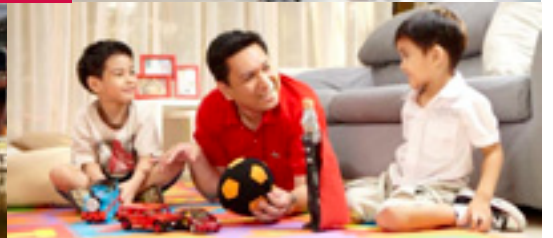




# LIVE BETTER

PHILAM LIFE  
ANNUAL REPORT 2016



THE REAL LIFE  
COMPANY



# CONTENTS

## OVERVIEW

AIA at a Glance.....	4
Philam Life at a Glance .....	6
Message from the CEO .....	8
Financial Highlights.....	11

## BUSINESS REVIEW

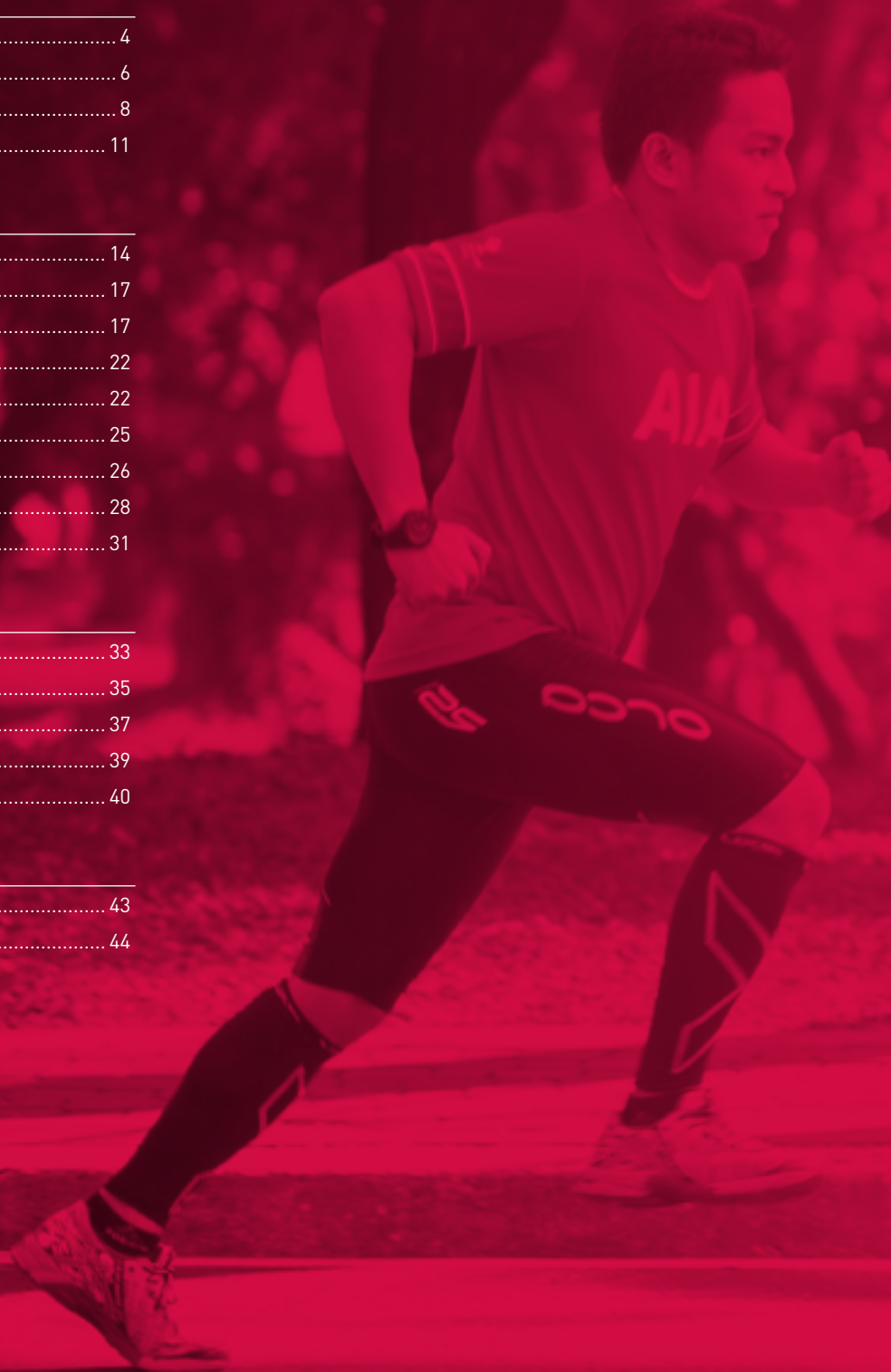
Agency Distribution .....	14
Corporate Solutions .....	17
Marketing.....	17
Information Technology.....	22
Insurance Operations .....	22
Our Management Team.....	25
Our People .....	26
Affiliates and Subsidiaries.....	28
Philam Foundation .....	31

## CORPORATE GOVERNANCE

Corporate Governance.....	33
Operating Philosophy .....	35
Enterprise Risk Management .....	37
Audit Committee.....	39
Board of Directors .....	40

## FINANCIAL STATEMENTS

Stockholder Information .....	43
Financial Tables .....	44



# LIVE BETTER

Philam Life makes a positive difference in the lives of Filipinos by supporting them in fulfilling their dreams and aspirations. We are your reliable life partner. We help you secure your future and your loved ones. We help you make the right choices that lead to living a longer, healthier, better life.

Our access to global insight and expertise enables us to create simple but relevant solutions, and better products and services that address customers' ever-changing needs. We have made it our mission to give Filipinos the power to pursue their dreams so that they can live every stage of life to the fullest.



# AIA AT A GLANCE

AIA has been driving economic and social development across Asia since 1919. We have a diversified business across the Asia-Pacific region. Our long experience in the region allows us to tailor our strategies to the culture, demographics and insurance needs of each market in which we operate.

## The Largest

LISTED COMPANY ON THE HONG KONG STOCK EXCHANGE WHICH IS INCORPORATED AND HEADQUARTERED IN HONG KONG

## Second Largest

LIFE INSURER IN THE WORLD

## No. 1

WORLDWIDE FOR MDRT MEMBERS; THE ONLY COMPANY TO TOP THE TABLE FOR TWO CONSECUTIVE YEARS

SERVING THE HOLDERS OF MORE THAN

## 30 Million

INDIVIDUAL POLICIES

OVER

## 16 Million

PARTICIPATING MEMBERS OF GROUP INSURANCE SCHEMES

TOTAL SUM ASSURED OF OVER

## US\$ 1 Trillion

PROVIDED PROTECTION TO PEOPLE ACROSS THE REGION

## 13 Million

BENEFIT PAYMENTS DURING 2016, HELPING CUSTOMERS AND FAMILIES TO COPE WITH CHALLENGES AT DIFFERENT LIFE STAGES

THE ONLY INTERNATIONAL LIFE INSURER  
HEADQUARTERED AND LISTED IN HONG KONG AND

**100% FOCUSED ON ASIA-PACIFIC**



PRESENCE IN  
**18 MARKETS**

HONG KONG

MACAU

THAILAND

SINGAPORE

BRUNEI

MALAYSIA

CHINA

KOREA

AUSTRALIA

INDONESIA

NEW ZEALAND

THE PHILIPPINES

SRI LANKA

TAIWAN

VIETNAM

INDIA

MYANMAR

CAMBODIA

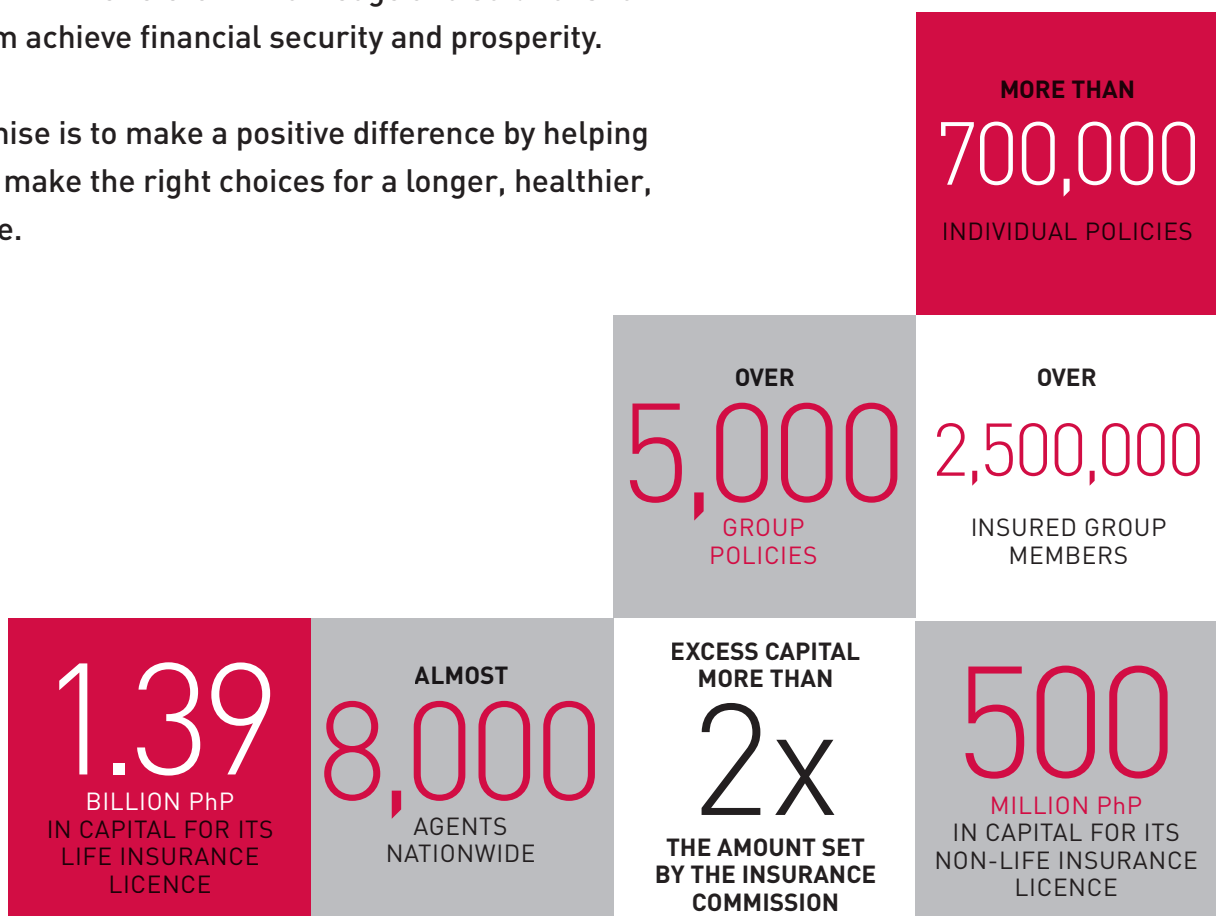
# PHILAM LIFE AT A GLANCE

The Philippine American Life and General Insurance Company (Philam Life) is the country's premier and most trusted life insurer for 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. We aim to bring a Philam Life policy in every Filipino household.

We see ourselves as a reliable partner for life, supporting Filipinos with the relevant knowledge and solutions to help them achieve financial security and prosperity.

Our promise is to make a positive difference by helping Filipinos make the right choices for a longer, healthier, better life.



## Your Health, Our Strength

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

Our efforts 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 continuing 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 strive to stay healthy and strong, so that those who rely on us can enjoy better lives.



Philam Life and Philam Asset Management Inc. are among the Top Investment Houses in Asian Local Currency Bonds 2014 in the Philippines, as ranked by The Asset Magazine.

Philam Life is ranked first among other life insurance companies, and ranked # 41 among the biggest corporations in the Philippines, based on BusinessWorld's 2014 report on the Top 1000 Corporations in the Philippines.

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.

Philam Life is the only financial institution in the Philippines to receive 11 Platinum Trusted Brand awards from 2004 up to 2015 from Reader's Digest Asia, based on consumer surveys measuring trustworthiness, credibility, quality, value, understanding customer needs, innovation and social responsibility.

Philam Life received 18 Professional Education Awards from the Life Office Management Association for outstanding employee development programs.

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 gives me great pleasure to report that 2016 was another successful year for Philam Life. Again we delivered consistent growth while maintaining disciplined financial management and a market-leading capital position.

The positive performance in our main operating financial metrics reflects the continued disciplined execution of our transformational business strategies that are focused on meeting the evolving needs of Filipino consumers, a new wellness platform, and the expansion of our unique and strong proprietary agency and partnership distribution channels.

As in previous years, Philam Life continues to deliver strong financial results. In 2016, our Regular Pay Premiums grew by 10%, reaching a record high of PHP14.5 billion. This steady, sustained growth can be seen in our other key numbers. Our Total Invested Assets now stands at PHP236 billion, while our Investment Income net of Investment Expenses amounted to PHP12 billion. As part of our commitment to policyholders, Benefits and Claims paid to policyholders increased by 17% over 2015's figures, ending the year at PHP14.8 billion. Net income for the year amounted to P 6.1 B. On a normalized basis, excluding the one-off gain on sale of equity securities last year, Net income is higher by 7% compared to previous year. Total Equity balance despite the lower market value of financial assets continues to be strong at PHP91.1 billion, higher than last year's 88.7 billion.

Following the launch of Philam Vitality, Asia's first science-based health and wellness programme, in 2016 we made it easier for our customers to improve their health through the launch of a simple downloadable mobile app version "Philam Vitality Active". This new incentivised wellness application, combined with our on-going Financial Literacy media campaign, demonstrates our aspiration to change the dialogue surrounding insurance from being reactive to offering preventive protection to our valued customers nationwide.

As we approach our 70th Anniversary celebrations, our Agency Force continues to be at the heart of our business. The disciplined execution of our Premier Agency strategy has continued to generate high-quality growth as well as enhancing the professionalism of Financial Advisors. We continue to invest heavily in our Premier Academy training platform and in the functionality of our unique interactive point of sale technology "iPoS".

In 2016, we attracted new talent in the industry through a new quality recruitment platform called "STEP" to enhance the standards at the core of our agency. These successful new recruits receive a structured approach to training combined with new business incentives specifically designed to uplift their productivity levels.

In addition to investing in product innovation, best-in-class training and the latest technology in 2016, we enhanced the business environment that our agents service clients by up-grading over 50 branch offices and enhancing connectivity of all our field offices nationwide.

The global standard for financial planners is the Million Dollar Round Table ("MDRT") qualification and in 2016 our agency membership

grew by 32 per cent, reflecting Philam Life's strong contribution to AIA Group's commitment to maintaining its No. 1 global position.

BPI-Philam Life Assurance Corporation (BPLAC), our joint venture with the Bank of the Philippine Islands (BPI), continues to be the largest bancassurance operation in the Philippines. In 2016, this successful partnership continued to expand through growth in the number of in-branch sales executives, product enhancements and a continuous drive toward "Ease of Doing Business" for customers.

Group insurance remains an important part of our product strategy and Philam Life continues to provide relevant benefits to our group clients through the scale of our distribution partnerships and product capabilities with over 5,000 group policies in-force and close to 2.8 million insured group members for both employee benefits and credit life insurance.

Guided by our operating philosophy of doing the right thing, in the right way, with the right people our focus remains on generating shareholder value through building strong engagement with our employees and agents and building a culture of empowerment, collaboration, commitment and care throughout the organisation.

We fostered a culture of excellence and offered many development opportunities at work so our people can perform at the highest level and become more effective leaders. This culture of active engagement and care extends to our affiliates and subsidiaries in promoting the financial security of our customer and the social well-being of the communities we serve from the promotion of healthy living initiatives, sponsorship of local events and spreading the benefits of financial literacy.

We continue to help improve the quality of education in the Philippines through the construction of 121 classrooms to-date in underprivileged communities, including those in typhoon-devastated provinces, which brought the number of public school students benefiting from this programme to more than 6,000.

I am pleased to have worked with our Board of Directors to establish the highest standards of corporate governance. In addition to stringent internal controls and risk management discipline, we were able to prudently analyse the company's operational, financial, and compliance controls for the whole year. We continuously made sure that we sustain regular internal and external reviews of our company's controls and risk management principles and practices; these served as benchmarks appropriate to our business. Alongside with our risk management reviews and the assessment of effectiveness of the company's internal controls, we continuously identify and closely monitor controls to ensure that risks are mitigated and control gaps are addressed. The Board of Directors, senior management and all employees share a commitment to maintain, enhance and strengthen the integrity of the company's control environment.

As we move forward into our 70th Anniversary Year, on behalf of the Board, I would like to pass on our deepest thanks to the Philam Group employees, agents and partners for their dedication and commitment in helping us continue to enrich the lives of more Filipinos by helping them to live longer, healthier, better lives.



**ARIEL G. CANTOS**

Chief Executive Officer







# LIVE AND ACHIEVE

Even as we focused on meeting the needs of the Filipino, we achieved consistent growth alongside sound financial management and a strong capital position. Maintaining our health as an organisation sustains the virtuous cycle that benefits our clients and shareholders year after year.



2016  
Financial  
Highlights

REAL GAINS

REVENUE

Regular Pay Premiums reached record-high at **P14.5 billion**, posting **10%** growth vs lastyear. Gross Premiums for the year is **P18.9 billion**, lower than last year by **10%**, as Single Premiums declined due to shift to regular pay products.

18.9

BILLION PhP

IN GROSS PREMIUMS

SHAREHOLDERS' EQUITY

Shareholder's Equity balance remained strong at **P91.1 billion**, higher than last year's **P88.7 billion**.

91.1

BILLION PhP

EQUITY BALANCE

236

BILLION PhP

IN TOTAL  
INVESTED ASSETS

NET INCOME

Net Income for the year amounted to **P6.1 billion**, lower than last year. Last year's Net Income includes one-off gains on sale of equity securities.

6.1

BILLION PhP

NET INCOME

INVESTMENTS

Total Invested Assets stood at **P236.0 billion**, while Investment Income net of Investment expenses amounted to **P12.0 billion**.

14.8

BILLION PhP

NET INSURANCE  
BENEFITS & CLAIMS

POLICY BENEFITS

Net insurance benefits and claims totaled **P14.8 billion**, **17%** up from last year's **P12.6 billion**.

**“FOR ME, IT’S A  
VERY NOBLE  
CAREER THAT  
YOU’RE ABLE  
TO CHANGE  
LIVES.”**

**Kat Lacdan**  
Starbright Financial Advisors  
Associate Unit Manager and  
2016 AIA Real Life Hero Finalist



# LIVE A LIFE EXTRAORDINARY

Philam Life develops individuals who are able to put the welfare of others before their own. By giving our Financial Advisors the training and the tools they need to become the best in their profession, we also help others benefit from world-class professional financial counselling.





**“WHEN THEY  
PUT THEIR  
TRUST IN ME,  
MY NEXT STEP  
IS TO SEE TO  
IT THAT I’M  
COMMITTED  
TO SERVE  
THEM UNTIL  
THE END.”**

**Louie Laudico**  
Laudico Associates  
Unit Manager and  
2016 AIA Real Life Hero Winner





The Local ExCo at the Agency Transformational Recruitment event held on October 20, 2016 at The Eye – Green Sun, Makati.



AIA Group and Philam Life toast to celebrate the game-changer programmes, development platforms and exciting opportunities for the agency force.

## AGENCY DISTRIBUTION

Philam Life’s proprietary agency network remains our core distribution platform. Our Financial Advisors are often the first point of contact for customers looking to obtain financial advice, and our commitment to building the quality of our agency distribution ensures that we develop and maintain deep and long term relationships with our customers. These provide us with opportunities to offer advice and sequence relevant solutions that support our customers live longer, healthier, better lives.

Through the disciplined execution of our Premier Agency strategy, in 2016 the channel delivered 32 per cent increase in the number of Million Dollar Round Table “MDRT” qualifiers. These excellent results were achieved by raising the performance standards of our agency force, strengthening the quality and on-boarding of new Financial Advisors and Leaders, giving best-in-class training, and by providing industry-leading technology to ensure our agents deliver high-quality customer experience.

Quality recruitment and rapid activation of new recruits remain key growth pillars for agency. In 2016 we launched sophisticated recruitment practices by increasing the use of segmentation to target high-calibre prospective Financial Advisors who have the ambition to develop a long-term professional career with Philam Life.

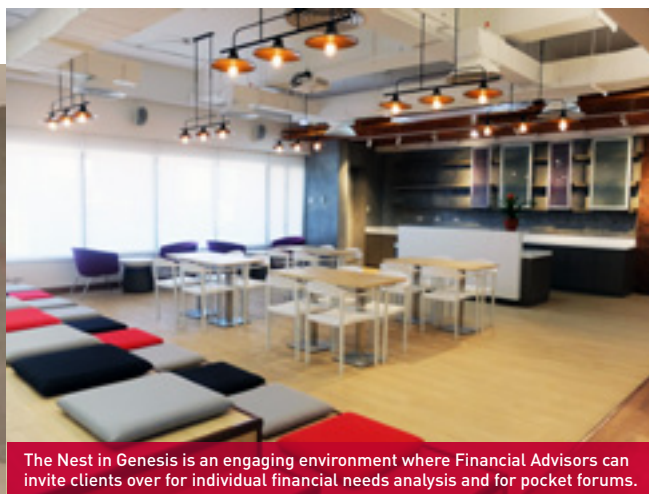
Our “STEP” (Shift to Entrepreneurship Programme) launched mid-year offers aspirants a 12-month structured skills-based training and comprehensive development programme. Housed in a state-of-the-art facility called “Genesis”, the new recruits obtain comprehensive selling and service practices and supervised real life field experience. In their second year, we developed their management capabilities so that they are well-positioned to become our next generation of professional agency leaders should they choose a leadership path in the future.

A key focus in 2016 was also the drive to enhance the competencies of our new Leaders through the provision of comprehensive skill-based training and embedding our best practice activity management systems. In addition, through our preferred training partners GAMA International and LIMRA we have focused on up-grading the competencies of our agency management employees and trainers to enhance their execution capabilities so they can deliver even more effective sales leadership and practical training in the field.

As MDRT qualification is regarded as the global standard for top financial planners, Philam Life places great emphasis on the systematic development of MDRT Qualifiers through its segmented approach to Premier Agency management. In 2016, we launched a new comprehensive end-to-end



The reception area of Genesis in Makati's business district.

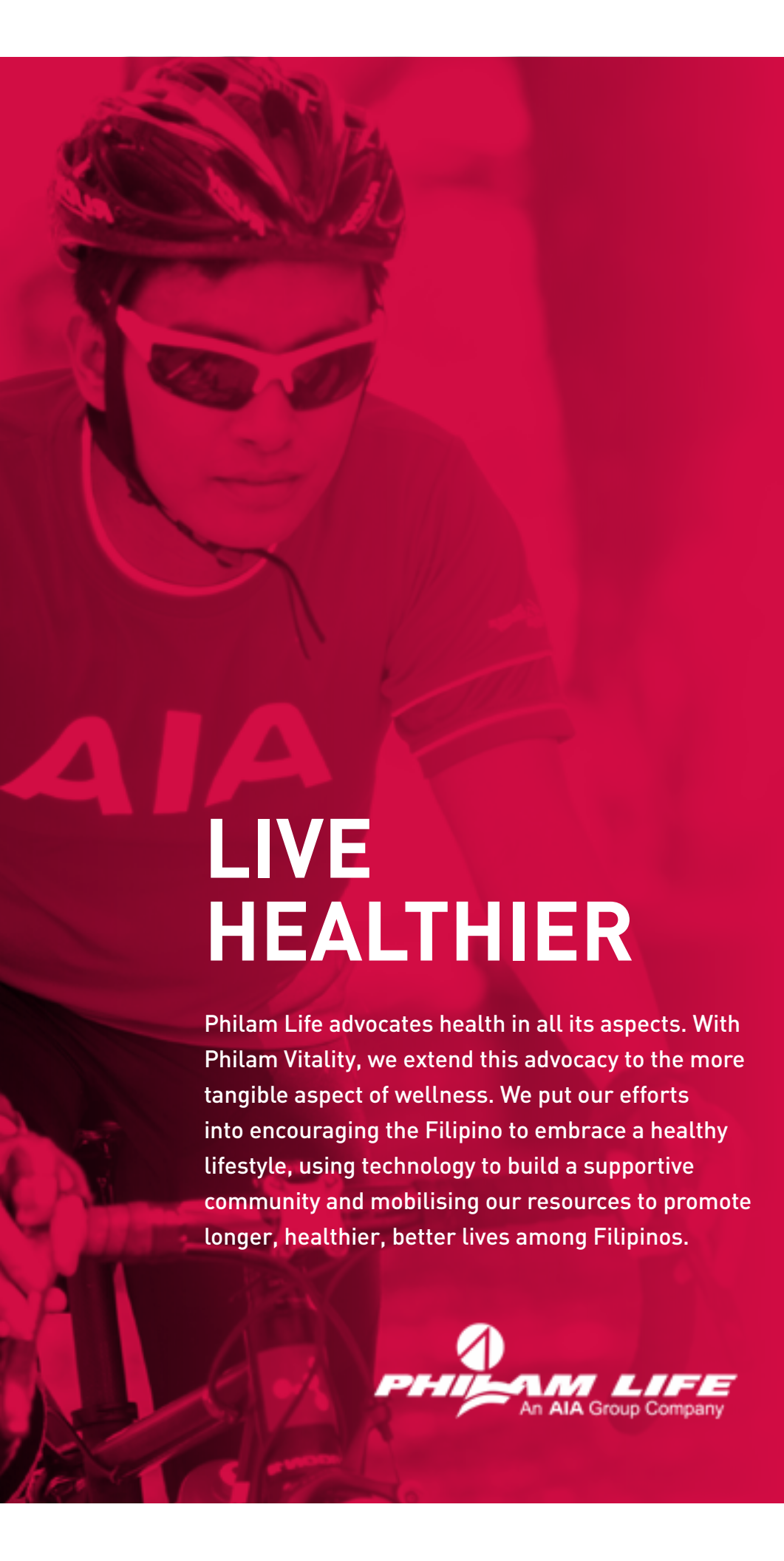


The Nest in Genesis is an engaging environment where Financial Advisors can invite clients over for individual financial needs analysis and for pocket forums.

MDRT development platform that enables us to identify and groom first-time and past qualifiers to achieve the required productivity standards for qualification. Potential MDRTs enjoy bespoke training programmes, regular mentoring opportunities, exclusive access to client seminars and differentiated service standards. We are proud to report that our number of MDRT qualifiers continues to grow yearly and that our MDRT culture demonstrates Philam Life's commitment to building the most professional and productive Financial Advisors in the industry, who in turn can provide high-quality services to our valued customers.

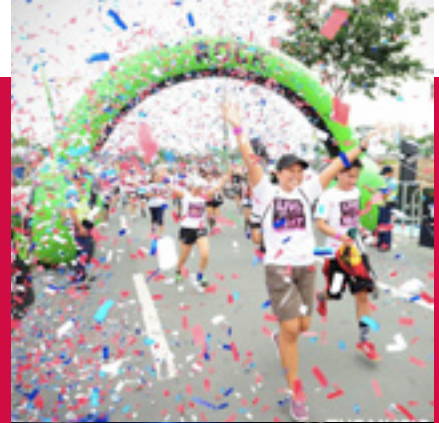
Through Philam Life's continual investment in technology in recent years, more Financial Advisors and customers are now benefiting from our market-leading interactive Point-of-Sale (iPoS) system. The integration of iPoS with the new functionality of a next-generation interactive Mobile Office (iMO) progressed well in 2016. The iMO platform now has a comprehensive suite of applications that support our agency leaders as well as individual agents so they can plan their business, manage their daily sales and recruitment activities, and further enhance their service delivery to customers. iMO is now our primary platform for submission of new business. The process of continually upgrading functionality has been embedded in our agency operations.

In addition to opening seven new agency offices, another major milestone achieved in 2016 was the completion of our Agency Office Transformation program. Starting the fourth quarter of 2016, over 50 existing agency offices have been modernised nationwide, with upgraded WiFi and in key locations and enhanced digitised customer servicing capabilities housed in state-of-the-art customer service centres that we call "SPARK". The combination of these modern work-facilities and service centres helps to ensure that our agency can meet the higher expectations of customers moving forward.



# LIVE HEALTHIER

Philam Life advocates health in all its aspects. With Philam Vitality, we extend this advocacy to the more tangible aspect of wellness. We put our efforts into encouraging the Filipino to embrace a healthy lifestyle, using technology to build a supportive community and mobilising our resources to promote longer, healthier, better lives among Filipinos.







Some of the top Corporate Solutions Producing Advisors during the Elite Planners Club launch in January 2016.



Executives from JLT Philippines, Grab Philippines and Philam Life during the MOA Signing.

## CORPORATE SOLUTIONS

In line with our promise to provide real life solutions and relevant benefits for our group clients, we continued to expand our distribution network and improve our operational policies in 2016. As a result, our consolidated efforts brought in over PHP1.6 billion in total premiums, over 5,000 policies in force, and over 2.5 million group insured members for 2016.

We started the year with the launch of the Elite Planners Club, an exclusive membership programme for Corporate Solutions-producing Advisors and Leaders, in order to encourage agencies to further promote employee benefits.

In 2016, the programme accounted for nearly 70 per cent of our Corporate Solutions Agency's total ANP. The programme also produced 350 newly qualified Elite Planners Club members, whose production contributed significantly to the Agency's business results. Among our top new business accounts are a leading security agency, a popular direct-selling company and two government institutions.

Through our bancassurance partnership, we continued to maximise opportunities through our partnership with BPI. In 2016, we strengthened our partnership with BPI's Corporate Banking and introduced new bundled products; new group life-bundled products for all BPI Pamana Deposit products and group personal accident plan with group life for OFW remitters under the BPI Pamana Padala. These initiatives contributed to an outstanding 194% growth in ANP for the year.

In 2016, we strengthened our partnerships with top employee benefits consultants and global brokers. These partnerships include AON, Howden Insurance, Lockton, Jardine Lloyd Thompson, Mercer-Marsh Philippines and Willis Towers Watson.

Through our strong collaborative partnership model combined with market-leading solutions, we are pleased to report that we continue to expand our services to top brands like Grab Philippines where we now provide their taxi drivers with life, accident and disability protection. Together with our partner insurance brokers we continue to compete and obtain global clients with competitive premiums and scope of cover.

Market segment expansion played a major role in our Credit Life business in 2016, and we increased our Credit Life portfolio by partnering with one of the biggest real estate developers in the country. We also completed the second phase of transformation including the restructuring of our field sales teams and appointment of new Leaders in Luzon, National Capital Region, and Visayas-Mindanao.

## MARKETING

The Philam Life brand is unlike any other insurer in the Philippines. We are strong not just because of our capital position and access to best-in-class international practices through our parent AIA Group, but because we have a deep understanding of our country and our culture. Over the past 70 years we have strived to represent the best of the Philippines; the best talent, the latest technology and the best customer service; our brand therefore continues to provide us with a powerful platform to communicate our commitment to making a real and positive difference in people's lives. Our mantra is Filipinos are at the heart of everything we do.

In 2016 recognising that the majority of Filipinos prioritise their health over other concerns in life, and moving beyond category convention, we extended the relevance of our brand promise "to



The Life Smart product campaign hinged on the need to simplify the value of an insurance protection plan and make it accessible to the ordinary Filipino.



Addressing the rising cost of education and the challenge of spending for two more years of school, we launched Future Scholar, an investment and life insurance plan.

make a positive difference” through increased communication about our newly launched Philam Vitality proposition; as an accessible platform to deliver total wellness to our customers and as a strong point of differentiation for Philam Life.

Using the significant potential of digital channels, a number of campaigns have been launched on-line to provide customers with innovative tools that help them make the right choices and give them health and lifestyle planning information - quite simply, to help Filipinos live a longer, healthier, better life.

This new direction comes in the wake of a Healthy Living Index Survey commissioned by AIA. It found that Filipinos scored low (61 points out of a possible 100), ranking 9<sup>th</sup> of the 15 Asian markets covered in the survey. It also found, however, that Filipinos have a high level of awareness about their state of health, and almost all agreed that they can do more to improve it. As the real-life company committed to addressing the real-life needs of customers, we can help address the problem through Philam Vitality’s unique approach to motivating people to lead healthy lives.

**PHILAM VITALITY**

In early 2016, we organised events to promote the Philam Vitality program through outdoor boot camps to employees and Financial Advisors. The **Philam Vitality Lifestyle Series** sessions on health and fitness, and Zumba classes were used to successfully engage our people. In collaboration with Philam Foundation, we held the **Love Life: 2016 Kaakbay Blood Drive** in Taguig, Makati, Cubao and Davao, and launched The Philam Vitality Challenge along with the **Do More Be More** campaign during the World Health Day celebrations.

We also kicked off Philam Vitality for our bancassurance affiliate, BPI-Philam, with **Assure Protect**, a high-value life coverage that offers coverage protector, protection bonus, and exclusive Philam Vitality rewards.

Following these campaigns, we introduced **Philam Group Sportsfest** and encouraged employees to compete in friendly games of basketball, volleyball, and badminton regionally.

One of the first campaigns launched to engage the public was the **69K Steps Challenge**, which was conducted in line with Philam Life’s 69th anniversary. The four month-long challenge for participants to take 69,000 steps exceeded the target and saw a record of 117 million steps from more than 400 participants.

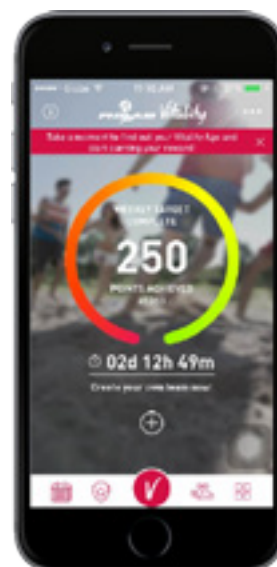
We also mounted **69 on 6/9**, an event that featured Piloxing, a 69-minute combination class of pilates, boxing, and dancing. It was held in partnership with Gold’s Gym and was held simultaneously in a number of key locations in Metro Manila. The 69 Facts Quiz on Philam Group trivia and products engaged the different business units in a less physical challenge.

In 2016 we introduced the free wellness app **Philam Vitality Active** to Philam Group employees, Philam agents/leaders and BPLAC in-branch sales. The Philam Vitality Active app sets weekly fitness goals, tracks daily progress, and connects users into communities that help them encourage each other to achieve their rewards from partners like SM Cinemas, SM Bowling, SM Skating, Exploreum, and Blink. More partners are set to add more rewards options to members.

We ended the year with a memorable, successful follow-up to **The Music Run** by Philam Vitality, with over 10,000 participants.



Philam Life employees pose after completing the Philam Vitality Challenge activity 69 on 6/9 Piloxing Session. Complementing Philam Vitality's campaign is the Philam Vitality mobile app (right) which offers rewards for healthy lifestyle choices.



Once again, the event put a fun, music-filled spin to running the five-kilometre race by creating different music filled-courses, and rewarded the runners with a light-and-music party.

#### PRODUCT DEVELOPMENT

We recognise that in order to live healthier, more active lives, Filipinos must have the confidence to live every life stage to the fullest while keeping an eye trained on the future. We are committed to helping Filipinos achieve this by making insurance simpler and more accessible to every household.

Addressing the need to simplify the value of an insurance protection plan, we introduced **Life Smart**, a worry-free insurance plan designed to protect the customers and their families in the simplest and most straightforward manner.

Life Smart gives clients guaranteed life insurance coverage with accident and terminal illness benefits. At the end of the plan, clients can get all their payments back in full plus a potential cash bonus.

To address the rising cost of education and the recent addition of two more years spent in school, we also launched **Future Scholar**, an investment and life insurance plan that gives guaranteed education benefits and long-term growth potential. It offers access to Philam Life's expertly managed funds and other features that would supplement the future financial needs of children.

We remain a trusted partner of parents in ensuring the continued education of their children. In the past ten years, we have delivered timely payouts of over PHP10 billion in education benefits for the past 12 years, and over PHP131 billion in insurance benefits for the past six decades. For school year 2016-2017 alone, over 100,000 young scholars received their education payouts.

#### CUSTOMER ENGAGEMENT

Philam Life has a significant in-force customer base of hundreds of thousands of individual customers. Cross-selling and upselling initiatives using customer analytics continued to offer Philam Life significant opportunities to generate new business by meeting our customers' evolving needs.

As part of our on-going efforts to better understand our customers' needs and expectations, we introduced **Customer Feedback Kiosks**. We also made enhancements to our mobile-friendly website wherein customers can access information that is both relevant and customised to their needs and presented in a language they can understand.

Several "Ease of Doing Business" initiatives were launched aimed at engaging our customers and raising service quality by leveraging new technologies. In 2016 we launched a new streamlined Interactive Voice Response System and the self-service digital platform **ePlan** to put our customers in control of their policies through more convenient transaction options.

In addition to capitalising on digital platforms to enhance customer experience, we rolled out new state-of-the-art customer service centres called **SPARK by Philam Group**, where customers can have both the convenience of a leading servicing technology system delivered via a tablet, and highly personalised service in a pleasant environment.

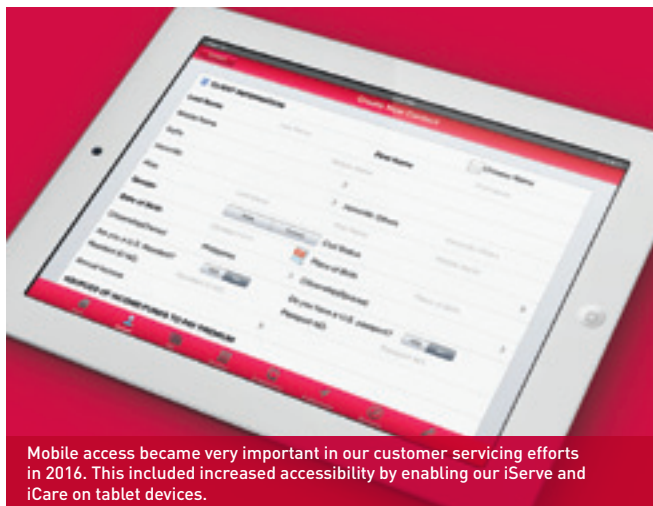
We remain committed to enhancing customer experience by focusing on the services and products that matter most to our customers in addition to providing innovative solutions that translate our customers enjoying longer, healthier, better lives.



# LIVE EASIER

Philam Life recognises that continuous innovation is key to growth. In 2016, we set new standards both in customer service and the practice of financial advisory. Leveraging on technology and our insight on the business, we provided faster, more customised service, and enabled our financial advisors to build their skills and fast-track their progress as professionals.





Mobile access became very important in our customer servicing efforts in 2016. This included increased accessibility by enabling our iServe and iCare on tablet devices.



The strategic use of Information Technology was key in achieving several business objectives across the organisation.

## INFORMATION TECHNOLOGY

Information Technology is a key enabler in our drive toward operational efficiency and enhanced productivity. In addition to the on-going modernisation of our data centre, we used technology to bring us closer, faster and at more access points in order to promote our message of living vibrant and active lives.

Foremost was the development of several programmes that made it easier for our customers to interact with us. We completed our digital, mobile-enabled platform **ePlan**, an industry-leading solution that gives customers more extensive and comprehensive self-service transactions. In addition, we were able to ensure **high-speed WiFi access** at our new customer service centres and agencies for use in our mobile-enabled point-of-sale and customer portal solutions.

In the back-end, we combined all our customer and policy information coming from multiple systems into a single client-centric system, resulting in an integrated and unified database. We also started unifying the desktop environment for our call centre, customer service centres and back office operations onto an **Omni channel Platform** to ensure better customer experience. It is due for delivery in 2017.

We created a **Testing Centre of Excellence** which implemented automated testing tools that ensured quality technology solutions in an optimised timeframe.

In support of the Philam Group's commitment to Philam Vitality, we introduced the **Philam Vitality Active app** that enables customers to set goals, track their progress and connect with other Philam Vitality users while rewarding them for living a healthy lifestyle.

## INSURANCE OPERATIONS

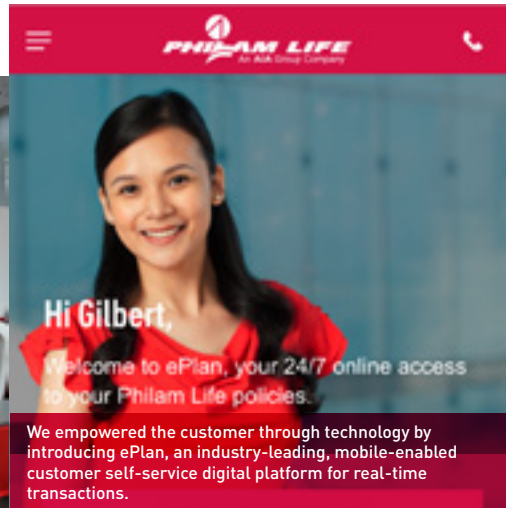
Our strategic focus on Ease of Doing Business and increasing operational efficiency through digital tools is central to empowering our customers and leading them to make the right choices toward financial security.

By focusing on the **Agency Portal Enhancement** project, which was implemented in July, we increased customer information availability for the agency sales force and reduced their dependency on frontline support. The benefit to our inbound operations was twofold. First, agent call volume to the call centre went down by 73 per cent, reducing the manpower requirement by 18 full-time equivalents or headcount. Second, the resulting freed-up capacity was re-allocated to other units within the call centre, conserving talent and headcount.

Much of the success of the project hinged on the well-timed and targeted communications activities among the project proponents and all stakeholders in managing the procedural change and driving the use of the agency portal.



The Local ExCo during the opening of Spark in BGC on September 22, 2016.



We implemented enhancements on our **Interactive Voice Response System** in the second quarter of 2016 by streamlining the menu level options from five levels to two. This made it easy for the Agent to get to the Basic Status information (Policy Status, Due Date, Amount, and Reinstatement Cost), or speak to a live customer service representative for more complex transactions.

Mid-year, we launched **ePlan**, the industry-leading, mobile-enabled customer self-service digital platform for real-time transactions. Its comprehensive transactions made available to the customer the convenience of switching funds, changing fund allocation, updating contact information, filing for loans, and partial redemption – substantially more than the usual transactions like viewing policy details and payments history, which are commonly found on standard digital platforms.

In 2016, we integrated the **Conditional Binding Coverage** with the interactive Point-of-Sale (iPoS) system. This offered conditional protection for customers, resulting in a 10 per cent reduction of pending payments. For bancassurance customers, we developed PDF policy kits to ensure that customers get a copy of their policy soon after they are issued their applications.

To increase operational efficiency, we liberalised the irrevocable beneficiary requirement rules, increased front-line authority limits for Automatic Policy Loans, and streamlined the Guaranteed Insurability Offer Top-up process. These quick-wins, together with the Active Operation Management system, delivered a 30 per cent increase in productivity across the different business units.

With the direction to shift the focus of customer service centres to high-value transactions, we freed up capacity by consistently pushing Credit-to-Account/Pick-Up-Anywhere enrolment for maturities and promoting the use of digital self-service platforms for agents and customers. This capacity was utilised to produce lead referrals for Agency, resulting in PHP144 million ANP for 2016. On the other hand, to address a critical pain-point of customers on the long turnaround times, customer service centres continued to drive first-contact resolution from 65 per cent to 85 per cent of transactions made in the branch.

We also launched **SPARK by Philam Group**, a modern state-of-the-art customer service centre that offers digital and personalised services. It is the first among many flagship branches to be located in key cities nationwide, reiterating our active efforts to put the customer in charge, and help him live life with ease.

# LIVE, LEARN, AND GROW

We are guided by the vision of doing the right thing, in the right way, with the right people. By cultivating an environment for growth, we help our employees become involved, enthusiastic, and committed to their work and workplace. We engage them in meaningful dialogue, promote their health and well-being, and reward performance.





OUR MANAGEMENT TEAM



**ARIEL G. CANTOS**  
Chief Executive Officer



**RICHARD BRACKEN**  
Chief Life Operations Officer



**ARLEEN MAY S. GUEVARA**  
Chief Investment Officer



**JOSEPH G. DE DIOS**  
Chief Risk Officer



**CARLA J. DOMINGO**  
Chief Legal Officer  
and Corporate Secretary



**ANAGEL L. LEDESMA**  
Chief Agency Officer



**TIMOTHY MARRIOTT**  
Chief Marketing Officer



**SURENDRA M. MENON**  
BPI-Philam  
President and Chief Executive  
Officer as of July 1, 2016



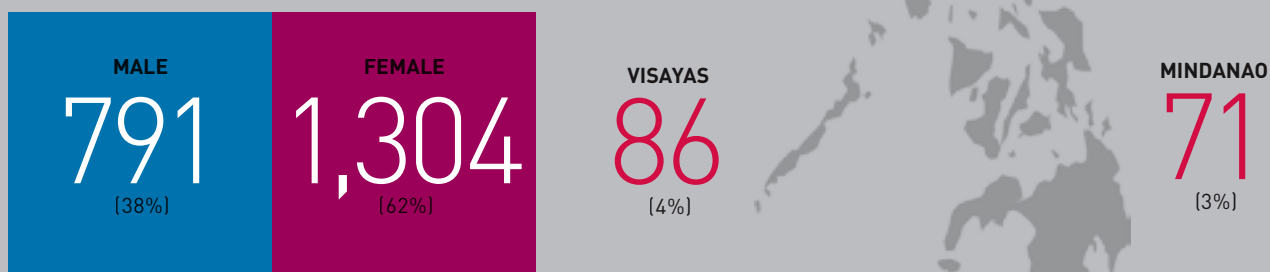
**ANDREAS ROSENTHAL**  
Chief Financial Officer and  
Head of Transformation  
Enterprise



**ANNA M. VILLAMOR**  
Chief Human Resources  
Officer

BUSINESS HIGHLIGHTS

Our People



Employee Category as of end-2016	FEMALE		MALE	
	Number	Percentage	Number	Percentage
Senior Management	35	3%	42	5%
Middle Management	204	16%	129	16%
Junior Supervisory	877	67%	498	64%
Rank and File	188	14%	122	15%



OUR PEOPLE

Our commitment to support the communities we serve and help individuals realise their goals extends to our relationships with our Financial Advisors and Employees. They are our greatest asset and the key to sustaining our success. To this end, in addition to sustainable and competitive reward programmes, Philam Life’s people strategy is designed to empower our employees, develop leaders, and continually enhance the capability of our workforce.

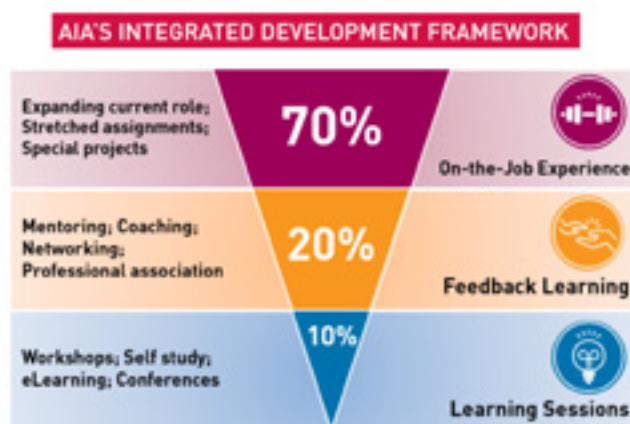
CLEAR PEOPLE OBJECTIVES

We are guided by the operating philosophy of “**doing the right thing, in the right way, with the right people, and the results will come.**”

To ensure that our employees work towards the same objective, we reinforced the **Pioneer 2 Strategies** and plotted our strategic priorities. We focused on the 3Cs: our **Customers**, our **Channels**, and our **Culture**. As a result, employees became aware of how their work contributed to achieving organisational goals, helping keep them motivated and engaged.

We believe that strategies and goals should be explained so that employees can align their individual objectives accordingly. Which is why we invested in strengthening our **Internal Communications** capability to ensure that messages are delivered clearly and in a timely manner, while being tailored to the audience.

With the strategy and objective clear, we studied and implemented a new **Target Operating Model** which aimed to enable us to have the right people play the right roles, and for them to be the best that they can be. The new model paved the way for us to become an organisation that can meet current and future opportunities and challenges, and to strengthen our position as the most trusted and most financially stable life insurance company in the Philippines.



### BUILDING PEOPLE-MANAGER CAPABILITIES

We value our people and we want them to grow professionally and personally during their time in Philam Life. As The Real Life Company, we are not only truly engaged in our customers' lives, but are equally committed to helping each individual develop the skills and capabilities they will need to succeed as a Philam Life employee.

In Philam Life, we believe in holistic development. This is why our programmes develop both critical and technical capabilities. Our HR Learning & Development curriculums are designed to continually focus on building critical capabilities through programmes like The Best of Me, Fundamentals of Project Management, Design Thinking, sponsored certifications for Life Office Management Association (LOMA), Learning Circles and a whole lot more.

We support our employees with each step in their career. In fact, our holistic development opportunities ensure a proportionate way for employees to make the best out of their learning journey.

### LEADER DEVELOPMENT

Developing leaders is important in realising our vision. To grow leaders from within, Philam Life made it a strategic priority to conduct an annual succession planning review to proactively address our leadership pipeline and bench strength.

We offer a wide variety of growth opportunities for our leaders through several development programmes such as **Crucial Conversations, Influencer, Manager as Coach**, mentoring & mobility assignments. Our middle manager programme called **The AIA Manager Series** is where managers understand how they can leverage their own style of work, assess capability, coach effectively and empower their teams. Our new **People Manager Accelerator Programme (PMAP)** is focused on

learning core management skills that will enable people managers to be successful in the organisation. In addition, we also have a **Performance Development Dialogue** system so they become equipped to set clear goals, manage expectations at work, and enhance career development among employees.

We believe in investing in future leaders. In Philam Life, we have a **Management Associate Programme** to ensure that we employ young, dynamic, and promising talents from top universities. These individuals go through a structured and rigorous programme for 15 months across various business units to prepare them for strategic roles in the organisation.

### PROMOTING HEALTH AND WELL-BEING

Our company is all about helping people take charge of their health so they can live life to the fullest and enjoy more quality time with their loved ones. Similarly, we employ the same philosophy with our employees. We want our employees to live longer, healthier, better, and that's why we have implemented a broad range of wellness initiatives that encourage employees to embrace an active lifestyle and Live It Up! We care about their health, thus, every year, our employees take their annual physical exam and complement this with wellness programs all throughout the year such as Flu Vaccination Day, Blood Donation Drive, Zumba days, and many more. We encourage our employees to attend company sponsored tournaments such as Badminton, Basketball, Bowling, and Volleyball to not only maintain an active lifestyle but to also promote a culture of collaboration and teamwork. Medical benefits offered to employees include a group life insurance, a health care plan, and an in-house clinic to provide immediate medical assistance.

### REWARDING PERFORMANCE

Philam Life's Rewards Philosophy is built upon the principles of providing an equitable, motivating and market-competitive remuneration package to foster a strong performance-oriented culture. Our strong pay-for-performance culture is aligned with our 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 performance of individuals, functions in which they work and the overall performance of the business. We strongly believe in making our employees stakeholders in the company through the Employee Share Purchase Plan (ESPP). To provide an attractive scheme and encourage our employees to become AIA shareholders, the company awards one matching restricted stock purchase unit at the end of the vesting period for every two shares purchased.



The BPI-Philam Management Team during the unveiling of the signage for BPI-Philam Life Makati.



10th Annual Philippine Investment Funds Association (PIFA) Awards in August 2016 at the Makati Diamond Residences.

**AFFILIATES AND SUBSIDIARIES**

Helping us achieve our commitment to help Filipinos lead longer, healthier, better lives are our affiliates and subsidiaries. They continued to be dominant in their respective industries through product innovation, aggressive utilisation of digital platforms, brand awareness and stronger internal teams and processes, ultimately spreading our message of health and wellness to more people.

**PHILAM ASSET MANAGEMENT (PAMI)**

PAMI ended the year with PHP52 billion in AUM and the highest net sales amounting to PHP6.6 billion, surpassing strong contenders in the mutual funds industry.

PAMI is keen on improving customer reach. In July, it made headway in the digital space by re-launching the revitalised website, philamfunds.com, adding enhanced features and a more personalised approach such as sections on Investor Insights, News Headlines, Needs Curator, Investor Profiler, and Get-in-Touch Forms.

The PAMI sales force increased by 12% in the number of Licensed Certified Investment Solicitors, from 1,006 in January to 1,126 by December. The Company currently has 21 third-party distributors with the addition of Eastwest Bank, PB Com, and First Metro Securities.

Aside from the strengthened on-boarding training programmes, the company put focus on investments-training for its distributors. From August 2016, the company already conducted 39 sessions of a seminar called “Breaking the Investments Code” which was attended by a total 1,110 participants across the country.

In 2016, PAMI was named by The Asset Magazine as one of the Top 5 Investment Houses in Asia Currency Bonds for the Philippines, ranking 4th overall. It received a total of six awards in various categories and asset classes from the Philippine Investment Funds Association.

**BPI-PHILAM LIFE ASSURANCE CORPORATION (BPLAC)**

Our joint venture with the Bank of the Philippine Islands, continues to be the largest bancassurance operation in the Philippines. In 2016, it innovated and expanded its presence through its product portfolio, an awareness campaign, market expansion and a continuous drive toward Ease of Doing Business.

Its expanded product portfolio now includes several innovative solutions that address the most important planning concerns of clients:

- Build Estate Plus is BPLAC’s unit-linked protection plan where clients can choose from 5, 7, and 10-year target payment terms in a plan that covers for estate taxes.
- Critical Care Max is a unit-linked health and life insurance plan that provides financial benefits at the early stages of a critical illness.
- Assure Protect, BPI-Philam’s first Vitality-integrated product, is a three-in-one unit-linked protection plan that provides financial protection, as well as a programme for wealth creation and wellness through Philam Vitality.
- Invest Dollar Max is a single-pay US Dollar denominated unit-linked protection plan that allows clients to get more from their dollar by accessing expertly managed global funds.



BPI and BPI-Philam Sales qualifiers to the foreign travel convention in London in 2016.



Taken during the 45th Anniversary Celebration of PAMI at Shangri-La at The Fort on November 9, 2016.

- PamanaPadala is the first BPI and BPI-Philam integrated product for the Overseas Filipino Remitters and a first-in-the-market product. It allows Overseas Filipinos to remit to an account for a lower fee, conveniently transfer through BPI online banking, and enjoy financial protection through continuous remittance.

2016 was a milestone year for BPLAC in institutional distribution as it sealed a partnership with Tambunting Pawnshop to offer affordable microinsurance plan for as low as PHP30 through its branch network.

New services also contributed to overall Ease of Doing Business, such as eContract, in which policyholders immediately receive a digital copy of their policy even before the actual printed version, allowing them to review the terms and have a stronger sense of security that their policy is in place.

Clients were also given enhanced transaction convenience through digital solutions. The client portal ePlan allowed policyholders to access and make transactions for their policies anytime, anywhere, while iCare, the country's first policy-owner after-sales servicing application, gave policy owners the convenience of electronically requesting changes to their policies on a tablet device. This follows the introduction of ALA's highly successful interactive Point-of-Sale (iPoS) proprietary technology which improved the customer experience and promoted increased efficiency during the sales process.

In 2016, BPI-Philam also embarked on its first institutional branding campaign targeted to BPI clients. The objective was to generate brand awareness and visibility through out-of-home advertisements around BPI branches.

In March, BPI-Philam relaunched its corporate website using a more user-friendly, informative and vibrant layout. The website also adopted a responsive web design to make sure that it provides an optimal viewing and interaction experience regardless of the user's device.

In October, BPI-Philam held the first-ever Bancassurance Month through activities aimed to create awareness about bancassurance and financial planning. The company held its first media conference and a "bancassurance walk" along Ayala Avenue, which was participated in by 200 employees.

Throughout these activities, and with the support of our affiliates and subsidiaries, we will keep winning the moment and continue to be the Filipino's reliable partner for living a healthy, secure life.



# LIVE WITH PURPOSE

The strength of our company hinges on how well we take care of the community at large. To this end, we help in building the future by aligning our core business with our corporate social responsibility. We share our knowledge of financial literacy, use our network to promote the value of savings, and rally our own people to give of their time to help others.



## PHILAM FOUNDATION

### GIVING BACK AND TOUCHING LIVES

Philam Life is passionate about promoting the financial security and social well-being of the communities that it serves. We are committed to bring about positive change in the lives of more Filipinos. In 2016 we pledged PHP31 million to expand our CSR programmes and finance priority projects.

In addition to funding, by leveraging our employees and volunteer network, we were able to build more schools across the Philippines, continued to spread the importance of saving and financial literacy among the young and old, and raised benefits of regular exercise for a longer, more active life.

In 2016, we built 36 classrooms nationwide through our **Philam Paaralan** project, benefiting hundreds of schoolchildren across the country. This was made possible through the Philam Foundation's collaboration with new and established partners both locally and internationally. We are pleased to report that we have surpassed the commitment we made in 2012 to build 65 classrooms in five years. As of December 2016, 121 Philam Paaralan classrooms have been built all over the country.

Through the **KaAkbay Philam Volunteer Corps**, we continue to engage our employees and provide opportunities for them to participate in the foundation's key initiatives. In 2016, our volunteers contributed their time to support school refurbishing activities, blood donation drives, storytelling workshops, outreach programmes, and savings awareness campaign sessions.

In total, KaAkbay chapters in Metro Manila, Cebu and Davao engaged 295 volunteers and rendered 61,760 volunteering hours.

We continued to align our corporate social responsibility efforts with our core business through **Philam Savings Awareness and Values Education Sessions (Philam SAVES)**. Through two-part modules involving storytelling and coin bank-design sessions, the project promoted savings awareness among young Filipinos.

## NEW CLASSROOMS AND PARTNERS IN 2016

Name of School	Class-rooms Built	Partner
Setan Elementary School	3	Happy Hearts Fund
Gubat North Central School	2	Happy Hearts Fund
Severo High School	2	Happy Hearts Fund
Oas Polytechnic School	2	Happy Hearts Fund
Santa Monica Elementary School	2	BPI Foundation
Tulariquen Elementary School	2	BPI Foundation
Camansihay Elementary School	3	BPI Foundation
Lucio Vivero Memorial School	3	BPI Foundation
Bonifacio Bulante Elementary School	2	BPI Foundation
Bayugan Comprehensive National High School	5	Embassy of Japan
Narra Elementary School	2	Eagle Cement Corporation
Camp Crame Elementary School	2	PSSLAI
Bulacan Agriculture State College	2	Eagle Cement Corporation
Sumilao Elementary School	2	DOLE Stanfilco/ Kasilak Foundation
Babahagon Elementary School	2	DOLE Stanfilco/ Kasilak Foundation
<b>TOTAL</b>	<b>36</b>	

We also strengthened the backbone of the programme by incorporating the Financial Literacy Sessions for parents and other adults with the assistance of our Financial Advisors. We were able to initially conduct eight sessions, attracting and educating more than 400 schoolchildren and 300 adults.

As we move into our 70th year, we will continue with our commitment to enrich the lives of Filipinos and empower them to live longer, healthier, better lives through our Foundation's programmes.

# LIVE WITH INTEGRITY

As the undisputed leader in life insurance and wealth management, we have a responsibility to adhere to the highest standards of corporate governance. We accept that this is essential to the consistent achievement of our goals, and a prerequisite to our role as the Filipino's reliable partner for a longer, healthier, better life.





## CORPORATE GOVERNANCE

### MAINTAINING OUR COMMITMENT TO INTEGRITY AND TRANSPARENCY

We confirm our full compliance with the Code of Corporate Governance. Our 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 our goals. Creating a sustainable culture, where trust and accountability are as vital as skill and wisdom, steers us towards achieving long-term value for shareholders and clients, and strengthens our confidence in the institution.

### ROLE & 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. The Board is completely independent from management and major stockholders. The Board is accountable to the shareholders and as such it shall ensure the highest standard of governance in running the Company's business and setting strategic directions. The detailed role and responsibilities are set forth in the By Laws and the Manual of Corporate Governance.

For 2016, The Board of Directors, through its Board Risk and Audit 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 Committee and the Board of Directors have declared their satisfaction and confidence on the Company's internal controls and risk management systems.

### BOARD INDEPENDENCE

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.

### BOARD PROCESS

The Board meetings are on a quarterly basis unless a special meeting is necessary to consider urgent matters. Minutes of meetings of the Board and all Committees are kept by the Corporate Secretary. Likewise there are separate meetings with Internal and External Auditors, without management. Said minutes are open for inspection by the Board and Stockholders upon request. Board materials are sent to the members at least five business days in advance of the scheduled board meetings.

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 Corporation.

### ELECTION OF DIRECTORS

We use a transparent procedure for the election of directors. The Nomination and Governance 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 shall be entitled to cumulate his vote in the manner provided by law. After the election process, the Corporate Secretary shall count the votes and thereafter declare the duly elected members of the Board.

### ORIENTATION PROGRAMME AND TRAINING

The Corporate Secretary provides the orientation for new directors to explain the organisational profile, charters, by-laws, policies and procedures in the Company. A corporate governance seminar is also arranged for each director to ensure adherence to best practices on corporate governance.

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

### PERFORMANCE EVALUATION

We have established our 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 Nomination and Governance Committee and to the Board of Directors.

#### AUDIT COMMITTEE

**Antonino T. Aquino**  
(Independent Director)  
**Joaquin E. Quintos IV**  
(Independent Director)  
**Francis G. Estrada**  
(Independent Director)

#### NOMINATION & GOVERNANCE COMMITTEE

**Gordon T. Watson**  
(Non-Executive Director)  
**Ariel G. Cantos**  
(Executive Director)  
**Joaquin E. Quintos IV**  
(Independent Director)

#### EXECUTIVE COMMITTEE

**Gordon T. Watson**  
(Non-Executive Director)  
**Ariel G. Cantos**  
(Executive Director)  
**Surendra Menon**  
(Non-Executive Director)

#### COMPENSATION COMMITTEE

**Gordon T. Watson**  
(Non-Executive Director)  
**Joaquin E. Quintos IV**  
(Independent Director)  
**Doris Magsaysay Ho**  
(Independent Director)  
**Ariel G. Cantos**  
(Executive Director)

#### BOARD RISK COMMITTEE

**Francis G. Estrada**  
(Independent Director)  
**Doris Magsaysay Ho**  
(Independent Director)  
**Antonino T. Aquino**  
(Independent Director)  
**Ariel G. Cantos**  
(Executive Director)  
**Surendra Menon**  
(Non-Executive Director)

#### INVESTMENT COMMITTEE

**Arleen May S. Guevara**  
(Senior Officer)  
**Mark Konyn**  
(AIA Group Chief Investment Officer)  
**Ariel G. Cantos**  
(Executive Director)  
**Antonino T. Aquino**  
(Independent Director)  
**Francis G. Estrada**  
(Independent Director)  
**Andreas Rosenthal**  
(Senior Officer)  
**Joseph G. de Dios**  
(Senior Officer)  
**Tisha T. Darvin**  
(Senior Officer)

## CORPORATE GOVERNANCE

### BOARD MEETINGS

	Board of Directors	Audit Committee	Nomination and Governance Committee	Compensation Committee
Meetings held and attended for the year 2016	Jan 28 Feb 12 Apr 13 Apr 28 Jun 21 Jul 13 Oct 5	Jan 28 Apr 18 Jul 13 Oct 5	Mar 18 Jun 20 Aug 24 Sep 28	Dec 23
	7 91.83%	4 100%	4 88.89%	1 100%
<b>Antonino T. Aquino</b>	7	4	-	-
<b>J. Axel Bromley*</b>	1	-	1	-
<b>Ariel G. Cantos</b>	7	-	2	1
<b>Francis G. Estrada</b>	7	4	-	-
<b>Doris Magsaysay Ho</b>	6	-	-	1
<b>Surendra Menon**</b>	1	-	-	-
<b>Joaquin E. Quintos IV</b>	7	4	4	1
<b>Gordon T. Watson</b>	7	-	4	1

\*resigned effective 24 June 2016 \*\*elected effective 05 October 2016

In the Annual Board Performance Evaluation Survey, the Board members are required to rate the performance of the Chairman, the CEO, the Board, and the Board Committees based on the standards and criteria provided therein. Among the criteria set are included, but are not limited to, the following: the appropriateness of the Board's composition; the director's 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 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 Nomination and Governance Committee for its approval. The results will then be reported to the Board for its notation.

For 2016, the Annual Board Performance Evaluation Survey was participated in by the members of the Board, where the Board registered an overall rating of "excellent". The result clearly exemplifies the effectiveness and competence of the Company's Board of Directors. It also shows that it clearly understands the

Company's objectives, as well as the major roles it plays to the Company, its shareholders and stakeholders.

### BOARD MEETINGS IN 2016

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 2016, the Board of Directors had a total of seven (7) meetings, where the Board posted an overall attendance rate of 91.83%.

### DIVIDEND POLICY

It is the policy of Philam Life to adopt and comply with the provision of the Insurance Code (RA 10607) that states that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements under the Code and except from profits attested in a sworn statement to the Commissioner by the President or Treasurer of the Company to be remaining on hand after retaining unimpaired the entire paid-up capital stock, the solvency requirements, the legal reserve fund required by the Code, the sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes. Any dividend declared or distributed by the Company shall be reported to the Commissioner within thirty (30) days after such declaration or distribution.

As provided in the Company's By-Laws, Article VII, Section 1, dividends shall be declared only from surplus profits and shall be payable at such time and in such amounts as the Board

of Directors shall determine; provided, however, that no stock dividend shall be issued without the approval of the stockholders representing not less than two-thirds of all stock then outstanding entitled to vote at a general meeting of the corporation or at a special meeting called for the purpose. No dividend shall be declared that will impair the capital of the corporation.

The Company did not declare any cash or stock dividends for 2016.

## RELATED PARTY TRANSACTIONS

Philam Life abides by its policy that ensures all transactions between related parties are undertaken only at an arm's length basis for the financial, commercial, and economic benefit of the Company and the entire group where it belongs. It is the responsibility of the Board of Directors and Management to exercise appropriate oversight and implement effective control systems for managing Related Party Transaction (RPT) exposures. The Board shall have the overall responsibility in ensuring that related party transactions are handled in sound and prudent manner, with integrity, and in compliance with applicable laws, rules, regulations, and circulars to ultimately protect the interest of the employees, policyholders, creditors and all other stakeholders.

Related party relationship exists and details of RPTs are provided in Note 29 of the 2016 Audited Financial Statement. 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.

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

## 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. The funds are redeemable any time. Outstanding balances invested in PAMI-managed mutual funds at December 31 are as follows:

	2016	
	Amount of transaction for the year	Outstanding receivable balance at December 31
PAMI-managed funds		
Philam Strategic Growth Fund, Inc.	-	5,067
Philam Bond Fund, Inc.	-	2,290
Philam Dollar Bond Fund, Inc.	-	1,776
	-	9,133

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

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

	2016	
	Amount of transaction for the year	Outstanding receivable balance at December 31
Parent Company		
AIAGL	337,304	15,594,894
Subsidiaries		
PRC	32,801	626,807
KRC	2,869	21,336
PCCSI	-	-
	372,974	16,243,037

The outstanding balances presented are unguaranteed and unsecured (except for loans with collaterals), interest-bearing and collectible/payable based on agreed terms disclosed below. 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.

**CORPORATE GOVERNANCE**  
**RELATED PARTY TRANSACTIONS**

(i) Notes receivable from AIAGL

The Company invested in medium term notes issued by Parent Company AIA Group Limited. These are presented as part of AFS financial assets. The movement of the investment in notes receivable of AIAGL for the years ended December 31 follow:

	<b>2016</b>
At January 1	\$ 197,000
Additional investments	120,000
At December 31	\$ 317,000
In Philippine peso	15,474,446

For the year ended December 31, 2016, interest earned on these unsecured floating rate medium term notes receivable amounts to PHP337.30 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:

	<b>2016</b>
At January 1	530,164
Additional loan availment	-
Principal payment	(57,477)
At December 31	472,687

Interest receivable from PRC at December 31, 2016 amounts to PHP154.12 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:

	<b>2016</b>
At January 1	18,796
Principal payment	(337)
At December 31	18,459

These loans are collateralized by a parcel of land of KRC with a carrying amount of PHP0.36 million and fair value of PHP45.30 million.

Interest income from the above loan amounts to PHP2.87 million for the year ended December 31, 2016. Interest receivable from KRC at December 31, 2016 amounts to PHP2.88 million.

(c) Reinsurance and premium cession transactions

	<b>2016</b>	
	Amount of transaction for the year	Outstanding receivable balance at December 31
AIA and other foreign entities under common control	87,878	(19,020)
Subsidiary		
BPLAC	89,371	(258,331)
PELAC	123,720	(439,497)

The outstanding balances presented are unguaranteed and unsecured, non interest-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 and Due to Related Parties under Accounts payable and accrued expenses in the Statements of Financial Position.

	2016	
	Amount of transaction for the year	Outstanding receivable balance at December 31
AIA and other foreign entities under common control	(901,033)	(66,549)
Subsidiaries		
BPLAC	1,525,511	340,933
PAMI	536,989	136,644
KRC	5,660	13,062
PPC	12,321	11,732
PCCSI	[15,369]	68,691
PELAC	16,219	16,747
PTMC	[2,971]	[509]
PRC	12,835	6,441
Entity under common control		
TCI	-	1

The outstanding balances presented are unguaranteed and unsecured, non interest-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.

**RECONCILIATION OF OUTSTANDING RELATED PARTY BALANCES AT DECEMBER 31**

(a) Receivable balances

	2016
Subsidiaries	
PRC	635,165
PAMI	136,644
PCCSI	85,521
BPLAC	349,033
KRC	34,398
PPC	12,498
PELAC	16,747
PTMC	82
Entity under common control	
TCI	1
	1,267,089

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

	2016
Loans and receivables, net	
Mortgage loans	491,146
Intercompany receivables	618,946
Accrued income	156,997
	1,267,089

As at December 31, 2016, allowance for impairment losses for intercompany receivables amount to nil.

(b) Payable balances

	2016
AIA and other foreign entities under common control	85,569
Subsidiaries	
PELAC	439,497
BPLAC	266,372
PTMC	591
PPC	765
PCCSI	13,831
PRC	1,916
	808,541

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

	2016
Insurance payables	716,848
Accounts payable and accrued expenses;	
Other liabilities due to related parties	91,693
	808,541

**SOURCING POLICY**

The company adheres to a Sourcing Policy, which includes sourcing and expense policies, as well as the new procurement system, Ariba. A regular supplier summit was 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.

### **SUPPLIER SELECTION**

Philam Life has a policy on supplier/contractor selection practice 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.

### **OPERATING PHILOSOPHY**

#### **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 organisation. Dedication and commitment to high standards have helped build the organisation in the past and for the present. It can only maintain that reputation into the future when each employee strives harder 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.

This is what the AIA Code of Conduct is about. It 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 that Philam Life observes. This serves as guide in managing the company’s compliance, ethics, and risk issues.

The standards set forth in the Code also applies to the business partners including agents, contractors, subcontractors, suppliers, distribution partners, and those who act on behalf of AIA and Philam Life. Thus, the Corporation, its directors, senior

management and employees are mandated and required to comply with the policies. The Compliance Department is tasked to implement these policies and monitor compliance therewith.

Like AIA, Philam Life has always believed in the power of diverse, talented people to create value and deliver on customer and shareholder expectations. Thus, it competes vigorously to create new opportunities for its customers and for itself. However, competitive advantages are sought only through legal and ethical business practices. With the products, services and responsible business practices, Philam Life strives to improve the quality of life of every Filipino. Promoting compliance with local laws and local regulatory requirements that apply to the business is at the foundation of Philam Life’s good corporate citizenship.

#### **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 whereby all employees confirm their knowledge and understanding about the rules and guidelines written in the Code.

#### **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 programme in accordance with the said law.

As a matter of policy, we shall foil any attempt by anyone to use the Company or its affiliates for money laundering purposes. This Anti-Money Laundering (AML) Programme, together with the Company’s Guidelines, establishes the governing principles and business standards to protect us and our 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 shall collectively oppose any effort to violate or flaunt the “Anti-Money Laundering Act of 2001”, as well as its implementing rules and regulations.

In order to promote an effective AML compliance programme, the following actions were taken:

1. Institutionalised the AML Committee to ensure effective implementation of the company’s AML programme. The Chairman of the AML Committee is the Head of Operations

- with the Head of Legal and Head of Compliance as members.
2. Adopted a Risk-Based-Approach, and strictly implements Enhanced Due Diligence for defined High Risk Customers.
  3. Continuous eLearning for employees and face-to-face AML training for agents.
  4. 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 transactions, particularly, cash transactions.

#### DATA PRIVACY

Customers expect us to carefully handle and safeguard the business and personal information that they share in the conduct of business. We 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 must be maintained.

We maintain compliance with RA10173, Data Privacy Act of 2012, on September 2017. Our Executive Committee approved the appointment of the Data Privacy Readiness Steering Committee who is primarily responsible for the overall data governance and security of Philam Group. A company-wide roll-out/training will be implemented to mitigate data privacy risks.

#### MARKET CONDUCT GUIDELINES

We envision ourselves as having one of the highest sales standards in the life insurance industry in the Philippines. All sales personnel are expected to conduct their business with the highest level of professionalism and personal integrity. We will not tolerate anything less.

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 behaviour. It shall apply equally and consistently to the conduct of Life 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 into between Philam Life and that of the sales personnel.

A Market Conduct Committee was also created with the main purpose of administering 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 enable us to continue to operate according to the highest ethical business standards and in accordance with the applicable laws and regulations.

#### ANTI-FRAUD POLICY

We adopt a zero-tolerance approach to fraud and expect 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.

Aside from our existing Anti-Fraud Policy and Guidelines, the Company is now required by the Insurance Commission through IC Circular Letter No. 2016 -50 to submit by September 2017 an Anti-Fraud Plan to ensure that all Companies are prepared and ready to combat insurance fraud for its own protection and for the welfare of its stakeholders or insuring public.

#### ANTI-CORRUPTION AND BRIBERY

The Policy is applied alongside the AIA Code of Conduct. It provides guidance on giving and accepting gifts and entertainment. The Anti-Corruption Guidelines 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, then we must meet the higher standards.

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

We are not allowed to use improper means to influence another person's business judgement. 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 offences that attract heavy civil and criminal penalties.

Since Philam Life is a member of the AIA Group, we adopt the same policy and follow 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 existence of this policy should prevent 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 about which 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 necessarily requires 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:

1. 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.
2. Avoid taking inappropriate advantage of one's position as an Investment Access Person.
3. 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, we adopt the same policy and follow 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 honouring 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 honour all its commitments, stipulations and conditions set forth in their binding agreements.

### **THE WHISTLEBLOW PROGRAMME**

We do business with integrity and follow the highest ethical principles. 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 Policy applies to all employees of the AIA Group including Philam Life. ‘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, AIA or BPI Philam 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 that 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 programme. It is an independently managed website and hotline (telephone) service, receiving reports in local language, 24 hours a day, and 7 days a week. AIA and Philam Life can communicate with anonymous whistleblowers using this website via a secure platform.

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

1. Fraud, misappropriation, theft, bribery or corruption, giving or receiving inappropriate gifts or kickbacks;
2. Harassment, bullying or assault, discrimination, conflicts of interest, or abuse of authority;
3. Fake or falsification of signatures, customer accounts, information or business performance reports;
4. Creating inappropriate funds or cash floats (slush funds) with travel agents, fake vendor bids etc.;
5. 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
6. 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 Group Ethics and Compliance Hotline (PLDT) 1010-5511-00-00-245-4179 or 105-11-800-245-4179.

## ENTERPRISE RISK MANAGEMENT ENHANCING VALUE BY ENSURING STABILITY

We recognise that effective risk management maximises the value of our business to our shareholders and assures policyholders that we will always be there for them. For the regulators, sound risk management is vital to the stability of the financial system, and for our investors, it is a means of protecting and enhancing the long-term value of their investment.

We follow 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 our 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 our 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, comprising senior management of Philam Life and its affiliates, adopts a strategic view of enterprise-wide risk management. It sets 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

We believe that sound risk management hinges on effective quantification of risks. To this end, risk metrics are used to identify our exposure to financial risks.

We manage our exposure to financial risk 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 we are operating within our Risk Appetite. We also manage financial risk 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 our 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. We manage the different Market Risks 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 our investment portfolios and avoiding excessive volatility in their mark-to-market value. Credit Spread Risk arises from changes in the market value of non-government securities as a result of a change in perception as to their likelihood of repayment.
- **Equity Price Risk:** by managing concentrations and volatility in our equity exposures, which are included in the aggregate exposure reports on individual counterparties to ensure 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. We manage Financial Liquidity Risk by determining limits to our activities in order to ensure that sufficient cash is available to meet payment options to counterparties when they fall 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, our 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 and the exercise being repeated, the results are stored in an operational risk database.

## AUDIT COMMITTEE

The Audit 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 organisation are in place.

For 2016, the Audit Committee members were Mr. Antonio T. Aquino as the Chairman, and Mr. Joaquin E. Quintos IV and Mr. Francis G. Estrada as the members, all of whom are independent directors. Each Audit 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 next page for the profile of the Audit Committee members.

The Audit Committee has adopted a formal terms of reference, the Audit Committee Charter, to detail its responsibility for oversight of the organisation'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 organisation's governance process, risk management and internal controls.

The Audit Committee, in accordance with its responsibilities outlined in the Audit Committee Charter, developed an annual calendar and meeting agenda for 2016. From 1 January to 31 December 2016, the Audit Committee met four (4) times. In these meetings, the Audit Committee met with Senior Management, Group Internal Audit, the Compliance Office and the organisation's External Auditors, Isla Lipana & Co./PricewaterhouseCoopers. In 2016, the Audit Committee also met individually with Group Internal Audit 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)

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 finalising the audit plan, input and expectations from key stakeholders are considered prior to the final Audit Committee approval.

Philam GIA is directly overseen and supported by 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.

### 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 the 2016 year, the Audit Committee has approved the re-appointment of Isla Lipana & Co./PricewaterhouseCoopers as External Auditor. The Audit Committee has reviewed and approved accordingly the scope and coverage of the Statutory Audit for the year 2016. 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 2016. 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. Upon favourable endorsement of the Audit Committee, the Board of Directors approved the 2016 Audited Financial Statement of the Company on 10 April 2017, and the same was submitted to the Securities and Exchange Commission 19 April 2017 and the Bureau of Internal Revenue on 18 April 2017.

**GORDON WATSON (53)**

Non-Executive Director  
Chairman of the Board

Gordon Watson is the Regional Chief Executive responsible for AIA Group's operations in Hong Kong, Macau, Australia, the Philippines, Vietnam and New Zealand as well as the Group's Corporate Solutions, Healthcare, Partnership Distribution and AIA Vitality businesses.

Gordon has been with AIG/AIA over 30 years in various leadership positions in New York, London, Africa, the Middle East, Japan, Korea and Hong Kong.

Prior to rejoining AIA Group in January 2011, he was Global Vice Chairman and Regional CEO of ALICO Japan and Asia. In addition to overseeing the Japan operation – ALICO's largest region – Gordon also had responsibility for global marketing, distribution, strategy and corporate solutions across 54 countries. Prior to this

role, he was ALICO's Global Chief Operating Officer. Gordon played a key role in the completion of the sale of ALICO to MetLife.

Before joining ALICO, Gordon was Deputy President of AIA with responsibilities for Hong Kong, Singapore, Thailand, Malaysia, Indonesia and Vietnam. Prior to this role, he was President and CEO of AIG Life Korea. Under his leadership, AIG Korea delivered strong results with market share surpassing a number of foreign insurers.

Married with two daughters and one son, Gordon holds an MBA from University of Hull in the UK and is a Fellow of the Chartered Insurance Institute. Gordon has a keen interest in art --- specifically oil paints and photography --- and also enjoys football and golf.

**ARIEL CANTOS (56)**

Executive Director  
Chief Executive Officer

Ariel "Aibee" Cantos is the CEO of Philam Life. Prior to his appointment, 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. He is also a member of the Board of Directors of various Philam companies and sits as a Trustee of Philam Foundation.

His most recent position at Philam Life was Senior Vice President and Chief Agency Officer, before spearheading the growth of BPI-Philam in 2013. He joined Philam Life right after completing his Bachelor's

Degree in Economics, Honors Program, from the Ateneo de Manila University and 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.

Aibee is also currently the president of the Philippine Life Insurance Association Inc. (PLIA), and a corporate member of Management Association of the Philippines (MAP) and Makati Business Club (MBC).

**ANTONINO AQUINO (69)**

Independent Director

Antonino Aquino 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 1999. 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. He is a Director of Nuevocentro, Inc. and Anvaya Beach & Nature Club. He is also a Member of the Multi Sectoral Advisory Board of the Philippine Army and the the Multi Sector Governance Council of the Armed Forces of the Philippines. 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, he was elected as Director of The Philippine American Life and General Insurance Company (Philam Life). He earned a degree in BS Management from the Ateneo de Manila University in 1968 and completed his academic units for the Masters in Business Administration from the Ateneo Graduate School of Business in 1975.



**DORIS MAGSAYSAY HO (65)**  
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. Its activities involve shipping, hospitality and tourism, transport and logistics, healthcare, oil and gas and specialized engineering and trade. Doris 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.

Doris 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.



**FRANCIS ESTRADA (67)**  
Independent Director

Francis Estrada served as Governor, President and member of the Board of Trustees of the Asian Institute of Management. He served as President and CEO of William E. Simon and Sons (Asia), LDC. Prior to this role, he was President and COO of Asian Oceanic Holdings Limited.

He was Senior Vice President, ASEAN Regional Coordinator for Indonesia of the Bancom Group Inc. and concurrently served as Managing Director and COO of P.T. First Indonesian Financing and Investment Corp. (the investment banking subsidiary of the Indonesian central bank) and the Bancom Group of the Philippines from 1975-1980.

Following his return to the Philippines in 1997, Francis was Chairman and General Partner of Equity Managers Asia, Inc. Over his career, he established and supervised several financial institutions and commercial enterprises within and outside the Asian region. He has advised on numerous turn-around and cross-border financial transactions.

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

serves or has served as independent director and Board Committee Chair of several leading publicly listed companies in the Philippines, and serves (or has served) as Chair, Trustee, Governor or member of a number of non-profit enterprises.

Francis has served as Chair, Trustee or Adviser in a number of educational and not-for-profit institutions including: the Philippine Institute of Corporate Directors, the Development Bank of the Philippines Advisory Board, the Armed Forces of the Philippines Multi-Sectoral Governance Council, the Xavier Labour Relations Institute ("XLRI") in India, the Shanghai Jiao Tung University School of Business Advisory Board and Clean Air Asia, Inc., etc.

Francis 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.

**JOAQUIN QUINTOS IV (57)**

Independent Director

Joaquin Quintos IV is currently Senior Vice President of First Philippine Holdings and is a member of the board of several operating subsidiaries of the group.

Prior to this role, Jajo was President and CEO of Prople Limited., a privately held, software and business process services company which he joined after a successful 27-year career at IBM. During his stint at IBM, Jajo held various management and senior leadership positions in the Philippines, in IBM's regional headquarters in Singapore, and finally in IBM's corporate headquarters in New York. He retired from IBM Philippines in 2009 where he last served as Chairman and Country General Manager.

He is currently a member of the board of iPeople, Skycable, STI Education Services, Vicsal Investment, AB Capital Investment,

and Energy Development Corp. He is currently the Vice Chairman of the Credit Information Corp., the Philippines' central credit information registry. Jajo is also a board trustee of the Knowledge Channel Foundation.

He was formerly the Chairman of Operation Smile Philippines and the Republic of the Philippines Joint Congressional Committee on Science and Technology. He also previously served as the Chairman of De La Salle University Manila and Co-Chairman of De La Salle Philippines which oversees the unified administration of the network of 17 La Sallian institutions in the Philippines.

Jajo is a graduate of the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, cum laude.

**SURENDRA MENON (58)**

Non-Executive Director

Surendra Menon is the CEO of BPI-Philam. Prior to his appointment, Menon held the role of Regional Director for Bancassurance of the AIA Group. As a catalyst in the Bancassurance industry, he has built and developed various profitable businesses in Asia including Indonesia, Singapore, and the Philippines.

Menon joined AIA in 2003 and was responsible for acquisition of 10 partnerships in Indonesia including BCA, CIMB, and ANZ. He is currently the subject matter expert for the AIA group in bancassurance and steers the management of BPI-Philam to transform the business into one of the leading life insurance companies in Philippines.

Menon has actuarial, financial planning and investment management qualifications from UK, Singapore and Indonesia, respectively. Prior to joining AIA, Menon worked in DBS Bank, BDN Life, and the Insurance Corporation of Singapore (now known as Aviva in Singapore).

He was also a director of GT Asset Management forming the first mutual fund in Indonesia and was a police inspector in the Singapore Police Force when serving his national service.

**CARLA DOMINGO**

Board Support - Corporate Secretary

Atty. Carla Domingo is currently the General Counsel and Corporate Secretary of Philam Life. She also serves as the Corporate Secretary of BPI-Philam Life Assurance Corp. (formerly Ayala Life).

She was also the Deputy Company Secretary of AIA Group Ltd. from February 9, 2014 to February 6, 2015. She was also Corporate Secretary of various Philam companies from 2008 to January 2014, including Philam Equitable Life Assurance Company, Philam Properties Group of Companies, Philam Asset Management

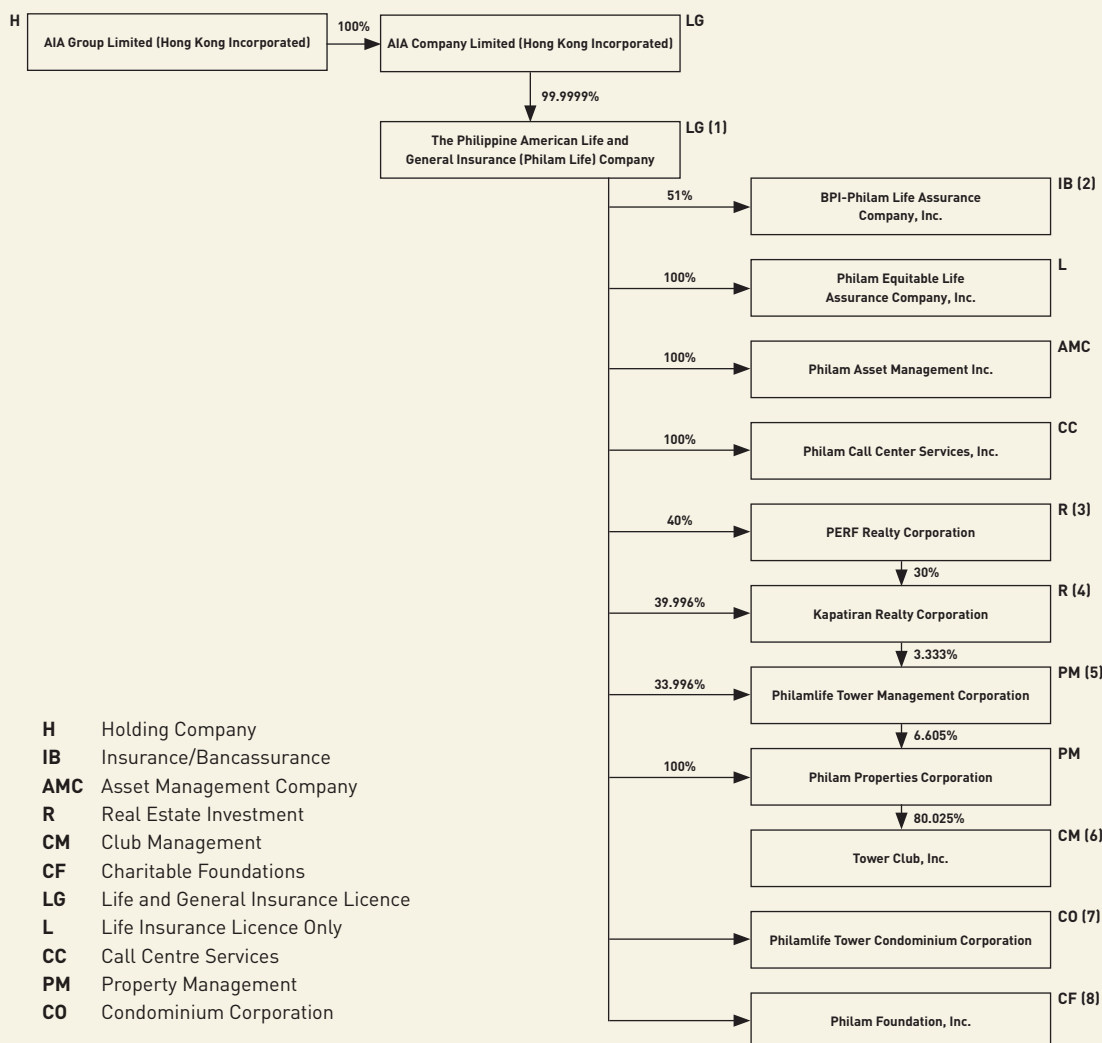
Inc., Philam Call Center Services, Inc., the Tower Club, Inc. and Philam Foundation, Inc.

Atty. Domingo is a member of the Integrated Bar of the Philippines, and a Fellow of the Institute of Corporate Directors. She 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 earned her Bachelor of Laws degree from the San Beda College of Law.

## List of Stockholders

Name of Stockholder	Shares Held	Class	Amount Paid	Percent of Ownership	Nationality	Beneficiary Ownership	Date of First Appointment
<b>AIA Company Limited</b>	199,560,515	Common	1,995,605,150.00	99.99993%	Hong Kong SAR		
<b>Gordon T. Watson</b> Non-Executive Director/Chairman	1	Common	10.00		British	AIA Company Ltd	Jan 11, 2011
<b>Ariel G. Cantos</b> Executive Director/Chief Executive Officer	1	Common	10.00		Filipino	AIA Company Ltd	Jul 16, 2013
<b>Francis G. Estrada</b> Independent Director	1	Common	10.00		Filipino	AIA Company Ltd	Apr 18, 2006
<b>Antonino T. Aquino</b> Independent Director	1	Common	10.00		Filipino	AIA Company Ltd	Apr 22, 2015
<b>Joaquin E. Quintos IV</b> Independent Director	1	Common	10.00		Filipino	AIA Company Ltd	Apr 22, 2015
<b>Doris Magsaysay Ho</b> Independent Director	1	Common	10.00		Filipino	AIA Company Ltd	Apr 22, 2015
<b>Surendra Menon</b> Non-Executive Director	1	Common	10.00		Singaporean	AIA Company Ltd	Oct 05, 2016
<b>Estate of Luis Yulo</b>	149	Common	1,490.00	0.00007%	Filipino		
<b>TOTAL</b>	<b>199,560,671</b>		<b>1,995,606,710.00</b>	<b>100.00000%</b>			

## Philam Group Chart of Ownership



## Capital Structure

**Authorised Capital Stock:**  
P2,000,000,000.00

**Subscribed and Paid-Up:**  
P1,995,606,710.00

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

**Treasury Share:**  
439,329 as of April 2013

**Par Value:**  
P10.00/share

## Statement of Financial Position

December 31, 2016 and 2015

All amounts in thousands of Philippines Pesos

	2016	2015	Growth vs. PY	
			Amount	%
<b>Assets</b>				
Cash and cash equivalents	2,468,252	4,977,079	(2,508,827)	-50%
Insurance receivables, net	791,918	763,353	28,565	4%
Financial assets at fair value through profit or loss	42,687,405	37,897,042	4,790,363	13%
Available-for-sale financial assets	156,172,162	147,092,446	9,079,716	6%
Loans and receivables, net	26,359,620	29,676,122	(3,316,502)	-11%
Accrued income	3,007,392	3,059,700	(52,308)	-2%
Investment in subsidiaries and associates	2,963,523	3,003,523	(40,000)	-1%
Investment properties	5,383,324	4,164,789	1,218,535	29%
Property and equipment, net	1,652,408	1,603,812	48,596	3%
Other assets, net	4,414,567	4,147,176	267,391	6%
<b>Total assets</b>	<b>245,900,571</b>	<b>236,385,042</b>	<b>9,515,529</b>	<b>4%</b>
<b>Liabilities and Equity</b>				
Insurance contract liabilities, net	135,861,828	131,199,549	4,662,279	4%
Reserve for policyholders' dividends	1,149,114	1,111,597	37,517	3%
Policyholders' dividends	8,107,164	8,191,746	(84,582)	-1%
Liabilities for supplementary contracts	629,165	638,213	(9,048)	-1%
Premium deposit fund	1,166,565	1,187,582	(21,017)	-2%
Insurance payables	1,063,327	723,445	339,882	47%
Accounts payable and accrued expenses	4,009,450	2,851,789	1,157,661	41%
Other liabilities	2,841,035	1,826,707	1,014,328	56%
<b>Total liabilities</b>	<b>154,827,648</b>	<b>147,730,628</b>	<b>7,097,020</b>	<b>5%</b>
Share capital	2,000,000	2,000,000	-	0%
Contributed surplus	25,000	25,000	-	0%
Treasury shares	(109,832)	(109,832)	-	0%
Reserves for:				
Fluctuation on available-for sale financial assets	32,567,286	36,332,662	(3,765,376)	-10%
Revaluation of property and equipment	192,311	265,365	(73,054)	-28%
Remeasurements of retirement and other post-employment benefit schemes	1,012,832	851,910	160,922	19%
Share-based payments	14,487	13,785	702	5%
Retained earnings	55,370,839	49,275,524	6,095,315	12%
<b>Total equity</b>	<b>91,072,923</b>	<b>88,654,414</b>	<b>2,418,509</b>	<b>3%</b>
<b>Total liabilities and equity</b>	<b>245,900,571</b>	<b>236,385,042</b>	<b>9,515,529</b>	<b>4%</b>



## Statement of Total Comprehensive Income

for the year ended December 31, 2016

(With comparative figures for the year ended December 31, 2015)

All amounts in thousands of Philippines Pesos

	2016	2015	Growth vs. PY	
			Amount	%
<b>Revenues and other income</b>				
Gross premiums on insurance contracts	18,947,422	21,108,171	(2,160,749)	-10%
Reinsurers' share of gross premiums on insurance contracts	(305,269)	(229,633)	(75,636)	33%
Net insurance premiums	18,642,153	20,878,538	(2,236,385)	-11%
Investment income	12,519,054	12,162,110	356,944	3%
Fee income	734,269	543,255	191,014	35%
Fair value losses, net	(823,962)	(1,742,904)	918,942	-53%
Realized (losses) gains on available-for-sale financial assets, net	(392,616)	1,053,528	(1,446,144)	-137%
Foreign exchange gain, net	1,232,064	451,446	780,618	173%
Other income, net	18,603	53,477	(34,874)	-65%
<b>Total revenues and other income</b>	<b>31,929,565</b>	<b>33,399,450</b>	<b>(1,469,885)</b>	<b>-4%</b>
<b>Expenses</b>				
Benefits and claims paid on insurance contracts, net	14,827,148	12,625,869	2,201,279	17%
Change in insurance contract liabilities, net	2,553,893	5,092,706	(2,538,813)	-50%
General and administrative expenses	2,844,607	2,971,588	(126,981)	-4%
Commissions and other acquisition expenses	2,846,134	2,694,513	151,621	6%
Investment expenses	553,915	585,680	(31,765)	-5%
Interest expense	362,266	174,156	188,110	108%
Insurance taxes, licenses and fees	256,868	256,355	513	0%
<b>Total expenses</b>	<b>24,244,831</b>	<b>24,400,867</b>	<b>(156,036)</b>	<b>-1%</b>
<b>Income before income tax</b>	<b>7,684,734</b>	<b>8,998,583</b>	<b>(1,313,849)</b>	<b>-15%</b>
<b>Income tax expense</b>	<b>1,589,419</b>	<b>1,599,565</b>	<b>(10,146)</b>	<b>-1%</b>
<b>Net income for the year</b>	<b>6,095,315</b>	<b>7,399,018</b>	<b>(1,303,703)</b>	<b>-18%</b>
<b>Other comprehensive (loss) income</b>				
Items that will be subsequently reclassified to profit or loss				
Net fair value changes on available-for-sale financial assets	(3,765,376)	(7,296,148)	3,530,772	-48%
Item that will not be subsequently reclassified to profit or loss				
Fair value (losses) gains on property and equipment	(73,054)	265,365	(338,419)	-128%
Remeasurements of retirement and other post-employment Benefit schemes	160,922	70,761	90,161	127%
<b>Total other comprehensive loss</b>	<b>(3,677,508)</b>	<b>(6,960,022)</b>	<b>3,282,514</b>	<b>-47%</b>
<b>Total comprehensive income for the year</b>	<b>2,417,807</b>	<b>438,996</b>	<b>1,978,811</b>	<b>451%</b>

## Statement of Changes in Equity

for the year ended December 31, 2016 and 2015

All amounts in thousands of Philippines Pesos

	Share capital	Contributed surplus	Treasury shares	Reserve for fair value gain (loss) on available-for-sale financial assets	Reserve for revaluation of property and equipment	Reserve for remeasurements of retirement benefit and other post-employment benefit schemes	Reserve for share-based payments	Retained earnings	Total
<b>Balance at January 1, 2015</b>	<b>2,000,000</b>	<b>25,000</b>	<b>(109,832)</b>	<b>43,628,810</b>	<b>-</b>	<b>781,149</b>	<b>10,654</b>	<b>41,876,506</b>	<b>88,212,287</b>
<b>Comprehensive income for the year</b>									
Net income for the year	-	-	-	-	-	-	-	7,399,018	7,399,018
Other comprehensive (loss) income	-	-	-	(7,296,148)	265,365	70,761	-	-	(6,960,022)
Total comprehensive (loss) income for the year	-	-	-	(7,296,148)	265,365	70,761	-	7,399,018	438,996
<b>Transactions with owners</b>									
Cost of share-based payments	-	-	-	-	-	-	3,131	-	3,131
<b>Balance at December 31, 2015</b>	<b>2,000,000</b>	<b>25,000</b>	<b>(109,832)</b>	<b>36,332,662</b>	<b>265,365</b>	<b>851,910</b>	<b>13,785</b>	<b>49,275,524</b>	<b>88,654,414</b>
<b>Comprehensive income for the year</b>									
Net income for the year	-	-	-	-	-	-	-	6,095,315	6,095,315
Other comprehensive (loss) income	-	-	-	(3,765,376)	(73,054)	160,922	-	-	(3,677,508)
Total comprehensive (loss) income for the year	-	-	-	(3,765,376)	(73,054)	160,922	-	6,095,315	2,417,807
<b>Transaction with owners</b>									
Cost of share-based payments	-	-	-	-	-	-	702	-	702
<b>Balance at December 31, 2016</b>	<b>2,000,000</b>	<b>25,000</b>	<b>(109,832)</b>	<b>32,567,286</b>	<b>192,311</b>	<b>1,012,832</b>	<b>14,487</b>	<b>55,370,839</b>	<b>91,072,923</b>

## **ABOUT PHILAM LIFE**

The Philippine American Life and General Insurance Company (Philam Life) is the country's premier life insurance company. Established on June 21, 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 P245.9 billion in total assets as of December 31, 2016 and has delivered timely pay outs of over P10 billion in education benefits (2004-2016) and over P131 billion in insurance benefits (1950-2015), while serving more than 700,000 individual policyholders and over 2,500,000 insured group members.

Philam Life understands the real life needs of its customers and provides the right plans and the right solutions including 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 (BPI-Philam) 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 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 almost a century ago. 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\$185 billion as of 30 November 2016.

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 30 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").



**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](http://philamlife.com)