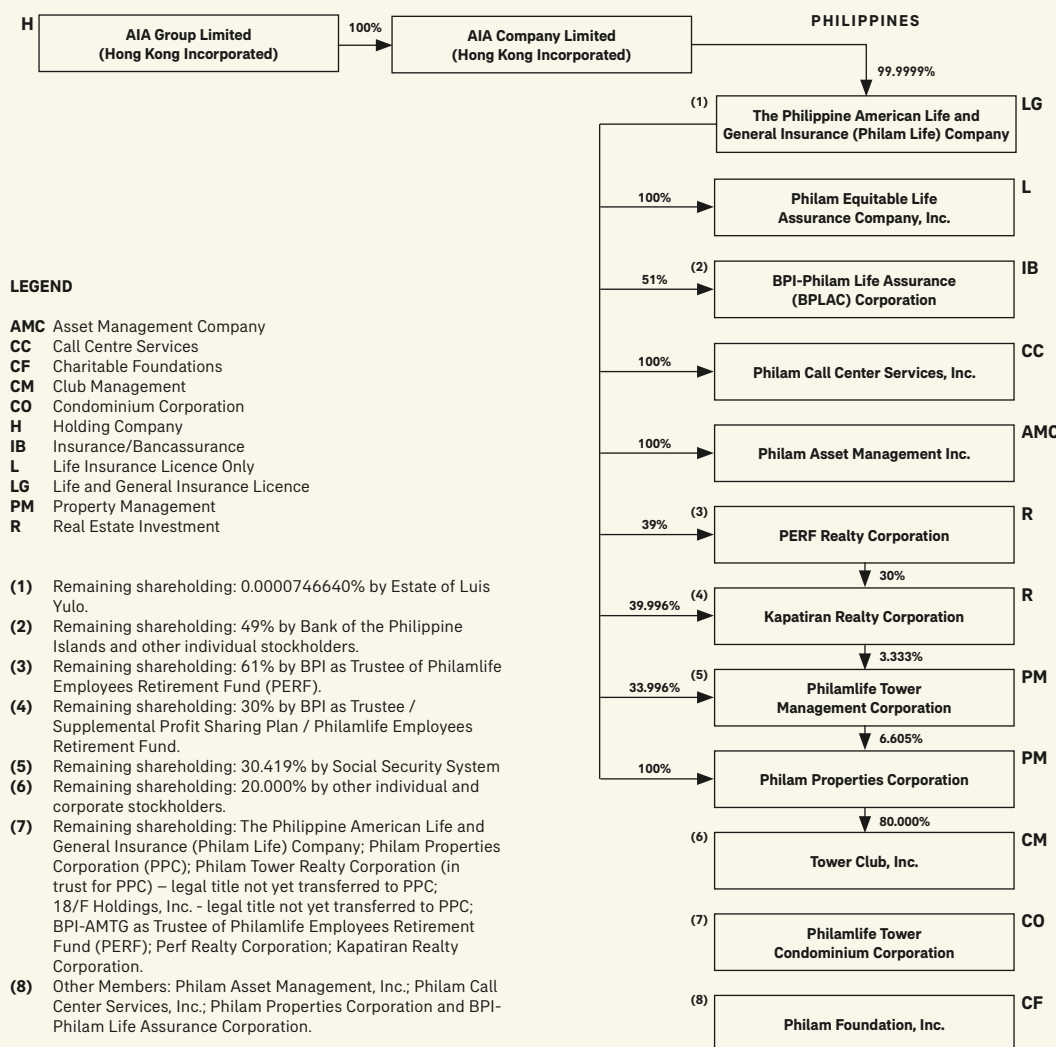
The Philam Life Directors, officers and employees, which have been made fully aware of the Policy, are strictly mandated to comply at all times with the guidelines, protocols, and processes on related party transactions as set forth in the Policy.

For 2018, the Company declares that all related party transactions are conducted in arms' length basis. The Company has no RPTs that can be classified as financial assistance to entities other than wholly-owned subsidiary companies. The Company ensures that RPTs are conducted in such a way that they are fair and at arms' length, and discloses such facts in its Annual Performance Report and the Audited Financial Statements.

LIST OF STOCKHOLDERS

	Shares Held	Class	Amount Paid	Percent of Ownership	Nationality	Beneficiary Ownership	Date of First Appointment
AIA Company Limited	199,560,514	Common	1,995,605,140.00	99.99993%	Hong Kong SAR		
Jacky Chan (Non-Executive Director/Chairman)	1	Common	10.00		Chinese	AIA Company Ltd	01 Jun 2017
Kelvin Ang (Executive Director/Chief Executive Officer)	1	Common	10.00		Malaysian	AIA Company Ltd	01 Mar 2019
Ariel Cantos (Non-Executive Officer)	1	Common	10.00		Filipino	AIA Company Ltd	16 Jul 2013
Francis Estrada (Independent Director)	1	Common	10.00		Filipino	AIA Company Ltd	18 Apr 2006
Antonino Aquino (Independent Director)	1	Common	10.00		Filipino	AIA Company Ltd	22 Apr 2015
Joaquin Quintos IV (Independent Director)	1	Common	10.00		Filipino	AIA Company Ltd	22 Apr 2015
Doris Magsaysay Ho (Independent Director)	1	Common	10.00		Filipino	AIA Company Ltd	22 Apr 2015
Clive Anderson (Non-Executive Director)	1	Common	10.00		Canadian	AIA Company Ltd	04 Feb 2019
Estate of Luis Yulo	149	Common	1,490.00	0.00007%	Filipino		
TOTAL	199,560,671		1,995,606,710.00	100.00000%			

PHILAM GROUP CHART OF OWNERSHIP



CAPITAL STRUCTURE

Authorised Capital Stock:
PHP2,000,000,000.00

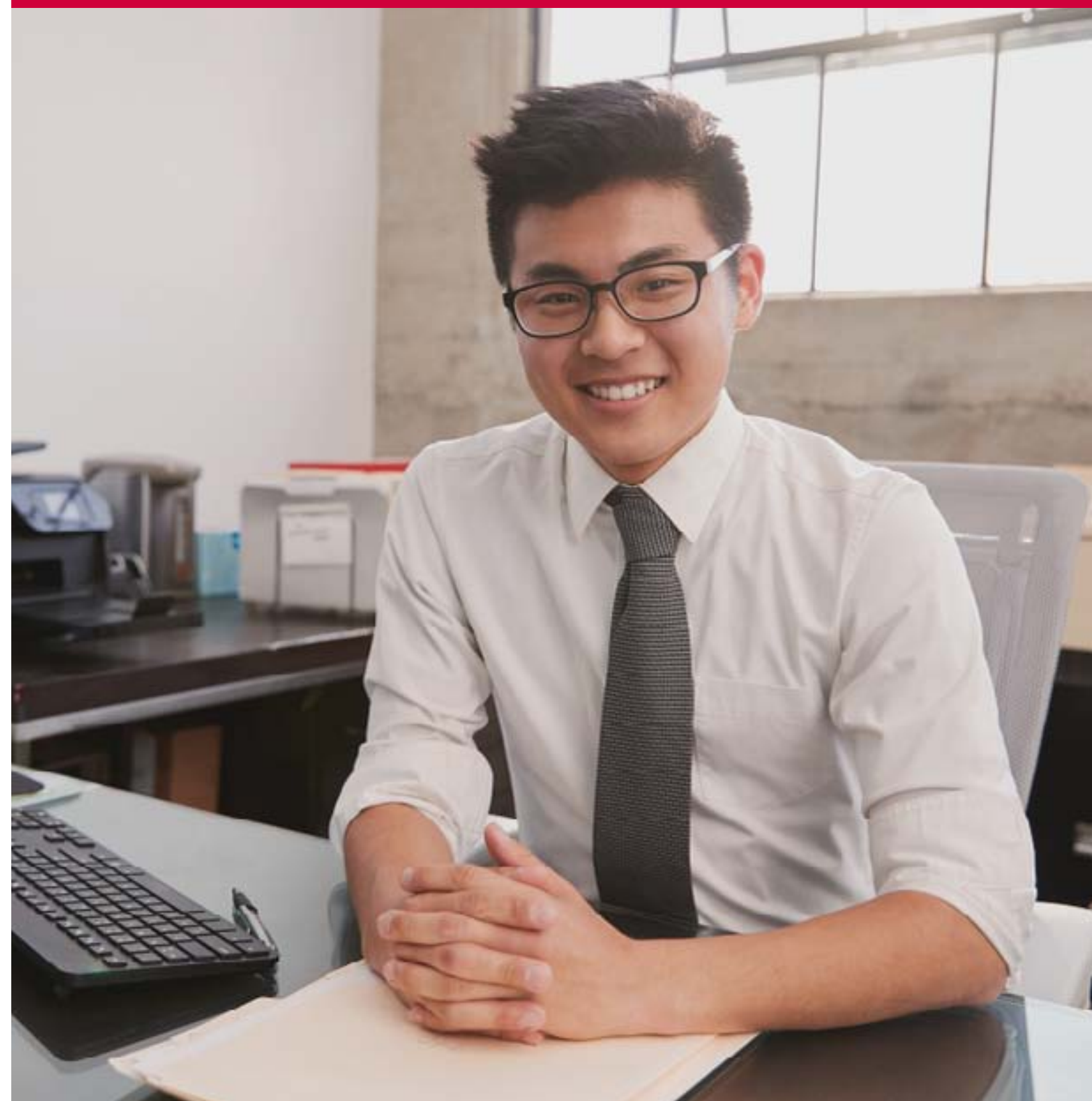
Subscribed and Paid-Up:
PHP1,995,606,710.00

No. of Shares Issued and Outstanding:
199,560,671 shares

Treasury Share:
439,329 as of April 2016

Par Value:
PHP10.00/share

AUDITED FINANCIAL STATEMENTS





The Philippine American Life and General Insurance Company

15F - 15F Philam Life Head Office
Met Lima Building, 5th Avenue cor. 26th Street
Bonifacio Global City, Taguig 1634
Philippines
T: (632) 521 6300 / (632) 526 9200
E: philamlife@aia.com
W: philamlife.com

Customer Hotline: (632) 528 2000

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of The Philippine American Life and General Insurance (Philam Life) Company is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, 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.

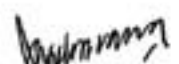
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

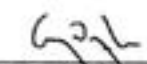
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature 
Mr. Wing Shing Chan
Chairman of the Board

Signature 
Mr. Chee Keong (Kelvin) Ang
President and Chief Executive Officer

Signature 
Mr. Gary Ogilvie
Chief Financial Officer

Signed this 10 day of April 2019

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Statement of Financial Position

December 31, 2018 and 2017

All amounts in thousands of Philippines Pesos

	Notes	2018	2017
Assets			
Cash and cash equivalents	2,6	2,246,507	4,523,500
Insurance receivables, net	3	1,510,253	1,107,848
Financial assets at fair value through profit or loss	4,6	54,883,884	54,321,906
Available-for-sale financial assets	4	147,236,080	156,399,122
Loans and receivables, net	5,6	23,517,084	24,458,452
Accrued income	6,7	3,251,885	2,991,324
Investments in subsidiaries and associates	8	2,947,523	2,947,523
Investment properties	9	6,478,706	6,379,826
Property and equipment, net	10	2,036,615	1,822,775
Other assets, net	11	5,455,731	4,853,898
Total assets		249,564,268	259,806,174
Liabilities and Equity			
Insurance contract liabilities, net	6,12	149,853,449	162,985,787
Policyholders' dividends	12	7,727,380	7,834,063
Liabilities for supplementary contracts	12	638,896	615,046
Premium deposit fund	12	883,473	1,301,303
Insurance payables	13	2,079,801	1,651,794
Accounts payable and accrued expenses	6,14	5,127,455	4,341,977
Deferred tax liabilities, net	26	1,234,442	-
Other liabilities	6,14	1,447,495	2,517,927
Total liabilities		168,992,391	181,247,897
Share capital	15	2,000,000	2,000,000
Contributed surplus		25,000	25,000
Treasury shares	15	(109,832)	(109,832)
Reserves for:			
Fluctuation on available-for-sale financial assets	4	9,319,240	29,514,378
Revaluation of property and equipment	10	184,522	199,830
Remeasurement on insurance contract liabilities	12	1,685,056	(10,184,690)
Remeasurements of retirement and other post-employment benefit schemes	24	1,842,935	1,269,695
Share-based payments	16	12,132	15,315
Retained earnings	15		
Appropriated		7,425,653	-
Unappropriated		58,187,171	55,828,581
Total equity		80,571,877	78,558,277
Total liabilities and equity		249,564,268	259,806,174

Statements of Total Comprehensive Income

For the years ended December 31, 2018 and 2017
All amounts in thousands of Philippines Pesos

	Notes	2018	2017
Revenues And Other Income			
Gross premiums on insurance contracts	17	22,712,281	20,202,591
Reinsurers' share of gross premiums on insurance contracts	17	(346,521)	(306,245)
Net insurance premiums		22,365,760	19,896,346
Investment income	18	13,303,656	12,584,359
Fee income	6	947,500	821,217
Fair value (losses) gains, net	20	(5,799,607)	7,306,332
Realized gains on available-for-sale financial assets, net	19	458,845	488,701
Foreign exchange gain, net		1,383,085	18,751
Other loss, net	10	(4,768)	(26,950)
Total revenues and other income		32,654,471	41,088,756
Expenses			
Benefits and claims paid on insurance contracts, net	21	17,580,590	16,415,181
Change in insurance contract liabilities, net	12	(4,783,503)	9,547,158
General and administrative expenses	22	2,767,611	3,265,217
Commissions and other acquisition expenses		3,247,624	3,151,890
Investment expenses	18	676,571	543,618
Interest expense		341,537	353,277
Insurance taxes, licenses and fees		292,949	265,328
Total expenses		20,123,379	33,541,669
INCOME BEFORE INCOME TAX		12,531,092	7,547,087
INCOME TAX EXPENSE	26	2,746,849	1,527,295
NET INCOME FOR THE YEAR		9,784,243	6,019,792
Other Comprehensive (Loss) Income			
Items that will be subsequently reclassified to profit or loss			
Net fair value changes on available-for-sale financial assets	4	(20,195,138)	(3,052,908)
Item that will not be subsequently reclassified to profit or loss			
Fair value gains (losses) on property and equipment	10	(15,308)	7,519
Remeasurement of retirement and other post-employment benefit schemes	24	573,240	256,863
Remeasurement on insurance contract liabilities	12	11,869,746	3,160,927
Total other comprehensive (loss) income		(7,767,460)	372,401
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,016,783	6,392,193

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
All amounts in thousands of Philippines Pesos

	Share capital (Note 15)	Contributed surplus	Treasury shares (Note 15)	Fluctuation on available-for-sale financial assets (Note 4)	Remeasurement on insurance contract liabilities (Note 12)	Revaluation of property and equipment (Note 10)	Reserves for Remeasurement of retirement benefit and other post-employment benefit schemes (Note 24)	Share-based payments (Note 16)	Retained earnings Appropriated	Retained earnings Unappropriated	Total equity
Balance At January 1, 2017	2,000,000	25,000	(109,832)	32,567,286	(13,345,617)	192,311	1,012,832	14,487	-	49,808,789	72,165,256
Comprehensive Income (Loss) For The Year	-	-	-	-	-	-	-	-	-	6,019,792	6,019,792
Net income for the year	-	-	-	(3,052,908)	3,160,927	7,519	256,863	-	-	-	372,401
Other comprehensive (loss) income	-	-	-	(3,052,908)	3,160,927	7,519	256,863	-	-	6,019,792	6,392,193
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Transaction With Owners	-	-	-	-	-	-	-	828	-	-	828
Cost of share-based payments	-	-	-	-	-	-	-	-	-	-	-
Balance At December 31, 2017	2,000,000	25,000	(109,832)	29,514,378	(10,184,690)	199,830	1,269,695	15,315	55,828,581	78,558,277	78,558,277
Comprehensive Income For The Year	-	-	-	-	-	-	-	-	9,784,243	9,784,243	9,784,243
Net income for the year	-	-	-	(20,195,138)	11,869,746	(15,308)	573,240	-	-	-	(7,767,460)
Other comprehensive (loss) income	-	-	-	(20,195,138)	11,869,746	(15,308)	573,240	-	-	9,784,243	2,016,783
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	-	-	-
Transaction With Owners	-	-	-	-	-	-	-	7,425,653	(7,425,653)	-	-
Appropriation for the year	-	-	-	-	-	-	-	(3,183)	-	-	(3,183)
Cost of share-based payments	-	-	-	-	-	-	-	12,132	7,425,653	58,187,171	80,571,877
Balance At December 31, 2018	2,000,000	25,000	(109,832)	9,319,240	1,685,056	184,522	1,842,935	12,132	7,425,653	58,187,171	80,571,877

27 Related party transactions

In the normal course of conducting its business, the Company transacts with the following related parties:

Related party	Relationship
AIAGL	Ultimate Parent Company
AIA	Intermediate Parent Company
BPLAC	Subsidiary
PELAC	Subsidiary
PAMI	Subsidiary
KRC	Subsidiary
PRC	Subsidiary
PPC	Subsidiary
PCCSI	Subsidiary
PTMC	Subsidiary
Tower Club, Inc. ("TCI")	Entity under common control through PPC

27.1 Summary of transactions with related parties

The significant related party balances and transactions as at and for the years ended December 31 are summarized as follows:

(a) Investments in mutual funds

The Company invests in mutual funds managed by PAMI, a subsidiary (Note 6). The funds are redeemable any time. Outstanding balances invested in PAMI-managed mutual funds at December 31 are as follows:

	2018		2017	
	Amount of transaction for the year	Outstanding receivable balance at December 31	Amount of transaction for the year	Outstanding receivable balance at December 31
PAMI-managed funds				
Philam Strategic Growth Fund, Inc.	-	5,321	-	6,077
Philam Bond Fund, Inc.	-	2,218	-	2,293
Philam Dollar Bond Fund, Inc.	-	1,895	-	1,866
		9,434	-	10,236

The mutual funds are classified as AFS financial assets with mark-to-market movements taken up direct to equity (Note 4).

(a) Mortgage, bonds and other loans (including accrued interest income)

	2018		2017	
	Amount of transaction for the year	Outstanding receivable balance at December 31	Amount of transaction for the year	Outstanding receivable balance at December 31
Parent Company				
AIAGL	940,277	30,770,345	583,875	23,100,106
Subsidiaries				
PRC	43,846	758,458	37,358	808,387
KRC	2,564	15,371	2,723	16,555
	986,687	31,544,174	623,956	23,925,048

The outstanding balances presented are unguaranteed and unsecured (except for loans with collaterals), interest-bearing and collectible/payable based on agreed terms. The amounts will be settled in cash. There are no guarantees provided arising from transactions with related parties. No provision for impairment has been made for amounts owed by related parties since collection is deemed to be reasonably certain.

(i) Notes receivable from AIAGL

The Company invested in medium-term notes issued by AIAGL. These are presented as part of AFS financial assets (Note 4). The movement of the investment in notes receivable of AIAGL for the years ended December 31 follow:

	2018	2017
At January 1	\$ 461,000	\$ 317,000
Additional investments	132,000	144,000
At December 31	\$ 593,000	\$ 461,000
In Philippine peso	31,149,866	23,013,179

The above notes will mature on various dates ranging from 2023-2027 and bear interest based on LIBOR.

For the year ended December 31, 2018, interest earned on these unsecured floating rate medium term notes receivable amounts to P940.2 million (2017 - P538.3 million).

(ii) Mortgage and other loans with PRC

The Company entered into various loans payable on demand with PRC for operations and investments purposes which bears interest of 14% a year. The movement of the loan balance with PRC for the years ended December 31 follow:

	2018	2017
At January 1	642,687	472,687
Additional loan availment	-	200,000
Principal payment	(60,000)	(30,000)
At December 31	582,687	642,687

As approved by its BOD, PRC borrowed an additional P400 million from the Company to partly finance the acquisition of certain office units and parking slots at Philam Life Tower in 2015. The loan availment is subject to floating rate based on PDST-R2 plus a spread and is payable quarterly. Both principal and interest are payable up to one (1) year from the date of the loan.

As at January 1, 2016, the 4% per quarter notes are payable on December 15, 2016. On December 16, 2016, the note was modified to make it payable in six months ending June 13, 2017 at the same interest rate. On June 5, 2017, the Company modified the terms of the note by extending the maturity date to June 13, 2027 at an interest rate of 6% paid on a semi-annual basis and released an additional loan amounting to P200 million.

Interest receivable from PRC at December 31, 2018 amounts to P175.8 million (2017 - P165.7 million).

(iii) Loans and interest receivables from KRC

The Company's loans receivable from KRC consist of various loans in 1974 which bear interest at the rate of 12% per annum. The loans have maturities of 50 years with an option to make a balloon payment on the 25th year.

KRC did not make a balloon payment on the 25th year; instead, it executed a deed of mortgage extending the term of the loan to 2025, with a two-year grace period on the principal, and increasing the interest rate to 15.5%.

The movement of the loan balance with KRC for the years ended December 31 follow:

	2018	2017
At January 1	16,547	18,459
Principal payment	(1,183)	(1,912)
At December 31	15,364	16,547

These loans are collateralized by a parcel of land of KRC in 2018 with a fair value of P47.10 million (2017 - P45.30 million).

Interest income from the above loan amounts to P2.6 million and P2.7 million for the years ended December 31, 2018 and 2017, respectively.

Interest receivable from KRC at December 31, 2018 amounts to P0.007 million (2017 - P0.008 million).

(c) Reinsurance and premium cession transactions

	2018		2017	
	Amount of transaction for the year	Outstanding receivable balance at December 31	Amount of transaction for the year	Outstanding receivable balance at December 31
AIA and other foreign entities under common control	981,459	(17,675)	208,671	(20,059)
Subsidiary				
BPLAC	87,997	(185,492)	18,384	(276,715)
PELAC	2,463,127	(621,946)	189,123	(601,076)

The outstanding balances as at December 31 are presented under Insurance payables (Note 13). The outstanding balances presented are unguaranteed and unsecured, noninterest-bearing and payable on demand. The amounts will be settled in cash. There are no guarantees provided arising from transactions with related parties.

(d) Shared service and other transactions

Transactions include non-interest bearing cash advances to and from subsidiaries and entities under common control for payment of other expenses, rental, management and other service fees. The Company has outstanding net receivable from (payable to) entities under common control included in Accounts receivable under Loans and receivables (Note 5) and Due to related parties under Accounts payable and accrued expenses (Note 14) in the statements of financial position

	2018		2017	
	Amount of transaction for the year	Outstanding receivable balance at December 31	Amount of transaction for the year	Outstanding receivable balance at December 31
AIA and other foreign entities under common control	(14,466)	(125,580)	(15,833)	(32,207)
Subsidiaries				
BPLAC	(1,703,128)	69,296	1,579,138	109,922
PAMI	(757,554)	146,343	712,900	73,910
KRC	(38,491)	(11,969)	7,807	11,939
PPC	8,695	(12,741)	3,349	389
PCCSI	(32,828)	28,419	1,387	55,671
PELAC	16,514	59,230	15,336	43,096
PTMC	(8,354)	(1,202)	(6,310)	(985)
PRC	24,567	1,012	(2,096)	(19,483)
Entity under common control				
TCI	-	92	-	-

The outstanding balances presented are unguaranteed and unsecured, noninterest-bearing and collectible/payable on demand. The amounts will be settled in cash. There are no guarantees provided arising from transactions with related parties. No provision for impairment has been made for amounts owed by related parties since collection is deemed to be reasonably certain.

27.2 Reconciliation of outstanding related party balances at December 31*(a) Receivable balances*

From the detailed schedule under Note 29.1 above:

	2018	2017
Subsidiaries		
PRC	759,470	808,387
PAMI	146,343	73,910
PCCSI	28,419	55,671
BPLAC	69,296	109,922
KRC	3,402	28,494
PPC	-	389
PELAC	59,230	43,096
Entity under common control		
TCI	92	-
	1,066,252	1,119,869

Receivable balances are included under the following accounts in the statements of financial position at December 31:

	Notes	2018	2017
Loans and receivables, net	5		
Mortgage loans		598,051	659,234
Intercompany receivables		356,274	311,070
Accrued income	7	111,927	149,565
		1,066,252	1,119,869

As at December 31, 2018 and 2017, allowance for impairment losses for intercompany receivables amount to nil.

(b) Payable balances

From the detailed schedule under Note 29.1 above:

	2018	2017
AIA and other foreign entities under common control	143,255	52,266
Subsidiaries		
PELAC	621,946	601,076
BPLAC	185,492	276,715
PTMC	1,202	985
PPC	12,741	-
PRC	-	19,483
	964,636	950,525

Payable balances are booked under the following accounts in the statements of financial position at December 31:

	Notes	2018	2017
Insurance payables	13	763,374	881,715
Accounts payable and accrued expenses	14	201,262	68,810
		964,636	950,525

ABOUT PHILAM LIFE

The Philippine American Life and General Insurance Company (Philam Life) is the country's premier life insurance company. Established on 21 June 1947, Philam Life has earned the trust of customers for its financial strength, strong brand name, and ability to deliver on its promises.

Philam Life has PHP249.6 billion in total assets as of December 2018, while serving over 700,000 individual policyholders and over 3,000,000 insured group members.

Philam Life understands the needs of its customers and provides holistic solutions that include life protection, health insurance, savings, education, retirement, investment, group, and credit life insurance. It also offers bancassurance and fund management products and services through its subsidiaries – BPI-Philam Life Assurance Company (BPLAC) and Philam Asset Management Inc. (PAMI).

Philam Life is a member of AIA Group Limited, the largest independent publicly listed pan-Asian life insurance group.

ABOUT THE PHILAM GROUP

The Philam Group comprises the biggest life insurance company in the Philippines. By putting its customers at the center of its operations, the Philam Group has earned the trust of its stakeholders and has achieved continued growth over the years.

The Philam Group was formed with the mission of empowering Filipinos to achieve financial security and prosperity. Through its strong network, it is able to offer financial solutions such as life protection, health insurance, savings, education, retirement, investment, group and credit life insurance, and fund management products and services.

After the establishment of Philam Life in 1947, the Philam Group has since expanded to include other affiliate companies, namely: BPI-Philam Life Assurance Company (BPLAC), Philam Asset Management Inc. (PAMI), Philam Call Center, and Philam Foundation.

Based on the Insurance Commission results as of 31 December 2018, the combined total premium income of Philam Life and BPLAC is at PHP40.7 billion. Its strength and stability are solidified by its assets at PHP249.6 billion and net worth at PHP78.9 billion. It is a member of AIA Group Limited, the largest independent publicly listed pan-Asian life insurance group.

ABOUT AIA

AIA Group Limited and its subsidiaries (collectively "AIA" or the "Group") comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, Cambodia, a 97 per cent subsidiary in Sri Lanka, a 49 per cent joint venture in India and a representative office in Myanmar.

The business that is now AIA was first established in Shanghai a century ago in 1919. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$230 billion as of 31 December 2018.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia-Pacific, AIA serves the holders of more than 33 million individual policies and over 16 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: "AAGIY").



HELPING PEOPLE LIVE
HEALTHIER, LONGER, BETTER LIVES

The Philippine American Life & General Insurance Company

15F-18F Philam Life Head Office, Net Lima Building, 5th Avenue corner 26th St., Bonifacio
Global City, Taguig 1634 Philippines
Tel. (632) 528-2000 | philamlife.com