



Empowering
the **Filipino**

2012 Philam Life Performance Report



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“The year 2012 was a year of transformation and sustained growth.”

- Rex Ma. A. Mendoza
President and CEO



PRESIDENT'S REPORT

Overview of 2012

The year 2012 was a memorable year for Philam Life as the company celebrated its 65th Anniversary, commemorating its long history of excellence and leadership in the Philippines. Since its establishment on June 21, 1947, Philam Life has been instrumental in nation-building by creating a “house of savings” and helping generations of Filipinos achieve their dreams.

The year 2012 can also be described as a year of transformation and sustained growth for Philam Life as the company continued its growth momentum from the previous year through various initiatives and activities.

65th Anniversary Celebration

The 65th Anniversary celebration in June was an important milestone. With the theme, “65 years of Empowering the Filipino,” the week-long celebration had various components that involved employees, agents, business partners, and the general public.

Also part of the celebration was the launch of Philam Life’s “Real People. Real Stories.” advertising campaign heralding the company’s message of empowerment.

The 65th Anniversary celebration showcased the nobility of the company’s mission -- empowering Filipinos to achieve financial security and prosperity by providing protection when they need it most and by helping them live life to the fullest through investments and wealth management.



His Excellency Philippine President Benigno Aquino III (center) graced Philam Life’s 65th Anniversary celebration.

Transformation

Transformation was an important facet in the company’s 2012 story. Philam Life adopted AIA’s visual identity and corporate branding. From blue and green, Philam Life changed its logo to red, adopting the boldness and dynamism of its parent company AIA. The original typeface was retained as this has been a recognizable aspect of the company’s brand identity in the Philippines.

The new corporate branding was rolled out in all offices nationwide alongside the construction of common branded facilities, to create an enhanced work environment for employees both in the home office and in regional branches.

Among the most prominent drivers of transformation in the organization is the “Power it Up!” program which started as an organizational transformation program, and has evolved into an overall business strategy. The program involves four major areas: Employee Engagement; Workplace Enhancement; Rewards and Benefits; and Work Enablers.

Employees were engaged through sports events, provincial townhalls, family day activities, health & wellness programs, and special interest clubs. Furthermore, their work environment was enhanced through branded facilities such as pantry areas and employee lounges along with office renovations.

Power it Up! was also adopted by the Agency force through revitalized initiatives that enhance agent productivity.

The Power it Up! program was not only admired locally but also gained recognition within AIA.



(L to R) The Power it Up! team--Isis Huang, Lucky Diaz, Miah Juliano, and Mina Juco with Mr. Gordon Watson and Mr. Rex Mendoza.

Operating Philosophy

The AIA Operating Philosophy of “Doing the right thing, in the right way, with the right people” was rolled out during the last quarter of 2012, establishing the unique culture of AIA across all 16 markets -- that we will always do what is right as a company moving towards the future.

The Philam Life corporate policies include, among others:

AIA Code of Conduct that provides for the ethical guidelines for conducting business on behalf of AIA companies, of which Philam Life is a member. It specifies:

- a.) The duty to safeguard material non-public information from improper use. The Insider Trading Policy provides for the details on how to deal with such information.
- b.) Commitment to conduct the business in a manner that protects the health, safety and security of employees, customers and other stakeholders.
- c.) It seeks supplier partnership with diverse businesses.
- d.) Not to use improper means to influence another’s business judgment. NO employee, agent or independent contractor may provide bribes or other improper benefits to another person in order to obtain or retain business or an improper advantage in any business. A separate Anti-Corruption and Anti-Bribery policy have been crafted to guide on persons concerned.

Whistleblower Policy

As a member of the AIA Group, Philam Life adheres to the AIA Group Whistleblower Protection Policy, which provides a procedure for filing and addressing complaints of retaliation for whistleblowers who make disclosures concerning improper or corrupt conduct. The policy aims to establish corporate values and culture that support ethical behavior and assure confidentiality and non-retaliation to the whistleblowers. Reporting of concerns or suspicions may be made by multiple means, including reporting to a manager, a department head, a compliance officer or other control function officer (e.g. internal auditor), Group Compliance, etc. The report may also be made anonymously by using the AIA Group Ethics and Compliance Hotline (PLDT) 1010-5511-00-800-245-4179 or 105-11-800-245-4179.

Business Review

Capitalizing on the momentum of the previous year, Philam Life took its transformation program further and strengthened initiatives that build the business such as revitalizing the agency force; strengthening the drive for protection and unit-linked products; sustaining focused programs for key market segments; and enhancing synergy with affiliate companies.

Agency Evolution

Under the Premier Agency strategy, Philam Life aims to transform its agency distribution not only as the best in scale, but also as the best in class.

Recruitment efforts were strengthened through regular Business Opportunity Programs. In addition, two recruitment programs were institutionalized to attract quality recruits who can be developed into premier advisors and premier leaders of the company. The Premier Center was also built to provide top of the line training facilities for premier financial advisors. The Philam Life Agency was adjudged Best in Recruitment by Philam Life’s parent company AIA for fiscal year 2012.



The Premier Center on the 15F of the Philam Life Head Office in Net Lima, Bonifacio Global City, Taguig.

Market Segmentation

Continuing its market-based approach to tap key segments of the insurance market, Philam Life embarked on the following programs: 1) Balikbayani Program for Overseas Filipino Workers (OFWs) and their families to orient them on the importance of financial management and planning for their family’s future; 2) Estate Planning & Investment Forums for Affluent/Chinese Market to guide them on estate planning and various investment options; 3) Wealth Management Forums for entrepreneurs & professionals to orient clients on wealth-creation tools and opportunities; and 4) MoneyWorks program for the employed segment to guide them on how to manage expenses and the importance of savings and investments.

Drive for Protection and Unit-Linked Products

In 2012, Philam Life strengthened its drive for protection by introducing two new products: **Bright Future Invest**, an investment and life insurance plan-in-one and **Family Secure**, a life insurance plan that can be converted into a retirement fund.

To capture the huge market opportunity that comes with the country's strong economic growth and improved credit rating, Philam Life also intensified its drive for **Money Tree**, a single premium, unit-linked insurance product that allows the policyholder to participate in potentially high returns of the financial markets.

In line with this drive, client forums, TV guestings, and wealth management seminars were held to orient clients and the general public on how to manage their finances and how Money Tree can best help them achieve their financial goals.

Advertising Campaign

The "Real People. Real Stories" advertising campaign features four stories of real-life Philam Life plan holders and beneficiaries. These are stories of the common Filipino-- struggling to overcome financial obstacles, rising triumphant over tragedy, and accomplishing what they've always wanted for themselves and their loved ones with the help of the right advice and the right plan.

The advertising campaign aided in the brand recognition and awareness of Philam Life, generating Total Awareness rate of 98% among respondents.

In 2012, Philam Life also made its presence felt in the social media and digital space with the launch of the company's official Facebook Page at www.facebook.com/PhilamLifeAIA and Youtube Channel at www.youtube.com/user/PhilamLifeAIA.

Philam Life also launched useful online tools such as the OFW BalikBayani Pasalubong Calculator and Life Insurance Calculator, to help Filipinos assess their financial and insurance needs in preparation for the future.

Operations

Philam Life strengthened efforts to improve efficiency in backroom operations to support growth in new business.



"Real People. Real Stories" campaign print ads

This included developing pre-screening tools for insurance application forms to ensure completeness of policyholder details and further enhancement in Claims processing to increase the straight thru processing resulting to improvement in the overall claims service levels.

The agency portal was also launched to enable advisors to source valuable business information in a convenient and faster manner, which would lead to faster servicing with the availability of the information on a 24/7 basis.

Risk Management

Philam Life has a risk function which reports to local Management, consistent with the empowered business model that parent company AIA has adopted. To carry out the risk management function, the company has established a structure that provides oversight and ensures that the company, including local entities which comprise the Philam Group, has in place comprehensive and effective systems for risk management.

The Philam Group Risk Management Committee ("RMC"), constituted in 2008, is represented by the Senior Management of the company. It has its own Risk Management Framework and is governed by its own Charter, which formalizes the scope, functions, reporting structure and composition of the committee.

Further, the Board Risk Committee ("BRC"), which was

established in July 2011, reports directly to the Board. The BRC scope is on risk policy and strategy. It is responsible for determining the Risk Appetite, the Risk Management Statement and the Risk Management Framework and provides advice and assistance to the Board of Directors on risk matters. The Board Risk Committee also approves the company's Risk Measurement Systems and Metrics.

Synergy with Affiliates

Capitalizing on the strength of its affiliates, Philam Life collaborated with PAMI for its investment products and related training. PAMI funds became Family Secure's underlying investments.

PAMI also provided training support to Philam Life's premier agency development through training on investments, total wealth management, and bundling of mutual funds with insurance products.

On the transfer of the Philam Life head office to Bonifacio Global City, Philam Properties played an important role in ensuring the new offices in Net Lima were ready in time for the transfer schedule, leading to a smooth transfer of offices to Net Lima. The transfer of the head office is part of the company's over-all real estate plan to relocate its offices to central business districts.

Platinum Trusted Brand

In 2012, Philam Life was once again recognized as a Platinum Trusted Brand by Reader's Digest Asia. We now have a total of eight Platinum Trusted Brand awards. The award was based on consumer surveys measuring trustworthiness, credible image, quality, value, understanding of customer needs, and innovation.

2013 Outlook and Challenges

Optimism remains high for 2013 amid a favorable market environment in the Philippines. In 2012, the economy grew by 6.8%, surpassing the government's 5-6% forecast and market expectations of 6.4%. The Philippine economy is among the fastest growing economies next to China.

Alongside a robust economy, the Philippine life insurance industry also posted admirable growth. Insurance premiums in 2012 exceeded the industry's target for the period. Thirty-five life insurers reported P120 billion in gross premiums for 2012, higher than the P100 billion target

and the P85.8 billion premiums in 2011. New products, particularly unit-linked products, the reduced premium tax, and the improving economy all contributed to the growth of the industry.

On the flipside, the low interest rate environment remains a challenge, compelling us to review our dividend rates in fulfilment of our fiduciary obligation to our customers. This is also in line with our Operating Philosophy of "doing the right thing" for our customers.

We are proud of our long history of excellence and leadership in the Philippines. We are proud to have empowered generations of Filipinos for 65 years to achieve financial security and prosperity.

With our transfer to Bonifacio Global City, which is among the most progressive districts in the Metro, I am confident that we will have a fresh perspective of things to come.

We are a company with a rich heritage and we have indeed proven our capability to rise beyond challenges as we move forward in a new work environment that is modern and secure.

I am more excited than ever to see what the future will bring as we respond to changes that will come our way.

I would like to thank the Board Committee, our Exco members, our employees, agents, customers, and all our stakeholders for sharing my vision of transformation and sustained growth for Philam Life.


Rex Ma. A. Mendoza
President & CEO
19 April 2013

FINANCIAL HIGHLIGHTS

Revenue

Gross Premiums for the year amounted to P15.4 billion, a respectable 13% growth over last year. New Business of P7.2 billion registered a robust 44% growth versus last year, with both First Year (FY) premiums of P1.7 billion and Single Premiums (SP) of P5.5 billion posting impressive growths of 22.8% and 52.5% respectively. Renewal Year Premium (RYP) on the other hand was expected to take a downward trend due to limited pay policies becoming paid-up. However, due to extensive conservation efforts, which improved persistency, the negative growth in RYP was only at 5%.

Investments

Total Invested Assets stood at P169.9 billion, up by 8.8% versus last year. Investment Income net of Investment Expenses amounted to P11.8 billion, representing 4.2% growth over the previous year. Realized Capital Gains for 2012 of P843 million was lower compared to last year's P3.8 billion as the previous year included one-off gains of P2 billion from the divestment of certain assets.

Policy Benefits

Net insurance benefits and claims amounted to P18.7 billion, 18.7% up from last year due mainly to maturities of P4.5 billion which registered a P922 million increase compared to last year.

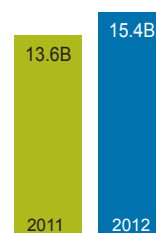
Net income

Net income of P3.3 billion was lower than last year's P7.3 billion. The high net income in previous year included one-off gains from the divestment of certain assets.

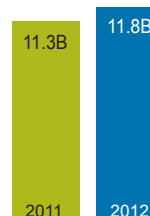
Shareholders' Equity

Equity balance remained resilient at P68.4 billion, 12% up from last year's P61 billion, coming principally from higher market value of bonds and equity investments combined with Net Income for the year of P3.3 billion.

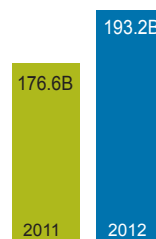
Gross Premiums



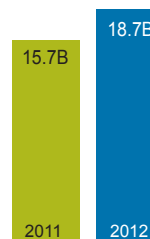
Net Investment Income



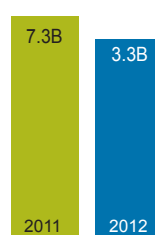
Total Assets



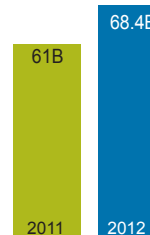
Net Insurance Benefits & Claims



Net Income



Stockholder's Equity



AFFILIATES & SUBSIDIARIES

BPI Philam Life Assurance Corp. (BPLAC)

BPI-Philam Life Assurance Corp. is a strategic alliance between two leading companies in the country today-Philam Life and Bank of the Philippine Islands. BPI is a leading commercial bank in the country with over 160 years of banking experience and the largest network of over 800 branches and 1,500 ATMs nationwide. BPI also has the largest market capitalization in the industry and the highest credit ratings from international rating agencies.

The year 2012 was a banner year for BPI-Philam, producing a record high of 99% in terms of Single Premiums. Its partnership with BPI has also gained over 24,600 new clients for the year.

The synergy between Philam Life and BPI has proven to be a model for success. With the combined expertise and resources of these two trusted companies, BPI-Philam policyholders are assured that their coverage is backed by financial strength and stability.

Philam Equitable Life Assurance Co. (PELAC)

Established in 2003, PELAC is the former bancassurance joint venture of Philam Life with Equitable-PCI Bank, which was subsequently bought by BDO in 2007. In 2009, there was a mutual agreement between Philam Life and BDO to no longer renew the bancassurance partnership.

In 2011, Philam Life purchased the remaining 5% stake of BDO in the joint venture, giving full and complete ownership of PELAC to Philam Life. In Dec 2012, PELAC Board of Directors approved the winding down of the Company in 2013.

Philam Asset Management Inc. (PAMI)

PAMI is the asset management company of the Philam Group currently managing nine (9) mutual fund companies.

In 2012, Total Assets under Management (AUM) of PAMI reached a record high of P30.5 billion posting 35% growth over last year. The remarkable growth in AUM was driven by the notable increase in contributions from PAMI's bank partners and institutional advisory accounts and the outstanding performance of the funds under its management.

The year 2012 saw closer ties between PAMI and Philam Life as the former's mutual funds became the underlying investments for Philam Life's investment-linked product, namely Family Secure.

PAMI remains the most awarded mutual fund company in the industry, receiving thirteen (13) awards for the outstanding performance of its various funds for the year 2011 from the Philippine Investment Funds Association, Inc. (PIFA).

PAMI also received its third Gold Trusted Brand award (Investment Fund Company category) from Reader's Digest Asia.

Philam Properties Corp. (PPC)

PPC is the real-estate management arm of Philam Life and its affiliates. The year 2012 was an equally challenging year with the transfer of the corporate office of Philam Life and affiliate companies to Bonifacio Global City. The real estate portfolio under PPC management consists of 129 sites with an aggregate area of 353,364 sqm which include 38 buildings and condominium strata units, 5 BPLAC-owned assets, and 50 offices of Philam Life and PAMI in third-party sites.

CORPORATE SOCIAL RESPONSIBILITY

Philam Paaralan

Established in 2011, Philam Paaralan is the flagship program of Philam Foundation in partnership with the Department of Education. It aims to promote “Healthy Education” through classroom building in underserved and / or calamity stricken areas in the country.

As an addition to the eight Philam Paaralan classrooms built in 2011, another six classrooms were built in the Mindanao area after it was hit by Typhoon Pablo. In 2012, Philam Paaralan was able to build and turn over a two-storey, four classroom building in Cagayan de Oro City and a one-storey, two classroom building in Iligan City.

Philam Paaralan was also able to get sponsorship from Philam Life through the company’s P65 per policy sold campaign wherein a total of P2.149 million was raised. The program was also able to promote its cause in numerous events, leading to several sponsorships from some companies and individuals.

KaAkbay Philam Volunteer Corps

The KaAkbay Philam Volunteer Corps continued to grow in 2012 with the total number of volunteers reaching 182 and total number of volunteer hours at 1,947 hours rendered through 14 volunteer activities.

The program continues to support and encourage Philam Group employees to join various advocacies through its regular activities while exploring other volunteering activities like Brigada Eskwela.

Brigada Eskwela is a program in partnership with the Department of Education’s Adopt-A-School Program which aims to clean and refurbish public schools in time for the new school year.

In 2012, the KaAkbay program was able to simultaneously launch Brigada Eskwela in Philam Offices in the National Capital Region, Cebu and Davao.

Philam Centralized Assistance for Employees in Need (PhilamCAN) and Philam Centralized Aid for Agents (PCAFA)

Philam Centralized Assistance for Employees in Need (PhilamCAN) marked its 5th campaign year in 2012 wherein 90 employees were given financial assistance in the total amount of P462,000.

A total collection of P253, 346.95 was raised from Philam Life employees which was matched by Philam Foundation making the total fund reach a total of P506,693.90.

On the other hand, Philam Centralized Aid for Agents (PCAFA) was able to help out 23 agents and agency employees in 2012 in the total amount of P128,000. A P3.3 million additional fund was received from Philam Life representing the total Agency Welfare Fund. It will be included in the PCAFA and will be managed by Philam Foundation. Total Philam CAFA fund now stands at P3.5 million.



1) Philam Foundation Executive Director Max Ventura turns over a Philam Paaralan prototype to DepEd Assistant Secretary Reynaldo Laguda with Philam Life President and CEO Mr. Mendoza; 2) Justo Lucban Elementary School students were among the beneficiaries of Philam Paaralan’s ‘Fit for School’ program to promote proper hygiene to more than 500 students; 3) KaAkbay volunteer Vic Gatbonton participates in a tree planting activity with the League of Corporate Foundation at Ipo Dam, Norzagaray, Bulacan.

CORPORATE GOVERNANCE

Profile of the Directors

Edmund S.W. Tse (75) Non-Executive Chairman/Director

Mr. Tse is Non-Executive Chairman of AIA Group Limited, a leading pan-Asian life insurance organization with a unique heritage of serving the world's most dynamic region for 90 years.

An industry veteran, Mr. Tse began his career in the industry when he joined AIA in Hong Kong in 1961. In 1975, he was appointed President and Managing Director of Nan Shan Life Insurance Company, Limited (Nan Shan), one of the top insurance companies in Taiwan owned by American International Group, Inc. (AIG). He was appointed Chairman of Nan Shan in 1990.

In 1983, Mr. Tse was named President & CEO of AIA, and in 2000 became Chairman and CEO of AIA. In 1996, Mr. Tse was elected to the AIG Board of Directors and appointed AIG Vice Chairman in 1997. He was elected AIG Senior Vice Chairman in 2001, and served as AIG Co-Chief Operating Officer from 2002 to 2003. Following his retirement as Chairman and CEO of AIA in June 2009, Mr. Tse served as the Honorary Chairman of the company until December 2010. Mr. Tse is also the Non-Executive Chairman of The Philippine American Life & General Insurance Company.

In recognition of his outstanding efforts to the development of Hong Kong's insurance industry, Mr. Tse was awarded the Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region (HKSAR) in 2001. The University of Hong Kong conferred on Mr. Tse an Honorary Fellowship in 1998, and an Honorary Degree of Doctor of Social Sciences in 2002. In 2003, Mr. Tse was elected to the Insurance Hall of Fame, the most prestigious award in the insurance industry. He was the first and so far the only Chinese to receive this prestigious award.

A keen supporter of philanthropic and educational activities, Mr. Tse serves many community and professional organizations as well as educational institutions. These include the Asia Society Hong Kong Center Advisory Council, the Business and Professionals Federation of Hong Kong, the Advisory Board for B.Sc. (Actuarial Science) Program of the Department of Statistics and Actuarial Science, the University of Hong Kong, the Board of Trustees and the Board of Education Development Foundation of Fudan University, and the China Overseas Friendship

Association. He is also President of the AIA Foundation, which supports charitable causes in Hong Kong.

Ambassador Jose L. Cuisia, Jr. (68) Non-Executive Vice- Chairman/Director

Ambassador Cuisia, who is currently the Vice-Chairman of Philam Life, recently took his new diplomatic post last March 1, 2011. He is also the Chairman of the Board for The Covenant Car Company, Inc. (TCI). The Ambassador is also the Vice-Chairman of the Board of SM Prime Holdings (SMPHI). He also holds directorate in BPI-Philam Life Assurance Co. (BPLAC).

Before becoming Philam Life's President and CEO for 16 years, Ambassador Cuisia served the Philippine Government as Governor of the Philippine Central Bank and Chairman of its Monetary Board from 1990-1993. He was also appointed Commissioner, representative of the Employer's Group, for the Social Security System (SSS) in September 2010. The Ambassador was also Governor for the Philippines to the International Monetary Fund (IMF) and Alternate Governor to the World Bank. Prior to service in the Central Bank, he was also Administrator and CEO of the Philippine Social Security System from 1986- 1990.

The Ambassador is active in educational institutions, being the CV Starr Chairman of Corporate Governance for the Asian Institute of Management (AIM) and also being the Convenor-Trustee of the Philippine Business for Education (PBE). Previously, he was also Chairman of the Board of Trustees/Board of Governors of AIM, a former Trustee of the University of Asia & the Pacific (UA&P), as well as the former Chairman of De La Salle University (DLSU) Board of Trustees.

Rex Ma. A. Mendoza (50) Executive Director/President & CEO

Mr. Mendoza is the President and CEO of The Philippine American Life and General Insurance Co. (Philam Life). He holds various positions within the Philam Group such as: Vice Chairman of BPI-Philam Life Assurance Corporation (BPLAC), Chairman of the Philam Insurance Agency & Call Center Services, Inc. (PIACCSI), Chairman of the Philam Equitable Life Assurance Company, Inc. (PELAC), Chairman of the Philam Foundation, Inc. and Director of The Tower Club, Inc.

Previous to his current position, Mr. Mendoza was Senior Vice-President and Head of Corporate Marketing and Sales Group of Ayala Land, Inc. He was a member of the Management Committee of Ayala Land, Inc. and the

Chairman & President of Ayala Land International Sales, Inc.; President of Ayala Land Sales, Inc.; Head of Sales & Marketing for the Residential Business Group; Chairman and President of Rampver, Inc. and Rampver Strategic Advisors (RSA); Marketing and Training Consultant; and Professor of De La Salle University, Graduate School of Business.

Prior to joining Ayala Land, Inc., he was Executive Vice President and Head of Sales, Marketing and Training of PHILAM LIFE; Vice Chairman and CEO of Philam Asset Management, Inc. (PAMI); Vice Chairman and CEO of Philam Financials; Director of Philam Insurance Co., Security Philam, Philam Call Center and Philam Foundation.

He graduated with a Degree of Bachelor of Science in Business Administration, Major in Marketing and Finance at the University of the Philippines, Diliman, Q.C., and took his Masters in Business Management, with Distinction, at the Asian Institute of Management.

Francis G. Estrada (63) **Independent Director**

Mr. Estrada is currently Non-Executive Chairman, independent director or Advisory Board member in a number of major profit and non-profit institutions in the Philippines, China, India and Malaysia. He was President of the Asian Institute of Management (AIM) from May 2006 to May 2009. Prior to his appointment to AIM, Mr. Estrada was Chairman, General Partner and co-founder of Equity Managers Asia, Inc. (Philippines). He has had extensive experience in merchant banking, cross-border mergers and acquisitions, corporate finance, investments and general management. He has lived in Hong Kong, Singapore, Indonesia, the Philippines and has done business and traveled extensively throughout the ASEAN region for more than 32 years.

Mr. Estrada's investment experience has included establishing and managing joint ventures throughout the region, originating, executing, nurturing and exiting from a variety of investment transactions throughout the region. In the last 15 years, Mr. Estrada originated (or supervised the origination of) investment and corporate finance transactions with a combined value in excess of US \$1 billion. He has acquired, restructured (or merged) and sold businesses in Asia, the U.S., Japan and Australia.

Highlights of Mr. Estrada's career include having co-founded and served as COO of the Hong Kong-headquartered Asian Oceanic Group (1982-1991) which had operations/offices in Indonesia, Singapore, the Philippines,

Istanbul and New York. His co-founder was Richard M. Bliss, former Chairman of the American Express International Banking Corporation. Mr. Estrada subsequently co-founded and served as President and CEO of William E. Simon and Sons Asia, this time with former US Treasury Secretary, William E. Simon (1992-1997). The latter was a private equity investment partnership.

Mr. Estrada was also Senior Vice President and Regional Coordinator for a leading Asian merchant bank overseeing business in Indonesia, Malaysia, Thailand and Singapore. From 1975-80, Mr. Estrada was seconded as Managing Director and COO of P.T. First Indonesian Finance and Investment Corporation ("Ficorinvest"), then a troubled subsidiary of the Indonesian Central Bank. Mr. Estrada conceived and executed the merchant bank's turnaround strategy and it was profitable within a year. It became the largest, most profitable Indonesian merchant bank within two years.

During this same period, he also co-founded a joint venture with the leading Indonesian development/state banks, providing advisory and management services to their distressed clients.

Mr. Estrada is involved in a number of not-for-profit organizations. He is a Fellow of the Institute for Solidarity in Asia (ISA), an organization that seeks to improve public governance through the active citizen participation. He is also a Fellow and Trustee of the Institute of Corporate Directors. Mr. Estrada is also a Trustee and Chairman of the Finance and Investment Committee of the Board of De La Salle University in the Philippines.

Mr. Estrada has served on the boards of over 35 private and public companies in Asia, the US and Australia. In addition he served as Governor (and later on, Trustee) of the Asian Institute of Management, Chairman of the Philippine Business Council of Hong Kong, and founding director of the Asian Cultural Council and the Bayanihan Foundation of Hong Kong.

Mr. Estrada was named "Most Outstanding Alumnus" of the Asian Institute of Management in 1989. He holds Bachelor of Arts (Literature) and Bachelor of Science (Business Administration) degrees from De La Salle University (1971), and a Master in Business Management, "with Distinction" from the Asian Institute of Management (1973). Finally, he completed the Advanced Management Program at the Harvard Business School (1989). He has traveled widely and speaks Pilipino, English, Spanish and some Bahasa Indonesia/Melayu.

Cesar A. Buenaventura, O.B.E. (83)
Independent Director

Mr. Buenaventura is the Managing Partner of Buenaventura, Echauz and Partners (BEP) Financial Services, a financial advisory firm.

Born in Baguio City, Philippines in December 1929, Mr. Buenaventura graduated from the University of the Philippines with a Bachelor of Science degree in Civil Engineering. He received his Master's degree in Civil Engineering majoring in Structures from Lehigh University, Bethlehem, Pennsylvania in 1954, as a Fulbright scholar.

After graduating from U.P. in 1950, he first worked with David Consunji who had just started his construction business.

He started his career at Shell in 1956, rising to become the first Filipino CEO and Chairman of the Shell Group of Companies in the Philippines in 1975 until his retirement in 1990. He stayed on as non-executive chairman until 1992 and currently remains a Director of Pilipinas Shell Petroleum Corporation. He is founding chairman of the Pilipinas Shell Foundation Inc., and founding member of the Board of Trustees of the Makati Business Club.

He was appointed member of the Monetary Board of Central Bank of the Philippines representing the private sector, in 1981, a position he held up to 1987.

He was a member of the Board of Regents of the University of the Philippines from 1987 to 1994, the Board of Trustees of the Asian Institute of Management from 1994 to 2007, and President of Benigno Aquino S. Foundation from 1985 – 2010.

He is a recipient of many awards, among which are – Most Distinguished Alumnus, College of Engineering, University of the Philippines in 1977, the Management Man of the year by the Management Association of the Philippines in 1985, Outstanding Professional in Engineering by the Professional Regulatory Commission in 1997, Outstanding Fulbrighter in the field of business by the Philippine Fulbright Association in 2008, recipient of Centennial Award as one of the Top 100 Alumni Engineering Graduates.

In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II.

He is currently Director of the following organizations: DMCI Holdings, Inc. (Vice Chairman), Semirara Coal Company, iPeople, Inc., and Petroenergy Resources Corp.

Washington Z. SyCip (90)
Independent Director

Washington Z. SyCip is the Founder of SGV, the Philippine's largest professional services firm. He is one of the founders and Chairman Emeritus of the Asian Institute of Management in the Philippines; member of the Board of Overseers of the Graduate School of Business at Columbia University; Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France; Honorary Life Trustee of The Asia Society; and member of the Board of a number of major corporations in Asia and other parts of the world.

Mr. SyCip served as President of the International Federation of Accountants (1982-1985), member of the Board of the Joseph H. Lauder Institute of Management and International Studies in the University of Pennsylvania (1983-2000), member of the International Advisory Board of the Council on Foreign Relations (1995-2010), Vice Chairman of the Board of Trustees of The Conference Board (2000-2004), and Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange (1997- 2004).

He also served on the International Boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, The Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others.

Mr. SyCip graduated from the University of Santo Tomas in the Philippines with a degree of Bachelor of Science in Commerce and Master of Science in Commerce with highest honors. Soon after passing the CPA exam at age 18, he came to Columbia University in New York for postgraduate work. After passing the oral examination for his PhD, his dissertation was interrupted by World War II. He served in the U.S. Air Force in the China-Burma-India Theater.

His honorary doctorate degrees include Doctor of Laws conferred by both the University of Melbourne and University of the Philippines, Doctor of Humanities conferred by both Ateneo de Manila University and Angeles University Foundation, Doctor of Science (Management) and

the University Medal of Honor from Holy Angel University, Doctor of Philosophy in Financial Management from De La Salle University, and Doctorate Degree in Accounting Education from the University of Santo Tomas.

Mr. SyCip has received several honors and international awards, such as the Order of Lakandula, Rank of Grand Cross and Philippine Legion of Honor, Degree of Commander, both conferred by the Philippine Government; 1992 Ramon Magsaysay Award for International Understanding; Star of the Order of Merit from the Republic of Austria; Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden; Officer's Cross of the Order of Merit (Verdienstkreuz 1. Klasse) from the Federal Republic of Germany; 1967 Management Man of the Year awarded by the Management Association of the Philippines; and the Lifetime Achievement Awards from Columbia Business School, The Asia Society, New York, and Ascend Leadership.

Reynaldo C. Centeno (56) **Executive Director**

Mr. Centeno is currently the Senior Executive Vice President & Chief Operating Officer of The Philippine American Life & General Insurance Co. He is a Fellow of the Society of Actuaries (USA), the Actuarial Society of the Philippines, and the Life Management Institute. He is also a Member of the American Academy of Actuaries and the International Actuarial Association.

He sits in the board of directors of Philam Life (2005-present), BPI-Philam Life Assurance Corp. (2010-present), Philam Asset Management Inc. (1994-present), Tower Club, Inc. (2000-present) and the Asian Eye Institute, Inc.

He is Chairman of the Board of Philam Properties Corporation (2010-present), Philam Life Tower Condominium Corporation (2002-present), and Philam Life Tower Management Corp. (2000-present). He is also the Chairman of the Board, President & CEO of 18/F, Holdings, Inc. & 45/F, Holdings, Inc. (Feb.2012 – present).

He holds a Master's Degree in Actuarial Mathematics from the University of Michigan, and a Bachelor of Science in Mathematics, cum laude, from the University of the Philippines. He is a graduate of the Top Management Program of the Asian Institute of Management.

Omar T. Cruz (58) **Executive Director**

Mr. Omar Cruz is currently the President and CEO of BPI-Philam Life Assurance Corporation and Executive Vice President of Philam Life.

He is the former National Treasurer of the Republic of the Philippines.

He has over 30 years of extensive experience in the fields of business, finance and economics after holding senior posts at World Association of Debt Management in Geneva as (President and Chairman), Citibank N.A. as (Vice President in Treasury, Risk Management, Corporate and Investment Banking), Citicorp Securities International, Inc. as (President), ABN AMRO Bank as (Director), Philippine Stock Exchange as (Governor for 2 terms).

As Treasurer of the Philippines, he received over 20 international awards from Euromoney, Euroweek, International Financial Review, Business Finance Asia and the Asset Magazine. Foremost in his awards were his citation as the Best Funding Official in the Asia Pacific Region for two consecutive years during his term and the most impressive and best sovereign bond issuer in the Emerging Markets.

Estelito G. Madrid, Jr. (65) **Non-Executive Director**

Prior to his designation as Senior Advisor to the Regional CEO, Mr. Madrid was the founding President and CEO of Pru Life UK (1996-2006) who later served as its Chairman of the Board (2007-August 2012). He also served as President of Ayala Financial (1995 -1996).

Mr. Madrid started his career as Section Manager of Proctor and Gamble before entering the life insurance industry in 1971 as a professional career agent of Manulife Financial. He later on became Sales Unit Manager in 1984 and Agency Director a year after in 1985 before becoming the First Filipino President of Manulife Financial.

He finished his BSC degree from De La Salle University in 1969.

Ricardo J. Romulo (80)
Non-Executive Director

Mr. Romulo is a Senior Partner of Romulo Mabanta Buenaventura Sayoc & De Los Angeles (AKA "ROMULO"). He holds a B.S. degree, cum laude (1955) from Georgetown University and a Doctor of Laws (J.D.) degree (1958) from Harvard Law School. He is the son of the late General Carlos P. Romulo. Mr. Romulo heads one of the oldest law firms in the Philippines which provides advice to national and foreign clients.

Mr. Romulo specializes in commercial and corporate transactions. He is a Director of Johnson & Johnson (Philippines), Inc., SM Development Corporation, Kraft Foods (Philippines), Inc., Zuellig Pharma Corporation, Maersk-Filipinas, Inc., Chairman & Director of Cebu Pacific Airlines, and Vice Chair and Director of Planters Development Bank.

Mr. Romulo was the Chairman of the Makati Business Club (MBC) for the last 19 years (retired 2006). He remains as a member of the Board of Trustees.

Mr. Romulo was a member of the 1986 Constitutional Commission which drafted the present Constitution and the Fact-Finding Commission which investigated the attempted coup d'etat in 1989. President Corazon C. Aquino appointed him a member of the Council of State. President Gloria Macapagal-Arroyo appointed Mr. Romulo as one of its five members (2001-2002) to the Governance Advisory Council.

De La Salle University awarded him the Degree of Doctor of Education, honoris causa, in 1990. On August 16, 1997 His Holiness Pope John Paul, II conferred on him the Order of St. Gregory the Great (Rank of Knight). Her Majesty Queen Margrethe II of Denmark appointed Mr. Romulo Consul General, a.h., on 27 June 2002, and Her Majesty the Queen awarded Mr. Romulo the Knight Cross of the Order of the Dannebrog (01/2010).

Gordon Watson (49)
Non-Executive Director

Mr. Gordon Watson is the Regional Chief Executive responsible for the Group's businesses operating in Hong Kong, Macau, Korea, Philippines, Australia, New Zealand, India, Indonesia, Vietnam and Sri Lanka as well as the Group Corporate Solutions business and the Group's partnership distribution.

Gordon's deep and broad knowledge of the AIA Group and its operations, together with his track record in managing businesses and executing strategic change, make him a valuable member of the Group Executive Committee.

Gordon has been with AIG/AIA for over 27 years in various leadership positions 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, corporate solutions across 54 countries. Prior to this role, he was ALICO's Global Chief Operating Officer. Gordon has also 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.

Role and Responsibilities of the Board

The Board of Directors exercises all the powers of the corporation, all business conducted and all property of the corporation controlled and held by them. 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 the strategic directions. The detailed role and responsibilities are set forth in the By Laws and Manual of Corporate Governance.

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 and therefore continues to be considered independent.

Board Process

The Board meetings will be held 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. The said minutes are open for inspection by the Board and Stockholders upon request. Board materials are sent to the members at least five (5) business days in advance of board meetings.

Election of Directors

The company uses 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.

Orientation Program and Training

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

The Board members engage in informal meetings on a quarterly basis to further discuss issues and strategies.

Performance Evaluation

The company has established its own performance evaluation, the criteria of which are based on the Insurance Commission circular on corporate governance. Every April of each year, the Board conducts a self-assessment of their performance as well as the Committees. The results are determined by the Nomination and Governance Committee.

The overall result for 2012 of the Board, the Committees, the Chairman and the President & CEO is an overall performance rating of 'Outstanding' to 'Very Outstanding.'

Members of the Board

For 2012, the Chairman and Vice Chairman of the Board and the members of the Board of Directors are as follows:

Board Chairman:

Edmund Sze Wing Tse

Vice Chairman:

Jose L. Cuisia, Jr.

Executive Directors:

Rex Ma. A. Mendoza
Reynaldo C. Centeno
Omar T. Cruz

Independent /Non-Executive Directors:

Cesar A. Buenaventura
Washington Z. SyCip
Francis G. Estrada

Non-Executive Directors:

Estelito G. Madrid, Jr.
Ricardo J. Romulo
Gordon T. Watson

Board Support

Carla V. Javillo-Domingo

Corporate Secretary

Atty. Carla V. Javillo-Domingo is currently the Vice-President and Corporate Secretary of The Philippine American Life & General Insurance Co. She also serves as Corporate Secretary of BPI-Philam Life Assurance Corporation, Philam Equitable Life Assurance Company, Inc., Philam Properties Corporation, Kapatiran Realty Corporation, PERF Realty Corporation, Philam Life Tower Condominium Corporation, Philam Life Tower Management Corporation, Philam Asset Management, Inc., Philam Foundation, Inc., 18/F Holdings, Inc., 45/F Holdings, Inc. and Philam Insurance Agency and Call Center Services, Inc.

She is a Fellow of the Institute of Corporate Directors. She attends special courses in basic accounting. Atty. Javillo-Domingo received her Bachelor of Laws from the San Beda College of Law, and her Bachelor of Arts, Major in Political Science from the University of the East, magna cum laude, where she was a University Scholar. She is currently an Instructor of Business Laws in De La Salle University, College of St. Benilde.

REPORT OF THE DIRECTORS

The Board of Directors of The Philippine American Life and General Insurance Company is pleased to present this Annual Report for the year ended 31 December 2012.

Principal Activities

Philam Life is primarily engaged in the life insurance business. Through its affiliates, the company provides a range of financial services including bancassurance, mutual funds, and property development.

Life Insurance Operations

Philam Life Gross Premiums amounted to P15.4 billion in 2012, an increase of 13% versus previous year. New Business of Philam Life reached P7.2 billion, a robust 44% growth consisting of P1.7 billion in First Year Premiums and P5.5 billion in Single Premiums.

A total of 820,684 individual and 2,316 group policies are in-force as of Dec. 31, 2012.

Net Insurance Benefits and Claims totaled P18.7 billion, an increase of 18.7 % from last year.

Net Investment Income

Net Investment Income amounted to P11.8 billion in 2012 reflecting a 4.2% growth from 2011.

Profit and Loss Account

Total Revenue was P30.2 billion, a 2.7% increase over the previous year. Benefits and other expenses were at P25.3 billion resulting in income before income tax of P4.9billion.

Dividend

On April 19, 2012, the Board of Directors approved the declaration of cash dividend of P15 per share or a total of P3 billion payable to all shareholders as at April 30, 2012.

Retirement Benefit

The company has a defined benefit plan. The amount of retirement benefit that an employee will receive upon retirement usually depends on one or more factors such as age, years of service, and compensation. Retirement cost is actuarially determined using the projected unit credit method.

Share Based Payment

AIA GL launched a number of share-based compensation plans, under which the company receives services from the agents, employees, directors and officers as a consideration for the shares and/or options of AIA GL. These consists of the Share Option Scheme (SO), Restricted Share Unit Scheme (RSU), the Employee Share Purchase Plan (ESPP), and the Agent Share Purchase Plan (ASPP). In 2012, AIA Group made further grants of SO and RSUs to certain employees, directors and officers.

Related Party Transactions

Related Party relationship exists and details of Related Party transactions are provided in Note 32 of the Audited Financial Statement.

Capital Structure

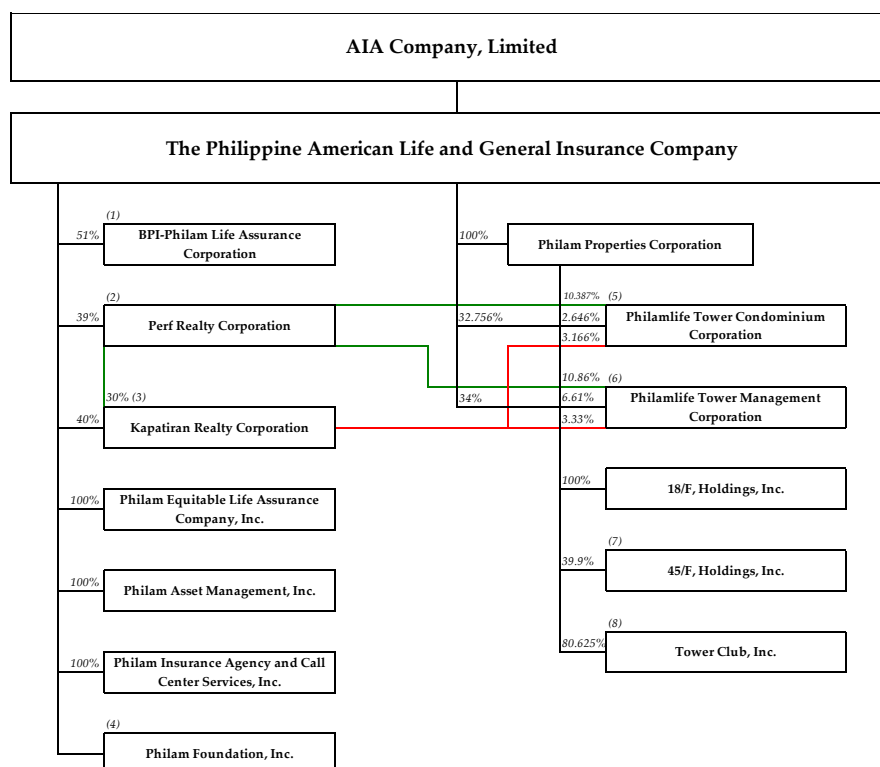
Authorized Capital Stock	P2,000,000,000.00
Subscribed and Paid-Up	P2,000,000,000.00
No. of Shares Issued & Outstanding	200,000,000 shares
Treasury Share	439,329 as of April 2013
Par value	P10.00/share

LIST OF STOCKHOLDERS

Name	Shares Held	Class	Amount Paid	% of Ownership	Nationality	Beneficiary Ownership	Date of Appointment
AIA Company Limited	199,560,511	Common	1,995,605,110.00	99.78%	Hong Kong SAR		
Edmund S.W. Tse (Non-Executive Chairman/Director)	1	Common	10.00		Chinese	AIA Company Limited	19-Jul-91
Gordon T. Watson (Non-Executive Director)	1	Common	10.00		British	AIA Company Limited	11-Jan-11
Jose L. Cuisia, Jr. (Non-Executive Vice-Chairman/Director)	1	Common	10.00		Filipino	AIA Company Limited	26-Jul-93
Francis G. Estrada ((Independent Director)	1	Common	10.00		Filipino	AIA Company Limited	18-Apr-06
Cesar A. Buenaventura (Independent Director)	1	Common	10.00		Filipino	AIA Company Limited	12-Sep-83
Ricardo J. Romulo (Non-Executive Director)	1	Common	10.00		Filipino	AIA Company Limited	3-Apr-87
Washington Z. Sycip (Independent Director)	1	Common	10.00		American	AIA Company Limited	26-Apr-01
Omar T. Cruz (Executive Director)	1	Common	10.00		Filipino	AIA Company Limited	24-Apr-08
Reynaldo C. Centeno (Executive Director)	1	Common	10.00		Filipino	AIA Company Limited	28-Sep-05
Rex Maria A. Mendoza (Executive Director/President & CEO)	1	Common	10.00		Filipino	AIA Company Limited	1-Jun-11
Estelito G. Madrid, Jr. (Non-Executive Director)	1	Common	10.00		Filipino	AIA Company Limited	14-Sep-12
Estate of Eduardo Romualdez*	399,982	Common	3,999,820.00		Filipino		
Estate of Leonardo Siguion Reyna*	39,347	Common	393,470.00		Filipino		
Estate of Luis Yulo	149	Common	1,490.00		Filipino		
TOTAL	200,000,000		2,000,000,000.00				

*Treasury Share

PHILAM GROUP CHART OF OWNERSHIP



CORPORATE GOVERNANCE REPORT

Implementing sound corporate governance principles is a priority of Philam Life. Accordingly, it made various steps necessary to bring the Company in compliance with IC Circular Letter No. 31-2005 issued by the Insurance Commission on September 26, 2005. Following the submission of the manual of Corporate Governance in 2009, Philam Life submits annually its Corporate Governance Scorecard in compliance with IC Circular Letter No. 21-2009. Philam Life aims to adhere to best practices in Corporate Governance.

Board Chairman

The Board Chairman's other significant commitments are as follows:

- Non-Executive Chairman, AIA Group Limited
- Non-Executive Director, PCCW Ltd.
- Non-Executive Director, PICC Property & Casualty Co. Ltd.
- Director & President, AIA Foundation
- Non-Executive Chairman, PineBridge Investments Asia Limited
- Advisor - Asia-Pacific Advisory Council, Chartis Singapore Insurance Pte. Ltd.

Board Committees

Executive Committee

Gordon T. Watson-Chairman
Rex Ma. A. Mendoza-Vice-Chairman
Reynaldo C. Centeno
Cesar A. Buenaventura
Atty. Ricardo J. Romulo

Investment Committee

John Chu – Ex-Officio Chairman
Jose L. Cuisia, Jr.
Rex Ma. A. Mendoza
Cesar A. Buenaventura
Francis G. Estrada
Omar T. Cruz
Reynaldo C. Centeno
Andreas Rosenthal
Maria Victoria C. Lim
Arleen May S. Guevara

Audit Committee

Cesar A. Buenaventura-Chairman
Washington Z. SyCip
Francis G. Estrada

Compensation Committee

Edmund S. W. Tse-Chairman
Washington Z. SyCip
Gordon T. Watson

Nomination & Governance Committee

Edmund S. W. Tse-Chairman
Francis G. Estrada
Jose L. Cuisia, Jr.
Gordon T. Watson

Board Risk Committee

Francis G. Estrada-Chairman
Atty. Ricardo J. Romulo
Rex Ma. A. Mendoza
Reynaldo C. Centeno
Omar T. Cruz

Board Meetings in 2012

The Board meets at least four times a year. The directors receive the meeting pack five days in advance. The meeting pack includes information on the Company's operation and minutes of Board Committee meetings held since the last Board meeting.

The presence of at least six (6) out of eleven (11) directors is necessary to have a quorum and the affirmative votes of the majority of the directors present are required to decide a matter except where the law or the by-laws require a higher number.

The Board exercises the discretionary powers and oversees the management of the Company.

The number of meetings held in 2012 and the overall attendance rate are as follows:

Board Meeting

- met six times with overall attendance rate of 99.97%.

Audit Committee

- met four times with overall attendance rate of 100%.

Nomination and Governance Committee

-met twice in 2012 with overall attendance rate of 100%.

Remuneration & Compensation Committee

- met twice in 2012 with overall attendance rate of 100%.

PHILAM LIFE SENIOR MANAGEMENT



*Standing (L to R): Mr. Cariaso, Mr. Cantos, Mr. Centeno, Mr. Cruz, Mr. Mendoza, Mr. Rosenthal, Mr. Cambaliza, and Mr. Teves.
Seated (L to R): Ms Guevara and Ms Abaya.*

Philam Life Executive Committee Members:

Mr. Rex Ma. A. Mendoza
President & CEO

Mr. Reynaldo C. Centeno
SEVP & Chief Operating Officer

Mr. Omar T. Cruz
Executive Vice President

Ms. Jessica C. Abaya
SVP & Head of Marketing

Mr. Romulo P. Cambaliza
SVP - Information Technology

Mr. Gerard M. Cariaso
SVP & Head of Human Resources

Ms. Arleen May S. Guevara
SVP & Chief Investments Officer

Mr. Andreas W. Rosenthal
SVP & Chief Financial Officer

Mr. Jose Roel V. Teves
SVP - Operations & Strategic Initiatives

Mr. Ariel G. Cantos
SVP & Chief Agency Officer

FINANCIAL STATEMENTS

Statements of Financial Position
December 31, 2012 and 2011
(All amounts in thousands of Philippine Peso)

	2012	2011
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	5,627,839	7,772,558
INSURANCE RECEIVABLES, net	1,018,274	812,844
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	14,161,799	8,925,260
AVAILABLE-FOR-SALE FINANCIAL ASSETS	131,818,334	119,567,919
LOANS AND RECEIVABLES, net	31,714,077	30,270,062
ACCRUED INCOME	3,210,621	3,182,930
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	2,678,523	2,678,523
INVESTMENT PROPERTIES, net	963,333	1,030,863
PROPERTY AND EQUIPMENT, net	488,160	667,580
NET RETIREMENT BENEFIT ASSET	806,608	801,313
OTHER ASSETS, net	745,501	927,111
Total assets	193,233,069	176,636,963
<u>LIABILITIES AND EQUITY</u>		
INSURANCE CONTRACT LIABILITIES, net	108,600,596	100,745,328
RESERVE FOR POLICYHOLDERS' DIVIDENDS	1,407,931	1,623,013
POLICYHOLDERS' DIVIDENDS	8,854,743	8,210,594
LIABILITIES FOR SUPPLEMENTARY CONTRACTS	628,794	565,002
PREMIUM DEPOSIT FUND	1,225,360	1,476,644
DERIVATIVE LIABILITIES, net	13,510	73,385
INSURANCE PAYABLES	124,203	53,433
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2,252,140	1,697,171
OTHER LIABILITIES, net	1,694,112	1,170,593
Total liabilities	124,801,389	115,615,163
SHARE CAPITAL	2,000,000	2,000,000
SHARE-BASED PAYMENTS	328,460	327,115
CONTRIBUTED SURPLUS	25,000	25,000
RESERVE FOR FLUCTUATION ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	39,129,637	32,041,302
RETAINED EARNINGS	26,948,583	26,628,383
Total equity	68,431,680	61,021,800
Total liabilities and equity	193,233,069	176,636,963

FINANCIAL STATEMENTS

Statements of Total Comprehensive Income
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Philippine Peso)

	2012	2011
REVENUE		
Gross premiums on insurance contracts	15,390,189	13,618,593
Reinsurers' share of gross premiums on insurance contracts	(99,536)	(103,096)
Net insurance premiums	15,290,653	13,515,497
INVESTMENT INCOME		
GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS, net	842,646	3,794,651
FAIR VALUE GAINS, net	1,935,593	73,430
OTHER INCOME (EXPENSE), net	(94,818)	33,626
Other revenue	14,905,802	15,870,157
Total revenue	30,196,455	29,385,654
BENEFITS AND EXPENSES		
Gross benefits and claims paid in insurance contracts	10,363,782	8,856,785
Reinsurers' share of benefits and claims paid on insurance contracts	(163,927)	(8,479)
Change in insurance contract liabilities, net	8,483,709	6,899,177
Net insurance benefits and claims	18,683,564	15,747,483
GENERAL AND ADMINISTRATIVE EXPENSES		
COMMISSIONS AND OTHER ACQUISITION EXPENSES	2,812,103	2,135,476
INVESTMENT EXPENSES	1,993,244	1,491,455
INTEREST EXPENSE	406,060	627,745
INSURANCE TAXES, LICENSES AND FEES	508,573	540,077
FOREIGN EXCHANGE LOSSES (GAINS), net	204,413	207,938
Other expenses	694,640	(23,155)
Other expenses	6,619,033	4,979,536
Total benefits and expenses	25,302,597	20,727,019
INCOME BEFORE INCOME TAX	4,893,858	8,658,635
PROVISION FOR INCOME TAX	1,573,658	1,306,454
NET INCOME FOR THE YEAR	3,320,200	7,352,181
OTHER COMPREHENSIVE INCOME		
Changes in fair value on available-for-sale financial assets	7,930,981	12,316,339
Fair value gains transferred to profit or loss	(842,646)	(3,794,561)
Total other comprehensive income	7,088,335	8,521,778
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	10,408,535	15,873,959

FINANCIAL STATEMENTS

Statements of Changes in Equity For the years ended December 31, 2012 and 2011 (All amounts in thousands of Philippine Peso)

	Share Capital	Share-based Payments	Contributed Surplus	Reserve for Fluctuation on Available-for-sale Financial Assets	Retained Earnings	Total
BALANCE AT JANUARY 1, 2011	2,000,000	325,188	25,000	23,519,524	22,276,202	48,145,914
COMPREHENSIVE INCOME	-	-	-	-	-	-
Net income for the year					7,352,181	7,352,181
Other comprehensive income						
Changes in fair value on available-for-sale financial assets	-	-	-	12,316,339	-	12,316,339
Fair value gains transferred to profit or loss	-	-	-	(3,794,561)	-	(3,794,561)
Total other comprehensive income	-	-	-	8,521,778	7,352,181	8,521,778
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	8,521,778	7,352,181	15,873,959
TRANSACTIONS WITH OWNERS						
Cost of share-based payments	-	1,927	-	-	-	1,927
Cash dividends	-	-	-	-	(3,000,000)	(3,000,000)
TOTAL TRANSACTIONS WITH OWNERS	-	1,927	-	-	(3,000,000)	(2,998,073)
BALANCE AT DECEMBER 31, 2011	2,000,000	327,115	25,000	32,041,302	26,628,383	61,021,800
COMPREHENSIVE INCOME						
Net income for the year	-	-	-	-	3,320,200	3,320,200
Other comprehensive income						
Changes in fair value on available-for-sale financial assets	-	-	-	7,930,981	-	7,930,981
Fair value gains transferred to profit or loss	-	-	-	(842,646)	-	(842,646)
Total other comprehensive income	-	-	-	7,088,335	-	7,088,335
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	7,088,335	3,320,200	10,408,535
TRANSACTION WITH OWNERS						
Cost of share-based payments	-	1,345	-	-	-	1,345
Cash dividends	-	-	-	-	(3,000,000)	(3,000,000)
TOTAL TRANSACTIONS WITH OWNERS	-	1,345	-	-	(3,000,000)	(2,998,655)
BALANCE AT DECEMBER 31, 2012	2,000,000	328,460	25,000	39,129,637	26,948,583	68,431,680

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 offers an extensive line of products in the industry that provides solutions to various financial needs including life protection, health insurance, savings, education, retirement, investment, group and credit life insurance.

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 operations in 16 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, a 97 per cent subsidiary in Sri Lanka and a 26 per cent joint-venture in India.

The business that is now AIA was first established in Shanghai over 90 years 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\$134,439 million as of 30 November 2012.

AIA meets the savings and protection needs of individuals by offering a range of products and services including retirement savings plans, life insurance and accident and health insurance. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents and employees across Asia-Pacific, AIA serves the holders of more than 25 million individual policies and over 13 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").