

2013 Philam Life Performance Report

**Powering Up Towards  
Hypergrowth**



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“In 2013, we sustained our growth momentum by powering up towards hypergrowth.”

Rex Ma. A. Mendoza  
President and CEO



# President's Message

In 2013, we “Powered Up towards Hypergrowth” by generating new business with healthy margins, strengthening distribution with a Premier Agency force, maximizing bancassurance potential, driving unit-linked products across channels, and transforming facilities and systems for best-in-class customer service. These initiatives represent our deep commitment to sustain our growth momentum from 2012 and achieve even bigger milestones in the coming year.

We marked a major milestone in April 2013 as we moved our corporate head office from U.N. Avenue to Bonifacio Global City, one of the most progressive business districts in the country. Philam Life is now located at Net Lima Building. The move to BGC signifies Philam Life's transformation into a dynamic workplace in a world-class environment.

To power up our agency force, we introduced sales tools that make use of technology such as the distribution portal which helps financial advisors monitor their productivity online, and iPoS, an iPad-based application which enables financial advisors to conduct financial needs assessment, proposal generation, up to submission of policy application all in one sitting.

Aligned with our drive to provide best-in-class customer servicing, we rolled out the “Operations Transformation” project which included significant enhancements in various customer touch points to make financial planning easy, fast, and convenient for our customers. We transformed customer service centers in Baguio, Binondo, Dasmariñas, Santiago, Iloilo, and Manila Bay where customers can enjoy modern interiors, a VIP lounge, and experience personalized, one-stop policy servicing and professional financial planning consultation.

Given the market demand for life insurance products with savings and investment component, we introduced two new products last year – Family Provider, a life protection plan that does not require a lifetime to pay for, and MoneyWorks, a savings and life insurance plan that invests savings in expertly managed funds that give higher returns than bank deposits over time.

In October, we launched “The Real Life Company” brand positioning, an AIA Group-wide campaign that aims to further engage our customers through meaningful dialogue, or Usap Tayo. As the insurer genuinely engaged in our customer's real life



situations, we remain our customer's most trustworthy partner in achieving their goals and dreams for themselves and their loved ones.

The strength of the Philam Life brand as the most trusted life insurance company in the Philippines was also affirmed when we won our 9th Platinum Trusted Brand award from Reader's Digest Asia, making us the only financial institution in Asia to have the most number of Platinum Trusted Brand awards.

We ended the year on a high note by winning the much-coveted AIA Champion's League Gold Cup and the Premier League Champion Cup. These earned us the distinction of being AIA's Top Performing Company out of 17 countries in the Group, recognizing Philam Life's outstanding performance in achieving 2013 growth targets.

In 2014, we will continue to be responsive to the public's need for long-term investment opportunities, savings, and risk protection. We see multiple distribution channels reaching out effectively to different markets, and easier access to tapping into and servicing these markets through the use of technology. Still, key to Philam Life's success is our ability to reach out to more Filipino families by making financial planning and life insurance more easily understood, more convenient, and more accessible in ways that will address their unique needs.

I am more excited than ever to further build on Philam Life's long history of excellence, leadership, and nation-building in the Philippines. We look forward to responding to the challenges of the future by making the most out of today's opportunities as we continue to empower Filipinos to achieve financial security and prosperity today and in the years to come.

  
**Rex Ma. A. Mendoza**  
President & CEO  
2 April 2014



## II. BUSINESS REVIEW

From 2012 which was a year of transformation, Philam Life achieved even more in 2013: a solid Net Income, robust 62% growth in New Business, 31% growth in Gross Premiums, and 26% growth in Shareholder's Equity.

### Operations Transformation

To make financial planning easy, fast, and convenient for customers, Philam Life kicked off an end-to-end Operations Transformation with the objective of becoming best-in-class in customer servicing in the industry.

The comprehensive transformation roadmap sought to enhance not just different touch points to define the desired customer experience, but also internal systems to create a common interphase among branch, call center, and website/online for an integrated, more efficient service delivery.

The year saw the successful rollout of Philam Life's transformed Customer Service Centers in Manila Bay, Santiago, Iloilo, Baguio, Binondo, and Dasmariñas with modern interiors, a VIP lounge, and an express queuing system to facilitate customer servicing.

Customers can also get faster access to friendly and knowledgeable customer service representatives with the enhanced Customer Hotline (02) 528-2000 or PLDT toll-free 1-800-10-528-2000.

iPoS (Interactive Point-of-Sale), the first iPad based sales application in the Philippines, was also launched in 2013 which allows customers to better understand their financial needs, know product options, receive sales proposals, submit policy applications, and pay premiums all in one sitting with their trusted Financial Advisor. It is expected to expand in reach and utilization in 2014.

### Agency Distribution

Crucial to Philam Life's commitment to best-in-class customer servicing is the active role of Agency Distribution. A key achievement of Agency Distribution was its remarkable recruitment results, growing its agency base by over 40%.

This milestone was primarily driven by various recruitment programs launched in late 2012 and sustained throughout 2013. These programs included the "Usap Tayo" Business Opportunity Program (BOP), which was standardized as a career seminar held every month in key cities nationwide.

Enhanced training programs were also implemented to include e-Learning tools that helped expand the reach of Philam Life's training resources to better meet the needs of the growing population of new advisors.

To support leader development, the Premier Leader Development Program (PLD) was put in place to provide a structured recruitment, selection and



1) Binondo Customer Service Center; 2) Agency Sales Rally in Hong Kong; 3) Chief Agency Officer Ariel Cantos winning the CAO of the Year award

support program for aspiring leaders. In addition, enhanced Leader Training programs were rolled out nationwide to prepare aspiring leaders to become full-fledged Unit and Agency Managers.

To drive activation and high performance, Agency Distribution offered quarterly trip incentives to help sustain momentum of tenured performers and to attract early productivity from newly-licensed advisors. In 2013, qualified advisors and leaders travelled to Hong Kong, Vietnam and Singapore for achieving the increasing production parameters. This campaign continues in 2014, with trips to Bali, Indonesia and an upcoming Asian Cruise. Because of the continued motivational incentives that help sustain performance, Philam Life's Million Dollar Round Table (MDRT) qualifiers continued to increase steadily every year.

Technology-based tools continued to be developed and implemented to better support Agency Distribution. These included more e-Learning programs, an enhanced Distribution Portal and Webmail services, as well as iPoS, an iPad based sales application.

## Existing Customer Marketing

Philam Life launched various initiatives for existing customers as part of the company's activation and maturity recapture efforts.

A program to activate inactive customers who have not bought a policy from Philam Life in the last three years was launched using Quick Start, an AIA campaign management system.

The Pay and Dream Away collection campaign was also launched to promote and encourage desired payment behavior among customers such as paying their premiums on or before due date and paying through alternative payment facilities.

## Transfer to Net Lima

Among the major developments in 2013 was the transfer of the Philam Life head office from United Nations Avenue in Ermita, Manila to the modern business district of Bonifacio Global City (BGC) in Taguig.

The transfer co-located Philam Life with affiliate companies Philam Asset Management, Inc. (PAMI), Philam Properties Corporation, and Philam Foundation in one building, Net Lima, on 5th Avenue corner 26th Street in BGC. (Net Lima is a "green" building which adheres to the green building rating system called BERDE or Building for Ecologically Responsive Design Excellence.)

The transfer to BGC was part of the company's business transformation, to operate in a modern business environment.



*Net Lima building in BGC: Philam Life's new home*





Mr. Leonard Lai and Mr. Michael Ip from AIA (center) with Senior Executives Mr. Gerry Cariaso, Head of HR (left), Ms Jessica Abaya, Head of Marketing (4th from left), Mr. Rex Mendoza, Philam Life President and CEO (4th from right), Ms Karen Roa, PAMI President and CEO (2nd from right), and BPI-Philam President and CEO Mr. Ariel Cantos (right) and staff of Philam Life during "The Real Life Company" campaign launch.

## The Real Life Company Brand Proposition and "Anong Plano Mo? Usap Tayo." Campaign

With AIA's new brand proposition, "The Real Life Company", which positions AIA as the insurer that is genuinely engaged in people's lives, Philam Life launched "The Real Life Company" brand campaign. This complements Philam Life's existing advertising campaign – "Real People. Real Stories." Since 2010, Philam Life has leveraged on stories of real people to make life insurance real, relevant, and urgent for Filipinos.

Under "The Real Life Company" campaign, Philam Life remains committed to genuinely engaging its customers through meaningful dialogue, or Usap Tayo. These conversations allow the Company to provide customers with the right advice, solutions and plans that turn real-life struggles into success, fears into peace of mind, and dreams into reality.

Leveraging on the power of social media, Philam Life launched the "Kandidato, Anong Plano Mo?" campaign in May of 2013, which aimed to magnify the reach of Philam Life's brand equity line: "Anong plano mo?" In addition, the "Anong Plano Mo?" Financial literacy campaign was launched on Facebook, which aims to educate Filipinos on the importance of financial planning through the use of online polls, blogs, stories, and digital applications.

## New Products

In 2013, Philam Life expanded its product portfolio to address the Filipinos' needs for protection and investment. To address the need for protection, Philam Life introduced Family Provider, a unit-linked protection plan where benefits are linked to the returns of one's chosen investment fund. With Family Provider, securing the family's future, a lifelong commitment, does not require a lifetime to pay for.

To address the need for investment and long-term savings, Philam Life introduced MoneyWorks, a savings and life insurance plan that provides access to high performing mutual funds earning significantly better than bank deposit rates, so Filipinos can take advantage of the country's booming economy.

## Enterprise Risk Management

Philam Life's risk function recognizes that effective risk management maximizes the value of its business to its shareholders. The Philam Group Risk Management Committee ("Group RMC") is a risk oversight committee and a key element of the risk governance structure and Enterprise Risk Management (ERM) framework. It is represented by senior management of Philam Life and affiliates, providing a forum for risk management issues.

The Group RMC directly reports to the Board Risk Committee ("BRC") and has oversight on the Financial Risk Management Committee (FRMC), and the Operational Risk Management Committee (ORMC).

Further, the Philam Life Board Risk Committee ("BRC") is responsible for determining the Risk Appetite, the Risk Management Statement, and the Risk Management Framework, and providing advice and assistance to the Board of Directors for the review and recommendation of these matters. Likewise, the BRC also approves the company's Risk Measurement Systems and Metrics.

## Whistleblower Policy

As part of its Corporate Governance, Philam Life adheres to the AIA Group Whistleblower Protection Policy. 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) 1010-5511-00-00-245-4179 or 105-11-800-245-4179.

## Synergy with Affiliates

In 2013, Philam Life continued to capitalize on the strength and expertise of its affiliates, by tapping Philam Asset Management Inc. as the fund manager of the underlying funds of its unit-linked products.

PAMI also supported Philam Life agency development through institutionalized training, tandem selling and bundling of mutual funds with insurance products. Joint events were held in both Metro Manila and the provinces with the vision of

providing single communication platform to the agency force. This included economic updates, market outlook and a number of learning sessions on financial literacy and total wealth management to encourage agents to provide full financial planning to its clients.

Philam Properties Corporation (PPC), on the other hand, facilitated the smooth transfer of Philam corporate offices to Bonifacio Global City during the second quarter of the year. PPC was also instrumental in the renovation of branch and agency offices under Operations Transformation.

BPI-Philam remains a major growth driver as Philam Life's bancassurance channel. It has increased engagement with its parent company through channel development, and sales team expansion. Improvements in bancassurance sales executive productivity were notable due to an enhanced incentive program, and the re-tooling and up-skilling of the sales team.



Left: The mid-year economic forum jointly organized by Philam Life and PAMI; Right: Inauguration of the Philam Life Head Office in Bonifacio Global City. The transfer of the Philam Life Head Office is among PPC's major projects.

### III. FINANCIAL HIGHLIGHTS

#### Revenue

Gross Premiums for the year amounted to P20.1 billion, a respectable 31% growth over last year. New Business of P11.8 billion registered a robust 62% growth versus last year.

#### Investments

Total Invested Assets stood at P177.4 billion, which was higher by 5% versus last year. Investment Income net of Investment Expenses amounted to P12.2 billion, representing 3% growth over previous year.

#### Operating Expenses

In line with the various cost efficiency initiatives launched during the year, Operating Expenses of P3.0 billion grew only by 3% over last year.

#### Policy Benefits

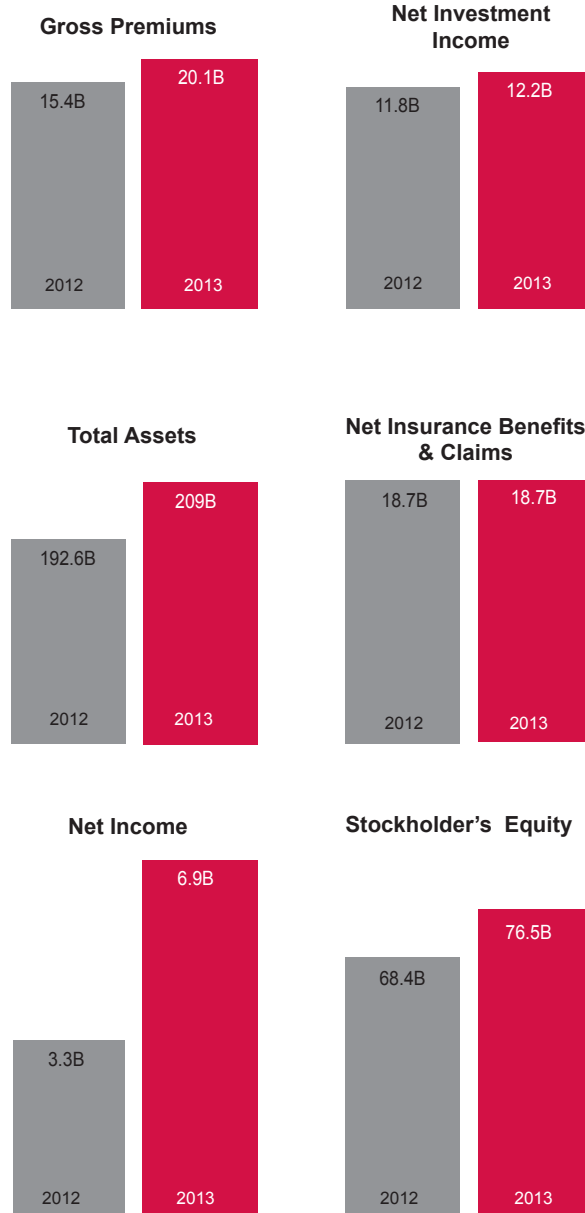
With the shift in focus to Unit Link products, Net insurance benefits and claims of P18.7 billion was same level as last year. The change in insurance contract liability was lower by P 2.3 billion but offset by higher gross benefits mainly due to maturities.

#### Net Income

Philam Life posted a solid Net Income of P6.9 billion, which was significantly higher than previous year.

#### Shareholders' Equity

Equity balance remained strong at P76.5 billion, 26% up from last year's P67.8 billion, coming principally from Net income for the year of P6.9 billion and net change in fair value of financial assets.



## IV. AFFILIATES & SUBSIDIARIES

### BPI-Philam Life Assurance Corp.

BPI-Philam Life Assurance Corporation (BPI-Philam), now on its fourth year, has secured its position as one of the leading bancassurance companies in the life insurance industry. A joint venture of Bank of the Philippine Islands and Philippine American Life and General Insurance Company, BPI-Philam has proven that the combined synergy of the two largest financial institutions in the Philippines is a formula for success.

Even as bancassurance is recognized as a significant contributor to business results, BPI-Philam has undertaken steps in 2013 to meet revenue goals and sustainable growth objectives. Initiatives such as strengthened human resource complement, intensified sales and bank training programs, improved customer service and launching of iPoS, an iPad application that allows paperless and straight-through processing of new sales, were put in place. The launch of iPoS is set to change the landscape of insurance sales as the company moves towards 100% utilization in the coming year.

2013 was a strong year in terms of channel development and sales team expansion. There was increased focus on re-tooling and re-training of sales force. Increased bancassurance sales force productivity opened up more opportunities within the bank's client base.

The improvements in productivity and activity levels, combined with the roll-out of next generation unit-linked products resulted in strong growth from the bank's various client groups.

There were also several client appreciation and marketing activities, financial wellness learning sessions, investment forums, and event tie-ups that increased the company's engagement to both clients and bank partners. The favorable market sentiment in 2013 paved the way for stronger take-up of the company's unit-linked products.

With continued support from Philam Life, its parent company, and stronger partnership and synergies with BPI, BPI-Philam is expected to keep its growth momentum in 2014, by focusing on further strengthening its commitment to quality, productivity and customer satisfaction.

### Philam Properties Corporation

Philam Properties (PPC) is the real estate service provider for the Philam Group.

In 2013, PPC completed the transfer of corporate offices to Bonifacio Global City. PPC was instrumental in transforming branch and agency offices utilizing new office layout and interiors, and this project is expected to continue until next year.

The real estate portfolio under PPC management consists of 125 sites covering buildings and condominium strata units, BPI-Philam properties, commercial lots and offices of Philam Life and PAMI in third party sites.

With the strong growth in the leasing market, the consolidated occupancy level for Philam buildings significantly improved from 85% in 2012 to 93% in 2013.



Left: BPI-Philam qualifiers enjoying their leisure trip to Bali, Indonesia; Right: PPC Employees with PPC President Lui Matti (2nd row, center) and Philam Life President Rex Mendoza (front row, 4th from left).

## Philam Asset Management Inc.

PAMI is one of the leading asset and wealth managers in the Philippine mutual fund industry. In 2013, PAMI had another strong performance with total Asset under Management (AUM) reaching a record high of P38.2 billion, reflecting 25% growth over same period in previous year. Total number of shareholders also grew by 19% to 53,466 accounts.

The growth in AUM was driven primarily by the strong net sales in both the equity-laced funds and Peso bond funds given the robust economic growth in the Philippines, the significant inflows from Philam Life's Unit-Linked Products (ULP) with PAMI funds as underlying, as well as strong sales from PAMI's institutional accounts and HNW clients.

Of PAMI's nine mutual funds, the largest asset classes are in peso equities representing over 50% of the total portfolio. Equity funds are expected to grow given PAMI's strong performance and consistent 1st to 2nd quartile track record.

For 2013, PAMI posted net income of P186.6 million or a 9% increase over previous year. This was driven by 40% growth in management fees from higher total AUM, recovery in asset values of PAMI investments in its funds, and controlled overhead expenses.

PAMI's profit from stand alone mutual fund is P156 million or 27% growth vs. last year, excluding profit contribution from ULP and impact of outperformance in 2012.



*Philam Asset Management Inc. (PAMI) celebrated its 20th year anniversary. Present during the event are PAMI President and CEO Karen Roa (far right) with Philam Life senior executives led by President and CEO Rex Mendoza and special guest Insurance Commissioner Atty. Emmanuel Dooc (center).*

## PELAC

Established in 2003, PELAC is the former bancassurance joint venture of Philam Life and 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 2013, PELAC recorded P90.5 million in gross premiums.

## V. CORPORATE SOCIAL RESPONSIBILITY

Philam Life's commitment to nation-building continues with these corporate social responsibility projects.

### Philam Paaralan

Through Philam Paaralan, Philam Foundation continues its advocacy to give kids a healthy education. Philam Paaralan, established in 2011 in partnership with the Department of Education, aims to help address the challenge of classroom shortages by building classrooms in calamity stricken, unserved and underserved areas in the country.

In 2013, Philam Paaralan was able to build six classrooms in areas where they were needed the most. Two new classrooms were built in Lemery, Batangas after the school there was deeply damaged by the flooding caused by the Habagat in 2012. Four new classrooms were also built in Mindanao after it was hit by Typhoon Pablo in 2012. Mawab in Compostela Valley and Bunawan in Agusan del Sur each received a two classroom building, which was complete with tables and chairs, fans and wash rooms.

In addition to the classroom facilities, Philam Paaralan put up a Water Sanitation and Hygiene (WASH) facility in Lemery, Batangas to encourage children to adopt healthy living through basic hygiene.

Philam Paaralan was also able to pilot the use of Steel Frame Technology in building its classrooms. The use of steel frames not only lowers the cost of building the classrooms but also improves the quality of the structure which is safe and can stand calamities like typhoon, earthquake and fire.

Philam Foundation will actively support the rebuilding of areas hit by the earthquake in Bohol and Typhoon Yolanda. In partnership with AIA and the Philam Group of companies, Philam Foundation is able to raise enough funds to build 25 new classrooms in Central Visayas in 2014.

### 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 6th campaign year in 2013. In 2013, 112 employees were given financial assistance in the total amount of P560,000.

Aside from extending assistance to employees in need, PhilamCAN launched an improved method of collecting employee contribution through salary deduction called "eCAN." Through eCAN, estimated additional funds of P600,000 will be added to the total funds of the program at the end of the campaign period in June 2014. Through eCAN,



1) New Philam Paaralan classrooms in Lemery Pilot Elementary School (LPSE) in Lemery, Batangas; 2) Grade 2 pupils of Lemery Pilot Elementary School received wash kits, pens and baseball caps.

employee participation increased by almost 50% as compared to the employee participation in 2012.

On the other hand, Philam Centralized Aid for Agents (PCAFA) was able to help 90 financial advisors and agency employees in 2013. A total of P310,000 was released to help agents and agency employees who were mostly affected by calamities in 2013.

### **KaAkbay Philam Volunteer Corps**

The KaAkbay Philam Volunteer Corps continued to grow in number of volunteers and areas reached. Currently on its 7th year, KaAkbay was launched in Cebu and Davao in September and December, respectively. A total of 3,428 volunteer hours for 16 volunteers activities were participated in by the volunteers. There are now a total 400 KaAkbay volunteers in Metro Manila, Cebu and Davao. Volunteers were engaged in activities like House

Building with Habitat for Humanity and Gawad Kalinga, Recycling initiatives with Tzu Chi Foundation, and the annual simultaneous Brigada Eskwela in Metro Manila, Cebu and Davao in partnership with the Department of Education. Capacity-building activities were also given to the KaAkbay volunteers like the Seminar of Disaster Risk Reduction and Management with the Corporate Network for Disaster Response and the Storytelling Workshop with the Alitaptap Storytellers Club.

KaAkbay volunteers and employees across the country were able to respond immediately in the relief and rehabilitation efforts after the earthquake struck Bohol in October and when super typhoon Yolanda struck the Visayas Region in November. One hundred Metro Manila KaAkbay volunteers and employees used their Community Service Leave to repack relief items in the DSWD National Relief Operations Center. Similar relief efforts for the affected communities were also done in Cebu and Davao.



1) KaAkbay volunteers from Davao City; 2-3) Relief goods being loaded in trucks and carried by volunteers for distribution to typhoon Yolanda victims; 4) Representatives of Philam Management and officers of employee unions signify their support to Philam Can



## VI. CORPORATE GOVERNANCE

### Role & 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 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. 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 the scheduled 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 also 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, as well as the Committees, conducts annual self-assessment of its performance. The results of which are determined by the Nomination and Governance Committee.

### Members of the Board:

For 2013, 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  
Ariel G. Cantos

Independent/Non-Executive Directors:

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

Non-Executive Directors:

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

Board Support:

Carla J. Domingo - Corporate Secretary



Atty. Domingo is currently the Corporate Secretary of The Philippine American Life and General Insurance Co (Philam Life). She also serves as the Corporate Secretary of BPI-Philam Life Assurance Corporation (formerly Ayala Life).

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

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

## Report of the Directors

The Directors of the Philippine American Life and General Insurance Company are pleased to submit this company’s Annual Report for the year ended 31 December 2013.

### Principal Activities

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

### Life Insurance Operations

Philam Life Gross Premiums amounted to P20.1 billion in 2013, an increase of 31% versus previous year. New Business of Philam Life reached P11.8 billion, a robust 62% growth.

A total of 814,063 individual and 3,009 group policies are in-force as of Dec. 31, 2013.

Net Insurance Benefits and Claims totaled P18.7 billion, same level as last year.

### Net Investment Income

Net Investment Income amounted to P12.2 billion in 2013, reflecting a 3% growth from 2012.

### Profit and Loss Account

Total Revenue at P33.2 billion, posted a modest growth of 10% over the previous year. Benefits and other expenses registered flat growth at P24.6 billion while Commission and other acquisition expense and General insurance expense grew by 19% and 3%, respectively. Net Income for the year amounted to P6.9 billion, 113% higher than last year.

### Related Party Transactions

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

### Retirement Benefit

The company has a retirement benefit plan, which depends on factors such as age, years of service, and compensation.

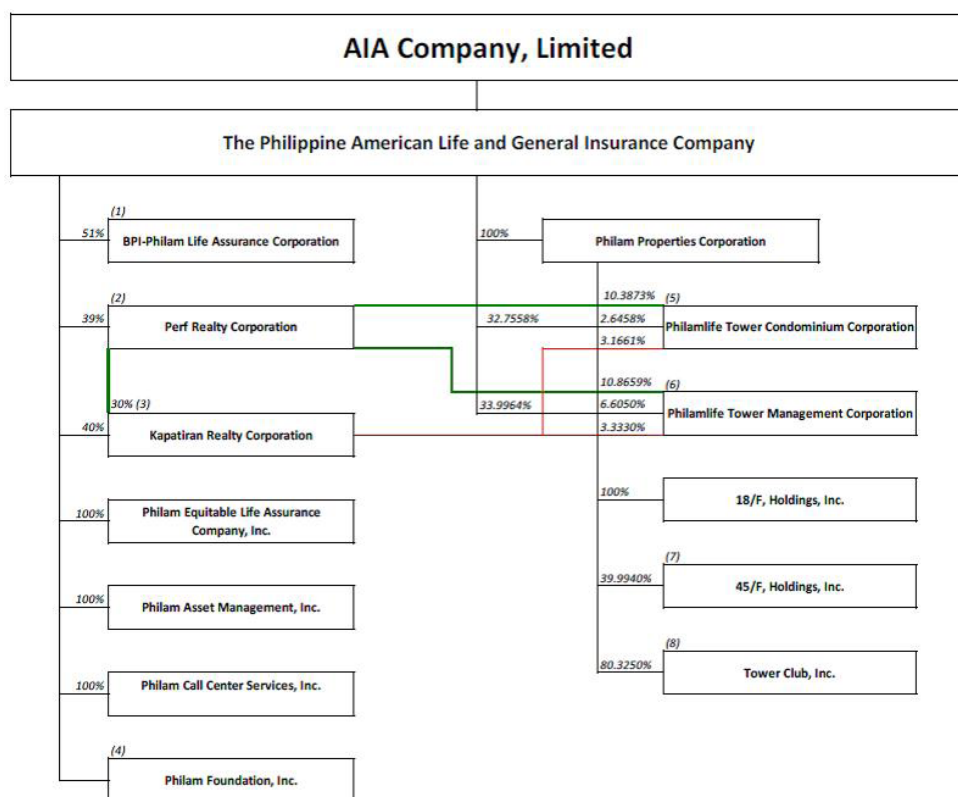
### Capital Structure

Authorized Capital Stock	P2,000,000,000.00
Subscribed and Paid-Up	P1,995,606,710.00
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 of Stockholder	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	99.99993%	Hong Kong SAR		
Edmund S.W. Tse <i>(Non-Executive Chairman/Director)</i>	1	Common	10.00		Chinese	AIA Company Limited	July 19, 1991
Gordon T. Watson <i>(Non-Executive Director)</i>	1	Common	10.00		British	AIA Company Limited	January 11, 2011
Jose L. Cuisia, Jr. <i>(Non-Executive Vice Chairman/Director)</i>	1	Common	10.00		Filipino	AIA Company Limited	July 26, 1993
Francis G. Estrada <i>(Independent Director)</i>	1	Common	10.00		Filipino	AIA Company Limited	April 18, 2006
Cesar A. Buenaventura <i>(Independent Director)</i>	1	Common	10.00		Filipino	AIA Company Limited	September 12, 1983
Ricardo J. Romulo <i>(Non-Executive Director)</i>	1	Common	10.00		Filipino	AIA Company Limited	April 3, 1987
Washington Z. Sycip <i>(Independent Director)</i>	1	Common	10.00		American	AIA Company Limited	April 26, 2001
Ariel G. Cantos <i>(Executive Director)</i>	1	Common	10.00		Filipino	AIA Company Limited	July 16, 2013
Reynaldo C. Centeno <i>(Executive Director)</i>	1	Common	10.00		Filipino	AIA Company Limited	September 28, 2005
Rex Maria A. Mendoza <i>(Executive Director/President &amp; CEO)</i>	1	Common	10.00		Filipino	AIA Company Limited	June 1, 2011
Estelito G. Madrid, Jr. <i>(Non-Executive Director)</i>	1	Common	10.00		Filipino	AIA Company Limited	September 14, 2012
Estate of Luis Yulo	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



### 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
- Non-Executive Director, PineBridge Investments Limited

### Board Committees

Executive Committee		Investment Committee		Audit Committee	
Gordon T. Watson	Chairman	John Chu	Ex-Officio Chairman	Cesar A. Buenaventura	Chairman
Rex Ma. A. Mendoza	Vice-Chairman	Jose L. Cuisia, Jr.		Washington Z. Sycip	
Reynaldo C. Centeno		Rex Ma. A. Mendoza		Francis G. Estrada	
Cesar A. Buenaventura		Cesar A. Buenaventura			
Ricardo J. Romulo		Francis G. Estrada			
		Reynaldo C. Centeno			
		Andreas W. Rosenthal			
		Arleen May S. Guevara			
		Tisha T. Darvin			
Nomination & Governance Committee		Compensation Committee		Board Risk Committee	
Edmund S.W. Tse	Chairman	Edmund S.W. Tse	Chairman	Francis G. Estrada	Chairman
Francis G. Estrada		Washington Z. Sycip		Ricardo J. Romulo	
Jose L. Cuisia, Jr.		Gordon T. Watson		Rex Ma. A. Mendoza	
Gordon T. Watson				Reynaldo C. Centeno	
				Ariel G. Cantos	

## Board Meetings in 2013

The Board meets at least four times a year. The directors receive the meeting pack five days in advance. The meeting pack includes among others, the Board and Committee Meeting Minutes for approval of the Board, the business and financial highlights of the Company and other items that need Board action and approval.

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 discretionary powers and oversees the management of the company.

The number of meetings held in 2013 and the overall attendance rate are as follows:

### Board Meeting

- met eight times with overall attendance rate of 89.77%

### Audit Committee

-met four times with overall attendance rate of 91.55%

### Nomination and Governance Committee

-met once with overall attendance rate of 100%

### Remuneration & Compensation Committee

-met once with overall attendance rate of 100%

## 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 has been crafted to guide on persons concerned.

## Philam Life Local Executive Committee

Mr. Rex Ma. A. Mendoza  
President & CEO

Mr. Reynaldo C. Centeno  
Chief Operating Officer

Ms. Jessica C. Abaya  
Head of Marketing

Mr. Gerard M. Cariaso  
Head of Human Resources

Ms. Arleen May S. Guevara  
Chief Investments Officer

Mr. Andreas W. Rosenthal  
Chief Financial Officer

Mr. Jose Roel V. Teves  
Head of Operations & Strategic Initiatives

Mr. Ariel G. Cantos  
Head of Bancassurance seconded to BPI-Philam as  
President & CEO

Mr. Allan R. Santos  
Head of Vitality and Chief Operating Officer of  
Affiliates



*Standing from L to R: Ariel Cantos, Reynaldo Centeno, Andreas Rosenthal, Jose Roel Teves, and Gerard Cariaso; Seated from L to R: Jessica Abaya, Rex Mendoza, and Arleen Guevara*

## Profile of the Board of Directors



### **Edmund S.W. Tse**

*Non-Executive Chairman/Director*

Mr. Tse, 76, is the 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.

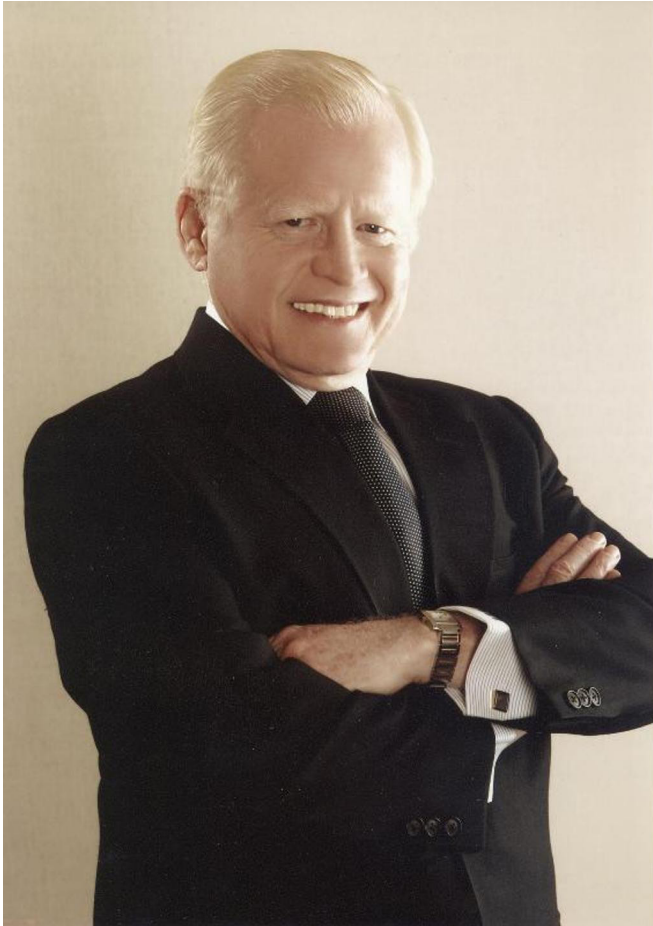
An industry veteran, Mr. Tse began his career in the industry when he joined AIA in Hong Kong in 1961. In 1975, he was appointed President and Managing Director of Nan Shan Life Insurance Company, Limited (Nan Shan), one of the top insurance companies in Taiwan owned by American International Group, 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, and the Board of Education Development Foundation of Fudan University. He is also President of the AIA Foundation, which supports charitable causes in Hong Kong.



**Jose L. Cuisia, Jr.**

*Non-Executive Vice Chairman/Director*

Mr. Cuisia, 69, is presently the Ambassador Extraordinary and Plenipotentiary to the United States of America and Vice Chairman of the Philippine American Life and General Insurance Company (Philam Life). At present, he also holds the following positions: Chairman of The Covenant Car Company, Inc.; Vice-Chairman of SM Prime Holdings; Director of BPI-Philam Life Assurance Co., Holcim Philippines, Inc. and PHINMA Corporation.

Before becoming Philam Life's President and CEO for 16 years, Ambassador Cuisia served the Philippine Government as Governor of the Central Bank of the Philippines 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) from September to December 2010.

Ambassador Cuisia was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to service in the Central Bank, he was Administrator and CEO of the Philippine Social Security System from 1986- 1990. The Ambassador was previously the CV Starr Chairman of Corporate Governance for the Asian Institute of Management (AIM), a former Convenor-Trustee of the Philippine Business for Education (PBE), Chairman of the Board of Trustees/Board of Governors of AIM and 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.

In 2011, the Wharton Club of Washington, D.C. of the prestigious Wharton School of the University of Pennsylvania presented the Ambassador with the "Joseph Wharton Award for Lifetime Achievement" for an outstanding career in the country's banking and social security system. Ambassador Cuisia graduated from De La Salle University with AB-BSC degrees (Magna Cum Laude) and earned an MBA degree from The Wharton School, University of Pennsylvania in 1970 as a University Scholar.



## **Rex Ma. A. Mendoza**

*Executive Director/President & CEO*

Mr. Mendoza, 51, 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 Equitable Life Assurance Company, Inc. (PELAC) and Chairman & President of the Philam Foundation, 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.; 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. He is a Certified Investment Solicitor (CIS), Registered Financial Planner (RFP), and Fellow, with Distinction, of the Life Management Institute at Atlanta, Georgia, USA. He also completed the AIG Accelerated Country Management Program at AIG, NY, USA.

In 2013, he received the 2013 UP Distinguished Alumnus Award, given by the Cesar E.A. Virata School of Business of the University of the Philippines, Diliman, Quezon City, to alumni members who have excelled in their respective fields.





**Reynaldo C. Centeno**

*Executive Director*

Mr. Rey Centeno, 58, is currently the Chief Operating Officer of The Philippine American Life & General Insurance Co. Prior to this position, he was also for a time the Chief Actuary and the Chief Finance Officer.

He is a member of the Board of Directors of Philam Life, Philam Call Center Services, and Asian Eye Institute, Inc. He is also Chairman of the Board of Directors of Philam Properties Corporation, Philam Life Tower Condominium Corporation, Philam Life Tower Management Corporation and Tower Club, Inc.

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



**Ariel G. Cantos**

*Executive Director*

Ariel G. Cantos, 53, is the President and Chief Executive Officer of BPI-Philam Life Assurance Corporation. Mr. Cantos is a member of the Board of Directors of the Philam Life Group, sits as a Trustee in Philam Foundation, Ayala-FGU Alabang and Ayala-FGU Makati Condo Corporation.

Before his current appointment, Mr. Cantos was Senior Vice President and Chief Agency Officer of Philam Life. He has had an enriching and successful career in Philam Life's Agency Distribution Channel, which 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.

He graduated with a Bachelor's Degree in Economics, Honors Program, at the Ateneo De Manila University, Loyola Heights, Quezon City.



## **Ricardo J. Romulo**

*Non-Executive Director*

Mr. Romulo, 81, 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 BASF Philippines, Inc., Johnson & Johnson (Philippines.), Inc., Honda Philippines, Inc., SM Development Corporation, Zuellig Pharma Corporation, Maersk-Filipinas, Inc. and Chairman & Director of Cebu Pacific Airlines.

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



## **Estelito G. Madrid, Jr.**

*Non-Executive Director*

Mr. Madrid, 66, is the Senior Advisor to the Regional CEO. Prior to his designation, 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). He is a member of the board of directors of BPI-Philam Life Assurance Corporation (April 2013 – Present).

Mr. Madrid started his career as Section Manager of Procter 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.



## **Gordon Watson**

*Non-Executive Director*

Gordon Watson, 50, is the Regional Chief Executive responsible for the Group's businesses operating in Hong Kong, Macau, Korea, Philippines, Australia, Vietnam, New Zealand, India and Sri Lanka as well as the Group Corporate Solutions business, the Group's partnership distribution and the Vitality initiative.

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 28 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, 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.



## **Cesar A. Buenaventura, O.B.E.**

*Independent Director*

Mr. Buenaventura, 84, is the Managing Partner of Buenaventura, Echaz 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 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 was a Chairman of the Board of Atlantic Gulf & Pacific Co. of Manila from 2000 to 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: Publicly Listed Corporations [DMCI Holdings, Inc. (Vice Chairman), Semirara Coal Company, iPeople, Inc., Petroenergy Resources Corp., Concepcion Industries]; Private Corporations [AG&P Company of Manila (Chairman), Pilipinas Shell Petroleum Corporation, The Philippine American Life Insurance Company.]



## **Francis G. Estrada**

*Independent Director*

Mr. Estrada, 64, 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/worked 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 Chief Operating Officer (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 Chief Executive Officer (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, a position it maintained for over a decade.

During this same period, he also co-founded a joint venture with the leading Indonesian development/state banks, providing advisory and turn-around 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 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, having previously served as Chairman of the Board of Trustees of De La Salle University in Manila.

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.

## Washington Z. SyCip

*Independent Director*



Washington Z. SyCip, 92, 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.

# Financial Statements

## THE PHILIPPINE AMERICAN LIFE AND GENERAL INSURANCE COMPANY

STATEMENTS OF FINANCIAL POSITION  
December 31, 2013, 2012 and 2011  
(All amounts in thousands of Philippine Peso)

	2013	2012 (Revised)	2011 (Revised)	Growth vs PY	Growth vs PY %
<b><u>A S S E T S</u></b>					
CASH AND CASH EQUIVALENTS	6,313,256	5,511,046	7,599,787	802,209	14.6%
INSURANCE RECEIVABLES, net	926,332	1,018,274	812,844	(91,942)	-9.0%
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	21,338,352	14,161,799	8,925,259	7,176,552	50.7%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	142,512,074	131,621,074	119,443,252	10,890,999	8.3%
LOANS AND RECEIVABLES, net	28,542,253	31,714,077	30,270,062	(3,171,824)	-10.0%
ACCRUED INCOME	3,183,578	3,210,621	3,182,930	(27,043)	-0.8%
NET RETIREMENT BENEFIT ASSET	718,532	211,840	236,160	506,692	239.2%
INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	2,678,523	2,678,523	2,678,523	-	0.0%
INVESTMENT PROPERTIES, net	899,099	963,333	1,030,863	(64,234)	-6.7%
PROPERTY AND EQUIPMENT, net	1,002,036	488,160	667,580	513,876	105.3%
DEFERRED TAX ASSETS, net					
OTHER ASSETS, net	966,932	1,049,282	1,224,108	(82,350)	-7.8%
<b>Total Assets</b>	<b>209,080,967</b>	<b>192,628,030</b>	<b>176,071,368</b>	<b>16,452,936</b>	<b>8.5%</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
INSURANCE CONTRACT LIABILITIES	116,110,859	108,600,596	100,745,328	7,510,263	6.9%
RESERVE FOR POLICYHOLDERS' DIVIDENDS	1,152,069	1,407,931	1,623,013	(255,862)	-18.2%
POLICYHOLDERS' DIVIDENDS	9,072,613	8,854,743	8,210,594	217,870	2.5%
LIABILITIES FOR SUPPLEMENTARY CONTRACTS	675,807	628,794	565,003	47,013	7.5%
PREMIUM DEPOSIT FUND	1,673,274	1,225,360	1,476,643	447,914	36.6%
DERIVATIVE LIABILITIES	19,507	13,510	73,385	5,997	44.4%
INSURANCE PAYABLES	190,009	124,203	53,433	65,806	53.0%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2,450,659	2,252,140	1,697,171	198,519	8.8%
OTHER LIABILITIES, net	1,266,909	1,693,643	1,170,151	(426,734)	-25.2%
<b>Total Liabilities</b>	<b>132,611,706</b>	<b>124,800,920</b>	<b>115,614,721</b>	<b>7,810,787</b>	<b>6.3%</b>
CAPITAL STOCK	2,000,000	2,000,000	2,000,000	-	0.0%
SHARE-BASED PAYMENTS	7,546	3,272	1,927	4,273	130.6%
CONTRIBUTED SURPLUS	25,000	25,000	25,000	-	0.0%
TREASURY SHARES	(109,832)	-	-	(109,832)	
RESERVE FOR FLUCTUATION ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	40,303,812	39,119,834	32,041,302	1,183,978	3.0%
RESERVE FOR REMEASUREMENT OF RETIREMENT BENEFIT ASSET	353,908	(225,138)	(271,497)	579,046	-257.2%
RETAINED EARNINGS	33,888,827	26,904,142	26,659,915	6,984,685	26.0%
<b>Total Equity</b>	<b>76,469,261</b>	<b>67,827,110</b>	<b>60,456,647</b>	<b>8,642,152</b>	<b>12.7%</b>
<b>Total Liabilities and Equity</b>	<b>209,080,967</b>	<b>192,628,030</b>	<b>176,071,368</b>	<b>16,452,937</b>	<b>8.5%</b>

## Financial Statements

### THE PHILIPPINE AMERICAN LIFE AND GENERAL INSURANCE COMPANY

STATEMENT OF TOTAL COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative figures for the year ended December 31, 2012)  
(All amounts in thousands of Philippine Peso)

	2013	2012 (Revised)	Growth vs PY	Growth vs PY %
<b>REVENUE</b>				
Gross premiums on insurance contracts	20,134,731	15,390,189	4,744,542	30.8%
Reinsurers' share of gross premiums on insurance contracts	(112,094)	(99,536)	(12,558)	12.6%
Net insurance premiums	20,022,637	15,290,653	4,731,984	30.9%
<b>INVESTMENT INCOME</b>	12,670,602	12,222,381	448,221	3.7%
GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS, net	1,002,783	842,646	160,137.00	19.0%
FAIR VALUE GAINS, net	(1,919,730)	1,935,593	(3,855,323)	-199.2%
FOREIGN EXCHANGE GAIN	591,070	-	591,070	
OTHER INCOME	1,449,975	-	1,449,975	
Other revenue	13,794,701	15,000,620	(1,205,919)	-8.0%
<b>Total Revenue</b>	<b>33,817,338</b>	<b>30,291,273</b>	<b>3,526,065</b>	<b>11.6%</b>
<b>BENEFITS AND EXPENSES</b>				
Gross benefits and claims paid in insurance contracts	12,595,424	10,363,782	2,231,642	21.5%
Reinsurers' share of benefits and claims paid on insurance contracts	(46,948)	(163,927)	116,980	-71.4%
Change in insurance contract liabilities	6,195,711	8,483,709	(2,287,997)	-27.0%
Net insurance benefits and claims	18,744,187	18,683,564	60,623	0.3%
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	3,028,228	2,946,201	82,027	2.8%
<b>COMMISSIONS AND OTHER ACQUISITION EXPENSES</b>	2,303,228	1,935,119	368,109	19.0%
<b>INVESTMENT EXPENSES</b>	476,992	406,060	70,932	17.5%
<b>INTEREST EXPENSE</b>	457,830	508,573	(50,744)	-10.0%
<b>INSURANCE TAXES, LICENSES AND FEES</b>	204,518	204,413	105	0.1%
<b>FOREIGN EXCHANGE LOSSES</b>	-	694,640	(694,640)	100.0%
<b>OTHER EXPENSES</b>	-	94,818	(94,818)	100.0%
Other expenses	6,470,796	6,789,824	(319,028)	-4.7%
<b>Total Benefits and Expenses</b>	<b>25,214,983</b>	<b>25,473,388</b>	<b>(258,405)</b>	<b>-1.0%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>8,602,355</b>	<b>4,817,885</b>	<b>3,784,470</b>	<b>78.6%</b>
<b>PROVISION FOR INCOME TAX</b>	<b>1,617,669</b>	<b>1,573,658</b>	<b>44,011</b>	<b>2.8%</b>
<b>NET INCOME FOR THE YEAR</b>	<b>6,984,686</b>	<b>3,244,227</b>	<b>3,740,459</b>	<b>115.3%</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that may be subsequently reclassified to profit or loss				
Changes in fair value on available-for-sale financial assets	2,186,761	7,921,178	(5,734,417)	-72.4%
Fair value gains transferred to profit or loss	(1,002,783)	(842,646)	(160,138)	19.0%
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit asset	579,046	46,359	532,687	1149.1%
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,763,024</b>	<b>7,124,891</b>	<b>(5,361,867)</b>	<b>-75.3%</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>8,747,710</b>	<b>10,369,118</b>	<b>(1,621,408)</b>	<b>-15.6%</b>



# Financial Statements

## THE PHILIPPINE AMERICAN LIFE AND GENERAL INSURANCE COMPANY

### STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012 (All amounts in thousands of Philippine Peso)

	Notes	Share Capital	Share-based Payments	Contribute Surplus	Treasury Shares	Reserve for Fluctuation on Available-for-Financial Assets	Reserve for Remeasurement of Retirement Benefit Asset	Retained Earnings	Total
BALANCE AT JANUARY 1, 2012 as previously reported		2,000,000	1,927	25,000	-	32,041,302	-	26,953,571	61,021,800
Effect of change in accounting policy	28	-	-	-	-	-	(271,497)	(293,656)	(565,153)
BALANCE AT JANUARY 1, 2012	19	2,000,000	1,927	25,000	-	32,041,302	(271,497)	26,659,915	60,456,647
COMPREHENSIVE INCOME									
Net income for the year	-	-	-	-	-	-	-	3,244,227	3,244,227
Other comprehensive income	-	-	-	-	-	7,078,532	46,359	-	7,124,891
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	7,078,532	46,359	3,244,227	10,369,118
TRANSACTION WITH OWNERS									
Cost of share-based payments	21	-	1,345	-	-	-	-	-	1,345
Cash dividends	20	-	-	-	-	-	-	(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	3,272	25,000	-	39,119,834	(225,138)	26,904,142	67,827,110
COMPREHENSIVE INCOME									
Net income for the year	-	-	-	-	-	-	-	6,984,686	6,984,686
Other comprehensive income	-	-	-	-	-	1,183,978	579,046	-	1,763,024
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	1,183,978	579,046	6,984,162	8,747,710
TRANSACTION WITH OWNERS									
Cost of share-based payments	21	-	4,274	-	-	-	-	-	4,274
Acquisition of treasury shares	19	-	-	-	(109,832)	-	-	-	(109,832)
TOTAL TRANSACTIONS WITH OWNERS	-	-	4,274	-	(109,832)	-	-	-	(105,558)
BALANCE AT DECEMBER 31, 2013		2,000,000	7,546	25,000	(109,832)	40,303,812	353,908	33,888,828	76,469,262



## 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 17 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, a 26 per cent joint venture in India and a representative office in Myanmar.

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\$147 billion as of 30 November 2013.

AIA meets the savings and protection needs of individuals by offering a range of products and services including life insurance, accidental 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 and employees across Asia-Pacific, AIA serves the holders of more than 28 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").