



Annual  
Report

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# CHAIRPERSON'S MESSAGE



For more than a decade, Manulife and China Bank have shared a strategic and meaningful alliance that paved the way for a wide range of financial solutions made more accessible to China Bank's clients.

Through our strong partnership, Manulife China Bank Life (MCBL) continues to be a leading bancassurance company in the Philippines. We are proud of the variety of products we offered in 2019, making them more accessible. We have also digitized our operations by providing Financial Sales Associates with a digital tool, ePOS, which enables them to match solutions to specific customer needs, and makes new purchase experiences easier and faster. Consistently, these make up the winning formula of our sustained growth.

While the Bank's clients continue to look for more options to boost their financial security and growth, we continue to build products that benefit them the most. In 2019, we introduced the MCBL Enrich, the Asia Pacific Property Income Fund, Secure Life 7 and MCBL LifeBuilder, which have become valuable offerings in the market. We continued to embrace the wonders of digital evolution. We championed and developed more relevant, digitally enabled offers to customers, leveraged all possible channels for promotion and distribution, and improved overall business strategies.

Of course, our accomplishments will not be possible without the support of all our stakeholders. On behalf of the MCBL Board of Directors, I would like to thank China Banking Corporation and China Bank Savings for the strong partnership all these years. I'd also like to thank all our employees, Financial Sales Associates, our customers, and everyone who have contributed greatly to the growth of our organization.

*Cheers for more success in the years to come!*

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We are proud of the variety of products we offered in 2019, making them more accessible. We have also digitized our operations by providing Financial Sales Associates with a digital tool, ePOS, which enables them to match solutions to specific customer needs, and makes new purchase experiences easier and faster.

# PRESIDENT & CEO'S MESSAGE



Despite the ever-changing trends in the industry, MCBL remained strong and true to its mission of delivering value to Manulife China Bank and its customers. We have kept up with the waves of new technology that brought us much closer to our customers. These advancements have continued to inspire us to find new and better ways to support their biggest priorities. Innovation has been the fuel of all-encompassing changes in business and society, and we utilize these constant developments by putting our customers' needs and expectations first, and ultimately enhancing their experience.

## **"Customer needs" drive our innovation**

In 2019, we found new ways to link modern realities with the products we offer to our customers. This is to integrate with contemporary ways of living that entail greater demands for protection, investments and growth. For instance, we introduced MCBL Enrich to provide value-for-money life insurance solutions that can provide Filipinos better protection and help them jumpstart their savings. It rests on four important grounds: affordability, protection, hassle-free application and manageable premium payment.

We also launched the Asia Pacific Property Income Fund (APPIF), where customers can achieve potential long-term capital appreciation and income generation by investing in a diversified portfolio of exchange-listed real estate investment trusts (REITs) in Asia Pacific.

Secure Life 7 was also launched, which provides guaranteed protection and cash payouts for 7 years. Customers can enjoy peace of mind as they are covered with 240% protection coverage of their annual basic premium.

Furthermore, our MCBL LifeBuilder product guarantees cash benefits on top of investments, lifetime protection, growth on money through expertly managed funds, and easy application for up to Php1 million in coverage.

These products raised the bar of bancassurance offerings in the country. We aim to stay focused on that same level of excellence by providing more innovative customer products in the coming years.

The year 2019 also brought us to a brand-new office at NEX Tower in Makati, which promises modern and vibrant ways of working that matches our equally dynamic and fast-growing business.

On behalf of the MCBL's Board of Directors, I would like to thank China Banking Corporation and China Bank Savings for their continued support and partnership. It is an honor to be able to work with such reputable institutions who share the same passion and vision for customers. I also want to share my deepest gratitude to our partners, head office employees and sales teams for contributing to our success. May we all continue to be inspired to fulfill our goals as we look forward to a brighter and more successful 2020.

*Cheers!*

## **Sandeep Deobhakta**

President & Chief Executive Officer  
Manulife China Bank Life Assurance Corporation



# WHO WE ARE: ABOUT MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION AND MANULIFE PHILIPPINES



## Manulife China Bank Life Assurance Corporation (MCBL)

Manulife China Bank Life Assurance Corporation is a strategic alliance between Manulife Philippines and China Banking Corporation (China Bank). It provides a wide range of innovative insurance products and services to customers of China Bank as well as the bank's thrift arm, China Bank Savings (CBS). MCBL aims to ensure that every client receives holistic life, health, and wealth solutions to address his or her individual needs.

Since opening in October 2007, the company has grown into a business of significance for both Manulife and China Bank. The two strengthened their partnership further in 2014 when China Bank raised its equity stake in MCBL to 40%.

MCBL is setting its sights on its next growth phase and reaffirming its mission to be the biggest, most professional bancassurance company in the industry that delivers extraordinary customer experience.

## Manulife Philippines

The Manufacturers Life Insurance Company opened its doors for business in the Philippines in 1907. Since then, Manulife's Philippine Branch and later The Manufacturers Life Insurance Co. (Phils.), Inc. (Manulife Philippines) has grown to become one of the leading life insurance companies in the country. Manulife Philippines is a wholly-owned domestic subsidiary of Manulife Financial Corporation, among the world's largest life insurance companies by market capitalization.

## About China Bank

China Bank was established in 1920, was listed on the Philippine Stock Exchange in 1927, became the first bank in Southeast Asia to process deposit accounts on-line in 1969, the first Philippine bank to offer phone banking in 1988, and acquired its universal banking license in 1991. China Bank serves the banking needs of corporate, commercial, and retail markets and provides a wide range of banking services through its more than 470 branches and business centers, and over 840 ATMs nationwide, complemented by its internet and mobile banking alternative channels. With a century of enduring partnerships marked by quality service to its clients, with significant contribution to the country's financial landscape, China Bank remains to be one of the largest, most respected, trusted, and stable financial institutions in the country.

# OUR MISSION, CUSTOMER VALUE PROPOSITION, AND VALUES



## Our Mission

We strive to be the best bancassurance business in the Philippines, delivering value to Manulife China Bank and its customers, which is differentiated through extraordinary customer experience, ease of doing business, and systematic engagement of all channels and segments with relevant solutions.

## Our Customer Value Proposition

We provide our customers personalized financial solutions that enable them to confidently secure their own and their family's futures.

## Our Values

### 1. Professionalism

We will be recognized as having the highest professional standards. Our employees and agents will possess superior knowledge and skill, for the benefit of our customers.

### 2. Real Value to Customers

We are here to satisfy our customers. By providing the highest quality products, services, advice and sustainable value, we will ensure that our customers receive excellent solutions to meet their individual needs.

### 3. Integrity

All of our dealings are characterized by the highest levels of honesty and fairness.

### 4. Demonstrated Financial Strength

Our customers depend on us to be here in the future to meet our financial promises. We earn this faith by maintaining uncompromised claims paying ability, a healthy earnings stream, and superior investment performance results; consistent with a prudent investment management philosophy.

### 5. Employer of Choice

Our employees will determine our future success. In order to attract and retain the best and brightest employees, we will invest in the development of our human resources and reward superior performance.

# BOARD OF DIRECTORS

\*AS OF DECEMBER 2019



**Richard Bates**  
Non-Executive Director

Richard Bates (46) is the President and CEO of Manulife Philippines. He currently serves as an executive director of Manulife Philippines, Manulife Financial Plans, Inc., Manulife China Bank Life Assurance Corp., and Manulife Asset Management and Trust Corporation. He first served as a director of said companies in 2019.

Prior to joining Manulife, Richard served as the Chief Executive Officer of AIA (Cambodia) Insurance PLC. He likewise held other roles with AIA over nearly 10 years, including Chief Representative, Regional Director, and Group Head, Corporate Transactions. Richard also worked with KPMG Hong Kong before working for AIA.

Richard graduated from the University of Portsmouth in England with a degree in business administration and management.



**Sandeep Deobhakta**  
Executive Director

Sandeep Deobhakta (56) is the President and CEO of Manulife China Bank. He was elected director of the Company on September 2019.

Sandeep has vast insurance and banking experience having worked for AIA (Hong Kong) as Head of Operations and Transformation, Vietnam Prosperity Bank as Head of Retail Banking, Standard Bank (Africa) as Head of Personal Markets, Shinsei Bank (Japan) as Head of Retail Banking Sub-Group, Barclays Bank (Dubai) as Head of Premier-Emerging Markets, Abn Amro Bank (Hong Kong) as Head of Preferred Banking, Mphasis Corporation Singapore as Senior Business Analyst, and Citibank (Mumbai) as Branch Banking Head. Before joining the Company, Sandeep was the Regional Chief Bancassurance Officer of Manulife Hong Kong.

Sandeep is a Marketing graduate of the University of Pune in India. He obtained his Masters of Business Administration Degree as a Sloan Fellow from Massachusetts Institute of Technology, Cambridge.



**William C. Whang**  
Non-Executive Director

William C. Whang (61) was elected as a Non-Executive Director of the Company in November 2017. He is currently the President of China Banking Corporation.

He started in China Bank in November 2011 as Senior Vice President and Head of Institutional Banking Group in charge of Corporate and Commercial Loans, Factoring, and Cash Management before becoming the Executive Vice President and Head of Lending Business Segment and thereafter Chief Operating Officer.

Prior to China Bank, William held key positions in other banks in the Philippines and abroad such as, Sterling Bank of Asia, Security Bank Corporation, Union Bank of the Philippines, International Exchange Bank, Westmont Bank, First Philippine International Bank, Metropolitan Bank and Trust Company, and Republic Bank of New York. He holds other directorship positions, representing China Bank, in Bancnet Inc., Banker's Association of the Philippines and Philippine Payments Management Inc., among others.

William has a degree in Business Management from De La Salle University-Manila.



**Patrick Cheng**  
Non-Executive Director

Patrick Cheng (57) was elected as a Non-Executive Director of the Company in December 2019. He is currently the Chief Financial Officer of China Banking Corporation, the Chairman of China Bank Insurance Brokers, Inc.'s Board of Directors, and a director of China Bank Savings Inc.

Patrick has a deep experience in banking starting with Citibank N.A. as the Vice-President for Global Consumer Bank where he held positions of increasing responsibility such as Treasury and Investments Director, Retail Bank Business Director and Insurance Director. He then became HSBC Manila Branch's Senior Vice-President for Premier and Wealth Management, and thereafter the President and CEO of HSBC Savings Bank (Phils) Inc. He was also a two term President of the Chamber of Thrift Banks. Patrick also served as the Philippine Bank of Communications Executive Vice President and Head of Trust & Wealth Management, and China Banking Corporation's Senior Vice President and Trust Officer.

Patrick graduated Magna Cum Laude from the University of the Philippines-Diliman with a degree in Business Administration and Accountancy. He also graduated with distinction from Hult International School of Business in Cambridge, Massachusetts, with a Master's degree in Management. He placed 7th in the National Certified Public Accountants Exam.



### **Matthew Lawrence**

#### **Non-Executive Director**

\*As of January 2020

Matthew Edward Lawrence (43) serves as a non-executive director of Manulife Philippines, Manulife Financial Plans, Inc., and Manulife China Bank Life Assurance Corp. He was first elected as director on 01 October 2019. He also serves as a member of the Company's Audit Committee, Nomination and Remuneration Committee, and Related Party Transactions Committee.

Matt joined Manulife as Regional Controller, Asia, effective 30 June 2019. In this role, he is responsible for the Asia regional finance team, overseeing financial planning & analysis, management reporting, expense management and accounting policy.

Matt has over 20 years of experience in the insurance industry, holding leadership positions in both the corporate and professional services fields that span across North America, Europe and Asia. Prior to joining Manulife, he worked at Prudential where he held a series of progressive roles; most recently as Finance Director of Prudential Assurance Company Singapore, where he was responsible for strategic planning and analysis, financial reporting, finance operations, and finance innovation. Prior to his time with Prudential, he spent many years at KPMG and has experience that covers accounting advisory, audit, and transaction services.

A Chartered Accountant and Fellow of the Institute of Chartered Accountants in England and Wales, Matt holds a Bachelor of Science in Economics from London School of Economics and Political Science. He speaks frequently at industry events on the subject of accounting change for insurance, most recently speaking at events in Singapore, Hong Kong and South Korea.



### **Rhoda Regina Reyes-Rara**

#### **Independent Director**

Rhoda Regina Rara (53) serves as an Independent Director of Manulife Philippines, Manulife Financial Plans, Inc., and Manulife China Bank Life Assurance Corp. She was first elected as Independent Director in September 2007. She also chairs the Nomination and Remuneration Committee and Related Party Transaction Committee of the Company.

Presently, Regina is the Managing Partner of MarksPro Philippines/Law Firm of Reyes Rara & Associates. She is also the Vice President for Internal Affairs of the Intellectual Property Professors & Research Organization of the Philippines, and an accredited Mandatory Continuing Legal Education lecturer. She was also a Professor of Criminal Law at the De La Salle University College of Law.

Prior to her present roles, Regina was a Partner at Ponce Enrile Reyes & Manalastas Law Offices (1990-2004), and Corporate Secretary of First Asia Realty Development Corp. (1996-2004), and Phil. Global Communications, Inc. (1994 – 1996).

Regina holds a Bachelor of Science in Legal Management and Bachelor of Laws degrees from the Ateneo de Manila University.



**Janette L. Peña**  
Independent Director

Janette L. Peña (60) is an Independent Director of Manulife Philippines, Manulife Financial Plans, Inc., and Manulife China Bank Life Assurance Corp. She was first elected as Independent Director of the Company in 2007. She is also the Chairperson of the Audit Committee of the Company.

Janette is currently engaged in legal consultation and special projects. She is a director and/or Corporate Secretary of Central Azucarera de Tarlac, Inc., Chinese International School, Inc., First Lucky Group of Companies, Oak Drive Group of Companies, and the China Oceanis Group of Companies.

Prior to her present roles, Janette was a Senior Partner at Ponce Enrile Reyes Manalastas Law Offices (1985-2003); Director and Corporate Secretary of Pancake House Group of Companies (2000-2014), Boustead Technologies (2004-2013), Corporate Secretary of Salcon Holdings (2003-2009), Del Monte Philippines and Philippine Plaza Holdings (1995-2003).

Janette holds a Bachelor of Science degree in Business Economics and a Bachelor of Laws degree from the University of the Philippines and Master of Laws from Harvard Law School.



**Conrado Favorito**  
Independent Director

Conrado Favorito (61) is an Independent Director of Manulife Philippines, Manulife Financial Plans, Inc., and Manulife China Bank Life Assurance Corp. He was first elected as director of the Company in April 2018.

He is currently the Chief Executive Officer-President and Chief Consultant of his company, Mr. Fave Management Training & Consulting Services. He serves as his company's TQM & ISO 9001 Consultant, Keynote Speaker, Trainer, Author/ Editor and Resource-person. Likewise, he is an ISO Consultant of Sison, Corillo, Parone & Co. He is also an accredited partner/ speaker/ trainer of Ariva Academy, South East Asia Speakers & Trainers Bureau, and SMESoft.

Conrad holds a Pre-Divinity/Philosophy degree from the Ateneo de Manila University and a Master in Business Management degree from the Asian Institute of Management.



## **Joachim Wessling**

**Chairman/Non Executive Director (Deceased)**

Joachim Wessling (53) was the Chairperson of the Board of Directors of Manulife Philippines, Manulife Financial Plans, Inc., and Manulife China Bank Life Assurance Corp. He was first elected as director of the Company in April 2018. Joachim is currently the Executive Vice President & General Manager, Emerging Markets of Manulife Financial Asia Ltd.

Prior to this role, he was with another insurance company for more than three (3) decades where he was assigned to different territories as Chief Executive Officer and Country Manager. He also served as the Chairperson of Manulife (Cambodia) PLC, and Manulife Insurance (Thailand) Public Company Limited.

Joachim held an Economics degree from the Verwaltungs-und Wirtschaftsakademie in Germany.





# CORPORATE OFFICERS

(as of May 2020)



**Sandeep Deobhakta**  
President & Chief Executive Officer



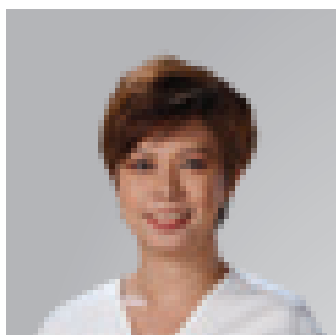
**Mercedes Beltran**  
VP and Channel Head,  
Retail Banking Group



**Katerina Suarez**  
SVP & Chief Financial Officer



**Juan Miguel Javellana**  
VP & Head of Training



**Fritzie Fabricante**  
SVP & Head of Legal and Compliance



**Atty. Kristine Espinosa-Berris**  
Corporate Secretary  
\*As of June 2020



**Jeffrey Jardin**  
Head of Risk Management and  
Data Protection Officer



# CORPORATE GOVERNANCE

## Corporate Governance Policy

Manulife China Bank is committed to its full compliance with the Code of Corporate Governance. The Company recognizes its primary responsibility to ensure effective good corporate governance oversight throughout the organization and is committed to maintain and continue improving its good Corporate Governance culture and practices.

Ensuring that the needs and interests of all its stakeholders are taken into account in a balanced and transparent manner is essential to the Company's success.

## Corporate Governance Manual

The Board of Directors of the Company, during its 28 November 2016 meeting, unanimously approved and adopted the Corporate Governance Manual for Manulife China Bank. This Manual was adopted from Manulife's existing Asia Directors' Manual and was modified to conform to local regulations. The Manual's objective is to institutionalize the principles of good Corporate Governance and to promote awareness of the principles in the entire organization.

The approval and adoption of the Manual likewise complies with the Securities and Exchange Commission's (SEC) requirement that all covered corporations, including the Company, shall submit their respective Corporate Governance Manuals to the SEC. This also serves as a manifestation of the Company's continued commitment to good corporate governance.

## Roles and Responsibilities of the Board

The Board of Directors exercises all the powers of the corporation as granted by the Revised Corporation Code of the Philippines, the Company by-laws, the Manual of Corporate Governance, and all other relevant laws, rules, regulations and internal policies.

Under the Corporate Governance Manual, the following are among the matters that must be generally put before the Board of Directors:

1. Reviewing and approving the Company's business plans prepared by management and monitoring the performance of the Company against these plans;

2. Considering the business risks and the Company's risk management mechanisms and internal control and management information systems;

3. Reviewing and approving financial statements, major capital expenditures, raising capital and other major financial activities;

4. Monitoring and evaluating executive performance, hiring, compensation, assessment, development and succession;

5. Considering issues relating to the Company's line of business and decisions regarding the allocation of resources to lines of business (though as a practical matter, the Board may take instructions based on Divisional reporting lines);

6. Approving the appointment of senior management, at the instruction of the shareholder(s);

7. Reviewing and approving organizational restructurings, mergers, acquisitions and divestitures; and

8. Ensuring the integrity of communications between the Company and its stakeholders.

The Board of Directors is responsible for providing independent oversight of the management of the business and affairs of the Company. The Board's oversight role also includes assessing whether the Company's operations are being conducted in a prudent manner in compliance with legal and regulatory requirements.

Consistent with its Parent Company's Board Mandate, the Board approves and oversees the implementation of corporate strategic plans, strategic initiatives and business decisions taking into account, among other things, the opportunities and risks of business. The Board also reviews and approves significant public disclosure policies and documents, including the financial statements and related

disclosures prior to their release. In accordance with the Corporation Code, the Board of Directors also approves the declaration of Company dividends out of the unrestricted earnings which shall be payable in cash, property, or in stock to all stockholders on the basis of outstanding stock held by them.

The Board likewise oversees the succession planning process of the Company, including the selection, appointment and development of the Chairperson of the Board, the Board members, the CEO and other senior executive officers, including the heads of the Company's oversight functions, and the termination of the CEO, if required.

## Committees

### Audit Committee

The Audit Committee assists the Board of Directors in its oversight role with respect to financial information and audit functions by providing an independent review of the effectiveness of the financial reporting process and internal control system. After each committee meeting, the Audit Committee reports to the Board a summary of its findings specifically highlighting significant issues that have arisen.

Specifically, the Audit Committee has the following duties:

**1. Oversight of the External Auditor**

This includes reviewing the performance of the External Auditor and recommending to the Board of Directors the appointment, re-appointment, or removal of the External Auditor.

**2. Financial Reporting**

This includes review of the audited financial statements, significant financial reporting issues and judgments, major issues as to

the adequacy of the Company's internal controls, and regulatory and accounting changes, among others.

**3. Oversight of the Company's Internal Audit Function**

This includes review of the scope and independence of the internal audit function, internal audit plan, and reports of the internal audit department. The Committee may also discuss with the Head of Internal Audit Services, Ms. Maleen Rodriguez, the effectiveness of the internal control procedures.

**4. Oversight of the Company's Compliance and Risk Management Program**

This includes the review of reports prepared by management on the Compliance Program, Risk Management Program, review of investments or transactions that could adversely affect the well-being of the Company, and reports on regulatory findings and management's response thereto.

The Audit Committee reviewed the Company's material controls and risk management program, and found them to be adequate.

In 2019, the Audit Committee met four times as shown below:

Name of Director	Date of Meetings			
	01 April 2019	12 July 2019	30 September 2019	15 November 2019
Janette Peña (Chairperson/Independent)	✓	✓	✓	✓
Rhoda Regina Rara (Independent)	✓	✓	✓	X
Conrado Favorito (Independent)	✓	✓	✓	✓
Alberto Ramos (Non-Executive)	✓	✓	X	X
Ka Ming (Kenneth) Dai (Non-Executive)	✓	✓	✓	RESIGNED
Matthew Lawrence (Non-Executive)	NA	NA	NA	✓

In 2019, the Audit Committee's membership is composed of majority of Independent Directors. It is chaired by an Independent Director, as shown below:

Audit Committee	
Janette Peña	Chairperson / Independent Director
Rhoda Regina Rara	Independent Director
Conrado Favorito	Independent Director
Ka Ming (Kenneth) Dai/Matthew Lawrence	Non-Executive Director
Alberto Ramos	Non-Executive Director

In its recent meeting on 08 June 2020, the Audit Committee recommended for board approval the appointment of SGV & Co. as the Company's external auditor for 2019.

## Nomination & Remuneration Committee

Pursuant to law and Manulife's commitment to international best practices in the area of corporate governance and culture, the Nomination and Remuneration Committee was constituted. The functions of the Nomination and Remuneration Committee are: (1) to ensure that all nominations to the board as well as those being considered for other positions requiring approval of the board are duly deliberated, reviewed and evaluated in accordance with applicable policies; and (2) to monitor the structure and level of remunerations of senior management and corporate officers.

The following characteristics are necessary for existing directors, as well as, for new candidates being considered for nomination as a director:

1. A reputation for integrity and ethical behavior;
2. A demonstrated ability to exercise judgment and communicate effectively;
3. Financially knowledgeable;
4. Prominence in the individual's area of expertise;
5. Previous experience relevant to the operations of the Company; and
6. Sufficient time to dedicate to Board and Committee work.

In addition, the Manual of Corporate Governance provides that while directors are not precluded from accepting several appointments, they must nevertheless carry out their fiduciary obligation to each corporation they serve. Thus, Executive Directors shall submit themselves to a low indicative limit of four or lower on membership in other corporate boards. The same low limit applies to independent directors who serve as full-time executives in other corporations.

In the search of a candidate for directorship, the Company engages professional search firms in identifying candidates to the Board, if necessary.

After review by the Committee of the candidate's qualifications, it informs the Stockholders, through the Corporate Secretary, that it has vetted the individuals nominated for election as director. Each shareholder with voting privilege may thereafter vote in the manner provided by law and the Company's by-laws. After the election, the Corporate Secretary declares the duly-elected directors.

In 2019, the Nomination and Remuneration Committee met four times to deliberate and recommend for board approval nominees to the board and corporate officers. The Committees ascertained that the qualifications and experience of nominees are in line with the Company's strategic direction.

Name of Director	Date of Meetings			
	01 April 2019	12 July 2019	30 September 2019	15 November 2019
Rhoda Regina Rara (Chairperson/Independent)	✓	✓	✓	X
Janette Peña (Independent)	✓	✓	✓	✓
Conrado Favorito (Independent)	✓	✓	✓	✓
Ka Ming (Kenneth) Dai (Non-Executive)	✓	✓	✓	RESIGNED
Matthew Lawrence (Non-Executive)	NA			✓
Joachim Wessling (Non-Executive)	✓	X	✓	✓

In 2019, the Nomination and Remuneration Committee's membership is composed of majority of Independent Directors. It is chaired by an Independent Director, as shown below:

Nomination & Remuneration Committee	
Rhoda Regina Rara	Chairperson / Independent Director
Janette Peña	Independent Director
Conrado Favorito	Independent Director
Ka Ming (Kenneth) Dai/ Matthew Lawrence	Non-Executive Director
Joachim Wessling	Non-Executive Director



**In 2019, the Nomination and Remuneration Committee met three times to deliberate and recommend for board approval nominees to the board and corporate officers**

## Board Process

The Board meetings are held on a quarterly basis unless a special meeting is necessary to consider urgent matters. The schedule of meetings for 2020 were presented to the Board and approved on 15 November 2019.

The directors receive the notice of the meeting at least 2 weeks before the meeting and the materials at least 5 business days in advance. The meeting pack includes information on the Company's operation, minutes of the last Board and Committee meetings, and all other documents needed for the Board meeting discussion.

Minutes of meetings of the Board and all committees are kept by the Corporate Secretary. The said minutes are open for inspection by directors and stockholders upon request.

Annually, the Corporate Secretary distributes a Board Effectiveness Survey to be accomplished by the directors. The survey covers the following matters: Board Responsibility, Board Operations, Board and Committee Effectiveness, and Individual Director Self-Evaluation. In 2018, the directors accomplished the Board Effectiveness Survey. The Board of Directors also assess the President and CEO's performance for the previous year.

## Board Meetings

The Board met five (5) times in 2019. The Board members' attendance during meetings is shown below:

Name of Director	Date of Meetings					
	01 April	10 May (Special)	12 July	30 September	15 November	Percentage
Joachim Wessling	/	/	/	/	/	100%
Ryan Charland	/	/	RESIGNED			NA
Richard Bates	NA			/	/	100%
William Whang	/	/	/	/	/	100%
Alberto Ramos	/	X	/	X	X	40%
Jude Gomes	/	/	/	RESIGNED		NA
Sandeep Deobhakta	NA				/	100%
Kenneth Dai	/	/	/	/	RESIGNED	NA
Matthew Lawrence	NA				/	100%
Janette Peña	/	/	/	/	/	100%
Rhoda Regina Rara	/	/	/	/	X	80%
Conrado Favorito	/	/	/	/	/	100%

Majority of the directors had 100% attendance rate in 2019.

## Venue of Meetings

All the Board and Committee meetings were held in the Company's Head Office at the NEX Tower, 6786 Ayala Avenue, Makati City.

## Directors' Orientation Program and Continuing Education

All newly elected directors are given an orientation by the Corporate Secretary on the organizational profile, charters, by-laws, policies and procedures of the Company. As required by regulations, the Company also facilitates the enrollment of all new directors to a corporate governance seminar by an accredited provider within three (3) months from onboarding.

All directors are required annually by the Company to undergo Anti-Money Laundering and Anti-Terrorism and Financing (AMLTF) training and certification. They are also required to review and sign annually the Company's Code of Business Conduct and Ethics (COBE) and a Conflict of Interest Disclosure Statement. For 2019, all of the directors of the Company underwent and completed the AMLTF and COBE trainings.

All directors are likewise encouraged to attend seminars that would aid them in their functions as members of the Board.

## Board Remuneration

Under the Company's By-Laws, directors shall be entitled to receive only such

compensation as may be granted to them by the vote of the stockholders representing at least seventy percent (70%) of the outstanding capital stock.

Currently, independent directors only receive per diem for every board meeting attended. Executive and non-executive directors do not receive compensation for the performance of their functions as a director.

## Succession Plan

The Board oversees the succession planning of the CEO and senior executive officers, including the heads of the Company's oversight functions, and the termination of CEO. All nominations to such positions are deliberated and discussed in the

Nomination and Remuneration Committee which shall evaluate the nominees' competency and credentials, and shall make appropriate endorsement and recommendation to the Board.

## Board Diversity Policy

In choosing nominees to the Board, consideration is given to gender, ethnic background, geographic representation and other personal characteristics that contribute to diversity, recognizing that it is the skills, experience and integrity that are most important in assessing candidates and their potential contributions.

## Corporate Secretary

The Corporate Secretary is a lawyer, Filipino citizen and resident of the Philippines. She was formerly the Company Secretary and Governance Officer of a Government Owned and Control Corporation, has attended various corporate governance trainings and seminars, and she is a graduate member of the Institute of Corporate Directors.

As Company Secretary, she is primarily responsible for the following:

1. Ensure that all Board procedures, rules and regulations are strictly followed;
2. Safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its Committees, as well as the other official records of the Corporation;
3. Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
4. Attend all Board meetings except for justifiable causes; and
5. Prepare and submit all necessary documents and certifications as may be required by laws and regulations.

## Risk Management

Delivering on our mission "Decisions made easier. Lives made better", our ambition is to transform into the most digital, customer-centric global company in our industry, while delighting our customers, engaging our employees, and delivering superior returns for our shareholders. The activities required to achieve these results involve elements of risk taking.

Our approach to risk management is governed by our Enterprise Risk Management ("ERM") Framework. This framework provides a structured approach to implementing risk taking and risk management activities across the enterprise, supporting our long-term revenue, earnings and capital growth strategy. It is communicated through risk policies and standards, which are intended to enable consistent design and execution of strategies across the organization. We have a common approach to

managing all risks to which we are exposed, and to evaluating potential directly comparable risk-adjusted returns on contemplated business activities. Our risk policies and standards cover:

- Risk roles and authorities – Assignment of accountability and delegation of authority for risk oversight and risk management, as well as accountability principles;
- Governance and strategy – The types and levels of risk the Company seeks given its strategic plan, the internal and external environment, and risk appetite which drives risk limits and policies;
- Execution – Risk identification, measurement, assessment and mitigation which enable those accountable for risks to manage and monitor their risk profile; and
- Evaluation – Validation, back testing and independent oversight to confirm that the Company generated the risk profile it intended, root cause analysis of any notable variation, and any action required to re-establish desired levels when exposures materially increase to bring exposures back to desired levels and achieve higher levels of operational excellence.

Our risk management practices are influenced and impacted by external and internal factors (such as economic conditions, political environments, technology and risk culture), which can significantly impact the levels and types of risks we might face in pursuit of strategically optimized risk taking and risk management. Our ERM Framework incorporates relevant impacts and mitigating actions as appropriate.

## Three Lines of Defense Model

A strong risk culture and a common approach to risk management are integral to Manulife's risk management practices. Management is responsible for managing risk within risk appetite and has established risk management strategies and monitoring practices. Our approach to risk management includes a "three lines of defense" governance model that segregates duties among risk taking activities, risk monitoring and risk oversight, and establishes appropriate accountability for those who assume risk versus those who oversee risk.

Our first line of defense includes the Chief Executive Officer ("CEO") and Function Heads. The Chief Executive Officer is ultimately accountable for our business results, the risks we assume to achieve those results, and for the day-to-day management of the risks and related controls, and the Function Heads are accountable for the management of the risks and related controls for their function.

The second line of defense is comprised of the Company's Head of Risk Management, the Risk Management function, the Company's Chief Compliance Officer and the Compliance function, and other oversight functions. Collectively, this group provides independent oversight of risk taking and risk management activities across the enterprise. Risk oversight committees,



through broad-based membership, also provide oversight of risk taking and risk management activities.

The third line of defense is Audit Services, which provides independent, objective assurance that controls are effective and appropriate relative to the risk inherent in the business and that risk mitigation programs and risk oversight functions are effective in managing risks.

## Risk Culture

To enable the achievement of our goals and strategies, we are committed to a set of shared values, which reflect our culture, inform our behaviors, and help define how we work together:

- Obsess about Customers – Predict their needs and do everything in your power to satisfy them.
- Do the Right Thing – Act with integrity and do what we say.
- Think Big – Anything is possible. We can always find a better way.
- Get it Done Together – We're surrounded by an amazing team. Do it better by working together.
- Own it – Feel empowered to make decisions and take action to deliver our mission.
- Share your Humanity – Build a supportive, diverse and thriving workplace.

## Risk Culture Vision

Within this context, we strive for a risk aware culture, where individuals and groups are encouraged, feel comfortable and are proactive in making transparent, balanced risk-return decisions that are in the long-term interests of the Company.

## Risk Culture Framework

We have set a framework of desired behaviors to foster a strong risk aware culture. The framework is assessed against a set of qualitative and quantitative indicators and regularly reported to the Board and senior management, with the intent to continuously identify

opportunities to increase risk awareness across the Company.

We believe that risk culture is strengthened once desired organizational behaviors and attitudes are reinforced through effective application of our corporate values. As such, we communicate key elements of our values through a risk lens to build a strong risk aware culture, including:

- Transparency – Encourage an environment where we can get it done together by openly discussing the strengths, weaknesses and potential range of outcomes of an issue, proposal or initiative and making informed decisions. Escalate issues before they become significant problems.
- Risk appetite – Once we have assessed a risk or situation, establish a risk appetite and own that decision. Establish appropriate limits and associated delegated authority so we can confidently execute our strategy within our risk appetite.
- Learn – Use mistakes and failures as learning moments and share what was learned; think big by sharing beyond teams and business units. Seek out lessons learned from throughout the organization in order to continuously improve and grow our business the right way.
- Incentives – Align personal incentives with our goals and how we want to execute our plan. When things go wrong, share our humanity by planning our reaction and maintaining a supportive environment to ensure appropriate incentives for continued transparency and lessons learned.

## Risk Governance

The Board of Directors oversees the Company's culture of integrity and ethics, strategic planning, risk management, and corporate governance, among other things. The Board of Directors directly oversees the management of our principal risks, and our programs, policies and procedures to manage those risks. The Board also oversees risks through its three standing committees:

- Audit Committee – Oversees internal control over financial reporting and our finance, actuarial, internal audit and global compliance functions, serves as the conduct review committee, reviews our compliance with legal and regulatory requirements and oversees the performance, qualifications and independence of our external auditors.

- Nomination and Remuneration Committee – Oversees our human resources strategy, policies, programs, management succession, executive compensation, and pension plan governance.

- Related Party Transactions Committee – Oversees transactions among the Company, reviewing and approving before any such material transactions may be entered into, and that such transactions are conducted at arm's length.

The CEO is directly accountable to the Board of Directors for our results and operations, and all risk taking activities and risk management practices required to achieve those results. The CEO is supported by the Head of Risk Management as well as by the Executive Risk Committee ("ERC"). Together, they shape and promote our risk culture, guide risk taking throughout our operations and strategically manage our overall risk profile. The ERC, along with other management risk oversight committees, establishes risk policies, guides risk taking activity, monitors significant risk exposures and sponsors strategic risk management priorities throughout the organization.

The Risk Management function, under the direction of the Head of Risk Management, establishes and maintains our ERM Framework and oversees the execution of individual risk management programs across the enterprise. Risk Management seeks to ensure a consistent enterprise-wide assessment of risk, risk-based capital and risk-adjusted returns across all operations.

The ERC approves and oversees the execution of the Company's enterprise risk management program. It establishes and presents for approval to the Board of Directors the Company's risk appetite and enterprise-wide risk limits and monitors our overall risk profile, including key and emerging risks and risk management activities. As part of these activities, the ERC monitors material risk exposures, endorses and reviews strategic risk management priorities, and reviews and assesses the impact of business strategies, opportunities and initiatives on our overall risk position. The ERC is supported by a number of oversight

sub-committees including:

- Product Steering Committee - Oversees insurance risk and reviews risks in new products. Also monitors product design, new product pricing, and insurance risk exposures and trends.
- Asset Liability Committee – Oversees market and liquidity risk for insurance products, hedging, and asset liability management programs and strategies. Also monitors market risk profile, risk exposures, risk mitigation activities and compliance with related policies.

## Risk Appetite

The Company's strategic direction drives overall risk appetite. All risk taking activities are managed within the Company's overall risk appetite, which defines the amount and types of risks the Company is willing to assume in pursuit of its objectives. It is comprised of three components: overall risk taking philosophy, risk appetite statements, and risk limits and tolerances.

## Risk Philosophy

When making decisions about risk taking and risk management, the Company places a priority on the following risk management objectives:

- Safeguarding the commitments and expectations established with our customers, creditors, shareholders and employees;
- Supporting the successful design and delivery of customer solutions;
- Prudently and effectively deploying the capital invested in the Company by shareholders with appropriate risk/return profiles;
- To invest wealth and asset management's customer assets consistent with their objectives, including investment risks and returns;
- Protecting and/or enhancing the Company's reputation and brand; and
- To maintain the Company's targeted financial strength rating.

We aim to only accept risks we can

appropriately analyze and monitor. Risk management is an important factor in determining the success of our Company by providing a framework to mitigate exposures within the risk appetite and effectively deploying our capital towards appropriate risk/return profiles. As an integrated component of our business model, risk management assists the Company in achieving our objectives and encourages organizational learning.

## Risk Appetite Statements

At least annually, we establish and/or reaffirm that our risk appetite and the Company's strategy are aligned. The risk appetite statements provide 'guideposts' on our appetite for identified risks, any conditions placed on associated risk taking and direction for where quantitative risk limits should be established. The Company's risk appetite statements are as follows:

- Manulife Philippines accepts a total level of risk that provides a very high level of confidence to meeting customer obligations while targeting an appropriate overall return to shareholders over time;
- Manulife Philippines targets to be in line with its peers in terms of financial strength;
- Manulife Philippines values innovation and encourages initiatives intended to advance the ambition to be a digital customer-centric market leader;
- Capital market risks are acceptable when they are managed within specific risk limits and tolerances;
- Manulife Philippines believes a diversified investment portfolio reduces overall risk and enhances returns; therefore, it accepts credit and alternative long-duration asset related risks;
- Manulife Philippines pursues product risks that add customer and shareholder value where there is competence to assess and monitor them, and for which appropriate compensation is received;
- Manulife Philippines accepts that operational risks are an inherent part of the

business when managed with thresholds and tolerances of key risk indicators and will protect its business and customers' assets through cost-effective operational risk mitigation; and

- Manulife Philippines expects its officers and employees to act in accordance with the Company's values, ethics and standards; and to enhance its brand and reputation.

## Risk Limits and Tolerances

Risk limits and tolerances are established for risks within our risk classification framework that are inherent in our strategies in order to define the types and amount of risk the Company will assume. Risk tolerance levels are set for risks deemed to be most significant to the Company and are established in relation to economic capital, earnings-at-risk and regulatory capital required. The purpose of risk limits is to cascade the total Company risk appetite to a level that can be effectively managed. Manulife establishes stand-alone risk limits for risk categories to avoid excessive concentration in any individual risk category and to manage the overall risk profile of the organization.

## Risk Identification, Measurement and Assessment

We have a common approach and process to identify, measure, and assess the risks we assume. We evaluate all potential new business initiatives, acquisitions, product offerings, reinsurance arrangements, and investment and financing transactions on a comparable risk-adjusted basis. Functional groups are responsible for identifying and assessing key and emerging risks on an ongoing basis. A standard inventory of risks is used in all aspects of risk identification, measurement and assessment, and monitoring and reporting.

Risk exposures are evaluated using a variety of measures focused on both short-term net income attributed to shareholders and long-term economic value, with certain measures used across all risk categories, while others are applied

only to some risks or a single risk type. Measures include stress tests such as sensitivity tests, scenario impact analyses and stochastic scenario modeling. In addition, qualitative risk assessments are performed, including for those risk types that cannot be reliably quantified.

We perform a variety of stress tests on earnings, regulatory capital ratios, economic capital, earnings-at-risk and liquidity that consider significant, but plausible, events. We also perform other integrated, complex scenario tests to assess key risks and the interaction of these risks.

Economic capital and earnings-at-risk provide measures of enterprise-wide risk that can be aggregated and compared across business activities and risk types. Economic capital measures the amount of capital required to meet obligations with a high and pre-defined confidence level. Our earnings-at-risk metric measures the potential variance from quarterly expected earnings at a particular confidence level. Economic capital and earnings-at-risk are both determined using internal models.

## Risk Monitoring and Reporting

Under the direction of the Head of Risk Management, the Risk Management function oversees a formal process for monitoring and reporting on all significant risks at the Company-wide level. Risk exposures are also discussed at various risk oversight committees, along with any exceptions or proposed remedial actions, as required.

On at least a quarterly basis, the ERC and the Board reviews risk reports that present an overview of our overall risk profile and exposures across our principal risks. The reports incorporate both quantitative risk exposure measures and sensitivities, and qualitative assessments. The reports also highlight key risk management activities and facilitate monitoring compliance with key risk policy limits.

Our Chief Financial Officer reports the compliance of the Company to the Insurance Commission's Risk-Based Capital Ratio and Risk-Based Capital Requirement to the Board of Directors quarterly. The Head of Audit Services reports the results of

internal audits of risk controls and risk management programs to the Audit Committee quarterly. Management reviews the implementation of key risk management strategies, and their effectiveness, with the Board annually.

## Risk Control and Mitigation

Risk control activities are in place throughout the Company to seek to mitigate risks within established risk limits. We believe our controls, which include policies, procedures, systems and processes, are appropriate and commensurate with the key risks faced at all levels across the Company. Such controls are an integral part of day-to-day activity, business management and decision making.

The Risk Management function oversees implementation of formal review and approval processes for product offerings, insurance underwriting, reinsurance, investment activities and other material business activities, based on the nature, size and complexity of the risk taking activity involved. Authorities for assuming risk at the transaction level are delegated to specific individuals based on their skill, knowledge and experience.

## Emerging Risks

The identification and assessment of our external environment for emerging risks is an important aspect of our ERM Framework, as these risks, although yet to materialize, could have the potential to have a material impact on our operations and/or business strategies. We also consider taking advantage of opportunities identified to improve our competitiveness and ultimately our financial results.

Our Emerging Risk Framework facilitates the ongoing identification, assessment and monitoring of emerging risks, and includes: maintaining a process that facilitates the ongoing discussion and evaluation of potential emerging risks with senior business and functional management; reviewing and validating emerging risks with the ERC; creating and executing on responses to each emerging risk based on prioritization; and monitoring and reporting on emerging risks on a regular basis to the Board.

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The identification and assessment of our external environment for emerging risks is an important aspect of our ERM Framework, as these risks, although yet to materialize, could have the potential to have a material impact on our operations...



# COMPANY POLICIES

## Customer Welfare Policy

Since customers depend on the Company to meet its financial promises, the Company maintains uncompromised paying ability, healthy earnings stream, and superior investment performance results, consistent with prudent investment management philosophy.

The Company commits to offer real value to its customers by providing the highest quality products, service, advice, and sustainable value. The Company also ensures that the customers receive excellent solutions to meet their individual needs.

In line with its commitment to customers, the following key initiatives have been rolled-out to support the Company's bold ambition of becoming a digital, customer-centric market leader.

**LoveworCX** is an internal service-culture building program that provides employees a series of training and engagement activities aimed at strengthening our value of "obsessing about the customer".

The **Net Promoter System** has been implemented across the company since 2016 as its customer metric and framework for identifying and addressing customer pain points. Feedback from customers are regularly obtained, analyzed and shared with the rest of the organization. Customer-centric actions and initiatives are then continuously put in place to address customer issues. All of these initiatives help the Company stay focused on its efforts to provide exceptional customer service.

The Company leveraged technology to stay relevant to our customers' lifestyle and to be able to provide service that is faster and more efficient. Manulife Online is a mobile-optimized customer website that makes it easier and more convenient for customers to access their MCBL accounts anytime, anywhere. Here, they can get details such as their account value, when their next payment is due, and other important policy-related information. They can also make premium payments online as well as update their contact details.

The Electronic Point of Sale tool or ePOS is a digital end-to-end sales tool that advisers can use on their tablets to help their clients identify their priorities, find the right products, generate proposals, submit applications and get results in minutes.

## Privacy Policy

At MCBL, we are committed to providing the highest quality financial products and services in a manner that fosters trust and confidence among our customers and representatives. That commitment includes protecting the privacy of all the personal and sensitive personal information in our care in accordance with the Philippines' Data Privacy Act of 2012, its implementing rules and regulations and our privacy policy available at [www.manulife.com/Privacy-Policy](http://www.manulife.com/Privacy-Policy).

On an annual basis, we conduct a Privacy Awareness Day in the Company and a Privacy and Information Protection refresher training to our employees, distributors and third party service providers. Any privacy-related concern can be sent to [phdataprotection@manulife.com](mailto:phdataprotection@manulife.com). The contact details of our Data Protection Officer can be found at <https://www.manulife.com.ph/Customer-Support> while our Customer Privacy Policy can be found at <https://www.manulife-chinabank.com.ph/Customer-Privacy-Policy>.

## Anti-Money Laundering and Anti-Terrorist Financing Policy

At Manulife, we are committed to preventing the use of its products and facilities for the purposes of money laundering or to finance terrorist activities. That commitment includes having and adhering to policies, procedures and controls designed to meet the company's obligations under the Philippines' Anti-Money Laundering Act, as amended, its revised implementing rules and regulations and our AML/ATF policy. On an annual basis, we conduct a localized AML/ATF refresher training and a Manulife Group AML/ATF refresher e-learning training. There is also a supplemental AML/ATF refresher training from the Global Office on

an annual basis for Corporate Officers ranked Assistant Vice President and above.

In 2019, Manulife China Bank conducted classroom training for its newly-hired Financial Sales Associates. A refresher training was also conducted for the sales employees on Enhanced Due Diligence requirements. Online Training on AML Refresher was also provided to all Financial Sales Associates.

The Company also celebrated Compliance Week wherein AML-related activities were given to employees.

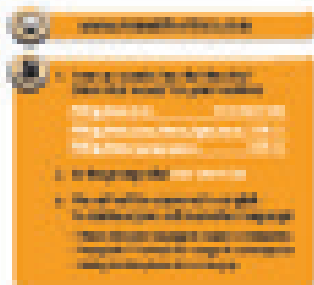
## Code of Business Conduct and Ethics

Manulife's Code of Business Conduct and Ethics (COBE) provides standards for ethical behaviour when representing the Company and when dealing with customers, investors, employees, field representatives, external suppliers, competitors, government authorities and the public. It applies to all directors, officers and employees of Manulife and its subsidiaries including sales representatives, third party business associates, contractors and others with certain duties and obligations to the Company. COBE likewise governs any actual or potential conflict of interest and does not waive actual conflicts of interest under any circumstances. Typical controls include clear and complete disclosure of the potential conflict of interest and recusal from any decision-making relating to the situation giving rise to the potential conflict of interest.

To ensure knowledge and familiarity with the provisions of the COBE, the directors, employees, senior management and Agents are required to undergo training prior to onboarding and annually thereafter as a refresher course. This Code is also available on the Company's website and is available in print upon request.



Manulife Regional Office, Manila, Philippines  
 If you are having a conflict of interest, or a conflict of interest that may affect your ability to perform your duties, or if you are having a conflict of interest that may affect your ability to perform your duties, please contact your supervisor or the Compliance Officer. If you are having a conflict of interest that may affect your ability to perform your duties, please contact your supervisor or the Compliance Officer. If you are having a conflict of interest that may affect your ability to perform your duties, please contact your supervisor or the Compliance Officer.



and ensures compliance with all laws and regulations that apply when offering to provide entertainment, meals, gifts, gratuities, and other items of value to any employee or representative of national or local governments or when accepting such items of value from any employee or representative of national or local governments.

To ensure that all its employees abide by Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act), Revised Penal Code of the Philippines, National Internal Revenue Code, Presidential Decree No. 46 and Insurance Commission Circular 12-2012, the Company promulgated its Anti-Bribery and Anti-Corruption Policy.

The Company's Anti-Bribery and Anti-Corruption (ABC) Policy aims to ensure that the Company's directors, officers and employees, as well as representatives, agents and third-party providers do not give or receive bribes and comply with all applicable laws and regulations at all times. An Anti-Bribery training material is being developed by Manulife Regional Office to provide up-to-date short stand-alone modules that can be easily customized for local markets.

As part of the policy, the Company implements a "no gift policy" directly or indirectly to any public official. Moreover, to ensure compliance with the policy by business partners and third-party providers, the Company's anti-bribery and anti-corruption policy is made an obligatory provision to the agreements or contracts that the Company enters into. The Company also mandates that all financial transactions are recorded in a timely and accurate manner in accordance with accounting standards and principles to prevent off-the-book transactions such as bribes and kickbacks. The policy requires the Compliance Officer to report any violation of laws and regulations to the Board of Directors and recommend the imposition of appropriate disciplinary action on the responsible parties.

In 2019, the ABC Policy was cascaded to all employees as a reminder during the holiday season. In celebrating Compliance Week, the ABC Policy was also discussed with the employees.

## Gifts and Entertainment Policy

It is the policy of Manulife that no business or specific transactions may be contingent in any way on the receipt offer or solicitation of any gift or favor. Further, an employee prohibited from giving or receiving cash or equivalents to any vendor, broker, producer or other outside third party. However, modest gifts and favors, which would not be regarded as improper, may be accepted or given on an occasional basis. In all cases, an employee giving or receiving a gift or favor must declare the same to the Company's Compliance Department.

To ensure awareness of the employees of the Company's Gifts and Entertainment Policy, the provisions are cascaded to the employees before the holiday season, i.e., Christmas and Chinese New Year, where gift giving is prevalent. Similar to other Company policies, employees are required to undergo training on the Gifts and Entertainment Policy prior to onboarding and annually thereafter.

## Whistle Blowing Policy

The Company has a Whistle Blowing Policy which encourages employees to talk to appropriate personnel about suspected or potential illegal or unethical behavior or when the employee is in doubt about the best course of action to take in a particular situation. It is also the policy of the Company not to allow retaliation for reports of misconduct by others made in good faith. Directors, officers, employees, representatives and other associates are expected to cooperate in internal investigations of misconduct.

Employees are also encouraged to report by providing a hotline where they are duty-bound to report suspected unethical behaviors or air their grievances anonymously.

## Anti-Bribery and Anti-Corruption Policy

Maintaining high standards of integrity is paramount to success at Manulife. As stated in the Company's Code of Business Conduct and Ethics, "we must take special care to use our corporate positions responsibly when dealing with government agencies and representatives. This is especially true in relation to the political process. The Company recognizes the paramount importance of

In 2019, the Gifts and Entertainment Policy was cascaded to all employees as a reminder during the holiday season. In celebrating Compliance Week, the Gifts and Entertainment Policy was also discussed with the employees.

## Insider Trading Policy

Directors, officers, employees, representatives and other associates of the Company are prohibited from (a) benefiting from opportunities that are discovered through the use of Company property, information or position; (b) using Company property, information or position for personal gain; and (c) competing with the Company. They owe it to the Company to advance its legitimate interests when the opportunity to do so arises.

## Related Party Transactions

Directors, officers and employees are required by the Company's Code of Business Conduct and Ethics to immediately report their interest in transactions and any conflict of interest or potential conflict. Directors and executives are also required to abstain from participating in any discussion on a particular subject that they are conflicted. Any related party transactions, mostly limited to contracts within the Manulife conglomerates, are conducted in such a way as that they are fair and at arm's length and subject to appropriate review and approval process.

In addition, as required by Insurance Circular Letter No. 2017-29, the Board of Directors approved the Company's Related Party Transaction Policy on 11 April 2018. The policy provides the framework for transactions among the Company and its related parties and establishes requirements to enable compliance with applicable laws, rules and regulations. The Company also has a Related Party Transaction (RPT) Committee that reviews and approves before any such material transactions may be entered into. The RPT Committee is composed of a majority of independent directors.

The Board of Directors also reviews

regularly the controls in place to determine its soundness and strength.

A summary of the approved related party transactions are provided in Note 14 of the Audited Financial Statements as submitted by the Company to regulators. The Company has not entered into any transactions which may be classified as financial assistance to other entities other than investee companies.

## Financial Statements

Manulife Philippines, as approved by its Shareholders and management, engages the services of Sycip, Gorres and Velayo & Co. (SGV & Co.), a member of Ernst and Young International, as its External Auditor. The Audit fees paid to SGV & Co., amounted to Php 1.9 million and Php 1.6 million in 2018 and 2017 respectively.

In 2019, there are no non-audit fees paid to external auditors.

For the past few years and for the Year 2019, the company has not received a qualified, adverse or disclaimer opinion in their audit of the Company.

## Procurement Policy

Manulife routinely engages with third-party vendors and service providers to support the day-to-day management of business. The Company has put in place a framework of policies, processes and tools, as well as a team of sourcing and contracts experts, to assist all business units in meeting their procurement, outsourcing and vendor risk management objectives. This requires all stakeholders to work collaboratively to ensure:

1. Compliance with related policies is achieved;
2. All dealings with suppliers are consistent with Manulife's Code of Business Conduct and Ethics;
3. Procurement processes are competitive and transparent;
4. Manulife's business requirements are

clearly stated;

5. Manulife's risk exposure is identified, assessed and effectively managed;
6. Regulatory compliance on 3<sup>rd</sup> Party outsourcing are met;
7. All contracts and supporting documents are reviewed and approved by appropriate officers; and
8. Suppliers meet their pricing, service level, and contractual commitments.

### Supplier Selection Criteria

At Manulife, it is important that the supplier selection process must be both objective and transparent. The supplier selection decision should be based on evaluation criteria that include, but are not limited to, the supplier's:

1. Demonstrated ability to meet stated requirements;
2. Ability to provide competitive pricing (based on total cost of ownership);
3. Excellent customer service;
4. High quality products and/or services;
5. Financial stability;
6. Technical skills and capacity to meet current and future needs;
7. Willingness to agree to Manulife's contract terms and conditions;
8. Compliance with Manulife's Outsourcing and Vendor Risk Management Policy which aims to enhance design, structure and effectiveness of risk management processes; and
9. Compliance with Government statutory requirements.

Manulife strives to maintain the highest standards of integrity and is committed to fair competition in all its dealings with vendors.

## Health and Safety Policy

Manulife is committed to providing a safe and healthy environment for all its employees, agents and customers through:

- Protection of the employees from work related accidents and injuries
- Promotion of a drug free workplace and a healthy lifestyle
- Prevention of violence and harassment in the workplace

The Management acknowledges the company's obligations and responsibilities to provide appropriate resources for implementing its OSH program, including orientation and training of its employees on OSH, provision and dissemination of materials on safety and health, provision of Personal Protective Equipment (PPE), when necessary, and other OSH related requirements and activities, to ensure the protection of its workers and employees against injuries, illnesses, and death through a safe and healthy working environment.

The company also ensures compliance with reportorial and program requirements mandated by the Department of Labor and Employment. There is accountability at all levels of management and cooperation with employees for effective implementation of policy and other related programs, such as:

- Occupational First Aid Training - implementation date June 2019
- Hazard Investigation and Risk Assessment and Control – annually since June 2019
- Reporting of unsafe work place hazards and unsafe work practices - monthly
- Fire and Earthquake Evacuation Drills - implementation date June 2019
- Orientation Programs – monthly
- Other company initiated safety and health activities – quarterly in 2019

The Company is committed to continual improvement by conducting regular reviews and implementing actions necessary to improve its OSH Program.

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**The Company is committed to continual improvement by conducting regular reviews and implementing actions necessary to improve its OSH Program.**



# SHAREHOLDER INFORMATION

## Rights of Shareholders

The shareholders have the powers and responsibilities as stated in the Corporation Code of the Philippines, the Company's By-laws, the Manual of Corporate Governance, and all other relevant laws, rules, regulations, and internal policies.

Among others, all of the Company's shareholders (including non-controlling shareholders) have the right to:

1. Participate in the amendments of the Company's Articles of Incorporation;
2. Authorize issuance of additional shares;
3. Transfer all or substantially all assets of the Company, which may result in the sale of the Company;
4. Effectively participate in and vote in general shareholder meetings;
5. Nominate candidates for board of directors; and
6. Elect directors individually.

The shareholders are made aware of the rules and voting procedures governing the shareholder meetings.

## Annual General Meeting

As mandated in the by-laws, the shareholders meet regularly or at least once a year. The Company's Secretary ensures that the notice of meeting, including the notice for annual shareholders meeting, is sent to the stockholders at least 21 days from the date of actual meeting. As much as possible, the Company's Secretary ensures that all shareholders are available to attend the general meeting by scheduling the meeting on a commonly acceptable date to encourage attendance of all shareholders.

A Proxy letter is also attached to the notice or made readily available through the Company website to allow shareholders to send representatives in their absence.

In the most recent Annual General Shareholders Meeting held at the head office of Manulife in Makati City, the shareholders were given the opportunity to ask questions or raise issues during the Other Matters Agenda of the Meeting. The Company's President and CEO, Sandeep Deobhakta, and the Audit Committee Chairperson, Janette Peña, also attended the meeting.

## The Company's Shareholders

Name	Shares Held	Amount Paid	% of Ownership	Beneficial Owner	Nationality
The Manufacturers Life Insurance Co. (Phils.), Inc. * (MP)	4,749,993	Php 474,999,300.00	94.999%		Canadian
China Banking Corporation (CBC)	249,998	Php 24,999,800.00	4.999%		Filipino
Richard Bates (Non-Executive Director)	1.0	Php 1,000.00	nil	MP	British
Vibha Coburn (Chairman/Non-Executive Director)	1.0	Php 1,000.00	nil	MP	Australian
Sandeep Deobhakta (Executive Director)	1.0	Php 1,000.00	nil	MP	Indian
William Whang (Non-Executive Director)	1.0	Php 1,000.00	nil	CBC	Filipino
Patrick Cheng (Non-Executive Director)	1.0	Php 1,000.00	nil	CBC	Filipino
Matthew Lawrence (Non-Executive Director)	1.0	Php 1,000.00	nil	MP	Filipino
Janette L. Pena (Independent Director)	1.0	Php 1,000.00	nil	MP	Filipino
Rhoda Regina Reyes-Rara (Independent Director)	1.0	Php 1,000.00	nil	MP	Filipino
Conrado Favorito (Independent Director)	1.0	Php 1,000.00	nil	MP	Filipino

\*1,750,000 shares in trust for China Banking Corporation which will bring China Bank's ownership to 40%.

# EMPLOYEE CORNER



## Compensation Philosophy

Manulife Philippines' global strategy requires everyone across the organization to perform at their best in order to achieve success. Leaders need to ensure that employees are able to make the link between specific performance and compensation, and fully understand how they are rewarded for their performance.

The Manulife compensation philosophy is to pay for performance. The Company continues to differentiate compensation and rewards based on performance and contribution of the employees to drive high-performing culture. Our compensation objectives as an organization are:

- Provide flexibility to differentiate compensation for top talent
- Maintain competitiveness with the external market
- Prudently manage our compensation expense
- Attract, retain, motivate and reward employees at all levels through competitive compensation structures
- Focus on the execution of our strategic plan
- Maintain alignment with shareholder interests

The Company's Employee Recognition Program awards on a quarterly basis employees and teams based on responses to the following:

- What did the employee or team do to bring our Purpose to life? How did the employee help our customers – whether internal or external – achieve their dreams and aspirations?
- How did the employee or team demonstrate our values (i.e. Obsess about customers, Do the right thing, Think big, Get it done together, Own it, Share your humanity)

An Employee of the Year and a Team of the Year are chosen from among the pool of employees and teams awarded during the previous quarters.

## Training and Development

The Company has various trainings and seminars for its employees. Trainings are provided by both Manulife Philippines and MCBL's Human Resources Department and its own sales training department. The trainings offered aim not only to comply with regulatory requirements but also to equip employees with the right skills and knowledge to perform their functions.

Upon onboarding, Financial Sales Associates (FSAs) undergo fourteen (14) days of training covering the following: new employee orientation, licensing training, product training, basics of underwriting, sales process, compensation and compliance. On a quarterly basis, the FSAs undergo additional training to ensure that their knowledge of Company processes/operational guidelines, and products and funds are up to date. The Company also offers industry certification programs to performing FSAs.

In 2019, the quarterly training program was conducted for all FSAs across 12 regions nationwide. The topics included the new product, the quarterly fund review, AML, the code of ethics, data privacy, and operations updates.

MCBL promotes a culture of Continuous Learning. Last year, HR developed and executed L.E.A.P. (Leadership Effectiveness Agility Program), designed to aid managers when they transition to leadership roles, and reinforce management skills such as Planning, Leading, Organizing and Controlling. The program also aims to upgrade the skills of current leaders and prepare them for a more agile culture.

# SPECIAL FEATURES

## Enriching The Lives Of Filipinos

### MCBL offers new products for investment, family security and financial growth

In 2019, Manulife China Bank Life (MCBL) introduced new products in the market as part of its commitment to adapt innovations that will amplify customer-centricity in its services and offerings.

Secure Life 7 provides guaranteed protection and cash payouts for 7 years regardless of market condition. Customers can enjoy peace of mind as they are covered with 240% protection coverage of their annual basic premium. The product also comes with built-in accidental and disability benefits for extra protection. Secure Life 7 also earns cash values that customers can borrow from in case of financial emergencies. It has extra protection through built-in accident and disability benefits. It also paves the way for hassle-free applications with no medical requirements needed (subject to certain conditions and limits set by MCBL).



The Company also launched MCBL Enrich Starter and MCBL Enrich Booster to provide value-for-money life insurance solutions that can provide Filipinos better protection and help them jumpstart their savings. MCBL Enrich rests on four important grounds: affordability, protection, hassle-free application and manageable premium payment. Through MCBL Enrich products, customers can pay as low as Php1,000 per month to get life insurance coverage worth Php300,000. They can also build up savings over time for as low as P30,000 per year.

The Company launched robust marketing campaigns to supplement the most value-for-money life insurance plan in the market. These include social media ads, eDM campaigns, employee offers, and fun contests on social media that underscored MCBL products as every Filipino's "perfect match" to build a better future.

In addition, the Company also introduced the MCBL LifeBuilder product, which guarantees cash benefits on top of investments regardless of market movement, lifetime protection, growth on money through expertly managed funds, and easy application for up to Php1 million in coverage.

In the investment front, Manulife Philippines and MCBL also launched the Asia Pacific Property Income Fund (APPIF), where customers can achieve potential long-term capital appreciation and income generation by investing in a diversified portfolio of exchange-listed real estate investment trusts (REITs) in Asia Pacific.

2019 was a busy and productive year, where the Company also invested in technology to improve our internal processes to make our transactions easier and more efficient for customers and agents. MCBL launched ePOS, an online platform that allows application submission and customized proposals under a single tool for select products. Benefits include the removal of manually filled-in application forms, which means fewer errors and faster turnaround time. In terms of managing resources, the ePOS will also allow the Company to put in more time for training, learning and development of new ideas. So far, it has really helped in enhancing distribution and customer experience for various MCBL products.

MCBL continues to look for new and better ways to elevate its products and services in 2020, whether through investment, protection, health or retirement, by proactively monitoring market trends and digitalization efforts that perfectly support its plans of action to drive long-term growth for its customers.

# AUDITED FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

**The Board of Directors and Stockholders**  
Manulife China Bank Life Assurance Corporation

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Manulife China Bank Life Assurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Manulife China Bank Life Assurance Corporation in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

## Sycip Gorres Velayo & Co.



**Josephine Adrienne A. Abarca**

**Partner**

CPA Certificate No. 92126

SEC Accreditation No. 0466-AR-4 (Group A),

November 13, 2018, valid until November 12, 2021 Tax  
Identification No. 163-257-145

BIR Accreditation No. 08-001998-61-2018,

February 26, 2018, valid until February 25, 2021 PTR  
No. 8125200, January 7, 2020, Makati City

June 8, 2020

# STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents (Note 4)	P2,019,407,191	P1,850,094,830
Insurance Receivables (Note 22)	6,841,371	9,830,976
Reinsurance Assets (Notes 11 and 15)	5,197,869,605	4,273,945,905
Financial Assets (Note 5)		
Financial assets at fair value through profit or loss	33,990,824,787	30,359,933,820
Available-for-sale financial assets	1,978,339,570	1,241,430,218
Loans and receivables	430,032,599	251,238,180
Accrued Income (Note 7)	107,305,029	104,406,377
Property and Equipment (Note 8)	27,910,530	19,931,717
Deferred Tax Assets (Note 21)	45,138,516	–
Other Assets (Note 9)	52,000,857	38,344,910
<b>TOTAL ASSETS</b>	<b>P43,855,670,055</b>	<b>P38,149,156,933</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Insurance contract liabilities (Note 10)	P39,869,376,199	P35,362,069,804
Insurance payables (Note 11 and 15)	1,340,541,925	1,087,437,506
Policyholder's dividends (Note 22)	236,040,617	192,110,863
Accounts payable and accrued expenses (Note 12)	377,118,999	363,024,820
Due to related parties (Note 15)	209,343,059	357,573,980
Income tax payable	72,966,452	3,828,422
<b>Total Liabilities</b>	<b>42,105,478,251</b>	<b>37,366,045,395</b>
Equity		
Capital stock (Note 13 and 23)	500,000,000	500,000,000
Additional paid-in capital (Note 13)	525,000,000	525,000,000
Contingency surplus (Note 14)	100,000,000	–
Remeasurement gain (loss) on legal policy reserves (Note 10)	(8,749,790)	57,620,349
Remeasurement gain (loss) on pension plan (Note 20)	4,545,187	(3,992,013)
Reserve for fluctuation in value of available-for-sale financial assets (Note 5)	(45,239,221)	(441,666,692)
Appropriate surplus - Negative reserves	44,828,315	53,038,081
Retained earnings	629,807,313	93,111,813
<b>Total Equity</b>	<b>1,750,191,804</b>	<b>783,111,538</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P43,855,670,055</b>	<b>P38,149,156,933</b>

See accompanying Notes to Financial Statements.

# STATEMENTS OF INCOME

	Years Ended December 31	
	2019	2018
<b>REVENUES</b>		
Gross premiums earned on insurance contracts	P7,915,556,896	P8,812,694,328
Reinsurer's share of gross premiums earned on insurance contracts	(328,371,496)	(252,293,360)
Net insurance premiums earned (Note 16)	7,587,185,400	8,560,400,968
Investment Income (Note 17)	100,324,690	91,283,405
Fair value losses on financial assets at FVPL (Note 5)	(4,704,778)	(4,895,854)
Gain (loss) on sale of available-for-sale financial assets (Note 5)	89,888	(36,812,757)
Foreign currency exchange losses - net	(16,093,524)	(6,429,205)
Other Income (Note 17)	1,557,623,198	1,179,440,727
Total revenues	9,224,424,874	9,782,987,284
<b>BENEFITS AND OPERATING EXPENSES</b>		
Gross benefits and claims incurred on insurance contracts (Note 18)	108,013,765	147,955,862
Reinsurers' share of benefits and claims incurred on insurance contracts (Note 18)	(20,270,048)	(52,820,789)
Gross change in legal policy reserves (Note 18)	7,169,678,275	8,242,880,777
Reinsurer's share of gross change in legal policy reserves (Note 18)	67,406,376	(57,770,101)
Dividends to policyholders	60,166,580	49,269,969
Net insurance benefits and claims	7,384,994,948	8,329,515,718
General and administrative expenses (Note 19)	881,506,030	779,511,650
Commission Expenses (Note 15)	334,637,807	414,476,289
Insurance and other taxes	23,957,512	17,702,113
Total benefits and operating expenses	8,625,096,297	9,541,205,770
<b>INCOME BEFORE INCOME TAX</b>	<b>599,328,577</b>	<b>241,781,514</b>
<b>PROVISION FOR INCOME TAX (Note 21)</b>	<b>70,842,843</b>	<b>37,468,114</b>
<b>NET INCOME</b>	<b>P528,485,734</b>	<b>P204,313,400</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that will be reclassified to profit or loss in subsequent periods:		
Net change in fair value of available-for-sale financial assets (Note 5)	396,427,471	(204,321,314)
Remeasurement (loss) gain on legal policy reserves, net of tax (Note 10)	(49,084,034)	71,911,256
Tax effect of remeasurement gain in legal policy reserves recognized in prior years (Note 12)	(17,286,105)	-
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain on pension plan (Note 20)	8,537,200	7,461,924
	338,594,532	(124,948,134)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P867,080,266</b>	<b>P79,365,266</b>

See accompanying Notes to Financial Statements

## STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Notes 13 and 23)	Contributed Surplus (Note 13)	Contingency Surplus (Note 14)	Remeasurement Gain (Loss) on Legal Policy Reserves (Note 10)	Remeasurement Gain (Loss) on Pension Plan (Note 20)	Reserve for Fluctuation in Value of Available-for- sale Financial Assets (Note 5)	Appropriated Surplus - Negative Reserves (Note 2)	Retained Earnings (Deficit)	Total
Balances at January 1, 2019	P500,000,000	P525,000,000	-	P57,620,349	(P3,992,013)	(P441,666,692)	P53,038,081	P93,111,813	P783,111,538
Net income	-	-	-	-	-	-	-	528,485,734	528,485,734
Other comprehensive income (loss)	-	-	-	(66,370,139)	8,537,200	396,427,471	-	-	338,594,532
Total comprehensive income (loss)	-	-	-	(66,370,139)	8,537,200	396,427,471	-	528,485,734	867,080,266
Appropriation of negative policy reserves	-	-	-	-	-	-	(8,209,766)	8,209,766	-
Capital infusion (Note 14)	-	-	100,000,000	-	-	-	-	-	100,000,000
Balances at December 31, 2019	P500,000,000	P525,000,000	P100,000,000	(P8,749,790)	P4,545,187	(P45,239,221)	P44,828,315	P629,807,313	P1,750,191,804
Balances at January 1, 2018	P500,000,000	525,000,000	-	(P14,290,907)	(P11,453,937)	(P237,345,378)	P50,985,290	(P109,148,796)	P703,746,272
Net income	-	-	-	-	-	-	-	204,313,400	204,313,400
Other comprehensive income (loss)	-	-	-	71,911,256	7,461,924	(204,321,314)	-	-	(124,948,134)
Total comprehensive loss	-	-	-	71,911,256	7,461,924	(204,321,314)	-	204,313,400	79,365,266
Appropriation of negative policy reserves	-	-	-	-	-	-	2,052,791	(2,052,791)	-
Balances at December 31, 2018	P500,000,000	525,000,000	-	P57,620,349	(P3,992,013)	(P441,666,692)	P53,038,081	P93,111,813	P783,111,538

See accompanying Notes to Financial Statements

# STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P599,328,577	P241,781,514
Adjustments for:		
Change in insurance contract liabilities (Note 10)	415,564,142	151,447,921
Depreciation and amortization (Notes 8 and 19)	8,487,997	9,637,495
Retirement costs (Note 20)	5,983,003	6,305,150
Fair value loss on financial assets at fair value through profit or loss (Note 5)	4,704,778	4,895,854
Unrealized foreign currency exchange loss - net	3,969,642	4,880,232
Gain (loss) on sale of available-for-sale financial assets (Note 5)	(89,888)	36,812,757
Change in IBNR provision (Note 10)	(3,297,917)	14,514,461
Interest income (Note 17)	(100,324,690)	(91,283,405)
Operating income before changes in working capital	934,325,644	378,991,979
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss (Note 5)	(3,635,595,745)	(747,015,196)
Insurance receivables	2,989,605	8,626,171
Reinsurance assets	(923,923,700)	(723,145)
Loans and receivables	(178,794,419)	129,890,600
Other assets	(6,158,319)	(6,102,535)
Increase (decrease) in:		
Insurance contract liabilities (Note 10)	3,954,597,543	608,420,155
Policy and contract claims and other insurance contract liabilities (Note 10)	70,322,578	12,041,076
Insurance payables	253,104,419	224,732,363
Policyholders' dividends	43,929,754	39,837,334
Accounts payable and accrued expenses	14,094,178	(259,388,976)
Due to related parties	(148,139,921)	6,272,304
Net cash generated by operations	380,751,617	395,582,130
Contribution to retirement fund (Note 20)	(6,810,260)	(5,509,564)
Income taxes paid	(41,226,590)	(37,105,918)
Net cash provided by operating activities	332,714,767	352,966,648
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	102,299,750	131,852,775
Proceeds from sale/maturities of:		
Available-for-sale financial assets (Note 5)	93,360,097	142,083,604
Property and equipment (Note 8)	-	613,334
Acquisitions of:		
Available-for-sale financial assets (Note 5)	(438,625,802)	(46,834,342)
Property and equipment (Note 8)	(16,466,810)	(8,529,222)
Net cash provided by (used in) investing activities	(259,432,765)	219,186,149
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>		
Proceeds from capital infusion (Note 14)	P100,000,000	-
<b>EFFECT OF FOREIGN CURRENCY RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>		
	(3,969,641)	(4,880,232)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>169,312,361</b>	<b>567,272,565</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,850,094,830</b>	<b>1,282,822,265</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>P2,019,407,191</b>	<b>P1,850,094,830</b>

See accompanying Notes to Financial Statements



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